

ACCOUNTING in the headlines

What type of responsibility center would a Kohl's Café within the department store be considered?

In an effort to increase the number of shoppers coming into its stores and the length of time those shoppers stay, Kohl's ([KSS](#)) is adding a small café (Kohl's Café) to each of two of its department stores in the Milwaukee, Wisconsin area. Each café will sell Caribou Coffee items including lattes, cappuccinos, and other coffee items. Granola bars, chips, cookies, and other grab-and-go snacks will also be available. These cafés are experimental at this point; Kohl's has no plans to add the cafés to other stores.

Questions

1. What type of responsibility center would the Kohl's Café within a given store be (cost center, revenue center, profit center, or investment center)?
2. What costs do you think could be **traced** directly to a café in a given store?
3. Assume that Kohl's wants to evaluate the profitability (or performance) of a café within a given store. What, if any, costs should be **allocated** to the café? Explain your answer.
4. Now assume that Kohl's wants to evaluate whether the café has been a good investment from the standpoint of having increased overall store sales. What revenues and costs are relevant to this evaluation?
5. Let's now assume that Kohl's wants to allocate the net costs of a café to all of the departments within a Kohl's store (Juniors, Men, Shoes, etc.). Are there any potential issues with allocating the café costs across the store? Explain.