**Introduction to Management Accounting**

by Horngren, Sundem, Stratton, Burgstahler & Schatzberg

**Chapter 6: 6-37, Sell or Process Further**

An Exxon petrochemical factory produces two products, L and M, as a result of a particular joint process. Both products are sold to manufacturers as ingredients for assorted chemical products.

Product L sells at split off for $0.25 per gallon. M, for $0.30 per gallon. Data for April follow:

|  |  |
| --- | --- |
| Joint processing cost | $1,600,000 |
| Gallons produced and sold |  |
| L | 4,000,000 |
| M | 2,500,000 |

Suppose that in April the 2,500,000 gallons of M could have been processed further into Super M at an additional cost of $165,000. The Super M output would be sold for $0.36 per gallon. Product L would be sold at split off in any event.

Should M have been processed further in April and sold as Super M? Show your computations.