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 customer attending the salon is first seen by a salon assistant, who washes their hair; next, by a senior stylist, who cuts or treats the hair depending on which service the customer 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 1·	5
Junior stylist	0·5	0·5

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 senior stylists, $28,000 each year for junior stylists and $12,000 each year for the assistants. The cost of cleaning products applied when washing the hair is $0·60 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.

Required:
(a) Briefly explain why the senior stylists' time has been described as the 'bottleneck activity', supporting your answer with calculations. (4 marks)

(b) Calculate the throughput accounting ratio (TPAR) for 'cuts' and the TPAR for 'treatments' assuming the bottleneck activity is fully utilised. (6 marks)

Examiners Report

This ten mark question tested throughput accounting. Part (a) was a 4 mark discussion question asking for a brief explanation of why the senior stylists' time had been described as the 'bottleneck activity', with some supporting calculations.

The answers to this were generally weak and it was apparent that candidates do not really understand what a bottleneck activity is.

The majority of answers stated that this was the bottleneck activity because a senior stylist spends more time on each client than any of the other staff spend.

Whilst this is true, this fact alone would not necessarily make the senior stylists' time the bottleneck resource. Candidates also needed to consider the total amount of senior stylists' time available compared to the other staff, so they needed to take into account the number of each type of staff member that were available and base their explanation on this.

Future candidates should be sure to read through the suggested answer carefully. Note that the suggested answer only provides one approach to answering this question, however there were numerous approaches that could have been taken and credit was duly given where appropriate.

Part (b) asked for calculations of the throughput accounting ratio for cuts and treatments. This question was answered better than part (a).

However, a common error was to base calculations on total salon hours of 2,400 rather than 7,200.

As regards the staff costs, it did not matter whether candidates assumed that the salary costs given in the question were the individual salary costs per staff member or the total salary costs for each category of staff. Either assumption was acceptable.

Whilst part (b) was of a better standard than part (a) very few candidates got full marks for part (b). This is definitely an area of the syllabus that needs careful consideration when preparing for F5.