Costing Formulae Chart

Materials

1] **M**aximum **L**evel = **R**eorder **L**evel + **R**eorder **Q**uantity − (**M**inimum **U**sage × **M**inimum **L**ead time)

2] **M**inimum **L**evel = **R**eorder **L**evel − (**A**verage **U**sage × **A**verage **L**ead time)

3] **A**verage **L**evel = $\dfrac{\text{Minimum Level} + \text{Maximum Level}}{2}$

4] **R**e-order **L**evel = **M**inimum **L**evel + (**A**verage usage × **A**verage **L**ead time)

OR

Maximum **U**sage × **M**aximum **L**ead time

5] **D**anger **L**evel = **M**inimum **U**sage × **M**inimum **L**ead time

6] **E**conomic **O**rder **Q**uantity (Wilson's Formula)

$$EOQ = \sqrt{\frac{2AB}{C}}$$

Where:

A = Annual Requirement (usage) or Raw Material in units.

B = Buying or Ordering cost per unit

C = Annual carrying cost per unit

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