

Exercise 13-6 (10 minutes)

	<i>A</i>	<i>B</i>	<i>C</i>
Selling price after further processing...	<u>\$20</u>	<u>\$13</u>	<u>\$32</u>
Selling price at the split-off point.....	<u>16</u>	<u>8</u>	<u>25</u>
Incremental revenue per pound or gallon	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 7</u>
Total quarterly output in pounds or gallons	<u>×15,000</u>	<u>×20,000</u>	<u>×4,000</u>
Total incremental revenue.....	\$60,000	\$100,000	\$28,000
Total incremental processing costs.....	<u>63,000</u>	<u>80,000</u>	<u>36,000</u>
Total incremental profit or loss.....	<u>\$(3,000)</u>	<u>\$ 20,000</u>	<u>\$(8,000)</u>

Therefore, only product B should be processed further.