



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

Responsibility Accounting Systems

Exercises

Ex 1

Provide the missing data in the following table for a distributor of martial arts products:

	Division		
	Alpha	Bravo	Charlie
Sales	\$?	\$11,500,000	\$?
Net operating income	\$?	\$ 920,000	\$210,000
Average operating assets	\$800,000	\$?	\$?
Margin	4%	?	7%
Turnover	5	?	?
Return on investment (ROI)	?	20%	14%



Ex 2

Tan Corporation of Japan has two regional divisions with headquarters in Osaka and Yokohama. Selected data on the two divisions follow:

	Division	
	Osaka	Yokohama
Sales	\$3,000,000	\$9,000,000
Net operating income	\$210,000	\$720,000
Average operating assets	\$1,000,000	\$4,000,000

Required:

1. For each division, compute the margin, turnover, and return on investment (ROI).
2. Compute the residual income for each division assuming the company's minimum required rate of return is 15%.



Ex 3

In each of the cases below, assume Division X has a product that can be sold to outside customers or to Division Y of the same company. The managers of the divisions are evaluated based on their divisional profits.

	Case	
	A	B
Division X:		
Capacity in units	200,000	200,000
Number of units being sold to outside customers	200,000	160,000
Selling price per unit to outside customers	\$90	\$75
Variable costs per unit	\$70	\$60
Fixed costs per unit (based on capacity)	\$13	\$8
Division Y:		
Number of units needed for production	40,000	40,000
Purchase price per unit now being paid to an outside supplier	\$86	\$74

Required:

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- Refer to the data in case A above. Assume in this case \$3 per unit in variable selling costs can be avoided on intracompany sales.
 - What is the lowest acceptable transfer price from the perspective of the selling division?
 - What is the highest acceptable transfer price from the perspective of the buying division?
 - What is the range of acceptable transfer prices (if any) between the two divisions? If the managers are free to negotiate and make decisions on their own, will a transfer probably take place? Explain.
- Refer to the data in case B above. In this case, there will be no savings in variable selling costs on intracompany sales.
 - What is the lowest acceptable transfer price from the perspective of the selling division?
 - What is the highest acceptable transfer price from the perspective of the buying division?
 - What is the range of acceptable transfer prices (if any) between the two divisions? If the managers are free to negotiate and make decisions on their own, will a transfer probably take place? Explain.

