

CHAPTER

8

Production of Goods

Part 1: Content Review

Matching

Write the letter of the correct term for each definition on the line provided.

Terms

- A. conversion
- B. sourcing
- C. mass production
- D. supplier
- E. inventory

- F. repositioning
- G. image
- H. prototype
- I. test marketing
- J. product planning

- _____ 1. The process of deciding which products will be most strategic for the organization to produce.
- _____ 2. Marketing an existing product in a new way to create a new opinion or view of the product in the minds of customers to increase sales.
- _____ 3. The assortment or selection of items that a business has on hand at a particular point in time.
- _____ 4. A working model of a new product for testing purposes.
- _____ 5. The process of changing and improving resources to create goods or services.
- _____ 6. Finding suppliers of materials needed for production of a product.
- _____ 7. The idea that people have about someone or something.
- _____ 8. Manufacturing goods in large quantities using standard techniques.
- _____ 9. Business that sells materials, supplies, or services to an organization that creates product.
- _____ 10. Introduction of a new product to a small portion of the target market to learn how it will sell.

Multiple Choice

Place the letter of the correct answer to each question on the line provided.

- _____ 1. _____ utility is important in production because it includes the conversion of raw materials into finished product.
- A. Time
 - B. Place
 - C. Possession
 - D. Form
- _____ 2. The specialization of individuals who perform specific tasks is _____.
- A. mass production
 - B. division of labor
 - C. productivity
 - D. custom manufacturing
- _____ 3. Which is *not* a typical activity in an effective production process?
- A. Planning
 - B. Purchasing
 - C. Repositioning
 - D. Scheduling
- _____ 4. A _____ inventory control system keeps a minimal amount of raw materials on hand to meet production needs.
- A. just-in-time
 - B. right-on-time
 - C. periodic
 - D. continuous
- _____ 5. The activity of checking products as they are produced or received to ensure quality meets expectations is _____.
- A. inventory control
 - B. quality control
 - C. just-in-time
 - D. continuous process improvement
- _____ 6. _____ is the series of stages a product goes through from its beginning to the end.
- A. Repackaging
 - B. Repositioning
 - C. Test marketing
 - D. Product life cycle
- _____ 7. In the new product development process, new product is introduced to the market during the _____ stage.
- A. commercialization
 - B. evaluation
 - C. idea screening
 - D. business analysis

Name _____

- _____ 8. Testing new services before they are commercially available is accomplished through _____.
A. surveys
B. trade shows
C. trial runs
D. evaluation
- _____ 9. Introducing a new product to a small portion of the target market to learn how it will sell is _____.
A. test marketing
B. a prototype
C. idea screening
D. branding
- _____ 10. Using a new package for an existing product is _____.
A. repositioning
B. repackaging
C. realignment
D. redesigning

Completion

In the space provided, write the word(s) that best completes each of the following statements.

- _____ 1. The area of management responsible for the activities necessary to produce goods and services is _____.
- _____ 2. _____ describes the characteristics of a product that satisfy wants and needs.
- _____ 3. The measure of a worker's production in a specific amount of time is _____.
- _____ 4. Converting resources to a product that fits the specifications of a particular customer is _____.
- _____ 5. The _____ is all the activities required to create a product.
- _____ 6. _____ inventory consists of products that are partially converted.
- _____ 7. A(n) _____ inventory-control system is a method of counting inventory that shows the quantity on hand at all times.
- _____ 8. The difference between the perpetual inventory and the physical inventory is _____.
- _____ 9. A working model of a new product for testing purposes is a(n) _____.
- _____ 10. A large gathering of businesses for the purpose of displaying goods and services for sale is a(n) _____.

Name _____

Part 2: Concept Review

Open Response

Write your response to each of the following statements or questions in the space provided. Use complete sentences.

1. What is productivity? How can productivity be improved?

2. What is inventory management? What is the risk in carrying too much inventory? What is the risk in carrying too little inventory?

3. What is inventory shrinkage? Describe the main causes of inventory shrinkage.

Name _____

4. What is the product life cycle? Identify three strategies to address a product that is at the end of its life cycle.

5. Do you think the product life cycle is the same length for every product? Compare the life cycle of two products: Quaker Oatmeal and VHS movie tapes. Which product life cycle has been longer? Think of at least two ways Quaker has tried to lengthen the life cycle of its product over the years.

Name _____

Part 3: Math Skills

Estimating

Sometimes it is more practical to estimate the answer to a math problem than to calculate it precisely. Precision is not always needed and estimating is easier. *Estimation* is a process of finding an approximate answer. It often involves using rounded numbers, which are easier to work with than precise numbers. Businesses often use estimates in their daily work.

Answer the following problems by using rounded numbers and estimating.

1. Henson Classic Cars in Detroit, Michigan sells classic and collectible automobiles. The company makes its own deliveries and pickups to ensure that its cars are not damaged. One of Henson's delivery vehicles will travel to Chicago, then to St. Louis, and finally to Wichita. The following is the mileage for each segment of the trip.

- Detroit to Chicago: 289 miles
- Chicago to St. Louis: 314 miles
- St. Louis to Wichita: 438 miles

Estimate the total mileage for three segments of the trip.

2. Gleason Fabrication Company manufactures specialty fasteners for building constructors. A purchasing manager at Gleason places raw material orders with the following vendors.

- | | |
|------------------|----------|
| • Sentry Steel | \$11,755 |
| • C&P Metals | \$29,211 |
| • Granger Parts | \$20,613 |
| • Garret Cutters | \$14,765 |

The current purchase limit is \$70,000. Estimate if the total amount of the four purchases will exceed the limit.

Name _____

3. Sales last week at the Downtown Diner were \$4,814. If sales during most weeks are approximately the same, estimate the monthly sales for Downtown Diner based on these weekly results.

4. Comfort Heating & Cooling sells and services home furnaces and air conditioners. A customer calls and asks for a “ballpark” price on a XL-500 Gas Furnace with a TBR-950 electronic air filter. The gas furnace is priced at \$2,799 and the air filter sells for \$569. Give the customer an approximate price.

5. An apartment owner needs new carpet. The apartment size is 935 square feet. A local carpet store will install carpet and padding for \$1.85 a square foot. Approximately, what will the new carpet cost?

Name _____

Part 4: Communication Skills

Writing

Developing proper writing skills is important in effectively communicating with others. Edit the following paragraph. Insert proper punctuation, correct misspelled words and grammar errors, and rewrite sentences to improve the structure, as needed.

each november we close the ware house for ten business days to take our annual inventorey. this year, we will close from monday november 4, threw friday november 15. as always we will notify all customers by enclosing a flier with they're october statements. we also notify all our employes so the warehouse closing does not adversely effect business operations so if you need any supplies or products we urge you to note the above dates and submit your requisitions as early as possible to avoid the end-of-october rush. please try to anticipate your needs as best you can.