

Production and costs Questions

NAME:

1. Match the following production methods to their explanations:

Production method
Job production
Batch production
Process production
Flow production

Explanation
Automated processes producing large amounts of finished product
Assembly line production
Producing one type of product then switching to produce another
Producing each product individually

2. Which production method do you think would be best for producing the 'Georgie Girl'. Explain why you have rejected at least one of the other methods.

Flow production – this is because there is high demand for each doll and they are likely to all be similar and so therefore it makes sense to produce a large amount in one go. This will be more efficient and faster allowing GG toys to meet the high demand/sales.

I would reject job as it means making each item one at a time and this would be too time consuming.

3. Analyse 2 advantages and 2 disadvantages from using automation and robots to produce toys.

Advantages:

*Time saving – eg one hour – this means that more orders can be processed and then a better level of customer service can be achieved as people receive their orders quicker. This can be a USB if competitors are slower to process orders.

*Less wages will need to be paid, reducing variable costs and increasing profit margins.

Disadvantages

*High initial cost – so it may need finance to source this which can be costly

*Machines may be less reliable – could back down and this could be very disruptive. In comparison if there is a shortage of staff, then a temping company could be used.

3. Explain the following terms:

➤ **Economies of scale**

Reduction in unit (average) costs from producing on a larger scale

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➤ **Diseconomies of scale**

Increase in unit (average) costs from producing on a larger scale

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4. Give examples of two specific of economies of scale that could reduce unit costs at GG toys

*Purchasing economies – buying materials, eg fabric for dolls clothes in bulk.

*Technical (production economies) – buying machinery to produce at a lower average costs

5. Outline the difference between a fixed and variable cost and give an example of each

Fixed cost does not change with output, eg rent of factory

Variable cost changes with production - eg plastic for dolls

6. Look at the pie chart – figure 2 PAGE 4. Calculate;

*material costs from producing one doll in 2015

£1.20

*material costs from producing one doll in 2016

£1.08

*percentage change in material costs between 2015 and 2016

$12/120 \times 100 = 9\%$ decrease