

REVIEW PROBLEM 2.2

MASTER Ltd uses raw material MAS-200 in the production of one of its products. The company estimates it is going to use 1,000 kg of that raw material per year. Its usage is at a constant rate throughout the year.

Other data:

- Ordering costs: €10 per order.
- Holding costs: €2 per kg in stock and year.
- Purchasing price: €10 per kg.

Required:

- 1) Calculate the most economic order quantity and annual total costs of raw material MAS-200.
- 2) This is the price list offered by another supplier of raw material MAS-200:

Order quantity (in kg)	Purchasing cost per kg (€)
1-99	10
100-399	9.75
400-699	9.50
700-999	9.25
1,000 onwards	9

Calculate the most economic order quantity and annual total costs of raw material MAS-200.

