The financial statements of Davis Inc. appear below:

DAVIS, INC.

Comparative Balance Sheet

December 31,

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Assets 2012 2011

Cash ........................................................................................................................ $50,000 $45,000

Short-term investments ......................................................................................... 35,000 55,000

Accounts receivable (net) ....................................................................................... 40,000 30,000

Inventory ................................................................................................................ 60,000 80,000

Property, plant and equipment (net) ..................................................................... 275,000 290,000

Total assets ..................................................................................................... $460,000 500,000

Liabilities and stockholders' equity

Accounts payable ................................................................................................... $20,000 $35,000

Short-term notes payable ...................................................................................... 35,000 70,000

Bonds payable ........................................................................................................ 120,000 140,000

Common stock ....................................................................................................... 150,000 150,000

Retained earnings .................................................................................................. 135,000 105,000

Total liabilities and stockholders' equity ......................................................... $460,000 $500,000

DAVIS, INC.

Income Statement

For the Year Ended December 31, 2012

Net sales ................................................................................................................. $500,000

Cost of goods sold .................................................................................................. 280,000

Gross profit............................................................................................................. 220,000

Expenses

Operating expenses ........................................................................................ $122,000

Interest expense ............................................................................................. 13,000

Total expenses ......................................................................................... 135,000

Income before income taxes .................................................................................. 85,000

Income tax expense ............................................................................................... 25,000

Net income ............................................................................................................. $ 60,000

Additional information:

a. Cash dividends of $30,000 were declared and paid in 2012.

b. Weighted-average number of shares of common stock outstanding during 2012 was 25,000 shares.

c. Market value of common stock on December 31, 2012, was $20 per share.

**Instructions**

Using the financial statements and additional information, compute the following ratios for Davis, Inc. for 2011. You must show supporting computations to receive full credit.

1. Current ratio

2. Return on common stockholders' equity

3. Price-earnings ratio

4. Acid-test ratio

5. Receivables turnover

6. Times interest earned

7. Days in inventory

8. Return on assets