## E217 – Inventory Management

### Quiz for Problem 04: How to Review

State if the below statement is **TRUE or FALSE**.

1. One of the main differences between continuous and the periodic review system is whether the reorder interval is fixed or not.
   Answer: True

2. If the supplier dictates fixed order sizes, the (s, Q) continuous review system is more appropriate to implement.
   Answer: True

3. For the (s, Q) system, a variable quantity is ordered every time the inventory position drops to the reorder point s.
   Answer: False. For the (s, Q) system, a fixed quantity, Q is ordered every time the inventory position drops to the reorder point s.

4. For the (s, S) system, a variable quantity (S-s) is ordered every time the inventory position drops to the reorder point.
   Answer: True

5. When demand is uncertain, we need to include safety stock when calculating the Reorder point for the (s, Q) system. The reorder point is calculated by average demand during lead time plus the safety stock.
   Answer: True

6. Periodic review system is more appropriate for those items with small order volume, as it may be uneconomical to order such item in isolation.
   Answer: True

7. (R, S) system is a continuous review system, in which a sufficient quantity is ordered in each replenishment cycle (R time units) to raise the inventory position to the level S.

   Answer: False. (R, S) is a periodic review system.

8. For the (R, s, S) system, it is a combination of the (s, S) and (R, S) systems whereby every R units of time we check the inventory position. If it is at or below reorder point, s, we order enough to raise it to S.

   Answer: True

9. With the same desired customer service level, the periodic review system requires less safety stock, as compared with the continuous review system.

   Answer: False. Continuous review system requires less safety stock.

10. The periodic review system is more time consuming to implement, as compared with continuous review system.

    Answer: False. The continuous review system is more time consuming.