

## Be Your Own Boss

You own a toy store. You specialize in collectible dolls and stuffed animals. Some of the stuffed animals that you carry have become very popular with children, and you cannot keep them in stock. In the past, your reorder point was three and you never ran out of the animals, but now you are losing sales because of empty shelves. You know you could sell more stuffed animals if you had them. Outline a plan that will meet your business's inventory needs as well as your customers' needs? Prepare 2 PowerPoint slides with your ideas. Email the PowerPoint as an attachment.



## True or False

1. Inventory consists of the products and materials needed to make the product.
2. A startup business should initially purchase the minimum quantity of equipment and supplies needed.
3. Vendors are companies that sell products and services to businesses.
4. Most suppliers have similar prices, so you need to get a quote from only one vendor.
5. A quote is an estimate for how much you will pay for the good or service.
6. All businesses must purchase inventory before they can open for business.
7. For a manufacturing business, inventory includes merchandise purchased with the intent of either reselling it or using it to produce the company's product.
8. A startup business should not tie up too much cash in inventory.
9. Ongoing businesses usually have a good idea of how much inventory they need.
10. A reorder point needs to be determined only for products that sell quickly.

## Multiple Choice

1. Only some businesses need (a) office equipment, (b) office supplies, (c) furniture, (d) inventory.
2. Sources of vendor information include all of the following except (a) the Internet, (b) insurance agencies, (c) trade magazines, (d) telephone directory.
3. An estimate of how much you will pay for merchandise is (a) a quantity discount, (b) the financing terms, (c) a quote, (d) a letter of intent.
4. Which of the following type of business does not always need inventory before it can open for business? (a) Service business, (b) Manufacturing business, (c) Retailing business, (d) Wholesaling business.
5. For a retail business, inventory consists of (a) employee uniforms, (b) merchandise to be resold to customers, (c) parts needed to produce the business's product, (d) supplies.
6. Determining the amount of inventory is particularly difficult for owners of new businesses because (a) their insurance may not cover damage to stored inventory, (b) they need to take advantage of quantity discounts, (c) they do not know what their level of sales will be, (d) all of these.
7. To make sure you do not run out of stock unexpectedly, you can (a) establish a reorder point for each product you sell, (b) store extra inventory at a warehouse, (c) use only suppliers who guarantee to deliver in one day, (d) all of these.

- \_\_\_\_\_ 8. A reorder point is (a) an order to a supplier for additional items, (b) a predetermined level of inventory that signals when new stock must be purchased, (c) a reminder coded into a cash register, (d) none of these.
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### Problem Solving

1. The first column of the following table lists the types of standard equipment and supply needs for most businesses. Complete the table by listing three items for each type of need.

Type	Items
Furniture	
Fixtures	
Office equipment	
Office supplies	
Maintenance supplies	
Kitchen supplies	

2. Describe the different types of inventory.
3. For each type of inventory, what are the consequences of being out of stock of a particular item?
4. How can a business manage its inventory so it does not run out of stock unexpectedly?
5. Why should you make a list of all the equipment and supplies you need to start your business?