

Printers Plus is a retailer of printers and ink cartridges. The printers carry a low profit margin and the ink cartridges a very high margin. Following is an aggregated budgeted performance plan for 20X5.

Spreadsheet						
	A	B	C	D	E	F
1	Budgeted Performance Report All Stores For The Year Ending December 31, 20X5					
2						
3	Sales:					
4	Printers	\$4,500,000				
5	Cartridges	<u>4,500,000</u>				
6	Total sales	<u>\$9,000,000</u>				
7						
8	Less variable expenses:					
9	Printers	\$4,000,000				
10	Cartridges	<u>1,500,000</u>				
11	Total variable expenses	<u>\$5,500,000</u>				
12						
13	Contribution margin	\$3,500,000				
14	Traceable fixed costs	<u>1,550,000</u>				
15	Location margin	\$1,950,000				
16	Common fixed costs	<u>1,400,000</u>				
17	Stores margin	<u>\$ 550,000</u>				
18						

Although total sales met expectations for the year, management is upset that the targeted margins were not achieved. Following is the "store by store" actual performance report. Evaluate the detailed data and write a paragraph explaining the loss. If each store has a positive margin, as shown in the report on the following page, why is management upset?

Spreadsheet				
			<i>fx</i>	
	A	B	C	D
1	Actual Performance Report All Stores For The Year Ending December 31, 20X5			
2		Store A	Store B	Store C
3	Sales:			
4	Printers	\$2,000,000	\$2,500,000	\$1,000,000
5	Cartridges	<u>500,000</u>	<u>2,000,000</u>	<u>1,000,000</u>
6	Total sales	<u>\$2,500,000</u>	<u>\$4,500,000</u>	<u>\$2,000,000</u>
7				
8	Less variable expenses:			
9	Printers	\$1,777,778	\$2,222,222	\$ 888,889
10	Cartridges	<u>166,667</u>	<u>666,667</u>	<u>333,333</u>
11	Total variable expenses	<u>\$1,944,444</u>	<u>\$2,888,889</u>	<u>\$1,222,222</u>
12				
13	Contribution margin	\$ 555,556	\$1,611,111	\$ 777,778
14	Traceable fixed costs	<u>450,000</u>	<u>600,000</u>	<u>500,000</u>
15	Location margin	<u>\$ 105,556</u>	<u>\$1,011,111</u>	<u>\$ 277,778</u>
16				