**1 .** Singular Corp. has the following income statement data:

**2006 2007**

Sales $ 500,000 $ 700,000

Gross profit 161,300 205,000

Selling and administrative expense 45,200 74,300

Interest expense 15,200 29,100

Net income (after these and other expenses) 44,100 45,600

*a.* Compute the ratio of each of the last four items to sales for 2006 and 2007.

*b.* Based on your calculations, is the company improving or declining in its

performance?

**2.** A company has $200,000 in inventory, which represents 20 percent of current

assets. Current assets represent 50 percent of total assets. Total debt represents

30 percent of total assets. What is stockholders’ equity?

**3.** Given the following financial data: Net income/Sales = 4 percent; Sales/Total

assets = 3.5 times; Debt/Total assets = 60 percent; compute:

*a.* Return on assets.

*b.* Return on equity.

**8.** In the year 2007, the average firm in the S&P 500 Index had a total market

value of fives times stockholders’ equity (book value). Assume a firm had total

assets of $10 million, total debt of $6 million, and net income of $600,000.

*a.* What is the percent return on equity?

*b.* What is the percent return on total market value? Does this appear to be an

adequate return on the actual market value of the firm?

**12.** In problem 10, if total debt were increased to 50 percent of assets and interest

payments went up by $300, what would be the new value for return on equity?