***Chapter 7 Revision Test Answers (20 marks)***

Part A: Multiple choice answers (5 marks)

1. Banking is part of which industry sector:

*C tertiary*

1. Jason can currently bake 100 cookies per hour in the small commercial oven in his Bakery. After purchasing and installing a new commercial oven, he can bake 500 per hour. Jason’s productivity has increased by:

*D 400%*

1. Goods and services providers share the following similarity in their operations systems:

*D all of the above*

1. Which functional area listed below is integral to operations management:

*C human resources*

1. Management of the operations system determines:

*D all of the above*

Part B: Short answer answers (15 marks)

1. Define the term ‘operations management’. (1 mark)

*Operations management is the management of resources and functions within a business to achieve efficient output of finished goods or services in a way that adds value to customers and creates a profit margin for the business.*

1. Analyse the relationship between operations management and business objectives. (4 marks)

*Operations management is the functional area that creates the product that the organisation sells to its customers. Therefore, it is the function that creates profit for the organisation. As a result, the operations management function has a strong relationship with the achievement of business objectives. Decisions that are made in the operations management function determine how many products are produced, the quality of the end product, and its price. These factors determine how attractive the end product is to the final customer, and therefore whether it will sell well or not. As a result, operations management has a significant impact on number of sales, sales revenue and profit – key business objectives. Businesses that are determined to achieve their objectives focus on operations management. For example, they may attempt to find ways to improve processes to reduce errors and wastage, and improve productivity. Or they may try to source the best inputs to improve the quality of their product.*

1. Describe the key elements of an operations system and provide examples. (4 marks)

*The key elements of an operations system are inputs, processes and outputs. Inputs are the resources that combine together to create a finished product (good or service). For example, eggs, flour, sugar and butter are inputs for a cake. Processes are the steps involved in transforming an input into an output (a finished product). For example, mixing the cake ingredients, pouring them into a mould and placing it into a pre-heated oven. An output is the finished good or service that is to be sold to the customer. For example, the cake.*

1. Identify and explain three differences between operations management in manufacturing and service businesses. (3 marks)

*Operations management in manufacturing businesses produces goods that are tangible – physical products that can be touched. For example, a cookie. Whereas service businesses produce services that are intangible – they cannot be touched. For example, a medical consultation. In manufacturing businesses, production and consumption occurs separately. For example, the cookie is baked by the baker, sold to a customer and then eaten (consumed). Whereas in service businesses the production and consumption occurs simultaneously. For example, a doctor examines a patient and makes a diagnoses. As the Doctors makes her diagnoses, the patient consumers the service – listens to the diagnoses and the recommendations of the doctor. Finally, in manufacturing businesses, goods can be standardised and mass produced. The baker might make 100 choc chip cookies that are all virtually identical. Whereas in service businesses the customer receives a customised product. The doctor may diagnose one patient with the flu and the next patient with tonsillitis, depending on the symptoms of the patient.*

1. Define the term productivity and explain two factors that determine productivity. (3 marks)

*Productivity refers to the ratio of output obtained from a level of input. There are many factors that determine the level of productivity at a business, for example technology and tasks and processes. A business that uses the latest manufacturing technology can often produce things at a faster rate, with fewer mistakes compared to older technology. A business that designs its tasks and processes well can improve productivity by grouping similar tasks and removing duplication.*