

Problem 1-11B
Computing and
interpreting return on
assets

AT&T and Verizon produce and market telecommunications products and are competitors. Key financial figures (in \$ millions) for these businesses for a recent year follow.

	AT&T	Verizon
Sales	\$126,723	\$110,875
Net income	4,184	10,198
Average assets	269,868	225,233

A2



Required

1. Compute return on assets for (a) AT&T and (b) Verizon.
2. Which company is more successful in the total amount of sales to consumers?
3. Which company is more successful in returning net income from its assets invested?

Check (1a) 1.6%; (1b) 4.5%

Analysis Component

4. Write a one-paragraph memorandum explaining which company you would invest your money in and why. (Limit your explanation to the information provided.)