

TABLE 16.2: Assumptions of the EPQ Model

1. A single product is involved.
2. The demand is known and occurs uniformly and continuously throughout the year.
3. The lead time is constant and is known.
4. No shortages are allowed.
5. There are no quantity discounts.
6. Production runs to replenish inventory occur at regular intervals.
7. During a production run, items are produced continuously at a constant production rate.
8. The quantity ordered is produced incrementally and inventory builds up gradually.
9. The production rate is greater than the demand rate.