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| Steve has just returned from salmon fishing. He was lucky on this trip and brought home two salmon. Steve’s wife, Wendy, disapproves of fishing, and to discourage Steve from further fishing trips, she has presented him with the following cost data. The cost per fishing trip is based on an average of 10 fishing trips per year. |

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|   |   |   |
|   Cost per fishing trip: |   |   |
|   Depreciation on fishing boat \* (annual depreciation of $1,500 ÷ 10 trips) | $ | 150   |
|   Boat storage fees (annual rental of $1,200 ÷ 10 trips) |   | 120   |
|   Expenditures on fishing gear, except for snagged lures     (annual expenditures of $200 ÷ 10 trips) |   | 20   |
|   Snagged fishing lures |   | 7   |
|   Fishing license (yearly license of $40 ÷ 10 trips) |   | 4   |
|   Fuel and upkeep on boat per trip |   | 25   |
|   Junk food consumed during trip |   | 8   |
|    |  |  |
|   Total cost per fishing trip | $ | 334   |
|   |  |  |
|   Cost per salmon ($334 ÷ 2 salmon) | $ | 167   |
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| \*The original cost of the boat was $15,000. It has an estimated useful life of 10 years, after which it will have no resale value. The boat does not wear out through use, but it does become less desirable for resale as it becomes older. |

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| **Required:** |
| **1.** | Assuming that the salmon fishing trip Steve has just completed is typical, what costs are relevant to a decision as to whether he should go on another trip this year? **(Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
|   Total relevant cost | $   |

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| **2.** | Suppose that on Steve’s next fishing trip he gets lucky and catches three salmon in the amount of time it took him to catch two salmon on his last trip. How much would the third salmon have cost him to catch? **(Leave no cells blank - be certain to enter "0" wherever required. Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
|   Cost of third salmon | $   |