

Inventory planning and control Job Interview Questions And Answers



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Inventory planning and control Interview Questions And Answers Guide.

Question - 1:

Tell me what does EOQ make work for inventory control?

Ans:

The EOQ works if its four assumptions match the case it is used on. The assumptions are:

- * Annual demand, carrying costs and ordering costs can be estimated.
- * Inventory level is divided by 2, no safety stock, goods used uniformly and are gone by next order.
- * Stock-out, customer responsiveness and other costs not considered.
- * No quantity discounts.

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Question - 2:

Tell me how would you determine the numbers to use in the EOQ formula?

Ans:

To determine which numbers to use you must look for the following items. The number of items per order is the quantity(Q). The number of items that can be sold is D.

D may be the forecast demand for that particular good. The cost of placing the order is used for S. The final number to find is the carrying cost(C) which is the cost of the item to be held in inventory.

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Question - 3:

Tell me about the kinds of reordering systems that can be used in inventory control?

Ans:

There are several types of reordering systems, in this module we discussed three. The fixed order quantity uses fixed quantities of goods ordered at various order points to replenish inventory. The fixed order period use fixed times of reorder with various order quantities to replenish inventory to preset levels. The final system, just in time uses a constant flow of goods to match the level of demand.

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Question - 4:

Tell me what makes a good forecasting model?

Ans:

A good forecast model will have reasonable costs. the accuracy of its forecasts will allow good decision making. The model will have ample data available for its use and a relevant time span. The model finally will have a low interference level.

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Question - 5:

Why do you need to recompute stocking costs for the EOQ level?

Ans:

In order to compare stock costs when using the EOQ model you must compute the costs for both the original level and the EOQ level of order quantities.

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Question - 6:

Do you know what do the letters in the EOQ and stocking cost formula stand for?

Ans:

The letters in the formulas represent the quantity ordered(Q), the carrying cost of a unit(C), the demand for the units(D) and the cost of completing a order(S).



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Question - 7:

Tell me about the total stocking cost in inventory?

Ans:

Total stocking cost is the cost to the store of holding a good in its inventory. The stocking cost consists of the carrying cost times half the quantity in inventory and the order completion cost times demand divided by the quantity. In its mathematical form the cost is represented by $TSC = (Q/2)C + (D/Q)S$.

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Question - 8:

Tell me if you know when should reorders be placed?

Ans:

Times for reordering goods vary dependent on the control system you use and its lead time. In fixed order quantities reorders should be placed when the safety stock is reached. In fixed period systems the reordering is done at set time periods. In just in time systems reordering is based on matching the demand with supply. For just in time a close watch on inventory levels is needed so that reorders are placed before goods are out of stock.

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Question - 9:

Tell me about forecasting in inventory?

Ans:

Forecasting is the process of estimating the future demand of a product.

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Question - 10:

Tell me what is demand in inventory?

Ans:

Demand is the quantity that customers are willing to buy. Demand can be found through forecasting and is needed to find the EOQ level.

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Question - 11:

Tell me how can a computer help in forecasting future demand?

Ans:

In the market today there are many computer software packages that can compute forecasted demand for goods held in inventory.

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Question - 12:

Can you tell me what is lead time in inventory?

Ans:

Lead time is the period of time from which an order for goods is placed until it is received by the store. Lead time is an important consideration for determining when orders should be placed.

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Question - 13:

Tell me what is an order quantity in inventory?

Ans:

An order quantity is the amount of goods that an order requests be shipped to the store.

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Question - 14:

Tell me what is an order point in inventory?

Ans:

An order point is a point in time at which an order is placed to replenish goods in inventory.

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Question - 15:

Tell me about the interference in inventory control?

Ans:

Interference is a factor in forecasting demand. Interference is made up of all the factors that a forecaster has no control over. Factors that may be considered interference include natural disasters, unusual customer demands or rare events in the business period.

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**Question - 16:**

What would you expect, if inventory controls are followed?

Ans:

By following your inventory policy you should be able to realize important advantages in inventory control. The first is reduced costs for inventories, along with reduced amounts of inventory. Theft and shrinkage should also be reduced if inventory policy is followed. The final benefit will be increased profits for the store.

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Question - 17:

How would forecasting help in controlling inventory?

Ans:

Through the use of forecasts inventory levels can be set to meet the demands while keeping levels as low as possible.

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Question - 18:

Can you tell me what types of forecasting can you do?

Ans:

There are two types of forecasting qualitative and quantitative. Qualitative uses personal opinions to determine forecasts. Quantitative uses numerical data and statistical modeling to determine forecasts.

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Question - 19:

Tell me when should you take a physical inventory?

Ans:

A inventory should be taken at least once a year. If items are perishable, seasonal or highly demanded a inventory should be taken more often.

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Question - 20:

What would happen if there is no savings or the models produce even results?

Ans:

If there is no savings a error in the calculations may have occurred or the model does not fit your case. For instances were the total stocking costs are even you may use either order quantity.

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Question - 21:

Will it effect the EOQ model, If you get a discount?

Ans:

Yes, a discount will cause the basic EOQ model to fail. To use a discount in determine a EOQ you must use the EOQ model with quantity discounts.

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Question - 22:

Do you know what is the formula of EOQ?

Ans:

The EOQ formula is the square root of 2 times demand times order completion cost divided by carrying cost. The mathematical formula is square root of $2DS/C$.

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Question - 23:

When does the model work in inventory?

Ans:

The model only works for those cases that meet its assumptions.

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Question - 24:

Do you know the importance of EOQ level?

Ans:

The EOQ level is the point at which stocking costs are at their lowest point for a given item.

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Question - 25:

How does an inventory effect in a store?

Ans:



Inventory levels and their values can effect the income of the store, the amount of taxes paid and the total stocking cost.

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Question - 26:

Tell me about the important considerations in inventory control?

Ans:

For inventory control to work at its best a store must consider the costs of acquisition, carrying, ordering and stock-out. the store must also look at its reordering system, its budgeting for inventory, insurance and forecast the demand.

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Question - 27:

How would you determine the value of inventory?

Ans:

The value can be found using four methods in inventory control. The first is the specific cost in which each item's cost is added together for the inventory's value. A second method is to use the weighted average of the costs for a period to determine value. A third method is first in, first out. In this method value is measured using the latest costs of goods while working towards the beginning of the period until all goods in inventory are valued. The final method is last in, first out. In this method the costs of goods at the beginning of the period are used to determine the inventory's value.

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Question - 28:

What does periodic review mean?

Ans:

- * Ordering inventory at a predetermined re-order level
- * Ordering inventory when it falls below the designated safety stock level
- * Ordering inventory in consultation with suppliers relative to their available capacity
- * Ordering inventory to supplier call-offs on an as required basis
- * Ordering inventory at a fixed and regular time interval

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Question - 29:

Tell me what is inventory control?

Ans:

Inventory control is the process of reducing inventory costs while remaining responsive to customer demands. By this definition a store would want to lower its acquisition, carrying ordering and stock-out costs to their lowest possible levels. However a store would need to have enough inventories to meet any needs of its customers.

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Question - 30:

How would you respond to the criticism that eoq models tend to provide misleading results because values of d, s and h are at the best educated guesses?

Ans:

No Answer is Posted For this Question

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Question - 31:

Periodic review means?

Ans:

1. Ordering inventory at a predetermined re-order level
 2. Ordering inventory when it falls below the designated safety stock level
 3. Ordering inventory in consultation with suppliers relative to their available capacity
 4. Ordering inventory to supplier call-offs on an as required basis
 5. Ordering inventory at a fixed and regular time interval
- Ordering inventory at a fixed and regular time interval

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Question - 32:

Which would be the most appropriate method of controlling stock in a hotel bar?

Ans:

1. Materials Requirements Planning
 2. Just-in-Time
 3. Two-Bin System
 4. Order Point
 5. Periodic Review
 6. Poke-Yoka
- Periodic Review

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**Question - 33:**

Which would be the most appropriate method of controlling stock in a retail shop?

Ans:

1. Order Point
 2. Materials Requirements Planning
 3. Just-in-Time
 4. Periodic Review
 5. Two-Bin System
- Periodic Review

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Question - 34:

One of the underlying assumptions of the EOQ model is that?

Ans:

1. Replenishment is non-instantaneous
 2. Demand is unstable and unpredictable
 3. The purchase price per unit varies with the quantity ordered
 4. There is a point where stockholding costs are equal to ordering costs
 5. A doubling of demand requires a doubling of the order quantity
- There is a point where stockholding costs are equal to ordering costs

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Question - 35:

Which of these statements is correct?

Ans:

1. Will depend on how many related parts are required in the same period
 2. Is used to calculate how much safety stock should be carried
 3. Is a formula that calculates a realistic purchase price for an item
 4. Should be calculated once a year
 5. Determines the lowest order quantity by balancing the cost of ordering against the cost of holding stock
- Determines the lowest order quantity by balancing the cost of ordering against the cost of holding stock

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Question - 36:

Order-point or re-order-level inventory control is used for which of the following?

Ans:

1. Production scheduling
 2. Monitoring the workings of a MRP system
 3. Control of dependent demand inventory items
 4. Inventory quality control
 5. Control of independent demand inventory items
- Control of independent demand inventory items

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Question - 37:

Under the ABC system of inventory priorities a Class A item is?

Ans:

1. The 80% of high-value items that account for around 20% the total stock value
 2. The 20% of high-value items that account for around 20% the total stock value
 3. The 20% of high-value items that account for around 80% the total stock value
 4. The 80% of high-value items that account for around 80% the total stock value
- The 20% of high-value items that account for around 80% the total stock value

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Question - 38:

What is a two-bin system?

Ans:

1. A system in which everything is split between two storage bins
 2. A system in which two full bins of an item are always held in stock
 3. A system in which suppliers deliver two bins at a time
 4. A system in which orders are placed when only one complete bin of stock is remaining
- A system in which orders are placed when only one complete bin of stock is remaining

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Question - 39:

The EOQ formula has been criticized in a number of areas. Which of the following is not an area of common criticism?

Ans:



1. The assumptions included in the models
2. Small errors in estimating will not result in a significant deviation from the EOQ
3. The real costs of stock in operations
4. The use of the models as prescriptive devices

Small errors in estimating will not result in a significant deviation from the EOQ

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Question - 40:

Cycle inventory is required as?

Ans:

1. One or more stages in the operation cannot supply all the items it produces simultaneously
 2. Compensation for the uncertainties inherent in supply and demand
 3. Compensation for differences in the timing of supply and demand
 4. Material cannot be transported instantaneously between the point of supply and the point of demand
- One or more stages in the operation cannot supply all the items it produces simultaneously

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Question - 41:

Buffer inventory is required as?

Ans:

1. Compensation for differences in the timing of supply and demand
 2. Compensation for the uncertainties inherent in supply and demand
 3. One or more stages in the operation cannot supply all the items it produces simultaneously
 4. Material cannot be transported instantaneously between the point of supply and the point of demand
- Compensation for the uncertainties inherent in supply and demand

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