a. Which division has the lowest return on sales?
b. Which division has the highest return on assets?
c. Compute the return on assets for the entire corporation.
d. If the $8,000,000 investment in the heavy machinery division is sold off and redeployed in the medical supplies subsidiary at the same rate of return on assets currently achieved in the medical supplies division, what will be the new return on assets for the entire corporation?

30. Omni Technology Holding Company has the following three affiliates: Analysis by affiliates *(LO1)*

	Software	Personal Computers	Foreign Operations
Sales	$40,000,000	$60,000,000	$100,000,000
Net income (after taxes)	2,000,000	2,000,000	8,000,000
Assets	5,000,000	25,000,000	60,000,000
Stockholders' equity	4,000,000	10,000,000	50,000,000

a. Which affiliate has the highest return on sales?
b. Which affiliate has the lowest return on assets?
c. Which affiliate has the highest total asset turnover?
d. Which affiliate has the highest return on stockholders' equity?
e. Which affiliate has the highest debt ratio? (Assets minus stockholders' equity equals debt.)
f. Returning to question *b*, explain why the software affiliate has the highest return on total assets.
g. Returning to question *d*, explain why the personal computer affiliate has a higher return on stockholders' equity than the foreign operations affiliate even though it has a lower return on total assets.

31. The Canton Corporation shows the following income statement. The firm uses FIFO inventory accounting. Inflation and inventory accounting effect *(LO5)*

CANTON CORPORATION
Income Statement for 2010

Sales	$100,000	(10,000 units at $10)
Cost of goods sold	50,000	(10,000 units at $5)
Gross profit	50,000	
Selling and administrative expense	5,000	
Depreciation	10,000	
Operating profit	35,000	
Taxes (30%)	10,500	
Aftertax income	$ 24,500	

a. Assume in 2011 the same 10,000-unit volume is maintained, but the sales price increases by 10 percent. Because of FIFO inventory policy, old

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