DPBS (PG) COLLEGE , ANOOPSHSHR
B.COM. III
PAPER : FINANCIAL MANAGEMENT
PAPER CODE : C-305
TOPIC : MANEGEMENT OF INVENTORY
PRACTICE SET

1. **Which of the following is not an inventory?**

a. Machines
b. Raw material
c. Finished products
d. Consumable tools

2. **The following classes of costs are usually involved in inventory decisions except**

a. Cost of ordering
b. Carrying cost
c. Cost of shortages
d. Machining cost

3. **The cost of insurance and taxes are included in**

a. Cost of ordering
b. Set up cost
c. Inventory carrying cost
d. Cost of shortages

4. **Buffer stock' is the level of stock**

a. Half of the actual stock
b. At which the ordering process should start
c. Minimum stock level below which actual stock should not fall
d. Maximum stock in inventory

5. **The minimum stock level is calculated as**

a. Reorder level – (Nornal consumption x Normal delivery time)
b. Reorder level + (Nornal consumption x Normal delivery time)

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c. (Reorder level + Nornal consumption) x Normal delivery time
d. (Reorder level + Nornal consumption) / Normal delivery time

6. Which of the following is true for Inventory control

a. Economic order quantity has minimum total cost per order
b. Inventory carrying costs increases with quantity per order
c. Ordering cost decreases with lo size
d. All of the above

7. The time period between placing an order its receipt in stock is known as

a. Lead time
b. Carrying time
c. Shortage time
d. Over time

8. Re-ordering level is calculated as

a. Maximum consumption rate **x** Maximum re-order period
b. Minimum consumption rate **x** Minimum re-order period
c. Maximum consumption rate **x** Minimum re-order period
d. Minimum consumption rate **x** Maximum re-order period

9. Average stock level can be calculated as

a. Minimum stock level + ½ of Re-order level
b. Maximum stock level + ½ of Re-order level
c. Minimum stock level + 1/3 of Re-order level
d. Maximum stock level + 1/3 of Re-order level

10. The Economic Order Quantity (EOQ) is calculated as

a. $(2D*S/h)^{1/2}$
b. $(DS*/h)^{1/2}$
c. $(D*S/2h)^{1/2}$
d. $(D*S/3h)^{1/2}$

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Where, D=Annual demand (units), S=Cost per order, h=Annual carrying cost per unit

11. **The order cost per order of an inventory is Rs. 400 with an annual carrying cost of Rs. 10 per unit. The Economic Order Quantity (EOQ) for an annual demand of 2000 units is**

a. 400
b. 440
c. 480
d. 500