[Frequently Asked Questions]

[Quantitative Techniques for Management]

Subject:	Business Economics
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Paper No. & Title:	Paper – 403 Quantitative Techniques for Management
Unit No. & Title:	Unit - 5 CPM/PERT Analysis, Simulation, Simple Inventory Models
Lecture No. & Title:	3: Basic Inventory Models

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FAQ:

1. What is inventory?

Ans.: Inventory means raw materials used in process, finished products, packaging, and offers – stocked in order to meet an expected demand in the future.

2. What is inventory control?

Ans.: It is the process of deciding what and how much of various items are to be kept in stock.

3. What is holding cost?

Ans.: The cost associated with holding inventory is called holding cost.

4. What is lead time?

Ans.: Time gap between placing of an order and its actual arrival in the inventory is called lead time.

5. What is order cycle?

Ans.: Time period between placement of two successive orders is referred to as an order cycle.

6. What is economic order quantity ?

Ans.: The economic order quantity is that size of order which minimizes total annual costs of carrying inventory and cost of ordering.

7. When the total cost of inventory becomes minimum?

Ans.: The minimum total cost occurs at the point when ordering cost and the total inventory carrying cost are equal.

8. For standard economic inventory model state the formula of economic lot size in usual notations.

Ans.: Economic lot size = $Q^0 = \sqrt{2DC_s/C_1}$.

9. When Replenishment(Production) is finite state the formula of economic lot size in usual notations.

Ans.: Economic lot size = $Q^0 = \sqrt{\frac{2DC_s}{C_1\,(1-\frac{r}{k})}}$