

# ROI-SegmentReporting-FlexBudgets

Student: \_\_\_\_\_

1. Sinopoli Corporation bases its budgets on machine-hours. The company's static planning budget for September appears below:

Budgeted number of machine-hours.....	8,500
Budgeted variable costs:	
Supplies (@ \$1.50 per machine-hour) ..	\$12,750
Power (@ \$3.30 per machine-hour) .....	28,050
Budgeted fixed costs:	
Salaries.....	15,300
Equipment depreciation.....	<u>37,400</u>
Total expense.....	<u>\$93,500</u>

## Required:

Prepare a flexible budget for 8,600 machine-hours per month.

2. Gaal Industries is a division of a major corporation. Last year the division had total sales of \$26,110,000, net operating income of \$1,801,590, and average operating assets of \$7,000,000. The company's minimum required rate of return is 18%.

**Required:**

- a. What is the division's margin?
- b. What is the division's turnover?
- c. What is the division's return on investment (ROI)?

3. DC Construction has two divisions: Remodeling and New Home Construction. Each division has an on-site supervisor who is paid a salary of \$62,000 annually and one salaried estimator who is paid \$36,000 annually. The corporate office has two office administrative assistants who are paid salaries of \$40,000 and \$32,000 annually. The president's salary is \$138,000. How much of these salaries are common fixed expenses?

- A. \$138,000
- B. \$210,000
- C. \$72,000
- D. \$258,000

# Roi-SegmentReporting-FlexBudgets **Key**

1. Sinopoli Corporation bases its budgets on machine-hours. The company's static planning budget for September appears below:

Budgeted number of machine-hours.....	8,500
Budgeted variable costs:	
Supplies (@ \$1.50 per machine-hour) ..	\$12,750
Power (@ \$3.30 per machine-hour) .....	28,050
Budgeted fixed costs:	
Salaries.....	15,300
Equipment depreciation.....	<u>37,400</u>
Total expense.....	<u>\$93,500</u>

## Required:

Prepare a flexible budget for 8,600 machine-hours per month.

Sinopoli Corporation	
Flexible Budget	
Actual machine-hours (q) .....	8,600
Supplies (\$1.50q).....	\$12,900
Power (\$3.30q).....	28,380
Salaries (\$15,300) .....	15,300
Equipment depreciation (\$37,400)	<u>37,400</u>
Total expense.....	<u>\$93,980</u>

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Apply*

*Difficulty: 1 Easy*

*Garrison - Chapter 09 #249*

*Learning Objective: 09-01 Prepare a flexible budget.*

2. Gaal Industries is a division of a major corporation. Last year the division had total sales of \$26,110,000, net operating income of \$1,801,590, and average operating assets of \$7,000,000. The company's minimum required rate of return is 18%.

**Required:**

- a. What is the division's margin?
- b. What is the division's turnover?
- c. What is the division's return on investment (ROI)?

a. Margin = Net operating income ÷ Sales = \$1,801,590 ÷ \$26,110,000 = 6.9%

b. Turnover = Sales ÷ Average operating assets = \$26,110,000 ÷ \$7,000,000 = 3.73

c. ROI = Net operating income ÷ Average operating assets = \$1,801,590 ÷ \$7,000,000 = 25.737%

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Apply*

*Difficulty: 1 Easy*

*Garrison - Chapter 11 #104*

*Learning Objective: 11-01 Compute return on investment (ROI) and show how changes in sales; expenses; and assets affect ROI.*

3. DC Construction has two divisions: Remodeling and New Home Construction. Each division has an on-site supervisor who is paid a salary of \$62,000 annually and one salaried estimator who is paid \$36,000 annually. The corporate office has two office administrative assistants who are paid salaries of \$40,000 and \$32,000 annually. The president's salary is \$138,000. How much of these salaries are common fixed expenses?

- A. \$138,000
- B. \$210,000**
- C. \$72,000
- D. \$258,000

Office administrative assistant .....	\$40,000
Office administrative assistant .....	32,000
President's salary .....	138,000
Common fixed expenses .....	<u>\$210,000</u>

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Apply*

*Difficulty: 1 Easy*

*Garrison - Chapter 06 #75*

*Learning Objective: 06-04 Prepare a segmented income statement that differentiates traceable fixed costs from common fixed costs and use it to make decisions.*

# Roi-SegmentReporting-FlexBudgets Summary

<u>Category</u>	<u># of Questio</u>
	<u>ns</u>
AACSB: Analytic	3
AICPA BB: Critical Thinking	3
AICPA FN: Measurement	3
Blooms: Apply	3
Difficulty: 1 Easy	3
Garrison - Chapter 06	1
Garrison - Chapter 09	1
Garrison - Chapter 11	1
Learning Objective: 06-	1
04 Prepare a segmented income statement that differentiates traceable fixed costs from common fixed costs and use it t o make decisions.	
Learning Objective: 09-01 Prepare a flexible budget.	1
Learning Objective: 11-	1
01 Compute return on investment (ROI) and show how changes in sales; expenses; and assets affect ROI.	