

ACC 532 Homework Problems

Module 7

Problem 1

Engels, Inc. has the following data available for two of its divisions for last year:

	<u>Asian Division</u>	<u>European Division</u>
Sales	\$460,000	\$900,000
Contribution Margin	184,000	470,000
Operating income	92,000	90,000
Average operating assets	368,000	750,000
Weighted average cost of capital	14%	14%

The imputed interest for Marx Inc. is 24%.

The tax rate for Marx Inc. is 18%.

Required:

(1) Compute the following for each division

- (a) Sales margin
- (b) Capital turnover
- (c) ROI
- (d) Residual income
- (e) EVA, (Assume there are no current liabilities)

(2) Briefly discuss which division appears most successful and why?

Problem 2

There are five common types of responsibility centers listed below. Briefly describe each and give an example.

Cost Center

Discretionary Cost Center

Revenue Center

Profit Center

Investment Center