

(iv) Cost of Shortage = Shortage Qty \times Penalty / unit
 $= 40 \times 5 = \text{Rs } 200$

(v) Total Inventory cost :-

\Rightarrow ordering cost + carrying cost + Shortage cost

$$= \left(\frac{10000}{1020} \times 10 \right) + \left(\frac{1020}{2} \times 0.20 \right) + 200$$

$$= \text{Rs } 400.04$$

Q.4
M.

Maximum Stock Limit :- It represents the quantity of inventory above should not be allowed to kept.

\rightarrow Reorder Level :- $\left[\frac{\text{Usage at min rate in}}{\text{min lead time}} \right] + 800$

* Maximum Stock Limit :- the represents the quantity below which stock should not be allowed to fall.

\rightarrow Reorder level - (Normal usage \times Normal lead time)

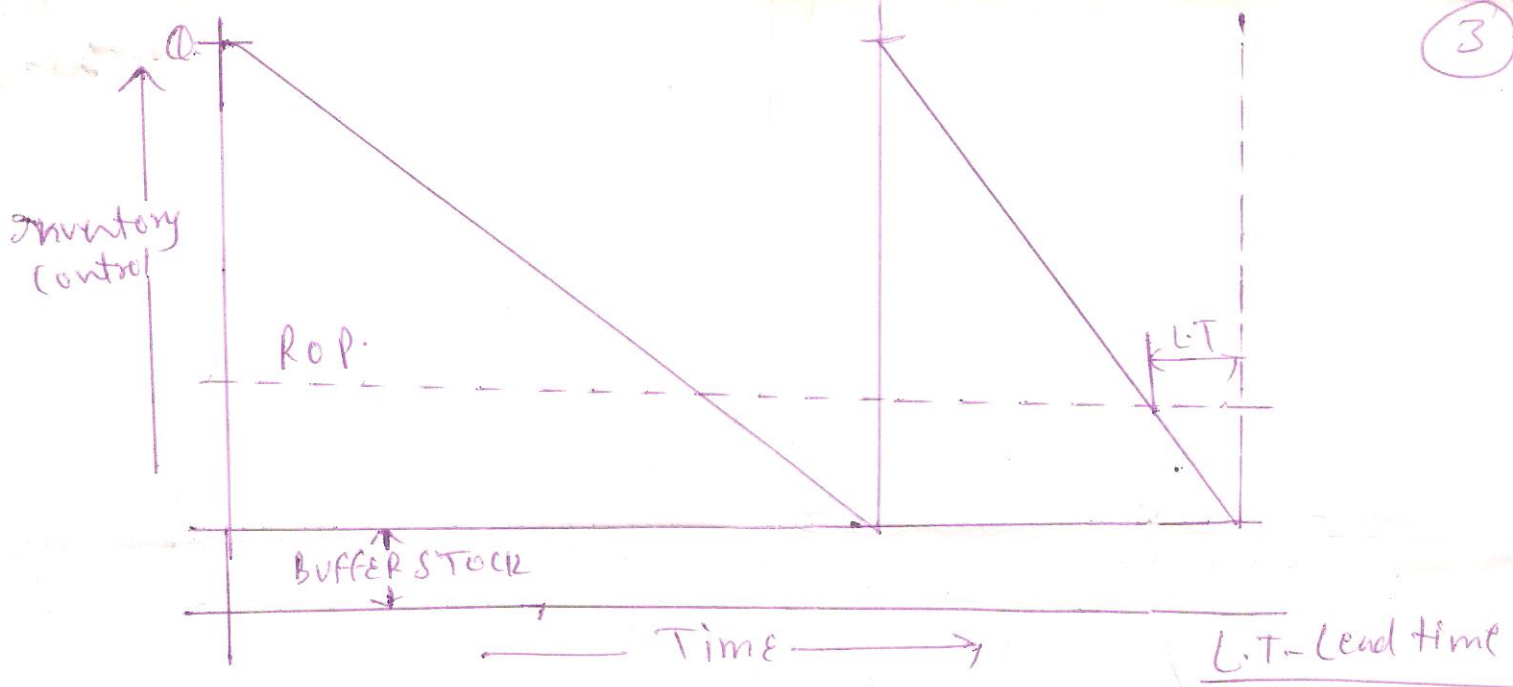
* Order Point :- It is the Pt at which if stock in store approaches, the store keeper should indicate the purchase requisition for fresh supply of material.

\rightarrow max. usage rate \times max^m lead time.

(v) Danger level :- It is the level below which stock is no circumstances be allowed to fall

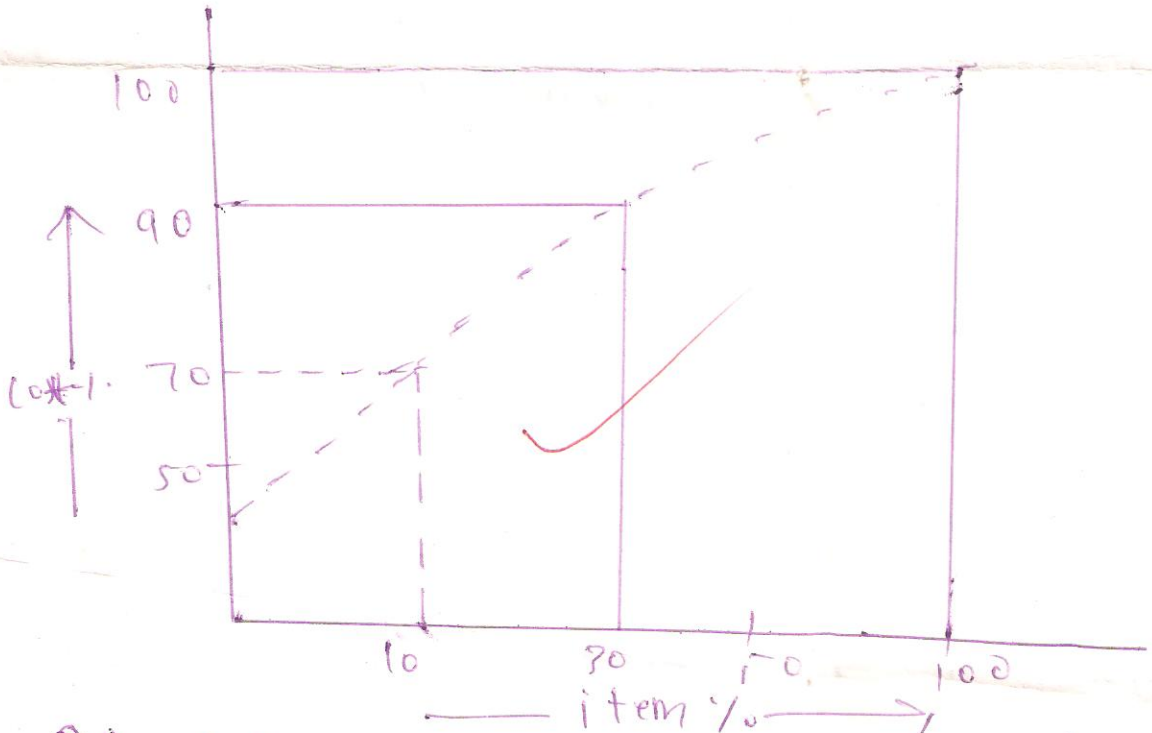
\rightarrow Average usage rate \times Emergent Lead time.

P.T.O



Q.7

ABC Analysis :- ABC Analysis helps segregating the items from one another & tells how much valued the item is and controlling it to what extent item is and controlling it to what extent is in the interest of organisation.



① A-items are high valued but few in No. they need carefully & close inventory control. Such items should be thought of in Advance and purchase well in time. Detailed records should be kept. Proper handling & storage facility.