

Exercise 13-8 (10 minutes)

Contribution margin lost if the Linen Department is dropped:

Lost from the Linen Department	\$600,000
Lost from the Hardware Department (10% × \$2,100,000).....	<u>210,000</u>
Total lost contribution margin.....	810,000
Less fixed costs that can be avoided (\$800,000 – \$340,000).....	<u>460,000</u>
Decrease in profits for the company as a whole	<u>\$350,000</u>