The Clemson Company reported the following results last year for the manufacture and sale of one of its products known as a Tam.

 

Clemson Company is trying to determine whether or not to discontinue the manufacture and sale of Tams. The operating results reported above for last year are expected to continue in the foreseeable future if the product is not dropped. The fixed manufacturing overhead represents the costs of production facilities and equipment that the Tam product shares with other products produced by Clemson. If the Tam product were dropped, there would be no change in the fixed manufacturing costs of the company.

 Assume that discontinuing the manufacture and sale of Tams will have no effect on the sale of other product lines. If the company discontinues the Tam product line, the change in annual operating income (or loss) should be:

A. $55,000 decrease
B. $65,000 decrease
C. $90,000 decrease
D. $70,000 increase