- ***a learning, non-judgmental, non-blaming (because blaming is wasteful) approach*** and intent will allow the re-examination of the assumptions that resulted in the current process.

The format for Kaizen can be individual, suggestion system, small group, or large group. ***Therefore, Kaizen methodology includes making changes and monitoring results, then adjusting.***

Stock control

Types of Stock

- Raw material
- Work in Progress/Semi-finished goods
- Finished goods
- Consumables
- Plant and machinery spare parts.

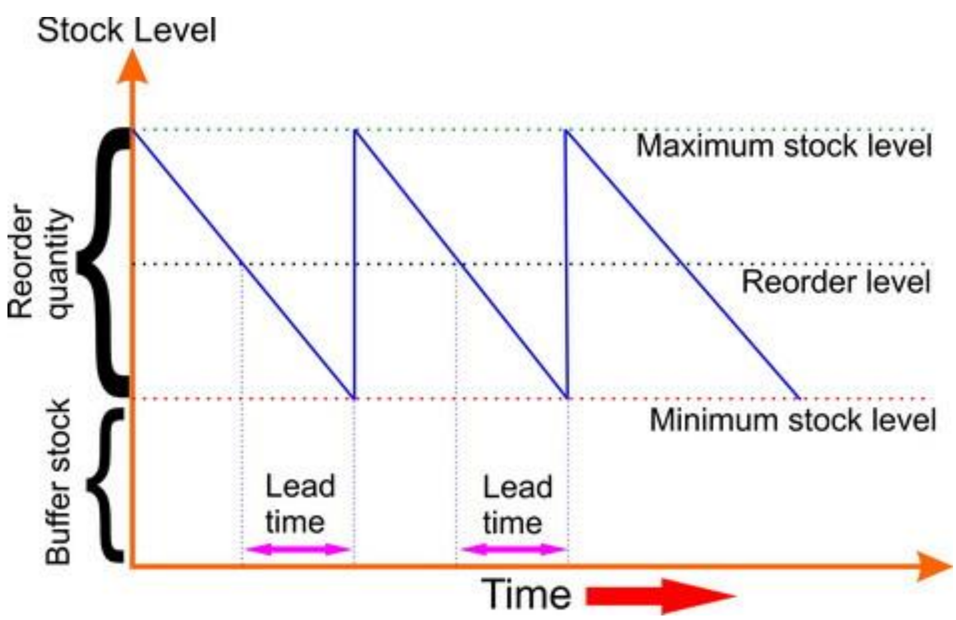
Problems due to Overstocking

- More stock more wastage.
- Risk of stock becoming obsolete.
- High storage costs.
- Working capital is tied up.

Problems due to Stock out (total depletion of stock)

- Customers demand could not be met leading to business losses.
- Frequent orders and handling cost may lead to higher cost for the business.

Stock control charts



Depletion of stocks as a result of usage or sales is represented by the sloping lines.

○ The break-even chart shows the safety margin which is the amount by which sales exceed the break-even point (current output minus break-even output)	3. Only focuses on the break-even point. Completely ignores other aspects of production like how to reduce waste or how to increase sales.
	○ Does not take into account discounts or increased wages, etc. and other things that vary over time

Break-even point: the calculation method

It is possible to calculate the break-even point without having to draw the graph. We need to formulas to achieve this:

$$Selling\ Price - Varible\ Costs = Contribution\ Margin$$

$$\frac{Total\ Fixed\ Costs}{\begin{array}{c}Contribution\ Margin\\(Selling\ Price - Variable\ Costs)\end{array}} = Break-even\ point$$

Therefore:

1. Profit = (Contribution X units produced)- fixed costs

2. $$\text{Units produced} = \frac{(\text{Target profit} + \text{fixed costs})}{\text{Contribution per unit}}$$

3. Contribution determines how much a product contributes to its fixed costs and profit after deducting the variable costs.

Business costs: Other definitions

There are types of costs to be analysed that are split from fixed and variable costs:

- **Direct costs:** costs that are directly related to the production of a particular product
- **Marginal costs:** how much costs will increase when a business decides to produce one more unit
- **Indirect costs:** costs not directly related to the product. They are often termed **overheads**.

$$\frac{Total\ cost\ of\ production}{Total\ Output} = Average\ cost\ per\ unit$$