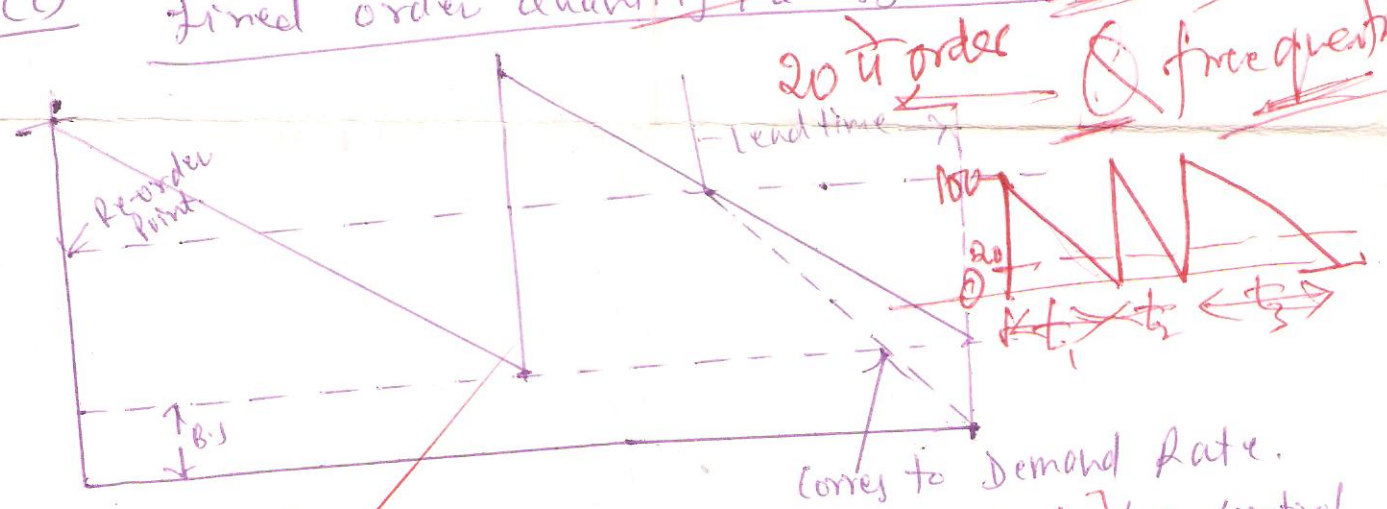


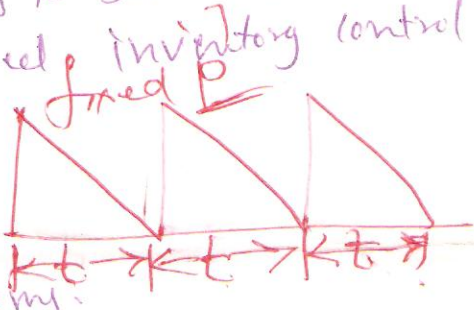
- 1.) Cost of Capital :- Its inventory is equivalent to locked-up working capital. This opportunity cost of inventory in inventory.
- 2.) SPACE Cost :- This cost may be the rent paid for space.
- 3.) MATERIAL HANDLING COST :- the inventory needs to be moved with in warehouse & factory, this category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

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

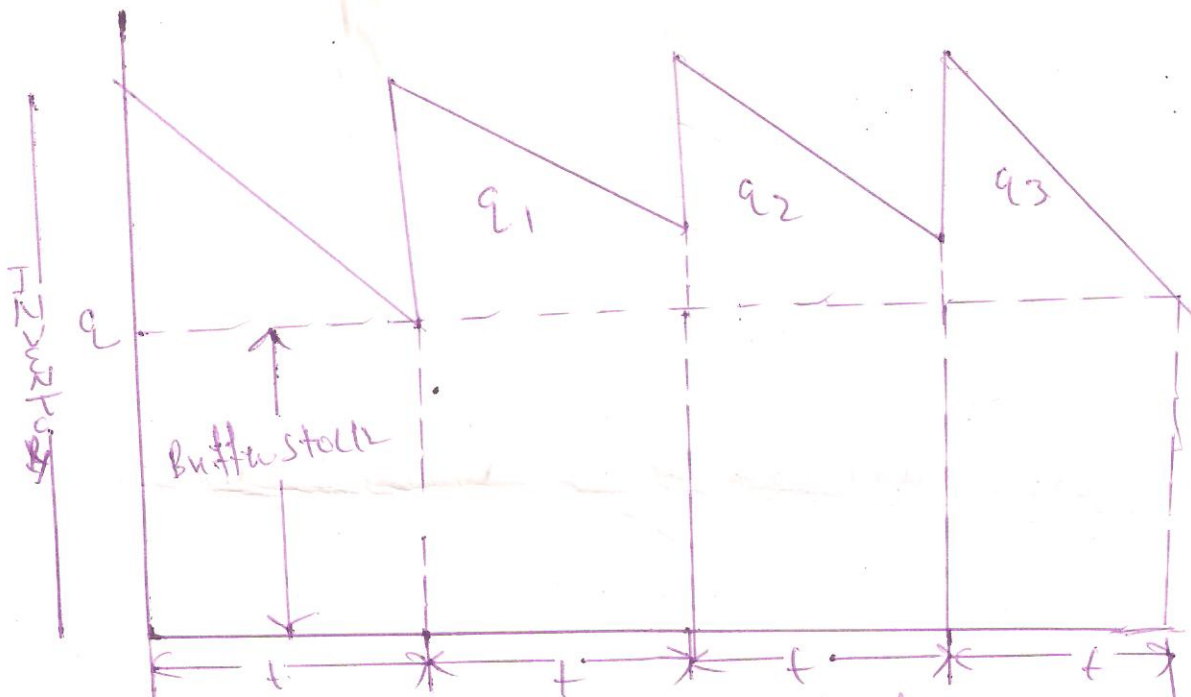


This is oldest & most commonly used inventory control system. Simple & reliable method.

- 1.) Economical & easy to understand.
- 2.) Reorder point is indicated easily.
- 3.) 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.



(b) SENSITIVITY Analysis :- Part of forecasting process at high-level any such externally critical or sensitive analysis areas by seeking to answer a series of what if --- 2.

a) The object is to isolate with in fore cast those critical factors or key variables, variations in which are likely to have most critical impact on financial fortunes of firm.

Q.5
Ans:

$A = 10,000$
 $P = 50$

$CP = ₹200$, $CC = 0.50/\text{unit}$

$r = \frac{10000}{250}$
 2240

$$EOQ = \sqrt{\frac{2CPA}{CC \left(\frac{P-r}{P}\right)}}$$

$$= \sqrt{\frac{2 \times 200 \times 10000}{0.50 \left(\frac{50-40}{50}\right)}}$$

$= 5000 \text{ units}$

Total setup cost
 $= 200 \times 2$
 $= 400$

Total Annual holding cost
 $= 0.50 \times 10000$

$₹58000$

1. Thus No. of lots $= \frac{10,000}{5000} = 2$

2. Product time / lot $= \frac{5000}{50} = 100 \text{ days}$