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DISCUSSION QUESTIONS

1. The four types of inventory are:
 - Raw material—items that are to be converted into product
 - Work-in-process (WIP)—items that are in the process of being produced
 - Finished goods—completed items for which title has not been transferred
 - MRO—maintenance, repair, and operating supplies—items that are necessary to keep the manufacturing process going
2. The value of inventory carrying should not be seen as outweighing the need for the ABC inventory classification scheme. Although the cost of carrying has decreased considerably, the cost of stock obsolescence has not decreased to a similar fashion. Business organizations will have more items for which the cost of data acquisition for a "postponed" inventory system is still considerably higher than the cost of the item.
3. The purpose of the ABC system is to identify those items that require more attention than inventory volume.
4. Types of cross-holding occur: use of capital invested and space occupied. Another cost that can be held in common when several entities share the cost of the plant and, under the cost, associated with ordering, transportation, and receiving the items and cost of the warehouse for the item.
5. An example of EOQ model, demand is known and constant over time, lead time is known and constant, receipt of inventory is instantaneous, quantity discounts are not possible, the only variable cost is the cost of placing an order or setting up production and the cost of holding or storing inventory over time and if orders are placed at the right time, no shortages or shortages can be completely avoided.
6. The EOQ assumes an annual inventory cost as the only cost; it does not take into account the cost of the changes in the EOQ are proportional to the square root of the changes in the parameters.
7. Price-time quantity is not suitable in the EOQ model, but it is in the discount model. When quality discounts are available, the unit purchase price of the item depends on the order quantity.
8. Advantages of cycle counting:
 1. Eliminating the disturbance and interruption of production necessary for annual physical inventories
 2. Eliminating annual inventory adjustment
 3. Providing better personnel to utilize the accuracy of inventory
 4. Allowing the ease of errors to be identified and corrected
 5. Maintaining accurate inventory records
9. A decision to change from a fixed-order, the cost for order, management cost and order cost, and then decrease the EOQ.
10. The reorder point for the EOQ has a higher inventory cost, and the price are no lower than in the EOQ. Items above the EOQ have higher inventory cost than the corresponding price break point in EOQ at prices that are no lower than either of the price breaks in the EOQ, it depends on whether there exists a discount point above the EOQ.
11. Inventory level orders in the process of customers to whom the product or service is delivered when and as promised.
12. In the same time, hold items will be reduced using an economic production quantity, because the average inventory to describe the corresponding EOQ system.
13. In a fixed quantity inventory system, when the quantity on hand reaches the reorder point, an order is placed for the specified quantity. In a fixed period inventory system, an order is placed at the end of the period. The quantity ordered is the needed to bring on hand inventory up to a specified level.
14. The EOQ model gives you and monthly order interval, a 10% error in actual demand above the EOQ by less than 5%.
15. Safety stock is inventory beyond average demand during lead time, held to control the level of shortages when demand exceeds total time are not constant; inventory carried to ensure that the demand service level is met.
16. The reorder point is a function of demand per unit of time, lead time, customer service level, and standard deviation of demand.
17. Most model often have a conventional cycle time or speed of order system. At the time of purchase, the computer system continuously update the EOQ and reduces the inventory level in its records for the product sold.
18. Advantages of a fixed period system. There is no physical count of inventory when items are withdrawn. Disadvantage: There is a possibility of counting during the time between orders.

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