

# BUSINESS OPERATIONS



## Multiple choice

- |      |       |       |       |
|------|-------|-------|-------|
| 1. B | 6. C  | 11. B | 16. C |
| 2. C | 7. B  | 12. D | 17. C |
| 3. B | 8. A  | 13. C | 18. C |
| 4. B | 9. D  | 14. C | 19. D |
| 5. A | 10. C | 15. B | 20. A |

## Matching terms

A bar chart dividing a project into a list of activities, showing the start and completion times for each activity	<b>Gantt chart</b>
Involves formulating job descriptions to ensure that the different jobs of employees integrate well and do not overlap	<b>Task design</b>
Software that makes it possible for designers to visualise their output and have specific information about product features	<b>Computer Aided Design (CAD)</b>
Gives control over the production process, which can help to create consistency and make it possible for easy minor adjustments to what is being produced	<b>Computer Aided Manufacturing (CAM)</b>
A control system that involves establishing systems to check raw materials and examine procedures before beginning production	<b>Prevention control</b>
A control system concerned with comparing the result of the production process with targets	<b>Feedback control</b>
A business only orders raw material just before they are to be used, thereby reducing storage costs	<b>Just-in-time inventory management</b>
Stock is stored in two supplies, and orders are filled from one bin while the other is being replenished	<b>Two-bin inventory management</b>
Emphasises building quality into the business operations rather than reacting to problems when they arise	<b>Total Quality Management (TQM)</b>
A quality control approach that emphasises eliminating waste	<b>Value added management</b>

# Short answers

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## Question 1

- (a) The brothers should enter into a partnership. Although there is a danger that they could disagree over the business direction, both bring equal equity and skill to the venture. Also, with two people as owners they can split the burden of collateral which would most likely be required to raise the remaining \$320,000. Also the option of becoming incorporated is not really available, as all of their funds will be needed for set-up costs.
- (b) The local government would have to approve the set-up of the manufacturing plant by deciding if the business would be in line with existing businesses in the area. The plant would also require access for heavy vehicles and machinery, and access to parking and storage would be influenced by the local government.
- (c) Computer Aided Design (CAD) would allow the business to create complex visual prototypes to pitch to prospective buyers without having to spend money on manufacturing a physical bike.

Computer Aided Manufacturing (CAM) allows the business to make small or large changes to the manufacturing process with greater efficiency and ease of production. This would make it easier for the business to diversify across a range of bike styles and models.

## Question 2 (

- (a) Bob's bicycles used feedback (output) control to discover problems with its production. This system may be useful for discovering faults but it is highly ineffective at solving problems in production. This is seen by the fact that faults are increasing at an accelerating rate as production increases.
- (b) Depending on which parts are most complained about, Bob's could discover which inputs are the problem and switch to a more reliable supplier of quality inputs.
- (c) Total Quality Management involves the implementation of quality control at all stages of production, rather than just after problems arise. At Bob's, reviews and part checks could be implemented at different stages of bike assembly to ensure one part of the production process is not causing regular problems. Greater testing of prototypes could also be used to ensure that the proposed bikes will meet the rigorous demands of even the most demanding customers.

## Question 3

- (a) Benefit 1: Daya will more easily be able to control costs by ensuring he only has necessary staff numbers at different times through the day (e.g. extra during lunch).

Benefit 2: Daya will be able to plan ahead with a greater deal of certainty and adapt to staff problems that may arise, such as sickness, by rearranging the rosters and still ensuring minimal staff costs.

- (b) (i) The number of competitors that could supply his inputs – he could make them compete for his business and minimise costs.
- (ii) Which supplies would overlap or could be used across products – he could buy in bulk and save money.
- (iii) How long each input takes to be supplied – he would need to set up an inventory trigger to ensure he does not run out of stock.