



4.1 Production of Goods and Services

What is the importance of productivity and efficiency?

Productivity => increase output => increase revenue => increase profit

Efficiency => reduce waste => reduce cost/increase output => increase profit/revenue

How to measure productivity?

$$\text{Average productivity of labour} = \frac{\text{Total output}}{\text{Number of employees}}$$

$$\text{Average revenue productivity of labour} = \frac{\text{Total revenue}}{\text{Number of employees}}$$

What are items in an inventory?

1. Stocks for sale
2. Raw materials
3. Component parts of product
4. Work-in-progress stock
5. Office supply

What is the importance of inventory management?

1. To fulfil sales demand
2. To fulfil production needs

What are lean production practices?

1. Just-in-time
2. Kaizen

What are the methods of production?

1. Job production
2. Flow production
3. Batch production

How to decide on production methods?

1. Nature of product
2. Size of market
3. Demand needs
4. Production capacity

How does technology influence production?

1. Improving efficiency => reducing waste and time
2. Increasing production capacity => capital intensive
3. Enabling new production methods => improving quality
4. Labour mobility => reducing dependency on labour for production



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