

The Economic Order Quantity Calculation

Please remember the following notation of the formulas:

Q = Order Quantity (how much we order each time)

D = Demand (how much we sell in a given period – usually one year)

V = Value of the item (purchase cost or production cost)

O = Order Cost (placing and receiving it)

C = Inventory Carrying Cost

$$TC(Q) = \frac{OD}{Q} + \frac{VCQ}{2}$$

$$EOQ = \sqrt{\frac{2OD}{CV}}$$

Product Demand	5000
Product Value	\$100.00
Order Cost	\$100.00
Inventory Carrying Cost	25.00%
Economic Order Quantity	200
Order Receiving Cost	\$2,500.00
Inventory Holding Cost	\$2,500.00
Total Cost	\$5,000.00