

QUESTION

The following information is for Question 1. The company has a number of departments, each of which is a profit center. The company's total sales are \$100 million. The company's total operating expenses are \$70 million. The company's total operating income is \$30 million. The company's total operating assets are \$100 million. The company's total operating liabilities are \$30 million. The company's total operating equity is \$70 million. The company's total operating income is \$30 million. The company's total operating assets are \$100 million. The company's total operating liabilities are \$30 million. The company's total operating equity is \$70 million.

Department	Sales	Operating Expenses	Operating Income	Operating Assets	Operating Liabilities	Operating Equity
Department A	20	10	10	20	10	10
Department B	30	15	15	30	15	15
Department C	50	45	5	50	45	5

QUESTION 1: Calculate the operating income margin for each department.

ANSWER

The operating income margin for each department is calculated as follows:

- Department A: $\frac{10}{20} = 0.5$ or 50%
- Department B: $\frac{15}{30} = 0.5$ or 50%
- Department C: $\frac{5}{50} = 0.1$ or 10%