Problem 4. (20 marks)
Mikkee Corporation has three departments. Data for the most recent year is presented below. There are $20 in corporate headquarters fixed costs that are not traceable to individual departments.

	A	B	C	Total
Sales	$400	$200	$80	$680
Variable costs	$128	$52	$34	$214
Contribution margin	$272	$148	$46	$466
Unavoidable fixed costs	$96	$52	$12	$160
Avoidable fixed costs	$60	$104	$54	$218
Allocated fixed costs	$12	$6	$2	$20
Operating income	$104	$(14)	$(22)	$68

Required:

- **a)** Should any department(s) be dropped? Which one(s) and why? What is the effect on operating income if your advice is followed? **(10 marks)**
- **b)** Without regard to your answer for (a) above, suppose that Departments B and C are both eliminated. What is the new operating income for the Mikkee Corporation? **(10 marks)**