

Marginal Analysis (Pregnancy Pillows Co. - PPC)

Description	West	East	Total	
Revenue	200	150	150	500
Variable COGS	(35)	(30)	(15)	(80)
Variable S&A costs	(45)	(30)	(35)	(110)
Contribution Margin	120	90	100	310
Fixed COGS	(50)	(90)	(70)	(210)
Fixed S&A costs	(20)	(40)	(20)	(80)
Allocated corporate costs	(20)	(15)	(15)	(50)
Operating Income	30	(55)	(5)	(30)

(1) Shut down all the operations :

Contribution Margin		-	-	-	-
Fixed COGS	30%	(15)	(27)	(21)	(63)
Fixed S&A costs	30%	(6)	(12)	(6)	(24)
Allocated corporate costs		(20)	(15)	(15)	(50)
Operating Income		(41)	(54)	(42)	(137)

Impact : (Increased total loss)

(107)

(2) Shut down the Central operation :

Contribution Margin		120	-	100	220
Fixed COGS	30%	(50)	(27)	(70)	(147)
Fixed S&A costs	30%	(20)	(12)	(20)	(52)
Allocated corporate costs		(20)	(15)	(15)	(50)
Operating Income		30	(54)	(5)	(29)

Impact : (Reduced total loss)

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(3) Shut down the Central & East :

Contribution Margin		120	-	-	120
Fixed COGS	30%	(50)	(27)	(21)	(98)
Fixed S&A costs	30%	(20)	(12)	(6)	(38)
Allocated corporate costs		(20)	(15)	(15)	(50)
Operating Income		30	(54)	(42)	(66)

Impact : (Increased total loss)

(36)