

# Advanced Operations Management

Fall 2006, Professor Eckstein

## Homework 2

Due Thursday, September 21

Show your work for all problems.

1. Problem 1 on page 121 of the text (table on page 122).
2. Do the same problem, but assume that holding cost is fixed at \$2 per unit per year, and the pricing schedule is

First 300 units:	\$10.00 each
Next 200 units:	\$9.80 each
Any additional units:	\$9.70 each

The ordering cost of \$20 per order remains the same.

3. Repeat problem 2, but, instead of a fixed holding cost of \$2 per unit per year, apply a 20% discount rate to *all* costs. This model is very difficult to reduce to formulas, so you should use Solver. Hand in versions of your spreadsheet(s) showing both values and formulas.