

Conditions

Great Woods sells specialty equipment for mountain climbers. Its sales for last year included \$238,000 of tents and \$411,000 of climbing gear. For next year, management has decided to sell specialty sleeping bags also. As a result of this change, sales projections for next year are \$254,000 of tents, \$426,000 of climbing gear, and \$51,000 of sleeping bags. How much of next year's sales are derived from the side effects of adding the new product to its sales offerings?

- A. \$0
- B. \$15,500
- C. \$31,000
- D. \$51,000
- E. \$82,000

Solution

The last year sales:

$$238000 + 411000 = 649000$$

Next year sales:

$$254000 + 426000 + 51000 = 722000$$

$$722000 - 649000 = 82\ 000$$

Answer: The effect is +82000\$