

5.5D: Production Planning Activity

Current average monthly sales and staffing figures for Just in Time Productions

Average total sales (\$)	Units sold (per month)	Staff employed
240 000	600	8

Option I: Purchasing reports and editing services

	Price (\$ per unit)	Expected monthly demand
Research reports	399	80
Editing services	199	120

Option II: Internal expansion

	AVC (\$ per unit)	Expected monthly demand
Research reports	200	80
Editing services	125	120

Source: www.BusinessManagementIB.com

QUESTIONS: 25 MARKS, 45 MINUTES

1. Define the term **labour productivity**. **[2 marks]**
2. Calculate the labour productivity rate using sales per worker. **[2 marks]**
3. With reference to Just in Time Productions, examine the benefits of high productivity for organisations. **[5 marks]**
4. Examine the likely determinants of productivity at Just in Time Productions. **[5 marks]**
5. Distinguish between **cost-to-buy** and **cost-to-make**. **[3 marks]**
6. Recommend to Mrs. Hallstead as to whether her firm should produce the new services itself or purchase these from subcontractors. Use both quantitative and qualitative considerations in your answer. **[8 marks]**