

Production process essay



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The Break Even Point is one of the most important calculations for the business to find out its profitability. The break even point can be calculated as follows: Break Even Point(BEP): Fixed costs/(Selling price-Variable cost) (a) Total fixed cost for Process A and Process B: The total fixed cost for Process A is \$500, 000 and that of B is \$750, 000. (b) The total number of lots that would be Process A and Process B at the breakeven point: According to the formula the BEP can be calculated as follows: $A = 500,000 / (35 - 25) = 50,000$ units $B = 750,000 / (35 - 23) = 62,500$ units

(c) Identify which Process A or B that you would recommend for adoption and why? The process A will be chosen because in this process, the investment (fixed costs) as well as the BEP both is lower than that of Process B. (Break even analysis, n. d.

) Question Three Based on the limited information in the case study and your answer to the questions above; identify at least two direct and specific long-term and at least two short-term operations changes that Albatross Anchor must make to gain a clear, sustainable competitive advantage. Long term operations

(01) In the case of manufacturing process, another alternative place is to be found out. This is necessary as valuable time is lost in the case of shifting from one style to the other. (02) The management should look to develop the safety standards of the company so that the company can manufacture in large batches. Short term operations (01) The company should look to increase the space of the warehousing in the case of the finished goods to immediate effect.

The lesser space means that the company has to deal in unfavorable conditions sometime.

(02) A department of the customer service must be included in the plant.

Conclusion The company has been troubled by the inefficiency of the production process. This makes the cost of the products go up and thus the company suffers less profit. The company must look to improve the company and the process of the production. This will help in the development of the company in the future.

References

Break even analysis. (n. d.). Fast4cast.

Retrieved on 20th July, 2010 at: <http://www.fast4cast.com/break-even-calculator.aspx>