

MULTIPLE CHOICE QUESTIONS

1. When the items of inventory are classified according to value of usage, the technique is known as:
(a) XYZ Analysis (b) ABC Analysis
(c) DEF Analysis (d) None of the above
2. EOQ is the quantity that minimizes
(a) Total Ordering Cost (b) Total Inventory Cost
(c) Total Interest Cost (d) Safety Stock Level
3. Cost of not carrying sufficient inventory is known as
(a) Carrying Cost (b) Holding Cost
(c) Total Cost (d) Stock-out Cost
4. Annual consumption of material - 4,000 units Ordering Cost - ₹5
Cost per unit - ₹2
Storage & carrying cost - 8% p.a.
Economic Order Quantity for the item is:
(a) 500 units (b) 800 units
(c) 300 units (d) 400 units
5. The annual demand of a certain component bought from the market is 1,000 units. The cost of placing an order is ₹60 and the carrying cost per unit is ₹3 p.a. The Economic Order Quantity for the item is ____
(a) 200 units (b) 400 units
(c) 600 units (d) 500 units
6. A publishing house purchases 2,000 units of a particular item per year at a unit cost of ₹20. The ordering cost per order is ₹50 and the inventory carrying cost is 25%. How will be the total cost if company decides to buy in EOQ?
(a) ₹41,325 (b) ₹41,000
(c) ₹41,500 (d) ₹41,525

7. Total cost = ₹24,30,000, No. of orders = 4 orders, Ordering cost = ₹750 per order, Ordering quantity = 10,000 units, Carrying cost per unit per annum = ₹15. Material price per unit = ____.
- (a) ₹58.80 (b) ₹60.20
(c) ₹60.80 (d) ₹60.00

Answer Key

1. (b)	2. (b)	3. (d)	4. (a)	5. (a)	6. (b)	7. (a)
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