**POSTTEST KEY**

**OBJECTIVE A**

 1. **d The creation of goods and services from economic resources.** Production is the entire process involved in combining the necessary resources to produce goods and services. These resources are called the factors of production. Selecting and assembling inputs are only parts of the production process. The conversion process creates form utility, rather than time utility, by turning inputs into outputs. (5 points)

 2. **c Providing home security.** Production is the process or activity of producing goods and services. Providing home security creates a service for consumers and is, therefore, considered a form of production. Reading for pleasure, answering your personal telephone, and purchasing food items are not production activities because they do not create a good or service. (5 points)

 3. **a Inputs.** Inputs are the specific resources used in producing goods and services. The inputs that a business needs in its production will depend upon the good or service that the firm produces. Outputs are the goods and services produced as the result of combining inputs. Consumer goods are goods and services purchased and used by consumers. They are the outputs of most production processes. Conversion processes are anything that changes
inputs into outputs (cooking, painting, etc.). (5 points)

 4. **c Turn inputs into products.** For production to occur, businesses must have a conversion process that turns resources into products the business can sell. Finding markets for the firm’s products is a marketing responsibility that is not part of production. Controlling the costs of production could be an aspect of the conversion process. Converting old products into new ones is referred to as the redesign, alteration, or updating of products. (5 points)

 5. **d Capital-intensive.** The automated mass production of soft drinks depends on the use of equipment and is, therefore, capital-intensive. Labor-intensive conversion processes rely on the skills of workers. The amount of product that is produced depends on a business’s method of production. Batch and unit are two of the methods of production. Unit produces one item at a time or items in small quantities. Batch is the production of items in specific amounts. (5 points)

 6. **a A freezer purchased by a restaurant owner.** A freezer purchased by a restaurant owner is an output that is considered an industrial good. Industrial goods are used to make other products for resale or used in the day-to-day operations of a business. Consumer goods are ultimately purchased by consumers. A family’s gallon of milk, a student’s textbook, and a sewing machine intended for home use are all examples of consumer goods. (5 points)

 7. **c Creates form utility.** One of the benefits of production is that it creates form utility—usefulness created by altering or changing the form or shape of a good to make it more useful to the consumer or user. Without production, many resources would be of little use to consumers. All of the other alternatives are benefits of production to businesses, not consumers. (5 points)

**POSTTEST KEY** (cont’d)

 8. **c It creates goods and services businesses can sell.** Production is important to businesses because, without production, businesses would have nothing to sell. All businesses must have products to sell to remain in business. Production does not eliminate competition. Businesses must control production costs so that they do not have to charge higher prices than competitors. Marketing research, not production, informs businesses about consumers’ wants and needs. (5 points)

 9. **d Turn out the most products at the least cost.** Producing efficiently enables businesses to be competitive by keeping their prices at or below those of competitors. This is likely to promote sales. Many businesses try to obtain advance orders for goods and services to make their production as efficient as possible. An accurate sales forecast helps in planning efficient production, not the reverse. (5 points)

**OBJECTIVE B**

 10. **a They vary depending on the product being created.** Production activities vary depending on the product being created. The activities used in making cereal, for instance, are different from the activities used in training law students. Not all production activities are considered difficult tasks, though the activities are important, and the business relies on them for success. Production activities rely on human, natural, and capital resources. (5 points)

 11. **a Prevent losses to the business**. A business should try to produce only as much as it can produce well. If production quantities exceed consumer demand, the business will lose money on unsold products. If the business does not produce enough to meet consumer demand, it will lose sales to competitors. Planning production quantities does not help
increase demand, locate resources, or sequence production steps. (5 points)

 12. **c Purchasing.** Purchasing is the buying of resources needed for production. These may include raw materials, parts, equipment, supplies, machinery, and labor. Scheduling establishes the timetable to be followed in production. Routing determines the sequence for the steps in the production process. Dispatching is issuing orders for production to start. (5 points)

 13. **a The process stops and then restarts**. An intermittent production process is one that periodically stops producing products and then restarts. It can be used for standard products or custom items. A continuous production process turns out products without stopping. Mass production is the production of a few products in large quantities and could be used as part of an intermittent production process. (5 points)

 14. **a Unit**. Unit production is the production of one item at a time or items in small quantities.
It is used for such items as custom-tailored suits, prescription glasses, and income tax returns. Batch production is the production of items in specific amounts. Mass production is the production of a few products in large quantities. (5 points)

**POSTTEST KEY** (cont’d)

 15. **b It often uses assembly lines.** Mass production is the production of a few products in large quantities. To turn out large quantities efficiently, mass production often uses assembly lines in which the product moves past workers who each do one assigned production task. This is a very efficient production method, but it can only be used for standard products, not for unique items. (5 points)

 16. **d Routing establishes the production path of inputs.** Routing is the production activity that determines the sequence for the steps in the production process. It establishes the path that inputs take as they move through the conversion process to become salable products. Scheduling is the production activity that establishes a timetable for production. Dispatching is the production activity that issues orders for production to start. Following up makes sure production was carried out according to plan and that the products produced met company standards. (5 points)

 17. **d Estimating how long each step in production will take.** Scheduling establishes the timetable to be followed in production. Employees responsible for scheduling look at the number of steps in the production process and estimate how long each step will take. Purchasing is the production activity that obtains the needed resources. Routing is the production activity that establishes the path inputs take from the time they are received by the business until they become outputs. Dispatching is issuing orders for production to start. (5 points)

 18. **b Dispatching.** Dispatching is issuing orders for production to start. These are usually written orders that tell employees what their job assignments are, when to move materials to the work area, or which tools and equipment to assemble. Scheduling establishes the timetable to be followed in production. Routing is the production activity that determines the sequence for the steps in the production process. Following up makes sure that production was carried out according to plan and that the products met company standards. (5 points)

 19. **b Making sure that production deadlines were met.** Following up is the last production activity. Its purposes include making sure that production was carried out according to plan, that production schedules met customers’ deadlines, and that products met company standards. Projecting sales for products is sales forecasting. Estimating the number of steps in the production process is part of scheduling. Making sure that production steps follow the proper sequence is routing. (5 points)

 20. **d To remain competitive.** To be competitive in a global market, many companies must meet standards set by outside groups or agencies, such as the International Organization for Standardization (ISO), which sets international quality-control standards. Meeting these standards does not provide a way to estimate future sales, determine raises for production workers, or create dispatches. (5 points)

**Suggested** Criterion Level: 80 points