Exercise 4.1

a) A convenience store chain offers to buy a very large amount of its store brand health bars (the NRG-B bars with a customized wrapper). The chain wants a lower-than-normal price because the proposed order is quadruple the size of its regular order. The marketing manager asks managers from Production, Purchasing, and Accounting whether the terms of the proposed deal will be profitable. Will the managers in these areas be able to provide a reliable answer on short notice?

b) The production manager notes that current warehouse inventory levels are fairly high, so the production line does not need to be run for a full eight hours each day during the coming week. For several reasons, however, she plans to run the line for eight hours a day anyway. If the line shuts down workers would still need to be paid during the idle time and overhead costs would continue to be incurred as well. Running the line full time decreases the average cost of bars actually produced (indirect costs can be spread over more bars). In addition, some warehoused raw materials will spoil if they are not used soon. Is the production manager’s reasoning logical? Why, or why not?

Exercise 4.2

Following the format of the spreadsheet in Figure 4-3, develop a spreadsheet to forecast Fitter’s sales for July through December. Calculate the base projection using the previous year’s values (shown in Figure 4-4), and factor in the 3 percent estimated growth rate.

Assume that the special marketing promotion last year resulted in an increase in sales of 200 cases for July, and that a special marketing promotion this year will result in an increase in sales for July of 400 cases.

Sales volume	July	Aug.	Sept.	Oct.	Nov.	Dec.
Previous year	6702	6327	6215	6007	5954	5813