NOTES

Just In Time production means purchasing to order - Titewrap Ltd are looking to introduce the system that will order stock when they need it. This will reduce the need for a warehouse which will in tern reduce the storage costs of the business.

Another advantage of using JIT when buying materials is that they will have very little waste. This is because they are only buying materials when they are needed and therefore only have a small surplus of stock in downturn. Both these factors mean that lower costs and little wastage will reduce any potential cash flow problems for Titewrap Ltd.

A disadvantage of using JIT is that it relies on suppliers providing materials when they need it. This could lead to Titewrap Ltd running out of materials and therefore production may have to stop. With their current method they benefit from Bulk-buying - this will mean that they can discounts from their suppliers, therefore having lower prices and lower costs for the business. However, the business has to find storage for the materials and this current method relies on a rented storage facility. This could be very expensive for Titewrap Ltd and an additional cost they do not need.

I would recommend that Titewrap Ltd change their approach to Just-In Time - the advantages of reducing costs through this method outweigh the disadvantages.

***QUESTION***

*The Production Department is responsible for ordering stock. At present the company is buying materials in bulk and storing these in a warehouse rented from a neighbouring business. The Board of Directors is considering using the Just-in-Time (JIT) method of buying materials in order to reduce the amount of stock being held.*

*Advise the Directors as to whether they should continue using their current method of buying materials or whether they should adopt JIT. (8)*

*(June 15 9f)*

WAGOLL (What a Good One Looks Like)……

**AO3 Analysis & Evaluation**

Analysis - Explain the impact on a business and its stakeholders (so what? why?)

Evaluation – Make a judgement

**AO2 Application**

Using your knowledge of a topic and applying it to a certain scenario

**AO1 Knowledge & Understanding**

What you know about a given business concept or issue

Answering8 / 10 Mark Questions