

YOUR TASK

In the Workspace, review the production rules. There are two rules which require you to make a decision, #6 and #8.

Rule #8 is the most important one to consider.

The default option is to stop production if the brand in production exceeds the target inventory and no other brand is less than the replenishment point. If you stop production, this means that you will send the production workers home, but you still must pay them, plus the production facility overhead. These charges will appear on the income statement as excess production costs. The advantage of stopping production is that you avoid the materials cost, which is the most expensive part of most products.

If you choose to continue production of one of the other brands, this will mean that you will fill up the warehouse with inventory, which will tie up a lot of cash. Too much inventory could cause an emergency loan. Experts recommend that you send the workers home.