

Study questions on aggregate planning

1.

ACME Ltd is planning the workforce and production levels for the six-month period January to June. The firm produces a line of special computers for industrial use. Forecast demands over the next six months for a particular line of computers are as follows:

Month	Forecast	Working days
Jan	1280	20
Feb	640	24
Mar	900	18
Apr	1200	26
May	2000	22
June	1400	15

One worker can produce an average of 0.14653 computers in one day. There are currently (end of December) 300 workers employed in the plant. Ending inventory in December is expected to be 500 units, and the firm would like to have 600 units on hand at the end of June. Workers receive an average of 2000 €/month in wages and benefits. It costs approximately 2500 € to lay off or terminate an employee and approximately 3000 € to recruit and train a new employee. Any item on hand at the end of the month that is not shipped incurs a 10 € holding cost. Use both the level and the chase strategy to solve the planning problem and indicate which is the best.

2.

Exemplify some problems with using the chase strategy, and with using the level strategy.