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The EOQ model

- ☐ a. All of the alternatives are correct.
- ☐ b. determines only how frequently to order.
- ☒ c. considers total cost.
- ☐ d. minimizes both ordering and holding costs.



The correct answer is: considers total cost.

The maximum inventory with backorders is given by

- ☐ a. $(Q - S) / 2$
- ☐ b. S
- ☒ c. $Q - S$
- ☐ d. Q



The correct answer is: S

For the EOQ model, cycle time is the time between

- ☐ a. placing and receiving an order
- ☒ b. placing successive orders
- ☐ c. stocking out and receiving an order
- ☐ d. receiving and storing an order



The correct answer is: placing successive orders

Safety stock

- ☐ a. is not needed if Q^* is the actual order quantity.
- ☐ b. can be determined by the EOQ formula.
- ☒ c. depends on the variability of demand during lead time.
- ☐ d. depends on the inventory position.



The correct answer is: depends on the variability of demand during lead time.

Inventory models in which the rate of demand is constant are called

- ☒ a. deterministic models.
- ☐ b. JIT models.
- ☐ c. fixed models.
- ☐ d. demand requirements models.



The correct answer is: deterministic models.

ZIP Electric Bike Company buys special batteries to power its most popular model, called the Zippy. The company is selling about 500,000 Zippies per year. The batteries cost \$50 each. ZIP figures that the impact of holding inventory is 15% per year and placing an order costs the company \$220. Using the economic order quantity model, what is the optimal order quantity for the batteries?

Select one:

- ☐ a. 1632.9
- ☐ b. 816.5
- ☐ c. 5416
- ☒ d. 541.6



The correct answer is: 5416

Which cost would not be considered part of a holding cost?

- ☐ a. insurance cost
- ☐ b. warehouse overhead
- ☒ c. shipping cost
- ☐ d. cost of capital



The correct answer is: shipping cost

For inventory systems with constant demand and a fixed lead time,

- ☐ a. the reorder point $>$ lead-time demand.
- ☐ b. the reorder point is unrelated to lead-time demand.
- ☐ c. the reorder point $<$ lead-time demand.
- ☒ d. the reorder point = lead-time demand.



The correct answer is: the reorder point = lead-time demand.

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