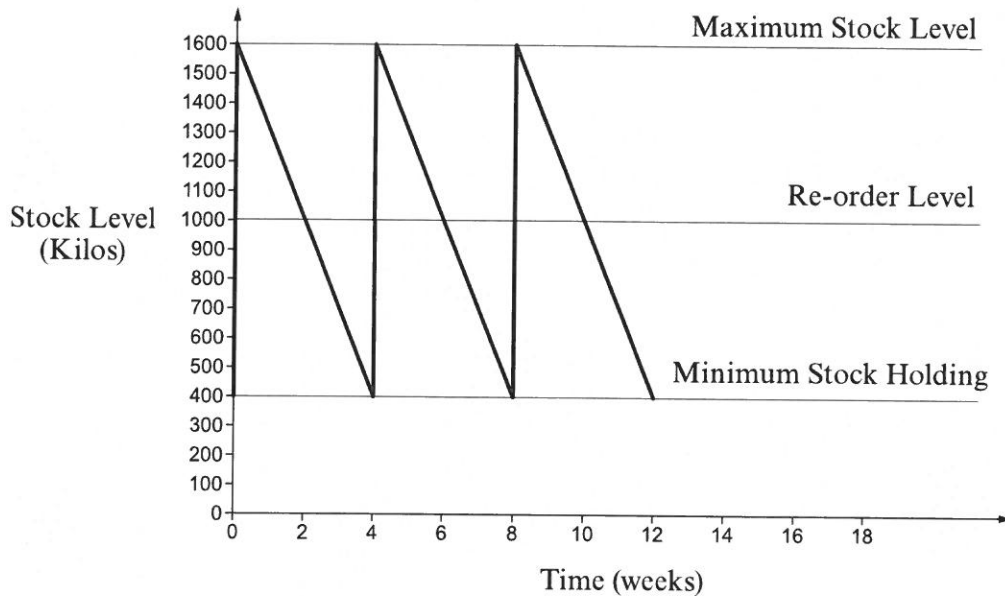


A JAN 2013

3. It's not all sweet at Candy Cakes Ltd.

Production Manager, Charlie Woods, had just received an e-mail from his suppliers in the West Indies that the latest order of top quality sugar was unlikely to be delivered on time – yet again. Unfortunately he had recently decided to reduce his **buffer stock** of this type of sugar in order to save costs.

Candy Cakes Ltd's Sugar Stock Control Diagram.



(a) Explain the following stock control terms:

- (i) lead time;
- (ii) re-order quantity;
- (iii) buffer stock.

[6]

(b) Examine the stock control diagram for Candy Cakes Ltd's sugar and give the value of the following:

- (i) lead time;
- (ii) re-order quantity;
- (iii) buffer stock.

[3]

Whilst there are other suppliers Charlie might use, this top quality sugar is a vital ingredient and gives Candy Cakes Ltd products a unique flavour, which differentiates them from those of their many competitors. This has enabled the company to charge premium prices in an increasingly competitive market. Having to withdraw 50 000 sponge cakes from sale last year, as a result of an error on the production line, was still fresh in his mind. He believed another mistake could cost him his job and the news of a late delivery was just what Charlie did not need.

The arrival of the agenda for the monthly management meeting only served to make Charlie even more concerned.

February Management Meeting.

AGENDA

1. **Departmental Budgets** – *Managing Director*
2. **Report on High Staff Turnover** – *Human Resources Manager*
3. **Breakdown of Pay Negotiations** – *Human Resources Manager*
4. **Monthly Sales Figures/Competitors' activities** – *Marketing Manager*
5. **Implementation of new TQM programme** – *Managing Director*
6. **Any other business.**

Failure to meet the deadline for the submission of their departmental budgets last year had resulted in Charlie and Mike Prentice (the Sales and Marketing Manager) receiving a long lecture from the Managing Director, on the importance of budgetary control. Charlie was behind with his budget again this year.

In addition, the imminent introduction of the Total Quality Management (TQM) programme was simply adding to his stress levels. He knew it would force him to improve all aspects of his department's performance. Trying to achieve continuous improvement was something he knew would be very challenging.

Charlie rang Mike to see if he had his departmental budget ready and to share his worries over the new TQM programme. Mike said 'I know the Managing Director has great faith in all these quality initiatives: whilst the new TQM programme will solve some of our problems, there are many other issues that this company needs to deal with if we are to be successful next year'. This did nothing to make Charlie feel any better.

- (c) Evaluate the usefulness to Candy Cakes Ltd of constructing a budget. [8]
- (d) Discuss the view that the introduction of the new Total Quality Management (TQM) programme will solve some, but not all, of the company's problems. [10]

END OF PAPER

* JUNE 2014.

2

Answer **all** the questions.

1. **Too much stock at Waites Ceramics Ltd.**

Managing Director, Martin Waites had just finished a tour of the factory. The business produced a variety of items for the home and garden and Martin was alarmed to see the number of large garden pots taking up so much space in the warehouse. He called Mike Hallinan, his sales and marketing manager into his office in order to address the issue. 'It is late September and there is far too much summer stock in the warehouse – half of which is made up of large ceramic garden pots. I spoke to you last year about **holding too much stock**. This is your last warning. I want you and your sales team to get these pots sold and out of the warehouse as soon as possible. If there is no progress by this time next month I will be taking action.'



1	1
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Explain what methods Mike Hallinan, the sales and marketing manager, might use to sell the excess stock. [6]

1	2
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Explain **three** reasons why Martin Waites considers that *holding too much stock* is bad for the business. [6]