**Chapter 7: Capacity Planning**

**Test Bank**

**Multiple Choice**

1. The popularity behind Target‘s partnership with Italian fashion house Missoni was due to \_\_\_\_\_\_.

a. easy availability of expensive versions of fashion by high-end designers for high-end stores

b. popularity of cheaper versions of fashions created by high-end designers for lower-end stores

c. availability of high-end fashion items at high prices

d. the publicity from having items listed on eBay

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Operations Profile: Missoni for Target: Too Popular, Too Soon

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

2. When Target offered merchandise from the Italian designer firm Missoni, it failed because it did not plan on \_\_\_\_\_\_.

a. competition from stores such as Wal-Mart

b. competition from cheaper designers

c. its capacity properly

d. competition from eBay

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Operations Profile: Missoni for Target: Too Popular, Too Soon

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

3. What is the goal of strategic capacity planning?

a. to prevent a shortage of finished products

b. to minimize the gap between the capacity available in the system and the capacity that is required to meet demand

c. to minimize the inventory of finished products

d. to maximize product availability

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

4. Which of the following is an example of long-term strategic capacity planning?

a. the decision to build a new plant

b. the purchase of new equipment

c. hiring new employees

d. changing product design

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

5. In capacity planning, working overtime is \_\_\_\_\_\_.

a. an example of long-term capacity planning

b. a medium-term decision

c. not ethically permissible

d. against government regulations

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Table 7.1 Capacity Planning Levels

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

6. Rough-cut capacity planning (RCCP) is the \_\_\_\_\_\_.

a. process of doing a detailed comparison of the available capacity and required capacity

b. rough check of production plans and schedules to determine whether the required capacity and available capacity are in balance

c. process of analyzing a facility’s existing capacity relative to its weekly production schedules

d. analysis of projected capacity requirements to meet demand in a new market

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Table 7.1 Capacity Planning Levels

Difficulty Level: Hard

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

7. If available capacity is insufficient in the medium term, what strategy can the firm follow?

a. hire more workers

b. build a new facility

c. backorder items in shortage

d. exit the market

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Table 7.1 Capacity Planning Levels

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

8. A work center is \_\_\_\_\_\_.

a. a part of a production facility where all activities related to particular phase of the production process (such as assembly, milling, grinding, etc.) are performed.

b. where repetitive activities related to production are performed

c. the location within a production facility where high-skilled workers complete a specific task in production

d. the central area in a production facility for planning work requirements

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Table 7.1 Capacity Planning Levels

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

9. Which of the following is NOT a short-term capacity planning decision?

a. capacity control

b. analyzing weekly schedules and bottlenecks

c. balancing the workload

d. relocating the plant

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Table 7.1 Capacity Planning Levels

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

10. Which of the following is a part of medium-term capacity planning?

a. balancing the workload

b. analyzing weekly schedules and bottlenecks

c. capacity requirements planning

d. relocating the plant

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Table 7.1 Capacity Planning Levels

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

11. Which of the following is NOT one of the things a firm might do if available capacity is insufficient in the medium term?

a. hire more workers

b. ask employees to work overtime

c. use a subcontractor

d. reduce the quality of its output

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Table 7.1 Capacity Planning Levels

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

12. A bottleneck \_\_\_\_\_\_.

a. requires major investment to resolve

b. is usually a long-term issue

c. is a limit or constraint on the workflow in an operation

d. cannot be eliminated in a short span of time

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Table 7.1 Capacity Planning Levels

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

13. Which of the following is NOT a reason why capacity decisions are considered strategic?

a. Capacity decisions affect an organization’s ability to meet future demand.

b. Capacity decisions have an impact on operating costs.

c. Capacity decisions can require a major capital investment.

d. Capacity decisions are heavily regulated by the government.

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: The Strategic Importance of Capacity Decisions

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

14. An example of an industry where there is inadequate capacity is \_\_\_\_\_\_.

a. the furniture industry

b. the retail industry

c. the pharmaceutical industry

d. the oil-refining industry

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: The Strategic Importance of Capacity Decisions

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

15. The use of supplemental resources such as overtime, contract workers, and additional shifts leads to a \_\_\_\_\_\_.

a. drop in product quality

b. substantial increase in operating costs

c. need for new product designs

d. need for new corporate strategies

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: The Strategic Importance of Capacity Decisions

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

16. Long-term capacity planning decisions such as the purchase of a new machine or construction of a new facility typically \_\_\_\_\_\_.

a. require significant outlays of capital

b. require government approval

c. require short lead times

d. signal a shift in strategy

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: The Strategic Importance of Capacity Decisions

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

17. Changes in demand for a company that sells its products to several foreign countries forces the company to \_\_\_\_\_\_.

a. alter not only its own capacity but also the capacity of its suppliers

b. exit the market

c. stop offering its products in certain markets

d. change the product design

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: The Strategic Importance of Capacity Decisions

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

18. Which of the following is NOT a measure of an organization‘s capacity?

a. number of employees

b. truckloads of material received

c. units of product produced

d. size of its market share

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 7-1. Explain why capacity planning is important and how capacity decisions are made.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

19. Design capacity is \_\_\_\_\_\_.

a. the maximum rate of output achieved by an operation, a process, or a manufacturing or service facility that is producing under ideal conditions

b. the capacity that can be achieved given the actual changes in product mix, machines and equipment that require periodic maintenance, scheduling changes, and workers who take time off for lunch, absences, and other needs

c. less than effective capacity

d. dependent on the company‘s market share

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

20. Effective capacity is \_\_\_\_\_\_.

a. the maximum rate of output achieved by an operation, a process, or a manufacturing or service facility that is producing under ideal conditions

b. the capacity that can be achieved given the actual changes in product mix, machines and equipment that require periodic maintenance, scheduling changes, and workers who take time off for lunch, absences, and other needs

c. greater than design capacity

d. dependent on the company‘s market share

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

21. Which of the following statements is true about capacity efficiency?

a. It tells us how efficiently capacity has been designed.

b. It is the percentage of effective capacity used to produce the actual output.

c. It is the extent to which the design capacity is used.

d. It is calculated by dividing the effective capacity by design capacity.

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

22. Which of the following statements is true about capacity utilization?

a. It is the extent to which the capacity designed and installed is actually used.

b. It is the capacity required to be utilized to meet market demand.

c. It is calculated by dividing actual output by effective capacity.

d. It is the ratio of design capacity to effective capacity.

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

23. Which of the following statements is true about capacity utilization and capacity efficiency?

a. Either measure can be used independently of the other.

b. Using one measure only and ignoring the other can lead to misleading conclusions about capacity performance.

c. Capacity utilization can be calculated given capacity efficiency and design capacity.

d. Capacity utilization can be calculated given capacity efficiency and effective capacity.

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

24. The Car Service Center has the design capacity to perform an average of 60 repairs per day. The effective capacity of this repair shop is an average of 40 repairs day, while the actual repairs number an average of 36 per day. Given this information, the capacity utilization percentage is \_\_\_\_\_\_.

a. (36/40) \* 100%

b. (36/60) \* 100%

c. (40/60) \* 100%

d. ((36\*40)/60) \* 100%

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

25. The Car Service Center has the design capacity to perform an average of 60 repairs per day. The effective capacity of this repair shop is an average of 40 repairs day, while the actual repairs number an average of 36 per day. Given this information, the capacity efficiency percentage is \_\_\_\_\_\_.

a. (36/40) \* 100%

b. (36/60) \* 100%

c. (40/60) \* 100%

d. ((36\*40)/60) \* 100%

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

26. Effective capacity is influenced by \_\_\_\_\_\_.

a. the nature of the product or service

b. the number of suppliers involved

c. the lead time for manufacturing a product

d. the company‘s market share for that product

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

27. Which of the following is NOT a factor that influences effective capacity?

a. the type of product or service produced

b. the quality complexity of the tasks completed by workers

c. the size and location of facilities

d. the manufacturing lead time

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

28. Which of the following is true about effective capacity?

a. It is limited for firms that manufacture multiple products because they have to retool their assembly lines for each product.

b. Firms that produce a highly standardized product have a low-effective capacity, as they produce only one product.

c. It is heavily influenced by the lead time for the product.

d. Effective capacity is usually higher for customized services than for standardized products.

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Types of Capacity and Capacity Measurements

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

29. Which of the following is NOT one of the three fundamental questions that must be addressed by the operations and supply chain staff?

a. When is capacity needed?

b. What kind of capacity is needed?

c. What are the ISO requirements on capacity?

d. How much capacity is needed?

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

30. Companies may provide for extra capacity in anticipation of future increases in demand for their products or services. Such extra capacity is called \_\_\_\_\_\_.

a. a capacity cushion

b. overproduction capability

c. waste

d. flexible capacity

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

31. Which of the following is NOT true about a matching strategy?

a. With this strategy, the company increases its capacity in small increments to keep pace with increases in demand.

b. This strategy can be cumbersome.

c. The strategy requires frequent tinkering and the adding and shifting of capacity.

d. This strategy poses a greater risk in comparison to a leading strategy.

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

32. Which of the following is true about a lagging strategy?

a. The most aggressive strategy for capacity expansion is a lagging strategy.

b. When a company pursues a lagging strategy, it increases its capacity only when there is a sizeable increase in demand.

c. With a lagging strategy the firm is most likely to have idle capacity or excess inventories.

d. The firm is able to adapt quickly to changes in demand.

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems

33. Which of the following is NOT part of the capacity planning process?

a. to determine future capacity requirements

b. to determine extent of overtime and subcontracting required

c. to develop capacity alternatives

d. to analyze available capacity and identify capacity gaps

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

34. Capacity requirements are difficult to predict during \_\_\_\_\_\_.

a. the introductory stages of a product’s life cycle

b. the growth stages of a product’s life cycle

c. the maturity stages of a product’s life cycle

d. the decline stages of a product’s life cycle

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

35. During the growth stage of the product life cycle, companies will need to \_\_\_\_\_\_.

a. increase capacity

b. keep capacity constant

c. reduce capacity

d. adjust product pricing

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

36. Which of the following statements is correct with regard to capacity and the product life cycle?

a. Capacity requirements are difficult to predict during the introductory stages of a product’s life cycle.

b. Capacity needs to be reduced during the growth stages of a product’s life cycle.

c. Capacity needs to be expanded during the decline stages of a product’s life cycle.

d. Capacity needs to be maintained during the growth stages of a product’s life cycle.

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

37. Which of the following statements is NOT a contributor to fluctuations in demand?

a. the random nature of demand

b. seasonality

c. inclement weather

d. changes in management style

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

38. With a level capacity plan, \_\_\_\_\_\_.

a. the company produces on a given day what is demanded on that day

b. the company produces at a steady rate and stores inventory

c. the firm may experience fluctuations in employment

d. the firm has low revenue margins due to high per-unit costs

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

39. Which of the following is a disadvantage of a level capacity plan?

a. stable employment

b. low per-unit costs

c. high rate of capacity utilization

d. high levels of inventory during slack demand

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

40. With economies of scale, \_\_\_\_\_\_.

a. the cost per unit of output decreases as the volume of output increases

b. the cost per unit of output increases as the volume of output decreases

c. the cost per unit of output increases as the volume of output remains constant

d. the cost per unit of output decreases as the volume of output remains constant

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

41. Which of the following is NOT a characteristic of capacity planning in service firms?

a. Services are generally consumed at the time they are produced.

b. It is not possible to have an inventory, or buffer stock, of services.

c. The capacity of service firms at all times has to be less than what is needed to meet demand.

d. Periodic capacity underuse is inevitable for service firms.

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Service Capacity Planning

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

42. Which of the following is NOT a factor influencing service capacity?

a. customer proximity

b. nature of demand

c. demand volatility

d. total market size

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Factors Influencing Service Capacity

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

43. Which of the following is NOT a result of inadequate capacity in offering services?

a. inventory stock out

b. customer dissatisfaction

c. delays in the delivery of a service

d. lost customers

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Factors Influencing Service Capacity

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

44. Which of the following is NOT required in determining service level requirements?

a. determining processing requirements or workloads

b. determining a unit for work measurement

c. determining the service levels for each workload

d. determining impact of inventory stock outs

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Capacity Planning for Services

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

45. Which of the following is NOT required to determine processing requirements or workloads of each department?

a. which employee or department will do the work

b. the type of work that needs to be done

c. how much to charge for the service

d. how that work will be completed

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Capacity Planning for Services

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

46. Which of the following is NOT a step in determining processing requirements or workloads of each department?

a. which employee or department will do the work

b. the type of work that needs to be done

c. how much to charge for the service

d. how that work will be completed

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Capacity Planning for Services

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

47. A service level is \_\_\_\_\_\_.

a. an implicit or explicit agreement between the service provider and consumer that defines an acceptable level of service

b. the level of service that can be provided within a given span of time

c. an agreement between the service provider and consumer as to the extent of overtime that will be assigned to a particular job

d. an agreement between the service provider and consumer as to the number of employees who will be assigned to a particular job

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Capacity Planning for Services

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

48. Which of the following is NOT one of the uncertainties in capacity planning?

a. demand uncertainty

b. price uncertainty

c. supply uncertainty

d. technological uncertainty

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning for Supply Chains

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

49. Which of the following is NOT one of the steps taken by Pratt & Whitney to address concerns about on-time delivery?

a. Pratt offered various financial incentives for completing on time, as well as financial and legal penalties for not completing on time.

b. Pratt took a long-term view to ensure that capacity and suppliers were coordinated for future deliveries.

c. Pratt started monitoring suppliers 100 weeks ahead of when parts were due to arrive at the manufacturing centers.

d. If a supplier was not meeting its quality or production goals, Pratt sent engineers to help fix the problem at the source.

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Operations Management: Lessons Learned

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

50. One of the types of supply uncertainty is \_\_\_\_\_\_.

a. a shortage of inbound raw materials and components

b. a surplus of inbound raw materials and components

c. a shortage of outbound raw materials and components

d. a surplus of outbound raw materials and components

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Supply Uncertainty

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

51. One of the types of supply uncertainty is \_\_\_\_\_\_.

a. the inability of an individual supplier to fulfill its obligations

b. a surplus of inbound raw materials and components

c. a shortage of outbound raw materials and components

d. a surplus of outbound raw materials and components

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Supply Uncertainty

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

52. What must supply chain partners do to manage the inherent uncertainty in demand, technology, and supply factors?

a. They must ensure that the contract is carefully documented to account for all possibilities.

b. They must partner with multiple suppliers at each point in the supply chain.

c. They must strictly enforce both legal and financial penalties.

d. They must forge close relationships both upstream and downstream.

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: A Framework for Strategic Supply Chain Capacity Planning

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

53. Which of the following is NOT a requirement for effective strategic capacity planning?

a. Share accurate and timely information.

b. Integrate and automate information systems of supply chain partners.

c. Collaborate and synchronize capacity planning between partners.

d. Have one contract that governs different supply chain partners.

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Sharing Information and Integrating Business Processes

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

54. Which of the following is LEAST likely to be a requirement for effective strategic capacity planning?

a. Share accurate and timely information.

b. Integrate and automate information systems of supply chain partners.

c. Collaborate and synchronize capacity planning between partners.

d. Have one contract that governs different supply chain partners.=

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Balancing Outsourcing and Capacity Acquisition

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

55. Which of the following is FALSE with regard to the make or buy option?

a. The advantage of outsourcing activities that do not directly contribute to the company’s bottom line reduces production costs.

b. The advantage of outsourcing activities that do not directly contribute to the company’s bottom line reduces capital investment.

c. The advantage of outsourcing is the opportunity for the primary firm to avoid responsibility for product failure due to outsourced production.

d. The disadvantage of outsourcing is possible loss of control over the outsourced production of the work that has been outsourced.

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Balancing Outsourcing and Capacity Acquisition

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

56. In a revenue-sharing contract, \_\_\_\_\_\_.

a. the supplier and buyer share the revenue from sale of products

b. the suppliers sell components and materials to the manufacturer at a price below their marginal cost, but the suppliers also share the manufacturer’s revenue, which offsets this loss

c. the manufacturer benefits from the increased supply levels and the reduced purchase price of the supplies it purchases

d. the burden of overcapacity is borne by the buyer

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Establishing Supply Chain Contracts

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

57. Which of the following is NOT a drawback of a revenue-sharing contract?

a. The supplier carries a greater burden of the risk.

b. The supplier may not be motivated to expand its capacity for fear of ending up with excess capacity if demand remains weak.

c. The supplier has the administrative burden of monitoring the manufacturer’s sales and revenues to be sure the firm isn’t underreporting them.

d. The burden of overcapacity is borne by the buyer.

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Establishing Supply Chain Contracts

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

58. Capacity-reservation contracts \_\_\_\_\_\_.

a. provide the manufacturer with the option of reserving additional production capacity with the supplier to be exercised in the future as needed

b. have the potential to reduce the manufacturer’s procurement costs

c. are an increasingly popular method for allocating risks across suppliers and buyers in high-tech supply chains

d. have the potential to reduce the use of the supplier’s capacity

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Establishing Supply Chain Contracts

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

59. Capacity planning is LEAST likely to focus on \_\_\_\_\_\_.

a. the company’s acquisition of resources

b. the organization of resources

c. the deployment of resources

d. the manufacturing of these resources

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-4. Predict the effect of sustainability and ethics on the future capacity decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

60. Sustainability practices focus on \_\_\_\_\_\_.

a. reducing resource usage

b. reducing waste

c. more efficient use of existing capacity

d. producing more to make use of existing capacity

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-4. Predict the effect of sustainability and ethics on the future capacity decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

61. Which of the following is NOT considered an issue related to ethics in capacity planning decisions?

a. exploiting an uneducated and poor labor force

b. using underage workers

c. cutting costs by focusing less on safety issues

d. using technology in place of labor to better use capacity

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-4. Predict the effect of sustainability and ethics on the future capacity decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

62. Which of the following is usually NOT true about managing operations and supply chains in a sustainable and ethical manner?

a. It helps a firm‘s bottom line.

b. It will improve the environment.

c. It will result in added costs.

d. It will improve the lives of people around the globe.

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-4. Predict the effect of sustainability and ethics on the future capacity decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

63. Which of the following is NOT a reason why manufacturers must align capacity with projected demand on a global basis?

a. globalization of supply chains

b. scarcity of supply

c. uncertain demand

d. ISO certification requirements

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

64. Which of the following is NOT something that a global platform allows companies to share?

a. information

b. developments, products, and components

c. payment methods

d. production facilities

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

65. A key reason why global manufacturers are unable to have a consolidated view of global demand and supply is because \_\_\_\_\_\_.

a. supply chains are planned and managed by disparate regional systems

b. firms in the supply chain continue to manage globally while they are thinking locally

c. the primary firm has different expectations from each link in the supply chain

d. the pricing policies of different manufacturers are usually different

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

66. Which of the following is NOT a consideration for companies in developing systematic and accurate global capacity plans?

a. supply risks

b. risk of exchange rate stability

c. labor availability and stability in foreign countries

d. risks from foreign government policies

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

67. The primary impact of poorly developed global capacity plans \_\_\_\_\_\_.

a. is the failure to deliver the product or service on time

b. is the failure to price the product accurately

c. is the failure to ensure a full complement of product features

d. is the failure to meet international design requirements for the product

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

68. The purpose of developing a global capacity plan is \_\_\_\_\_\_.

a. to determine the total capacity needed to meet the projected global demand for a company’s products

b. to determine the right markets for a company‘s products

c. to ensure that the product is designed appropriately given cultural considerations

d. to determine the right products for a company‘s market

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

69. Developing global capacity plans is \_\_\_\_\_\_.

a. an iterative and collaborative process

b. a process that is heavily regulated by the government

c. an annual process

d. a one-time process

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

70. In effective global capacity management, the time horizon for monitoring and response is \_\_\_\_\_\_.

a. short to intermediate term (0–1 year)

b. intermediate to long term (1–4 or more years)

c. short to intermediate term (3–4 weeks)

d. intermediate to long term (15–20 or more years)

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

71. In effective global capacity management, the time horizon for a regular capacity planning cycle is \_\_\_\_\_\_.

a. short to intermediate term (0–1 year)

b. intermediate to long term (1–4 or more years)

c. short to intermediate term (3–4 weeks)

d. intermediate to long term (15–20 or more years)

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

72. Which of the following is NOT a step in effective global capacity management?

a. capacity planning cycle

b. monitoring and response

c. constraint management

d. overstock inventory management

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-5. Identify the challenges in developing a global capacity planning strategy, including the opportunities and threats in the global arena.

Answer Location: Global Capacity Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

73. The determination of capacity to meet demand is done through \_\_\_\_\_\_.

a. finding the right market

b. establishing the right price

c. designing the product appropriately

d. capacity planning

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

74. In the context of operations, the maximum amount of output an operation is capable of producing in a given time period is given by the \_\_\_\_\_\_.

a. firm‘s managerial efficiency

b. responsiveness of the firm‘s suppliers

c. firm‘s capacity

d. manufacturing lead time

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

75. The uncertainty in projecting demand for products means \_\_\_\_\_\_.

a. there is always a gap between available capacity and required capacity

b. there is always going to be a shortage of a product in relation to demand for a product

c. there is always going to be a surplus of a product in relation to demand for a product

d. the manufacturing lead time is going to be fluctuating

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

76. Which of the following is NOT a requirement of strategic capacity planning?

a. forecasting demand over several years

b. looking at demand and growth trends

c. looking at cyclical demand patterns

d. establishing a policy on discounts and rebates

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

77. Which of the following is NOT an example of strategic capacity planning?

a. expanding facilities

b. contracting facilities

c. changing facilities

d. decorating facilities

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

78. Which of the following critical issues is NOT correctly paired with its timing horizon?

a. strategic ventures: long term

b. contracting: medium term

c. building new facilities: long term

d. capacity control: long term

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

79. The purpose of capacity control is \_\_\_\_\_\_.

a. to achieve as balanced a workload as possible among the various work centers

b. to ensure there is no shortage or surplus of inventory

c. to ensure there is no stock out or excess of finished goods

d. to ensure excess capacity is productively used and not wasted

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

80. Managing bottlenecks is typically \_\_\_\_\_\_.

a. a short-term capacity planning issue

b. a long-term capacity planning issue

c. a medium-term capacity planning issue

d. not a capacity planning issue

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

81. Long-term capacity planning decisions such as the purchase of a new machine or construction of a new facility typically \_\_\_\_\_\_.

a. call for significant outlays of capital

b. require approval from the supervisor of each shift

c. need to be cleared by the government

d. can be decided only by the board of directors

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

82. When a company pursues a lagging strategy, \_\_\_\_\_\_.

a. it increases its capacity only when there is a sizeable increase in demand

b. it increases its capacity only when there is a small increase in demand

c. it increases its capacity only when there is no change in demand

d. it increases its capacity only when there is sufficient capital investment available

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

83. Using overtime or a second shift is considered \_\_\_\_\_\_.

a. a short-term capacity decision

b. a long-term capacity decision

c. a seasonal capacity decision

d. a permanent capacity decision

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

84. Companies that pursue a leading strategy \_\_\_\_\_\_.

a. increase their capacity in anticipation of future increase in demand

b. increase their capacity in anticipation of future decrease in demand

c. increase their capacity to avoid waste of excess raw materials that they already have

d. decrease their capacity in anticipation of future increase in demand

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

85. The least aggressive strategy in capacity planning is \_\_\_\_\_\_.

a. a lagging strategy

b. a leading strategy

c. a matching strategy

d. a chase strategy

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

86. What percentage of booked passengers do airlines estimate will be no-shows?

a. 1%

b. 5%

c. 10%

d. 15%

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

87. To ensure that as much of the available capacity is utilized, airlines \_\_\_\_\_\_.

a. overbook their flights

b. overestimate the capacity

c. use smaller capacity so it is better utilized

d. expand premium-class seatings

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Strategies for Capacity Planning

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

88. Which of the following is NOT a step in the capacity planning process?

a. Analyze available capacity and identify capacity gaps.

b. Develop capacity alternatives.

c. Evaluate alternatives and select and implement the best short-term alternative.

d. Monitor capacity performance results.

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: Figure 7.2: Steps in the Capacity Planning Process

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

89. Which of the following is NOT a step in the capacity planning process?

a. Identify new markets.

b. Develop capacity alternatives.

c. Evaluate alternatives and select and implement the best long-term alternative.

d. Monitor capacity performance results.

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

90. A company needs 8,600 hours of processing time during the course of its operations. One machine offers a processing time of 2,400 hours. In this case, \_\_\_\_\_\_.

a. the company should use four machines

b. the company should use only two machines so that they are fully utilized

c. the company should redesign its product so that it needs more processing time

d. the company should use three machines to achieve maximum utilization rate

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

91. Which of the following is most likely to be the reason companies design flexible capacity systems?

a. to downsize capacity quickly in case competent labor is not available to make full use of the designed capacity

b. to expand an existing facility that has extra capacity instead of relocating to larger facilities elsewhere

c. to accommodate government requirements

d. to produce quality products

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

92. Organizations can make full use of their capacity to reduce their costs during \_\_\_\_\_\_.

a. the introduction stage of the product life cycle

b. the growth stage of the product life cycle

c. the maturity stage of the product life cycle

d. the decline stage of the product life cycle

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: The Capacity Planning Process

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

93. Which of the following is usually NOT an option for a company that has excess capacity?

a. to sell the excess capacity

b. to introduce new products and services

c. to find alternative uses of the excess capacity

d. to expand its facilities

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: The Capacity Planning Process

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

94. If the output rate for a given level of capacity is less than the optimum level, then \_\_\_\_\_\_.

a. increasing the output level reduces economies of scale

b. increasing the output level increases economies of scale

c. decreasing the output level increases economies of scale

d. decreasing the output level maintains economies of scale

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: The Capacity Planning Process

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

95. Economies of scale occur when \_\_\_\_\_\_.

a. production is greater than demand

b. not enough is demanded at a given price

c. the cost per unit of output decreases as the volume of output increases

d. the total cost declines as the volume of output increases

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: The Capacity Planning Process

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

96. Every capacity alternative, whether it is a large, medium, or small plant or equipment, has an optimum production or operating volume level. Producing beyond the optimum level causes \_\_\_\_\_\_.

a. diseconomies of scale

b. economies of scale

c. economies of scope

d. diseconomies of scope

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-2. Evaluate the difficulties associated with capacity planning for services, and explain how they can be overcome.

Answer Location: The Capacity Planning Process

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

97. Consulting firms, banks, IT outsourcing firms, and restaurants \_\_\_\_\_\_.

a. typically experience economies of scale

b. are service organizations

c. suffer from excess capacity

d. experience diseconomies of scope

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Service Capacity Planning

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

98. One of the most important order-winning criteria for service firms is \_\_\_\_\_\_.

a. to operate at economies of scale

b. to have customer convenience

c. to have excess capacity available

d. to have idle capacity

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Customer Proximity

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

99. in planning service capacity, firms have to manage the trade-off between \_\_\_\_\_\_.

a. lost customers and higher costs from maintaining a capacity cushion

b. lost customers and higher costs from operating at economies of scale

c. lost customers and higher costs from operating at diseconomies of scale

d. lost customers and higher costs from attracting new customers

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Customer Proximity

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

100. Capacity planning can be influenced by \_\_\_\_\_\_.

a. product packaging requirements

b. demand volatility

c. product price

d. product quality

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 7-3. Describe the challenges of planning for capacity in supply chains, and explain what supply chain partners can do to improve their joint capacity planning.

Answer Location: Demand Volatility and Capacity

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)