PROBLEM 12–15 Comparison of Performance Using Return on Investment (ROI) [LO 12–1]

Comparative data on three companies in the same service industry are given below:

	Company		
	A	B	C
Sales	$4,000,000	$1,500,000	$?
Net operating income	$ 560,000	$ 210,000	$?
Average operating assets	$2,000,000	?	$3,000,000
Margin	?	?	3.5%
Turnover	?	?	2
Return on investment (ROI)	?	7%	?

Required:

1. What advantages are there to breaking down the ROI computation into two separate elements, margin and turnover?
2. Fill in the missing information above, and comment on the relative performance of the three companies in as much detail as the data permit. Make *specific recommendations* about how to improve the ROI.

(Adapted from National Association of Accountants, *Research Report No. 35*, p. 34)