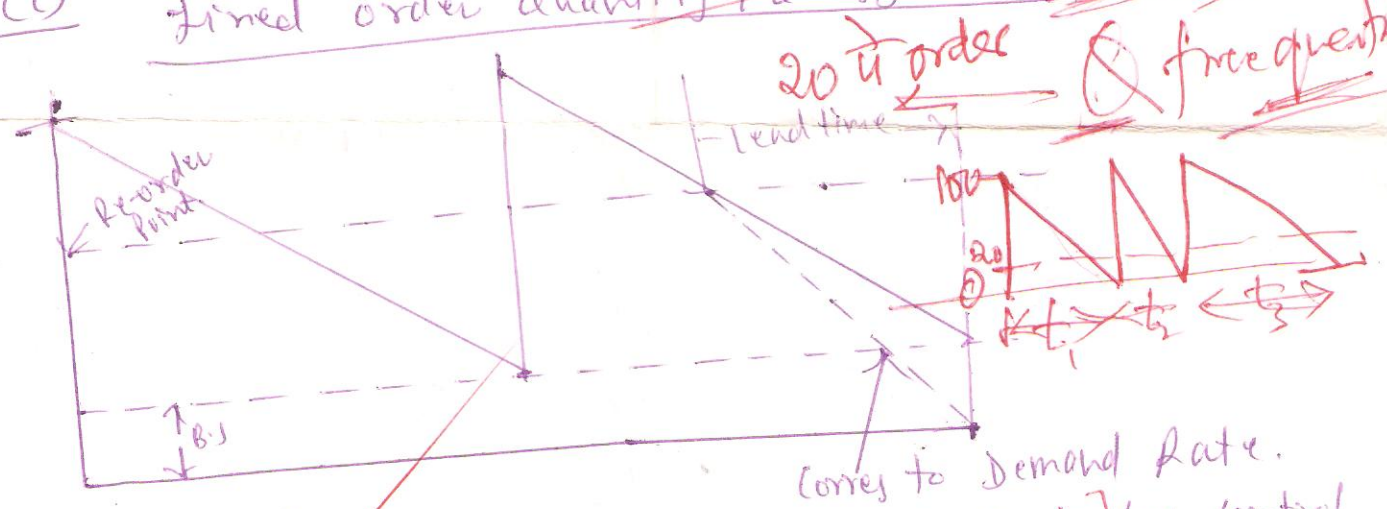


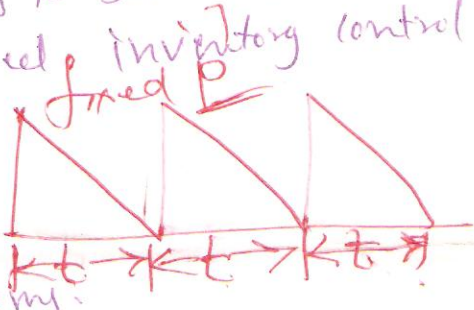
- 1.) Cost of Capital :- Its inventory is equivalent to locked-up working capital. This opportunity cost of inventory in inventory.
- 2.) SPACE Cost :- This cost may be the rent paid for space.
- 3.) MATERIAL HANDLING COST :- the inventory needs to be moved with in warehouse & factory, this category includes cost associated with internal movement of inventory.
- 4.) OBsolescence SPOilage OR DEPRECIATION COST
- 5.) Insurance Cost
- 6.) Inventory Procurement Cost :- Cost associated with tendering, ordering, followup, purchase order, inspection etc.

(A+10) (C) Fixed order quantity (Q) - System Fixed period



This is oldest & most commonly used inventory control system. Simple & reliable method.

- 1.) Simple & reliable method.
- 2.) Economical & easy to understand.
- 3.) Reorder point is indicated easily. more suitable for (C) class items.



* P-System (Fixed order per (C) system) :- In many organisation, purchasing policy is to place an order at definite periodic intervals, such as monthly, quarterly etc. In this, period is fixed but Q may be varying.