**OPERATIONS MANAGEMENT**

**Elements 1-4**

**Solutions to activities**

**Solutions to the calculations in your classroom activities are provided here, where available.**

**Element 1 – there are no activity solutions.**

**Element 2 - there are no activity solutions.**

**Element 3, activity 2 solution (‘Impact of purchasing on operating profit’)**

Operating Profit = Total Sales – (Purchases + Salaries + Overheads)

 = $30,000,000 – $28,500,000

 = $1,500,000

**Case 1:**

Operating Profit = $3,600,000

**Case 2:**

Operating Profit = $3,405,000

**Case 3:**

Operating Profit = $2,100,000

Maximum increase in operating profit is experienced when the organization reduces its purchase bill.

**Conclusion:** Since purchasing cost has a direct impact on operating profit, purchasing has a strategic role in operations.

**Element 4, activity 5 solution (‘Re-order decision – timing’)**



= 2 months

**Element 4 activity 6 solution (‘Stock turnover’)**

Let opening stock = *x*

Therefore, 

= 

= 

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Opening stock = $16000