April 6 – Slides

Correction for Slide 15

- Formulation – similar to EOQ - Cycle Time = $T\,\lambda = Q$
- Write average fixed ordering cost , average inventory carrying cost (area/T) and average backorder cost (area/T)
- One can obtain the optimal solution to this problem as follows:
- $b^* = \{h/(p+h)\}Q^*$

  and $Q^* = \{(2K\lambda/h)*[(p+h)/p]\}^{1/2}$
- Using these results, write the average total cost function and show that it is always less than the average total cost obtained by EOQ with no backorders –
- Question 2) of the Mini-HW2.