

## Solutions

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Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

### 2.1

- a minimum level of “safety” stock kept in case of delays in delivery or extra demand (2 for a clear definition; 1 for a partial idea)

### 2.2

- the time between placing an order and receiving the goods (2 for a clear idea; 1 for a partial idea)

### 2.3

- any two of: storage cost; insurance; money tied up in stock; risk of goods going out of date or being damaged (1 + 1)

### 3.1

- [3] **AO1** 1 — name a reason (to avoid running out; to cover late deliveries or demand spikes). **AO2** up to 2 — develop it, e.g. buffer stock lets the firm keep selling if a delivery is late
- no lost sales
- customers stay satisfied (2 developed / 1 limited)

### 3.2

- [8] For **each** of two benefits: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *lower holding cost*: almost no stock held
- less storage and insurance
- lower costs and more cash free. *Less waste*: stock does not sit and expire
- fewer write-offs
- lower costs. Maximum 4 per benefit, 8 total

### 3.3

- [12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For JIT**: lower holding costs, less waste, more cash and space. **Against**: a late delivery can halt production, it needs reliable suppliers and good IT, and there is no buffer for demand spikes. Judgement: JIT suits a firm with dependable local suppliers and steady demand, but a firm with unreliable supply or volatile demand may keep some buffer — it depends on supplier reliability and demand stability