**IENG112**

**Notes 13.**

**ABC Analysis**

Your stock consists of the item as follows:

|  |  |  |
| --- | --- | --- |
| Item | Yearly consumption | Unit price |
| Nail, 100 | 10,000 | 0.010 |
| Nail, 50 | 1,000,000 | 0.003 |
| Gadget | 12,000 | 1.000 |
| Hammer | 10 | 15.000 |
| Steel sheet, 0.8 | 5,000 | 3.550 |
| Welding rode | 1,200 | 4.270 |
| Paint | 700 | 12.300 |
| Wood sheet, 12 x 1 | 3,400 | 0.600 |
| Steel sheet, 1.5 | 2,500 | 5.200 |
| Brush | 15 | 8.400 |
| Cement | 600 | 17.000 |

Make an ABC analysis.

STEP 1: Determine the values of the yearly consumptions.

STEP 2: Order the items decreasingly according to yearly consumption.

STEP 3: Approximately up to 80 percent is class A.

STEP 4: Approximately up to 95 percent is class B, everything else is class C.

**CONCLUSION**

CLASS A: apply inventory theory for determining the stock level.

CLASS B: little overstock is needed.

CLASS C: heavily overstocked.