Glam Co is a hairdressing salon which provides both 'cuts' and 'treatments' to clients. All cuts and treatments at the salon are carried out by one of the salon's three senior stylists. The salon also has two salon assistants and two junior stylists.

Every client attending the salon is first seen by a salon assistant, who washes their hair; next, by a senior stylist, who cuts or treats their hair depending on which service the client wants; then finally, a junior stylist who dries their hair. The average length of time spent with each member of staff is as follows:

	Cut Hours	Treatment Hours
Assistant	0.1	0.3
Senior stylist	1.0	1.2
Junior stylist	0.6	0.2

The salon is open for eight hours each day for six days per week. It is only closed for two weeks each year. Staff salaries are \$40,000 each year for each senior stylist, \$28,000 each year for each junior stylist and \$12,000 each year for each of the assistants. The cost of cleaning products applied when washing clients' hair is \$1.50 per client. The cost of all additional products applied during a 'treatment' is \$7.40 per client. Other salon costs (excluding labour and raw materials) amount to \$106,400 each year.

Glam Co charges \$60 for each cut and \$110 for each treatment.

The senior stylists' time has been correctly identified as the bottleneck activity.

Question 16: What is the annual capacity of the bottleneck activity?

- A. 2,400 cuts or 1,600 treatments
- B. 4,800 cuts or 4,800 treatments
- C. 7,200 cuts or 4,800 treatments
- D. 9,600 cuts or 9,600 treatments

Question 17: The salon has calculated the cost per hour to be \$42.56.

What is the throughput accounting ratio (TPAR) for both services?

Treatments	
Cuts	

Question 18: Which THREE of the following activities could the salon use to improve the TPAR?

- A. Increase the time spent by the bottleneck activity on each service
- B. Identify ways to reduce the material costs for the services
- C. Increase the level of inventory to prevent stock-outs
- D. Increase the productivity of the stage prior to the bottleneck
- E. Improve the control of the salon's total operating expenses
- F. Apply an increase to the selling price of the services

Question 19: What would be the effect on the bottleneck if the salon employed another senior stylist?

- A. The senior stylists' time will be a bottleneck for cuts only
- B. The senior stylists' time will be a bottleneck for treatments only
- C. The senior stylists' time will remain the bottleneck for both cuts and treatments
- D. There will no longer be a bottleneck

Question 20: Which of the following statements regarding the theory of constraints are correct?

- 1. It focuses on identifying stages of congestion in a process when production arrives more quickly than the next stage can handle
- 2. It is based on the concept that organisations manage three key factors throughput, operating expenses and inventory
- 3. It uses a sequence of focusing steps to overcome a single bottleneck, at which point the improvement process is complete
- 4. It can be applied to the management of all limiting factors, both internal and external, which can affect an organization
- A. (1) and (2) only
- B. (1), (2) and (3)
- C. (2), (3) and (4)
- D. (1), (3) and (4)