

Fold each printed sheet in half lengthwise. The left side of the document will list the term and the right side will list the definition. Tape or staple the open edges of your flashcards. Cut out your flashcards on the solid lines indicated and fold them on the dotted lines.

Module 2: Section A: Supply Chain Design and Optimization

Term

supply chain design

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Definition

The determination of how to structure a supply chain. Design decisions include the selection of partners, the location and capacity of warehouse and production facilities, the products, the modes of transportation, and supporting information systems.

Module 2: Section A: Supply Chain Design and Optimization

Term

sourcing

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Definition

The process of identifying a company that provides a needed good or service.

Module 2: Section A: Supply Chain Design and Optimization

Term

level of service

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Definition

A measure (usually expressed as a percentage) of satisfying demand through inventory or by the current production schedule in time to satisfy the customers' requested delivery dates and quantities. In a make-to-stock environment, [this] is sometimes calculated as the percentage of orders picked complete from stock upon receipt of the customer order, the percentage of line items picked complete, or the percentage of total dollar demand picked complete. In make-to-order and design-to-order environments, [it] is the percentage of times the customer-requested or acknowledged date was met by shipping complete product quantities. Syn: measure of service, service level. See: cycle service level.

Module 2: Section A: Supply Chain Design and Optimization

Term

supply chain resilience

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Definition

The ability of a supply chain to anticipate, create plans to avoid or mitigate, and/or to recover from disruptions to supply chain functionality.

Module 2: Section A: Supply Chain Design and Optimization

Term

information technology

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Definition

The technology of computers, telecommunications, and other devices that integrate data, equipment, personnel, and problem-solving methods in planning and controlling business activities. Information technology provides the means for collecting, storing, encoding, processing, analyzing, transmitting, receiving, and printing text, audio, or video information.

Module 2: Section A: Supply Chain Design and Optimization

Term

information system

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Definition

Interrelated computer hardware and software along with people and processes designed for the collection, processing, and dissemination of information for planning, decision making, and control.

Module 2: Section A: Supply Chain Design and Optimization

Term

electronic document

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Definition

The electronic representation of a document that can be printed.

Module 2: Section A: Supply Chain Design and Optimization

Term

sunk cost

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Definition

1) The unrecovered balance of an investment. It is a cost, already paid, that is not relevant to the decision being made about the future. Capital already invested that for some reason cannot be retrieved. 2) A past cost that has no relevance with respect to future receipts and disbursements of a facility undergoing an economic study. This concept implies that since a past outlay is the same regardless of the alternative selected, it should not influence the choice between alternatives.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
modular system

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Definition

A system architecture design in which related tasks are grouped in self-contained packages. Each package, or module, of tasks performs all of the tasks related to a specific function. Advances in functions can be implemented without affecting other packages or modules because of the loose coupling with other modules. One example is a multitiered architecture in which application business rules are separated from the data management rules. Another example is a client-server architecture in which user interface tasks are separated from the application software. See: open system architecture.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
enterprise resources planning (ERP)

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Definition

Framework for organizing, defining, and standardizing the business processes necessary to effectively plan and control an organization so the organization can use its internal knowledge to seek external advantage. [This type of] system provides extensive databanks of information including master file records, repositories of cost and sales, financial detail, analysis of product and customer hierarchies, and historic and current transactional data.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
advanced planning and scheduling (APS)

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Definition

Techniques that deal with analysis and planning of logistics and manufacturing during short, intermediate, and long-term time periods. [This] describes any computer program that uses advanced mathematical algorithms or logic to perform optimization or simulation on finite capacity scheduling, sourcing, capital planning, resource planning, forecasting, demand management, and others. These techniques simultaneously consider a range of constraints and business rules to provide real-time planning and scheduling, decision support, available-to-promise, and capable-to-promise capabilities. [This] often generates and evaluates multiple scenarios. Management then selects one scenario to use as the "official plan." The five main components of [these] systems are (1) demand planning, (2) production planning, (3) production scheduling, (4) distribution planning, and (5) transportation planning.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
available-to-promise (ATP)

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Definition

1) In operations, the uncommitted portion of a company's inventory and planned production maintained in the master schedule to support customer-order promising. [This] quantity is the uncommitted inventory balance in the first period and is normally calculated for each period in which an MPS receipt is scheduled. In the first period, [this] includes on-hand inventory less customer orders that are due and overdue. Three methods of calculation are used: discrete [...], cumulative [...] with look-ahead, and cumulative [...] without look-ahead. (2) In logistics, the quantity of a finished good that is or will be available to commit to a customer order based on the customer's required ship date. To accommodate deliveries on future dates, [this] is usually time-phased to include anticipated purchases or production receipts. See: discrete available-to-promise, cumulative available-to-promise.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
capable-to-promise (CTP)

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Definition

The process of committing orders against available capacity as well as inventory. This process may involve multiple manufacturing or distribution sites. Used to determine when a new or unscheduled customer order can be delivered. Employs a finite-scheduling model of the manufacturing system to determine when an item can be delivered. Includes any constraints that might restrict the production, such as availability of resources, lead times for raw materials or purchased parts, and requirements for lower-level components or subassemblies. The resulting delivery date takes into consideration production capacity, the current manufacturing environment, and future order commitments. The objective is to reduce the time spent by production planners in expediting orders and adjusting plans because of inaccurate delivery-date promises.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
supply chain event management (SCEM)

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Definition

A term associated with supply chain management software applications, where users have the ability to flag the occurrence of certain supply chain events to trigger some form of alert or action within another supply chain application. [It] can be deployed to monitor supply chain business processes such as planning, transportation, logistics, or procurement. Can also be applied to supply chain business intelligence applications to alert users to any unplanned or unexpected event.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
warehouse management system (WMS)

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Definition

A computer application system designed to manage and optimize workflows and the storage of goods within a warehouse. Often interfaces with automated data capture and enterprise resources planning systems.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
transportation management system (TMS)

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Definition

A computer application system designed to manage transportation operations. Typically offer modules focused on specific functions, such as intermodal transportation, import/export management, fleet service management, and load planning and optimization.

Module 2: Section B: End-to-End Connectivity and Visibility
Term

information system architecture

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Definition

A model of how the organization operates regarding information. The model considers four factors: (1) organizational functions; (2) communication of coordination requirements; (3) data modeling needs; and (4) management and control structures. [This] should be aligned with and match the architecture of the organization.

Module 2: Section B: End-to-End Connectivity and Visibility
Term

database management system (DBMS)

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Definition

The software designed for organizing data and providing the mechanism for storing, maintaining, and retrieving that data on a physical medium (i.e., a database). [This] separates data from the application programs and people who use the data and permits many different views of the data.

Module 2: Section B: End-to-End Connectivity and Visibility
Term

data dictionary

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Definition

1) A catalog of requirements and specifications for an information system. 2) A file that stores facts about the files and databases for all systems that are currently being used or for the software involved.

Module 2: Section B: End-to-End Connectivity and Visibility
Term

network

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Definition

1) The interconnection of computers, terminals, and communications channels to facilitate file and peripheral device sharing as well as effective data communication. 2) A graph consisting of nodes connected by arcs.

Module 2: Section B: End-to-End Connectivity and Visibility
Term

server

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Definition

A computer or software package that provides a specific kind of service to client software running on other computers. The term can refer to a particular piece of software; for example, a web server or the machine on which the software is running. A single server machine could have several different server software packages running on it, thus providing many different servers to clients on the network.

Module 2: Section B: End-to-End Connectivity and Visibility
Term

local area network (LAN)

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Definition

A high-speed data communication system for linking computer terminals, programs, storage, and graphic devices at multiple workstations distributed over a relatively small geographic area such as a building or campus.

Module 2: Section B: End-to-End Connectivity and Visibility
Term

wide area network (WAN)

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Definition

A public or private data communication system for linking computers distributed over a large geographic area.

Module 2: Section B: End-to-End Connectivity and Visibility
Term

intranet

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Definition

A privately owned network that makes use of internet technology and applications to meet the needs of an enterprise. It resides entirely within a department or company and provides communication and access to information, similar to the internet, for internal use only.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
extranet

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Definition

A network connection to a partner's network using secure information processing and internet protocols to do business.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
operating system

APICS CSCP Learning System

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Definition

A set of software programs that controls the execution of the hardware and application programs. The operating system manages the computer and network resources through storage management, disk input/output, communications linkages, program scheduling, and monitoring system usage for performance and cost allocations.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
software-as-a-service (SaaS)

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Definition

A software licensing and distribution model that provides access to applications via the internet on a subscription basis. A service provider hosts the application at its data center and customers access it through a web browser. Often referred to as "on-demand" software and used by companies to avoid purchasing, implementing and maintenance costs.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
cloud computing

APICS CSCP Learning System

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Definition

An emerging way of computing where data is stored in massive data centers that can be accessed from any connected computers over the internet.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
legacy system

APICS CSCP Learning System

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Definition

A computer application program that is old and interfaces poorly with other applications but is too expensive to replace. It often runs on antiquated hardware.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
middleware

APICS CSCP Learning System

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Definition

Software that interconnects incompatible applications software and databases from various trading partners into decision-support tools such as ERP.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
electronic data interchange (EDI)

APICS CSCP Learning System

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Definition

The paperless (electronic) exchange of trading documents, such as purchase orders, shipment authorizations, advanced shipment notices, and invoices, using standardized document formats.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
value-added network (VAN)

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Definition

A network, often supporting EDI, providing services additional to those provided by common carriers.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

business process management (BPM)

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Definition

A business discipline or function that uses business practices, techniques, and methods to create and improve business processes. [A] holistic approach to the use of appropriate process-related business disciplines to gain business performance improvements across the enterprise or supply chain. It promotes business effectiveness and efficiency while striving for innovation, flexibility, and integration with technology. Most process improvement disciplines or activities can be considered [this].

Module 2: Section B: End-to-End Connectivity and Visibility

Term

web services

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Definition

A common internet or intranet framework that enables the movement of data from one supply chain application to another, without the requirement for a direct connection between the two applications and without regard to the underlying operating system for those applications.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

supply chain visibility

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Definition

Sharing information throughout the supply chain to create transparency among supply chain partners; for example, the ability of supply chain partners to access demand and production information from trading partners.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

e-business

APICS CSCP Learning System

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Definition

Abbreviation for electronic business. Refers to conducting business processes on an electronic network, typically the internet.

Module 2: Section B: End-to-End Connectivity and Visibility**Term**

electronic commerce (e-commerce)

APICS CSCP Learning System

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Definition

The use of computer and telecommunication technologies to conduct business via electronic transfer of data and documents.

Module 2: Section B: End-to-End Connectivity and Visibility**Term**

B2B

APICS CSCP Learning System

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Definition

Abbreviation for business-to-business commerce.

Module 2: Section B: End-to-End Connectivity and Visibility**Term**

B2C

APICS CSCP Learning System

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Definition

Abbreviation for business-to-consumer sales.

Module 2: Section B: End-to-End Connectivity and Visibility**Term**

web directory

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Definition

A list of web pages that is structured hierarchically.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

content management applications

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Definition

Supports the evolutionary life cycle of digital-based information and makes information dynamically updatable online; includes the ability to publish content to a repository and support access to digital-based content.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

quick-response program (QRP)

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Definition

A system of linking final retail sales with production and shipping schedules back through the chain of supply; employs point-of-sale scanning and electronic data interchange, and may use direct shipment from a factory to a retailer.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

continuous replenishment

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Definition

A process by which a supplier is notified daily of actual sales or warehouse shipments and commits to replenishing these sales (for example, by size or color) without stockouts and without receiving replenishment orders. The result is a lowering of associated costs and an improvement in inventory turnover. See: rapid replenishment, vendor-managed inventory.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

consignment

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Definition

1) A shipment that is handled by a common carrier. 2) The process of a supplier placing goods at a customer location without receiving payment until after the goods are used or sold. See: consigned stocks.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

collaborative planning, forecasting, and replenishment (CPFR)

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Definition

1) A collaboration process whereby supply chain trading partners can jointly plan key supply chain activities from production and delivery of raw materials to production and delivery of final products to end customers. Collaboration encompasses business planning, sales forecasting, and all operations required to replenish raw materials and finished goods. 2) A process philosophy for facilitating collaborative communications. [It] is considered a standard, and is endorsed by the Voluntary Interindustry Commerce Standards. Syn: collaborative planning.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

automatic identification system (AIS)

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Definition

A system that can use various means, including bar code scanning and radio frequencies, to sense and load data in a computer.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

batch processing

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Definition

1) A manufacturing technique in which parts are accumulated and processed together in a lot. 2) A computer technique in which transactions are accumulated and processed together or in a lot. Syn: batch production.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

radio frequency identification (RFID)

APICS CSCP Learning System

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Definition

A system using electronic tags to store data about items. Accessing or retrieving this data is accomplished through a specific radio frequency and does not require close proximity or line-of-sight access. See: active tag, passive tag, semi-passive tag.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

electronic product codes (EPCs)

APICS CSCP Learning System

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Definition

Codes that are used with RFID tags to carry information on the product that will support warranty programs.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

active tag

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Definition

A radio frequency identification tag that broadcasts information and contains its own power source. See: radio frequency identification (RFID).

Module 2: Section B: End-to-End Connectivity and Visibility

Term

passive tag

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Definition

A RFID tag that does not send out data and is not self-powered. See: radio frequency identification (RFID) tag.

Module 2: Section B: End-to-End Connectivity and Visibility

Term

semipassive tag

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Definition

An RFID tag that sends out data, is self-powered, and widens its range by harnessing power from the reader. See: radio frequency identification (RFID).

Module 2: Section B: End-to-End Connectivity and Visibility

Term
POS

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Definition

Abbreviation for point of sale.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
point-of-sale information

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Definition

Information about customers collected at the time of sale.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
aggregation

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Definition

The concept that pooling random variables reduces the relative variance of the resulting aggregated variable. For example, the relative variance in sales of all models of automobiles sold by a firm is less than that for a single model.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
decision support system (DSS)

APICS CSCP Learning System

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Definition

A computer system designed to assist managers in selecting and evaluating courses of action by providing a logical (usually quantitative) analysis of the relevant factors.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
data mining

APICS CSCP Learning System

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Definition

The process of studying data to search for previously unknown relationships. This knowledge is then applied to achieving specific business goals.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
big data

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Definition

Collecting, storing, and processing massive amounts of data for the purpose of converting it into useful information.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
data cleansing

APICS CSCP Learning System

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Definition

Sifting through a database to find and fix mistakes such as misspelling, missing information, and false data.

Module 2: Section B: End-to-End Connectivity and Visibility

Term
data normalization

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Definition

A database maintenance term used in the context of relational databases, which helps to minimize the duplication of information or safeguard the database against certain types of logical or structural data anomalies. It is often used when merging data from one or more databases.

Module 2: Section C: Supply Chain Metrics and Reports

Term
dashboard

APICS CSCP Learning System

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Definition

An easy-to-read management tool similar to an automobile's dashboard designed to address a wide range of business objectives by combining business intelligence and data integration infrastructure. See: executive dashboard.

Module 2: Section C: Supply Chain Metrics and Reports

Term
executive dashboard

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Definition

A set of cross-functional metrics for measuring company performance that indicates the health of the company. It usually includes the company's key performance indicators. See: dashboard.

Module 2: Section C: Supply Chain Metrics and Reports

Term
balanced scorecard

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Definition

A list of financial and operational measurements used to evaluate organizational or supply chain performance. The dimensions of [this] might include customer perspective, business process perspective, financial perspective, and innovation and learning perspectives. It formally connects overall objectives, strategies, and measurements. Each dimension has goals and measurements.

Module 2: Section C: Supply Chain Metrics and Reports

Term
Supply Chain Operations Reference (SCOR) model

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Definition

A process reference model developed by the Supply Chain Council and endorsed by the Association for Supply Chain Management (ASCM) as the standard cross-industry diagnostic tool for supply chain management. [It] describes the business activities associated with satisfying a customer's demand, which include plan, source, make, deliver, return, and enable. Use of [this] includes analyzing the current state of a company's processes and goals, quantifying operational performance, and comparing company performance to benchmark data. [It] has developed a set of metrics for supply chain performance, and ASCM members have formed industry groups to collect best practices information that companies can use to evaluate their supply chain performance.

Module 2: Section C: Supply Chain Metrics and Reports

Term

perfect order fulfillment

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Definition

A measure of an organization's ability to deliver a perfect order. See: perfect order.

Module 2: Section C: Supply Chain Metrics and Reports

Term

perfect order

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Definition

1) An order in which the "seven Rs" are satisfied: the right product, the right quantity, the right condition, the right place, the right time, the right customer, and the right cost. 2) A fulfillment metric used to measure order proficiency; i.e., the order meets the following criteria: on time, complete, accurate, and undamaged.

Module 2: Section C: Supply Chain Metrics and Reports

Term

order fulfillment lead time

APICS CSCP Learning System

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Definition

The average amount of time between the customer's order and the customer's receipt of delivery; this includes every manufacturing or processing step in between.

Module 2: Section C: Supply Chain Metrics and Reports

Term

upside supply chain adaptability

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Definition

A discrete measurement of the quantity of increased production a supply chain can achieve and sustain for 30 days.

Module 2: Section C: Supply Chain Metrics and Reports

Term

downside supply chain adaptability

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Definition

A discrete measurement of the reduction in quantities ordered sustainable at 30 days prior to delivery with no inventory or cost penalties.

Module 2: Section C: Supply Chain Metrics and Reports

Term

overall value at risk (VAR)

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Definition

The sum of the probability of risk events times the monetary impact of the events; can impact any core supply chain functions (e.g. plan, source, make, deliver, and return) or key dependencies.

Module 2: Section C: Supply Chain Metrics and Reports

Term

total cost to serve

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Definition

The sum of the supply chain cost to deliver products and services to customers. Includes the cost to plan the supply chain; source materials, products, goods, merchandize and services; produce, manufacture, remanufacture, refurbish, repair and maintain goods and services; manage orders, customer inquiries and returns; and deliver products and services at the agreed location (point of revenue). Comprises both direct cost and indirect cost.

Module 2: Section C: Supply Chain Metrics and Reports

Term

cost of goods sold (COGS)

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Definition

An accounting classification useful for determining the amount of direct materials, direct labor, and allocated overhead associated with the products sold during a given period of time. See: cost of sales.

Module 2: Section C: Supply Chain Metrics and Reports

Term
days outstanding

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Definition

A term used to imply the amount of an asset or liability measured in days of sales. For example, accounts payable days are the typical number of days that a firm delays payment of invoices to its suppliers.

Module 2: Section C: Supply Chain Metrics and Reports

Term
days sale outstanding

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Definition

A measure of the average number of days a company takes to collect revenue after a sale has been made, calculated as the total accounts receivable divided by the average daily sales rate.

Module 2: Section C: Supply Chain Metrics and Reports

Term
days of supply

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Definition

1) Inventory-on-hand metric converted from units to how long the units will last. For example, if there are 2,000 units on hand and the company is using 200 per day, then there are 10 [of these]. 2) A financial measure of the value of all inventory in the supply chain divided by the average daily cost of goods sold rate.

Module 2: Section C: Supply Chain Metrics and Reports

Term
return on supply chain fixed assets

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Definition

The return an organization receives on its invested capital in supply chain fixed assets. Includes the fixed assets used to plan, source, make, deliver, and return. Calculated as (supply chain revenue

Module 2: Section C: Supply Chain Metrics and Reports

Term

return on working capital

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Definition

A measure of profit on the amount of capital consumed. Calculated as after-tax operating income divided by net working capital.

Module 2: Section C: Supply Chain Metrics and Reports

Term

cost accounting

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Definition

The branch of accounting that is concerned with recording and reporting business operating costs. It includes the reporting of costs by departments, activities, and products.

Module 2: Section C: Supply Chain Metrics and Reports

Term

standard costs

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Definition

The target costs of an operation, process, or product including direct material, direct labor, and overhead charges.

Module 2: Section C: Supply Chain Metrics and Reports

Term

standard cost accounting system

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Definition

A cost accounting system that uses cost units determined before production for estimating the cost of an order or product. For management control purposes, the standards are compared to actual costs, and variances are computed.

Module 2: Section C: Supply Chain Metrics and Reports

Term
current price

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Definition

The price currently being paid, as opposed to standard cost.

Module 2: Section C: Supply Chain Metrics and Reports

Term
usage variance

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Definition

Deviation of the actual consumption of materials as compared to the standard.

Module 2: Section C: Supply Chain Metrics and Reports

Term
cost variance

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Definition

In cost accounting, the difference between what has been budgeted for an activity and what it actually costs.

Module 2: Section C: Supply Chain Metrics and Reports

Term
International Financial Reporting Standards (IFRS)

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Definition

A common global language for business affairs so that company accounts are understandable and comparable across international boundaries. As a result of growing international shareholding and trade, they are rules to be followed by accountants to maintain books of accounts that are comparable, understandable, reliable, and relevant whether the users are internal or external.

Module 2: Section C: Supply Chain Metrics and Reports

Term
balance sheet

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Definition

A financial statement showing the resources owned, the debts owed, and the owner's share of a company at a given point in time. See: funds flow statement, income statement.

Module 2: Section C: Supply Chain Metrics and Reports

Term
inventory valuation

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Definition

The value of the inventory at either its cost or its market value. Because inventory value can change with time, some recognition is taken of the age distribution of inventory. Therefore, the cost value of inventory is usually computed on a FIFO, LIFO, or standard cost basis to establish the cost of goods sold.

Module 2: Section C: Supply Chain Metrics and Reports

Term
obsolescence

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Definition

1) The condition of being out of date. A loss of value occasioned by new developments that place the older property at a competitive disadvantage. A factor in depreciation. 2) A decrease in the value of an asset brought about by the development of new and more economical methods, processes, or machinery. 3) The loss of usefulness or worth of a product or facility as a result of the appearance of better or more economical products, methods, or facilities.

Module 2: Section C: Supply Chain Metrics and Reports

Term
accounts receivable

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Definition

The value of goods shipped or services rendered to a customer for which payment has not yet been received. Usually includes an allowance for bad debts.

Module 2: Section C: Supply Chain Metrics and Reports

Term
accounts payable

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Definition

The value of goods and services acquired for which payment has not yet been made.

Module 2: Section C: Supply Chain Metrics and Reports

Term
net working capital

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Definition

The current assets of a firm minus its current liabilities.
Syn: working capital.

Module 2: Section C: Supply Chain Metrics and Reports

Term
income statement

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Definition

A financial statement showing the net income for a business over a given period of time. See: balance sheet, funds flow statement.

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Term
profit margin

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Definition

1) The difference between the sales and cost of goods sold for an organization, sometimes expressed as a percentage of sales. 2) [In traditional accounting for a product, this] is the product selling price minus the direct material, direct labor, and allocated overhead for the product, sometimes expressed as a percentage of selling price.

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Term
gross margin

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Definition

The difference between total revenue and the cost of goods sold. Syn: gross profit margin.

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Term
statement of cash flows

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Definition

Syn: funds flow statement.

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Term
cash flow

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Definition

The net flow of dollars into or out of the proposed project. The algebraic sum, in any time period, of all cash receipts, expenses, and investments. Also called cash proceeds or cash generated.

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Term
suboptimization

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Definition

A solution to a problem that is best from a narrow point of view but not from a higher or overall company point of view. For example, a department manager who refuses to allow employees to work overtime in order to minimize the department's operating expense may cause lost sales and a reduction in overall company profitability.

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Term
productivity

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Definition

1) An overall measure of the ability to produce a good or a service. It is the actual output of production compared to the actual input of [resources, and] is a relative measure across time or against common entities (labor, capital, etc.). In the production literature, attempts have been made to define [its total] where the effects of labor and capital are combined and divided into the output. One example is a ratio that is calculated by adding the dollar value of labor, capital equipment, energy, and material, and so forth and dividing it into the dollar value of output in a given time period. This is one measure of [the total factor type of this.] See: efficiency, labor productivity, machine productivity, utilization.

2) In economics, the ratio of output in terms of dollars of sales to an input such as direct labor in terms of the total wages. Known as single factor productivity or partial factor productivity.

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Term
inventory turnover

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Definition

The number of times that an inventory cycles, or "turns over," during the year. A frequently used method to compute inventory turnover is to divide the annual cost of sales by the average inventory level. For example, an annual cost of sales of \$21 million divided by an average inventory of \$3 million means that inventory turned over seven times. Syn: inventory turns, turnover. See: inventory velocity.

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Term
inventory velocity

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Definition

The speed with which inventory passes through an organization or supply chain at a given point in time as measured by inventory turnover. See: inventory turnover.

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Term
average inventory

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Definition

One-half the average lot size plus the safety stock, when demand and lot sizes are expected to be relatively uniform over time. The average can be calculated as an average of several inventory observations taken over several historical time periods; for example, 12-month ending inventories may be averaged. When demand and lot sizes are not uniform, the stock level versus time can be graphed to determine the average.