A-LEVEL BUSINESS • EXERCISE SHEET

4.2 Inventory management

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS inventory 库存 • re-order level 再订货水平 • buffer inventory 缓冲库存 • lead time 交货周期 • just-in-time 准时制

Objective

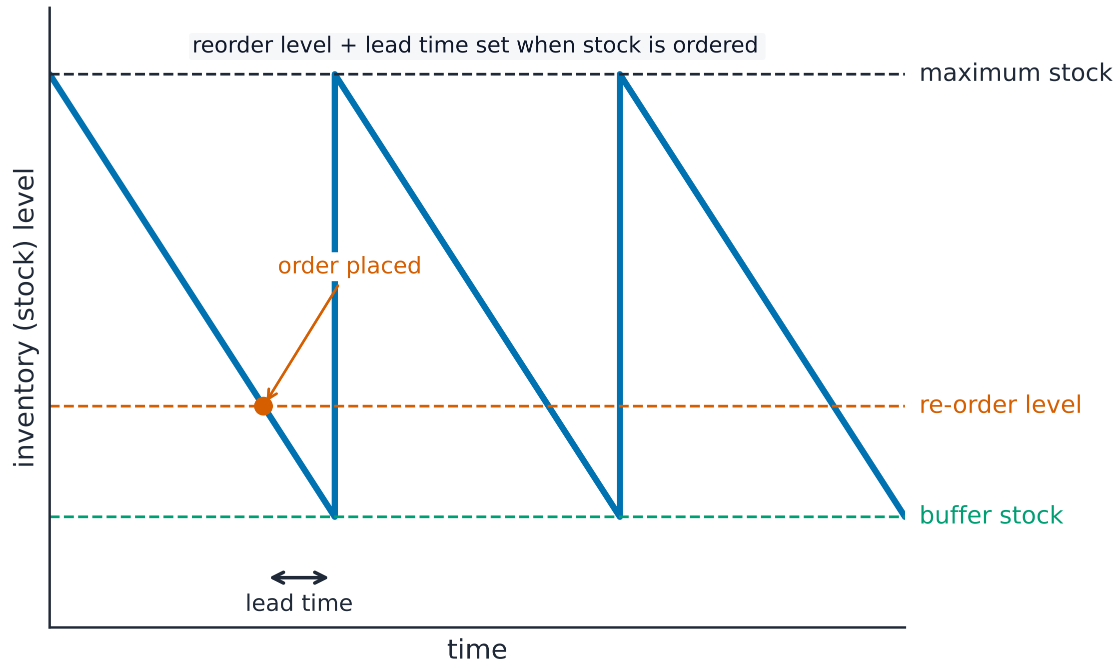
Build the skills to answer exam questions on **inventory management** 库存管理 — why firms hold **inventory** 库存, the **inventory control chart** 库存控制图 (re-order level, lead time, buffer stock), and **just-in-time** 准时制 versus **just-in-case** 备货制.

You must be able to:

- explain the costs and benefits of holding inventory
- read an inventory control chart (re-order level, lead time, buffer, maximum)
- analyse and evaluate JIT versus JIC stock control

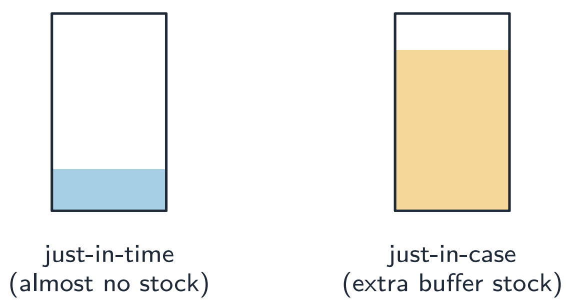
1 Worked examples

■ **Reading an inventory control chart**



Stock falls as it is used, an order is placed at the re-order level, and arrives after the lead time

- **Re-order level:** the stock level that triggers a new order. **Lead time:** order → delivery.
- **Buffer inventory:** minimum safety stock for delays/extra demand. **Maximum inventory:** the most held.
- **JIT:** stock arrives as needed → almost none held → low holding cost, but a late delivery stops production. **JIC:** extra stock held → safer, but costs more to store.



Just-in-time versus just-in-case stock control

Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *buffer inventory*. [2]

2.2 State what is meant by *lead time*. [2]

2.3 State two costs to a business of holding inventory. [2]

3 Exam-style questions

3.1 Explain one reason why a business holds buffer inventory. [3]

3.2 Analyse two benefits to a business of using a **just-in-time** (JIT) system. [8]

3.3 A manufacturer is deciding whether to switch from just-in-case to **just-in-time** stock control. Evaluate this decision. [12]