

CASE NEWSTONE COMPANY

NEWSTONE company is organized into two business divisions: the Granite Division and the Marble Division.

Regarding the year N, the following data were provided (in €):

Description	Granite Division	Marble Division
Sales	4 000 000	6 000 000
Economic assets at the beginning of the year	1 000 000	800 000
Operational profit	150 000	135 000
Income tax	20%	20%

Knowing that the return rate wished is 10%, it is required:

1. Calculate ROI (Return on Investment) and RI (Residual Income) for each division;
2. Comment the performance of each division in comparative terms;
3. Mention what other factors may condition the comparative performance assessment between the two divisions.