

**Problem 13-17** (15 minutes)

1.

*Per 16-Ounce  
T-Bone*

Sales from further processing:

Sales price of one filet mignon (6 ounces × \$4.00 per pound ÷ 16 ounces per pound).....	\$1.50
Sales price of one New York cut (8 ounces × \$2.80 per pound ÷ 16 ounces per pound).....	<u>1.40</u>
Total revenue from further processing .....	2.90
Less sales revenue from one T-bone steak .....	<u>2.25</u>
Incremental revenue from further processing .....	0.65
Less cost of further processing .....	<u>0.25</u>
Profit per pound from further processing .....	<u>\$0.40</u>

2. The T-bone steaks should be processed further into the filet mignon and the New York cut. This will yield \$0.40 per pound in added profit for the company. The \$0.45 "profit" per pound shown in the text is not relevant to the decision because it contains allocated joint costs. The company will incur the joint costs regardless of whether the T-bone steaks are sold outright or processed further; thus, this cost should be ignored in the decision.