Computations:

	1		2
Current assets	Sales x 40% = $3,000,000 x .40 = **$1,200,000**	Current assets	Sales x 50% = $3,000,000 x .50 = **$1,500,000**
Fixed assets	**GIVEN** $ 600,000	Fixed assets	**GIVEN** $ 600,000
Total assets	= Current Assets + Fixed Assets = $ 1,200,000 + $ 600,000 = **$ 1,800,000**	Total assets	= Current Assets + Fixed Assets = $ 1,500,000 + $ 600,000 = **$ 2,100,000**
Debt	Debt ratio= Total Debt/Total Assets 50%= Total Debt/ $1,800,000 Total Debt= .50 x $1,800,000 = **$ 900,000**	Debt	Debt ratio= Total Debt/Total Assets 50%= Total Debt/ $2,100,000 Total Debt= .50 x $ 2,100,000 = **$ 1,050,000**
Equity	= Total Assets – Total Debt = $ 1,800,000 - $ 900,000 = **$ 900,000**	Equity	= Total Assets – Total Debt = $ 2,100,000 - $ 1,050,000 = **$1,050,000**
Total liability/ equity	= Debt + Equity = $ 900,000 + $ 900,000 = **$ 1,800,000**	Total liability/ equity	= Debt + Equity = $ 1,050,000 + $ 1,050,000 = **$ 2,100,000**
EBIT	= Sales x .15 = **$ 450,000**	**EBIT**	= Sales x .15 = **$ 450,000**
Interest	= Debt x interest rate = $ 900,000 x .10 = **$ 90,000**	Interest	= Debt x interest rate = $1,050,000 x .10 = **$ 105,000**
Earnings before taxes	EBT= EBIT – Interest = $ 450,000 - $ 90,000 = **$ 360,000**	Earnings before taxes	EBT= EBIT – Interest = $ 450,000 - $ 105,000 = **$ 345,000**
Taxes	= EBT x Tax Rate = $ 360,000 x .40 = **$ 144,000**	Taxes	= EBT x Tax Rate = $ 345,000 x .40 = **$ 138,000**
Net income	= EBT - Taxes = $360,000 - $ 144,000 = **$ 216,000**	Net income	= EBT - Taxes = $ 345,000 - $ 138,000 = **$ 207,000**
ROE	**=** Net Income / Common Equity = $ 216,000 / $ 900,000 **= 24%**	**ROE**	**=** Net Income / Common Equity = $ 207,000 / $ 1,050,000 **=19.71%**

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	3
Current assets	Sales x 50% =$3,000,000 x .60 = **$1,800,000**
Fixed assets	**GIVEN** $ 600,000
Total assets	= Current Assets + Fixed Assets = $ 1,800,000 + $ 600,000 = **$2,400,000**
Debt	Debt ratio= Total Debt/Total Assets 50%= Total Debt/ $ 2,400,000 =Total Debt= .50 x $2,400,000 = **$ 1,200,000**