

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.

Budgeted Performance Report  
All Stores  
For the Year Ending December 31, 20X5

Sales	
Printers	\$ 4,500,000
Cartridges	<u>4,500,000</u>
Total sales	<u>\$ 9,000,000</u>
Less: Variable expenses	
Printers	\$ 4,000,000
Cartridges	<u>1,500,000</u>
Total variable expenses	<u>\$ 5,500,000</u>
Contribution margin	\$ 3,500,000
Traceable fixed costs	<u>1,550,000</u>
Location margin	\$ 1,950,000
Common fixed costs	<u>1,400,000</u>
Stores margin	<u>\$ 550,000</u>

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 following report, why is management upset?

Actual Performance Report  
All Stores  
For the Year Ending December 31, 20X5

	Store A	Store B	Store C
Sales			
Printers	\$ 2,000,000	\$ 2,500,000	\$ 1,000,000
Cartridges	500,000	2,000,000	1,000,000
Total sales	\$ 2,500,000	\$ 4,500,000	\$ 2,000,000
Less: Variable expenses			
Printers	\$ 1,777,778	\$ 2,222,222	\$ 888,889
Cartridges	166,667	666,667	333,333
Total variable expenses	\$ 1,944,444	\$ 2,888,889	\$ 1,222,222
Contribution margin	\$ 555,556	\$ 1,611,111	\$ 777,778
Traceable fixed costs	450,000	600,000	500,000
Location margin	\$ 105,556	\$ 1,011,111	\$ 277,778