I need help with the question below. The response to this question is being evaluated on the basis of: understanding of concepts, computational correctness, thoughtfulness, and clarity. All necessary calculations must be clearly shown. Your response can be in either Word or Excel.

1. Hagar, Inc. is a retail chain with 125 stores organized into 5 regions. The most recent annual income statement for the Snert, ND store is given below (in $000). It is typical of recent years, and Hagar is considering closing the store because of chronic losses. What factors should Hagar consider in making the decision?

Sales $2,520

COGS 1,650

Gross margin 870

Expenses:

Wages $395

Store management 110

Advertising 180

Regional management 78

Occupancy 83

Depreciation 87 933

Net loss (63)

Advertising consists of 60% local ads, and 40% allocation of national advertising costs. Regional management represents an allocation of the cost of operating the regional office. These are fixed costs except for $1,000/year of travel costs to visit the Snert store. Depreciation costs are $60,000 for the building, and $27,000 for equipment and fixtures. If the store is closed, the building could be rented out for $27,000/year. The equipment and fixtures have no value and would be junked. Occupancy costs include $20,000 of taxes and insurance which must be paid on the building as long as it is owned. The remaining occupancy costs, such as maintenance and utilities, would be paid by a tenant if the building is rented.