11 Lecture - MGT401

Important Subjective

1. **What is the difference between perpetual and periodic inventory systems?**
   Answer: Perpetual inventory systems continuously track inventory levels in real-time, while periodic inventory systems count inventory at regular intervals, such as weekly or monthly.

2. **Why is inventory turnover ratio an important measure of inventory management efficiency?**
   Answer: Inventory turnover ratio measures how efficiently a company is managing its inventory. A high inventory turnover ratio indicates that inventory is selling quickly, while a low ratio indicates that inventory is not selling as quickly as it should.

3. **What are the benefits of using a Just-In-Time (JIT) inventory control system?**
   Answer: Just-In-Time (JIT) inventory control systems can reduce inventory holding costs, improve cash flow, increase production efficiency, and reduce the risk of inventory obsolescence.

4. **How do inventory costs impact a company's financial statements?**
   Answer: Inventory costs, including the cost of goods sold and inventory holding costs, are deducted from a company's revenue to calculate gross profit. Inventory levels are also reported on the balance sheet as assets.

5. **What is the role of safety stock in inventory management?**
   Answer: Safety stock is the amount of inventory held to mitigate the risk of stockouts. It acts as a buffer to ensure that inventory is available when demand exceeds forecasted levels.

6. **How do lead times impact inventory management?**
   Answer: Lead times are the amount of time it takes to receive inventory after placing an order. Longer lead times require a higher safety stock to mitigate the risk of stockouts and can increase inventory holding costs.

7. **What is ABC analysis, and how is it used in inventory management?**
   Answer: ABC analysis is a method of classifying inventory based on its relative importance. It is used to identify which items should be closely monitored and which can be managed with less attention.

8. **What is the difference between FIFO and LIFO inventory costing methods?**
   Answer: FIFO (First-In-First-Out) assumes that the first items purchased are the first ones sold, while LIFO (Last-In-First-Out) assumes that the most recently purchased items are the first ones sold.

9. **What is the economic order quantity (EOQ), and how is it calculated?**
   Answer: The economic order quantity (EOQ) is the optimal order quantity that minimizes inventory holding costs and ordering costs. It is calculated by finding the quantity that minimizes the total cost of inventory.

10. **How can technology improve inventory management?**
Answer: Technology can improve inventory management by providing real-time inventory tracking, automated ordering and receiving, and data analytics to identify trends and optimize inventory levels.