**2.4.3 Stock control**

1. Identify whether each of the following statements are true or false. Justify your answer.

|  |  |
| --- | --- |
| Statement | True/False |
| Labour productivity can be calculated as: number of employees/output. | False |
| Justification: The correct formula is output/number of employees. | |
| Stock will automatically be reordered when it reaches buffer level. | False |
| Justification: Stock will be reordered when it reaches a set level which will be higher than the buffer level to allow for lead time. | |
| A manufacturing business will always achieve the optimal mix of resources when it is capital intensive. | False |
| Justification: It will depend upon the nature of the business. A manufacturer using job production rather than flow for example may achieve its optimal mix when it is labour intensive. | |
| Poor stock control may lead to poor customer service. | True |
| Justification: Poor stock control may mean that customer needs cannot be met. | |
| There is an inverse relationship between capacity utilisation and unit costs. | True |
| Justification: As capacity utilisation goes up fixed costs are divided by a higher amount of output and hence unit costs will go down. | |
| A benefit of lean production is lower waste. | True |
| Justification: Lean production techniques such as just in time and Kaizen aim to reduce waste. | |
| Just in time involves eliminating any quality problems from the production process. | False |
| Justification: Just in time involves aiming to reduce waste and stop adding costs which may result in less quality problems. It however will not eliminate all problems in the same way as a system of quality assurance may aim to. | |
| Just in time relies on a good relationship with suppliers. | True |
| Justification: Just in time relies on inventory being delivered as it is needed. It must therefore arrive on time and be of the correct amount and quality. It is therefore important to have a good relationship with suppliers. | |

1. Nomad Travels operates coach holidays to the south coast of England. Last month it ran 4 trips each with an average of 36 passengers. Its average capacity utilisation was 75%. What is each coach’s capacity?
   1. ~~30~~
   2. ~~34~~
   3. ~~44~~
   4. **48**

Show your workings:

Capacity x 0.75 = 36 passengers

Capacity = 36 /0.75

= 48 passengers