[Glossary]

[Quantitative Techniques for Management]

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Unit No. & Title:	Unit - 5 CPM/PERT Analysis, Simulation, Simple Inventory Models
Lecture No. & Title:	3: Basic Inventory Models

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Glossary:

Inventory: Inventory means raw materials used in process, finished products, packaging, and offers – stocked in order to meet an expected demand in the future.
Inventory control: It is the process of deciding what and how much of various items are to be kept in stock.
Set up cost: The cost associated with setting up of machinery before starting production.
Ordering cost: The cost of ordering raw material for production purposes. It also includes the cost of advertisements, telephone charges, rent for space used by the purchasing department, travelling expenditure, etc.
Purchase (Production) cost: The cost of purchasing (or producing) a unit of an item is known as purchase cost.
Carrying (Holding) cost: The cost associated with carrying (or holding) inventory

Shortage (Stock out) Cost: The penalty for running out of stock is known as shortage cost.
Lead Time: Time gap between placing of an order and its actual arrival in the inventory is lead time.
Order Cycle: Time period between placement of two successive orders is referred to as an order cycle.
Time Horizon: Time period over which the inventory level will be controlled is called time horizon.