

1. Bobick Company provided the following information for last year:

Operating income	\$64,000
Sales	\$200,000
Beginning operating assets	\$387,000
Ending operating assets	\$413,000

Bobick's margin for last year was

- a. 2.0.
- b. 0.16.
- c. 0.32.
- d. 0.5.
- e. 0.1.

2. Shandling Company had operating income of \$70,000, sales of \$218,750, and turnover of 0.5.

What is Shandling's ROI?

- a. 32%
- b. 50%
- c. 16%
- d. 64%
- e. cannot be determined from this information

3. The manager of Alpha Division projects the following for next year:

Sales	\$100,000
Operating income	\$30,000
Operating assets	\$200,000

The manager can invest in an additional project that would require \$30,000 investment in additional assets and would generate \$4,200 of additional income. The company's minimum rate of return is 12%.

What is the residual income for Alpha Division without the additional investment?

- a. \$30,000
- b. \$6,000
- c. \$6,600
- d. \$4,200
- e. \$24,000

4. Shear-it, Inc., produces paper shredders. Shear-it is considering a new shredder design for home offices. The marketing vice president believes that a basic unit in a variety of attractive colors could be sold for \$70. Shear-it requires that all new products yield 30% profit. What is the target cost of the new shredder?

- a. \$21
- b. \$91
- c. \$49
- d. \$100
- e. \$63.70

5. Truman Products provided the following selected information about its consumer products division for 2004:

Desired ROI	12%
Net Income	\$600,000
Residual Income	\$480,000

Based on the above information, the company's investment amount was

- a.) \$1,080,000
- b.) \$5,000,000
- c.) \$4,000,000
- d.) \$1,000,000
- e.) None of the above

6. The Groovy Movie Chains has invested in Italian snack bars for their stores where individual pizza slices would be prepared and sold. The investment cost the company \$45,000. The company expects a sales volume for the new product to be 12,000 pizza slices a year. Variable materials, preparation, and marketing costs are expected to be \$1.50 / unit and fixed costs are estimated at \$15,000 a year. Based on a desired 12% ROI, what should Groovy Movies charge as the selling price per unit?

- a. \$0.45
- b. \$2.75
- c. \$3.20
- d. \$5.20
- e. None of the above