Assignment 11
Due by 25th Dec, 2020, 11:59 IST.

1. Which of these scenarios are not considered when estimating the safety stock?
   - A) Demand is variable, Lead time is constant
   - B) Demand is constant, Lead time is variable
   - C) Both demand and lead time are constant
   - D) Both demand and lead time are variable

2. Which of these statements is true concerning economic order quantity (EOQ) model?
   - A) The EOQ model combines several different factors to order the same amount of inventory
   - B) If an order quantity is larger than the EOQ, the annual holding cost exceeds the annual ordering cost
   - C) The EOQ model assumes a variable demand pattern
   - D) When the interest rate drops, the inventory holding cost decreases and hence the EOQ decreases

3. Periodic review policies require:
   - A) More safety inventory than continuous review policies for the same level of product availability
   - B) The same safety inventory as continuous review policies for the same level of product availability
   - C) Less safety inventory than continuous review policies for the same level of product availability
   - D) None of these

4. It is better to carry more safety inventory downstream if:
   - A) Inventory is expensive to hold and customers are not time sensitive
   - B) Inventory is expensive to hold and customers are time sensitive
   - C) Inventory is inexpensive to hold and customers are time sensitive
   - D) Inventory is inexpensive to hold and customers are not time sensitive

5. A continuous review policy dictates that:
   - A) O or El units are ordered when the inventory drops to ROP
   - B) O or El units are ordered when the inventory drops to ROP
   - C) If El units are ordered at time T = L
   - D) None of these

6. In a periodic review system, the order up to level:
   - A) Exceeds the current inventory level plus the lot-size ordered
   - B) Exceeds the current inventory level minus the lot-size ordered
   - C) Equals the current inventory plus the anticipated demand during lead time
   - D) None of these

7. The required safety inventory:
   - A) Increases with an increase in the lead time and the standard deviation of periodic demand
   - B) Decreases with an increase in the lead time and the standard deviation of periodic demand
   - C) Remains stable with an increase in the lead time and the standard deviation of periodic demand
   - D) Increases with a decrease in the lead time and the standard deviation of periodic demand

8. Inventory carried for the purpose of satisfying demand that exceeds the amount forecasted for a given period is referred to as:
   - A) Cycle inventory
   - B) Safety inventory
   - C) None of these

9. A shortage occurs in a replenishment cycle:
   - A) Only if the demand during the lead time is less than the ROP
   - B) Only if the demand during the lead time is less than the average demand
   - C) Only if the demand during the lead time exceeds the average demand
   - D) Only if the demand during the lead time exceeds the ROP

10. A manager using continuous review has to account only for:
    - A) Demand variability
    - B) Lead time variability
    - C) Both demand and lead time
    - D) Cycle service level