

HKDSE 2014 2B Q2

2. (a) With a diagram, show how the Economic Order Quantity of a product is determined. (2 marks)

(b) The following data relate to a product:

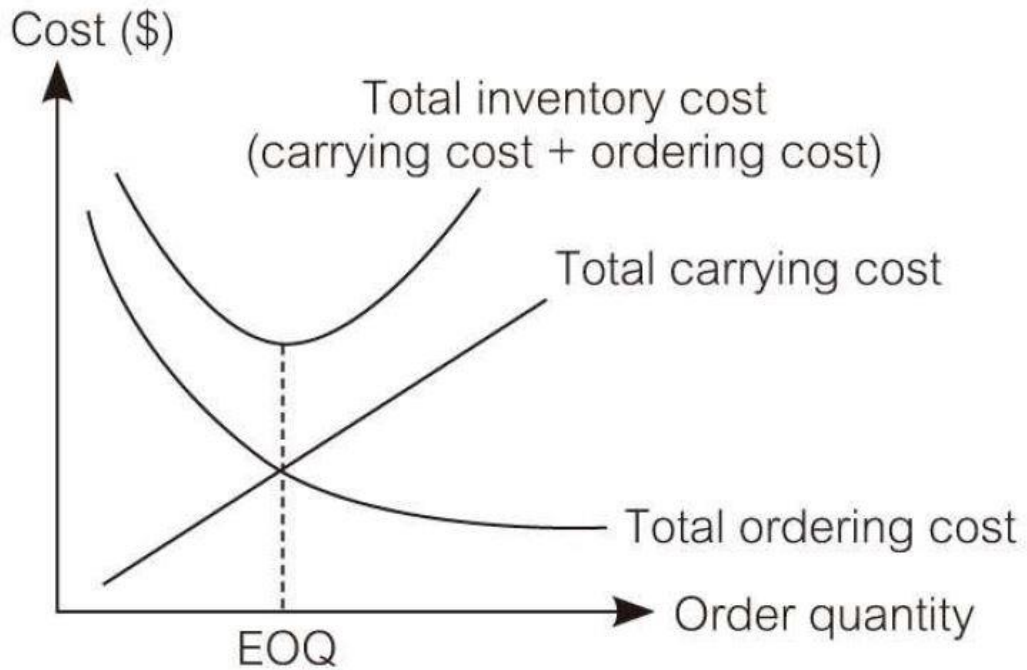
Annual demand: 7200 units
Lead time: 8 days

Assuming there are 360 days in a year and no safety stock is kept, calculate the re-order level of the product. Show your calculations. (2 marks)

2.

(a)

Economic order quantity:



(2 marks)

2. (b) $\text{Re-order level} = (7,200 / 360) \times 8 = 160 \text{ units}$

