

Exercise 12-2 (10 minutes)

$$\begin{aligned} 1. \text{ Margin} &= \frac{\text{Net operating income}}{\text{Sales}} \\ &= \frac{\$600,000}{\$7,500,000} = 8\% \end{aligned}$$

$$\begin{aligned} 2. \text{ Turnover} &= \frac{\text{Sales}}{\text{Average operating assets}} \\ &= \frac{\$7,500,000}{\$5,000,000} = 1.5 \end{aligned}$$

$$\begin{aligned} 3. \text{ ROI} &= \text{Margin} \times \text{Turnover} \\ &= 8\% \times 1.5 = 12\% \end{aligned}$$