**Activity 2: IC Chip Manufacture Ltd**

**The company:**

* produces and distributes semiconductor integrated chips (IC) globally to large-scale suppliers in the automotive, pharmaceutical and technology industries;
* sources the required raw materials from an external provider overseas in bulk quantities;
* operates a JIT approach, as this has worked for the company in previous financial years;
* does not have a scheduled maintenance plan and uses a local contractor on call for breakdowns.

**The issues:**

* The supplier of the raw materials has informed the company that there is currently a shortage in the silicon required to make the IC.
* Current lead time has risen from two weeks to three months.
* Freight costs have also increased due to a change in the global market and fuel costs.
* A return customer has an order waiting to be fulfilled that includes penalty clauses for any order which is not delivered as agreed.

**Your task**

Based upon this information, the business has asked you to complete the following tasks:

1. Identify how the issues identified could impact the business, its suppliers, the local economy and the global market.

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

2. Suggest the most suitable stock management process.

……………………………………………………………………………………………………………

3. Suggest how asset management could be improved.

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

You can refer to Resource 3 Activity 2 Information sheet to help you with this task.