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| Mesa Industrial Products Co. (MIPC) is a diversified industrial-cleaner processing company. The company's Verde plant produces two products: a table cleaner and a floor cleaner from a common set of chemical inputs (CDG). Each week 900,000 ounces of chemical input are processed at a cost of $210,000 into 600,000 ounces of floor cleaner and 300,000 ounces of table cleaner. The floor cleaner has no market value until it is converted into a polish with the trade name Floor Shine. The additional processing costs for this conversion amount to $250,000.  F1oorShine sells at $20 per 30-ounce bottle. The table cleaner can be sold for $25 per 30-ounce bottle. However, the table cleaner can be converted into two other products by adding 300,000 ounces of another compound (TCP) to the 300,000 ounces of table cleaner. This joint process will yield 300,000 ounces each of table stain remover (TSR) and table polish (TP). The additional processing costs for this process amount to $100,000. Both table products can be sold for $18 per 30-ounce bottle.  The company decided not to process the table cleaner into TSR and TP based on the following analysis.   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | |  | | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | |  | | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | **Process Further** | | | | --- | --- | --- | --- | --- | |  | **Table Cleaner** | **Table Stain Remover (TSR)** | **Table Polish (TP)** | **Total** | | Production in ounces | (300,000) | 300,000 | 300,000 |  | | Revenue | $250,000 | $180,000 | $180,000 | $360,000 | | Costs: |  |  |  |  | | CDG costs | 70,000[\*](http://edugen.wiley.com/edugen/courses/crs1865/weygandt7262/weygandt7262c07/weygandt7262/weygandt7262c07/weygandt7262c07xlinks.xform?id=weygandt7262c07-note-0002) | 52,500 | 52,500 | 105,000[\*\*](http://edugen.wiley.com/edugen/courses/crs1865/weygandt7262/weygandt7262c07/weygandt7262/weygandt7262c07/weygandt7262c07xlinks.xform?id=weygandt7262c07-note-0003) | | TCP costs | 0 | 50,000 | 50,000 | 100,000 | | Total costs | 70,000 | 102,500 | 102,500 | 205,000 | | Weekly gross profit | $180,000 | $ 77,500 | $ 77,500 | $155,000 | | | | |  | | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | |  | | | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |   **Hint:**  *Determine if product should be sold or processed further.* |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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| **Instructions**   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **(a)** | Determine if management made the correct decision to not process the table cleaner further by doing the following.   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | |  |  | | --- | --- | | **1.** | Calculate the company's total weekly gross profit assuming the table cleaner is not processed further. | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | | **2.** | Calculate the company's total weekly gross profit assuming the table cleaner is processed further.   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | |  | | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |  |  | | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | |  | | --- | |  | |  |  | | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | | **3.** | Compare the resulting net incomes and comment on management's decision. | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | | | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | | **(b)** | Using incremental analysis, determine if the table cleaner should be processed further. ***(If amount decreases the income, use either a negative sign preceding the number eg -45 or parentheses eg (45).)*** | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | |  |  | | --- | | (CMA adapted) | |