

## 2.2 A drill to practise the accounting model of a business

For each of the following firms or industries, identify the major inputs and outputs, and outline the process that takes place inside the firm.

1. an oil refinery

input(s): crude oil, energy, labour, machinery

output(s): refined products

process: refining and separation

2. a chocolate factory

input(s): sugar, cocoa beans, labour, machinery, energy

output(s): chocolate bars, etc.

process: manufacturing

3. a flourmill

input(s): grain, energy, machinery, labour

output(s): flour

process: milling

4. a bakery

input(s): flour, yeast, labour, energy

output(s): bread, cakes

process: mixing and baking

5. a restaurant

input(s): raw food, labour, energy

output(s): meals and service

process: cooking and serving

**6. a ship-builder**

input(s): metal, labour, energy

output(s): ships

process: design and building

**7. a tailor**

input(s): cloth, thread, labour

output(s): clothes

process: cutting and sewing

**8. a shoe manufacturer**

input(s): leather, rubber, energy, labour

output(s): shoes

process: cutting, shaping, sewing and sticking together

**9. a shoe shop**

input(s): wholesale shoes from manufacturer

output(s): retail shoes on High Street

process: stock-holding and selling

Notice here that there is no physical process or change, although there is (or must be) some kind of economic change – why else would the shop be able to sell shoes for more than it paid to get them?

**10. a firm of lawyers or accountants**

input(s): labour

output(s): advice

process: transmission of information from provider to client

Notice here that the consumption of the input (labour) is exactly the same as the production of the output (advice). The difference is only in the point of view of the firm: labour is what it pays for; advice is what it sells.

**11. an orchestra**

input(s): labour, use of instruments

output(s): music

process: playing instruments

**12. a hospital**

input(s): drugs, labour, use of space

output(s): medical service

process: hard to identify or name any specific process by which (say) the skill of the doctor (input, paid for by the hospital) is transformed into the treatment of the patient (output, sold to the patient), but for accounting purposes some such process must be assumed.

**13. a private school**

input(s): labour, use of space

output(s): lessons

process: as with the hospital, it is hard to identify or name any specific process by which (say) the skill or knowledge of the teacher (input, paid for by the school) is transformed into the lesson (output, sold to the student), but for accounting purposes some such process must be assumed.

**14. a newspaper**

input(s): paper, labour, use of machinery

output(s): newspapers, access to readers (for advertisers)

process: writing, printing, distribution

Notice that modern newspapers do not in general sell news to readers. In effect their customers are advertisers, and what newspapers sell is access to their readers' attention.

**15. a hotel**

input(s): labour, energy, use of space

output(s): permission to use space

process: again it is difficult to name the process involved, but the accounting model requires us to conceive of the business as a process in which the various inputs (whatever the firm has to pay for) are consumed while outputs (whatever the firm has to sell) are created.

**16. an airline**

input(s): fuel, labour, use of aircraft

output(s): tickets/permission to travel

process: see answer 15

**17. a car hire company**

input(s): cars, labour

output(s): permission to use cars

process: see answer 15

**18. a market research company**

input(s): labour

output(s): information

process: see answer 15

**19. a software house**

input(s): labour

output(s): computer programs

process: see answer 15

**20. a second-hand furniture shop**

input(s): privately owned/dispersed used furniture

output(s): second-hand furniture

process: stock-holding and selling