**BA 353: OCAs 8 & 9**

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| **Holding Cost** | **Base-Stock Level** | **Cost** |
| $20 | 1000 | $1600 |
| $10 | 1040 | $1100 |
| $5 | 1080 | $715 |
| $1 | 1170 | $207 |
| $0.10 | 1260 | $30 |

1000. Yes, since costs are balanced, right in the middle is best choice.

It increases. Cheaper to hold inventory, then that’s what we do.

It decreases. Can avoid costly shortages with lots of cheap inventory so cost goes down.

|  |  |  |
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| **Standard Deviation** | **Base-Stock Level** | **Cost** |
| 1 | 1001 | $7 |
| 10 | 1009 | $69 |
| 25 | 1020 | $175 |
| 100 | 1080 | $691 |
| 500 | 1400 | $3500 |

What happens to the base-stock level and cost as the standard deviation, the variability of the system, increases from very low (1) to insanely unstable (500)?

Need lots of extra inventory to account for uncertainty…

OCA 9

About 5650 (hard to narrow down exactly) at a cost of about $975. The trick on this one is to add +500 into the =if cost function correctly.