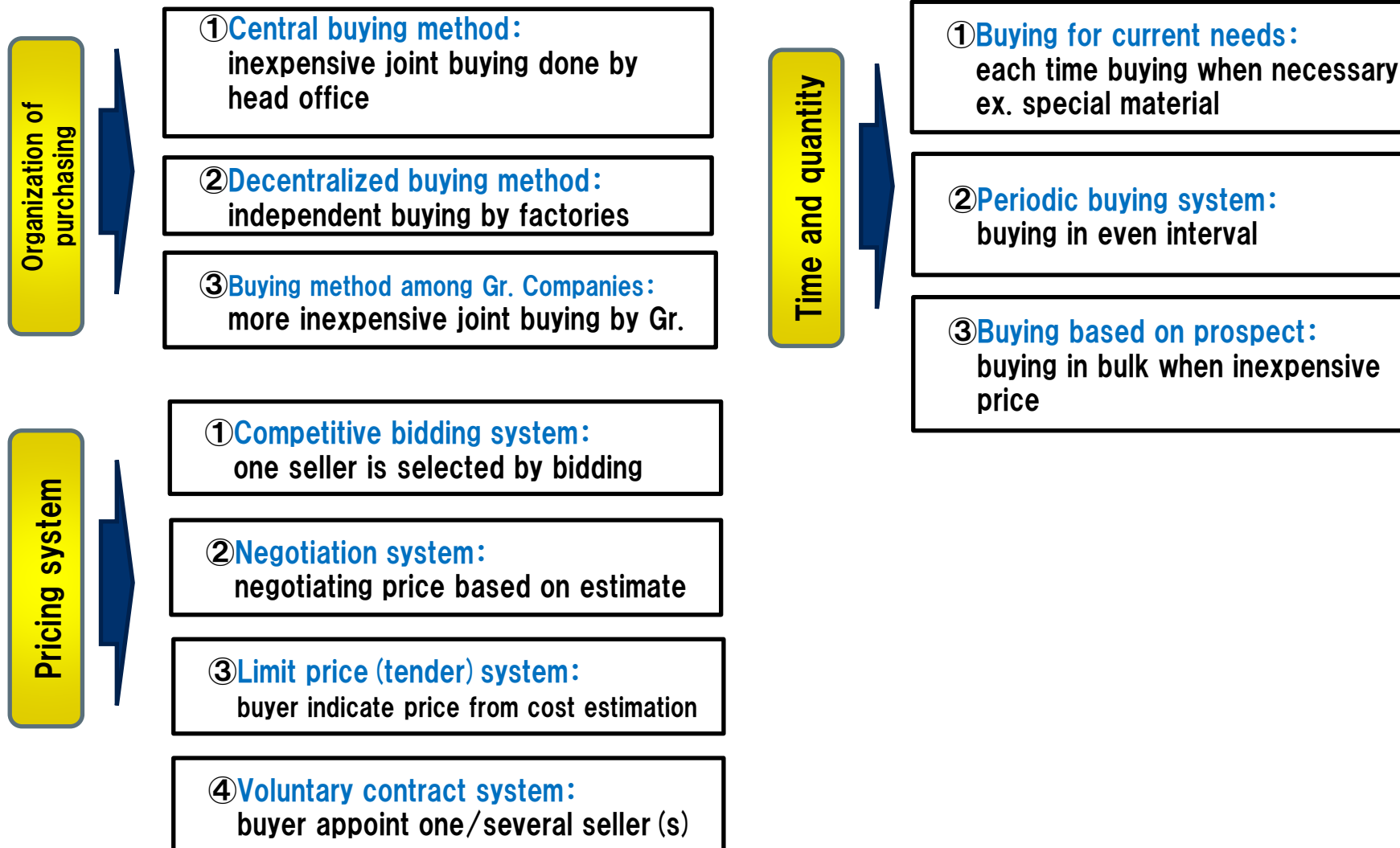


**Procurement
Management**

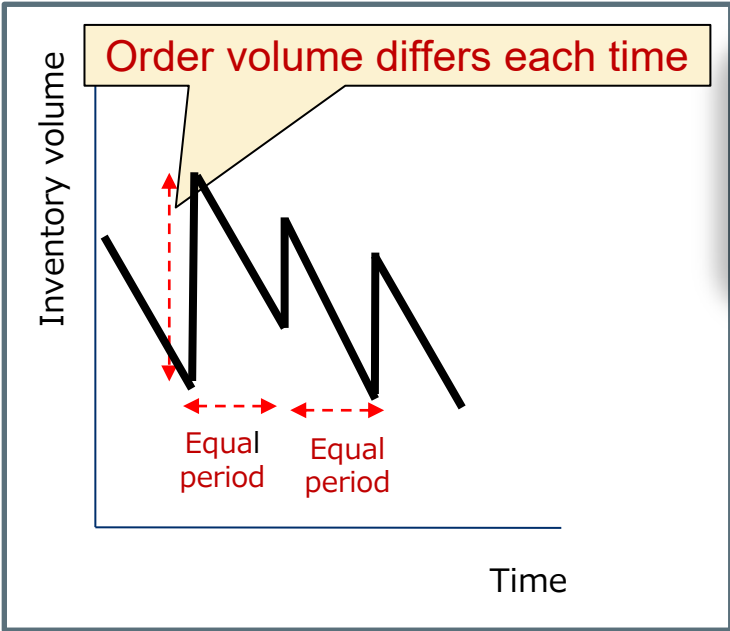
4) Procurement or Purchasing method



5) Material management

What is periodic reordering system?

Placing orders in equal period at all such times



<Chief point>
Generally applied to material of higher unit price
Order interval → Equal
Order volume → Differs each time

Stock for absorbing demand fluctuation and uncertainty

$$\text{Order volume} = \text{Estimated demand} - \text{Stock on order} - \text{Stock on hand} + \text{Safe stock}$$

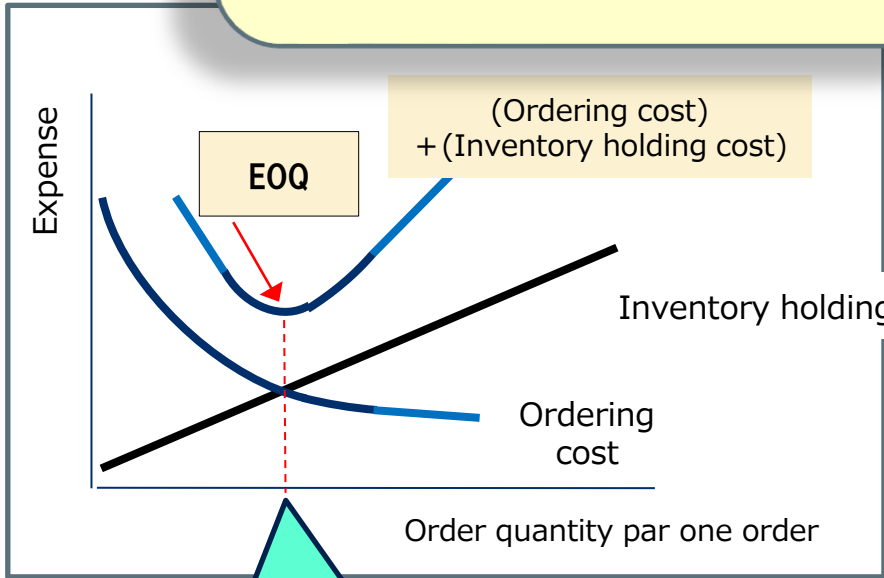
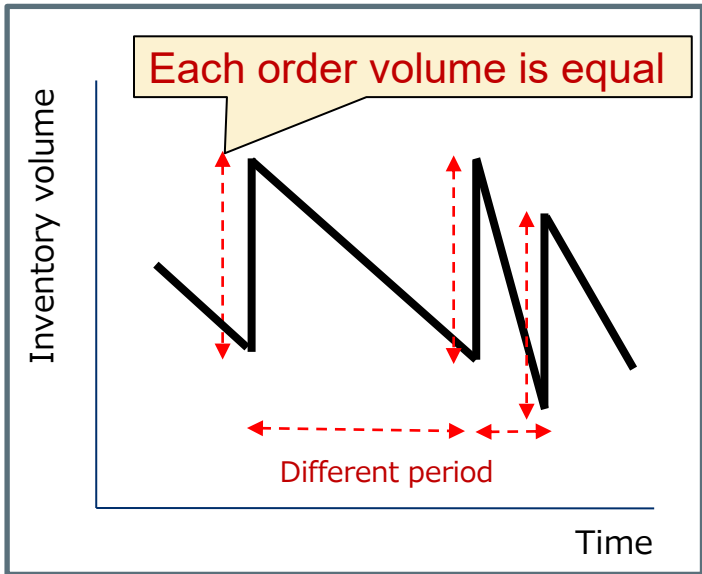


5) Material management

What is fixed order quantity system?

Placing orders with constant quantity at all such times

<Chief point>
Generally applied to items with lower unit price and stable consumption
Order volume → Constant(EOQ)
Order interval → Differs each time



EOQ: Economic Order Quantity

