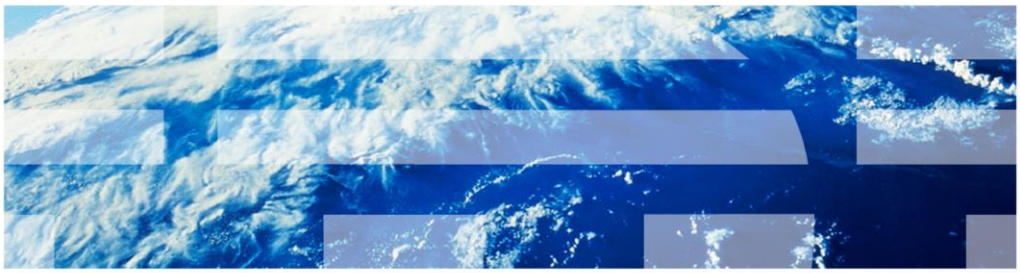
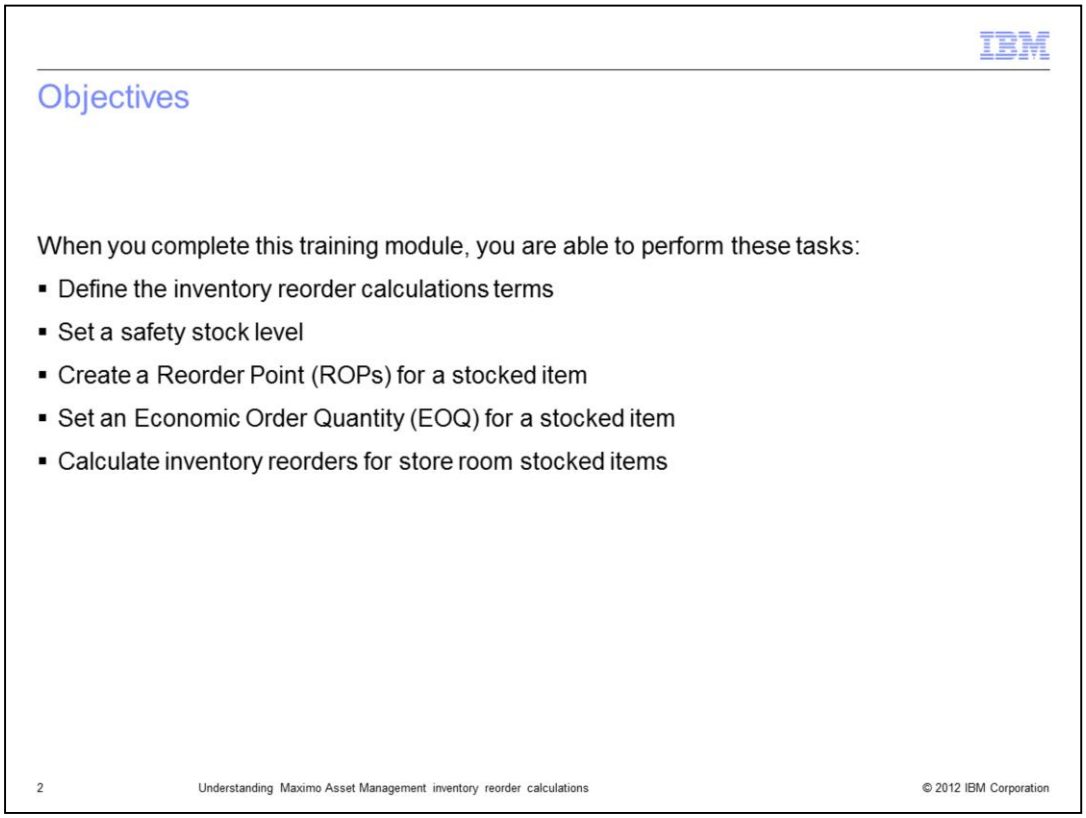
IBM

IBM Maximo Asset Management V7.5

Understanding Maximo Asset Management inventory reorder calculations

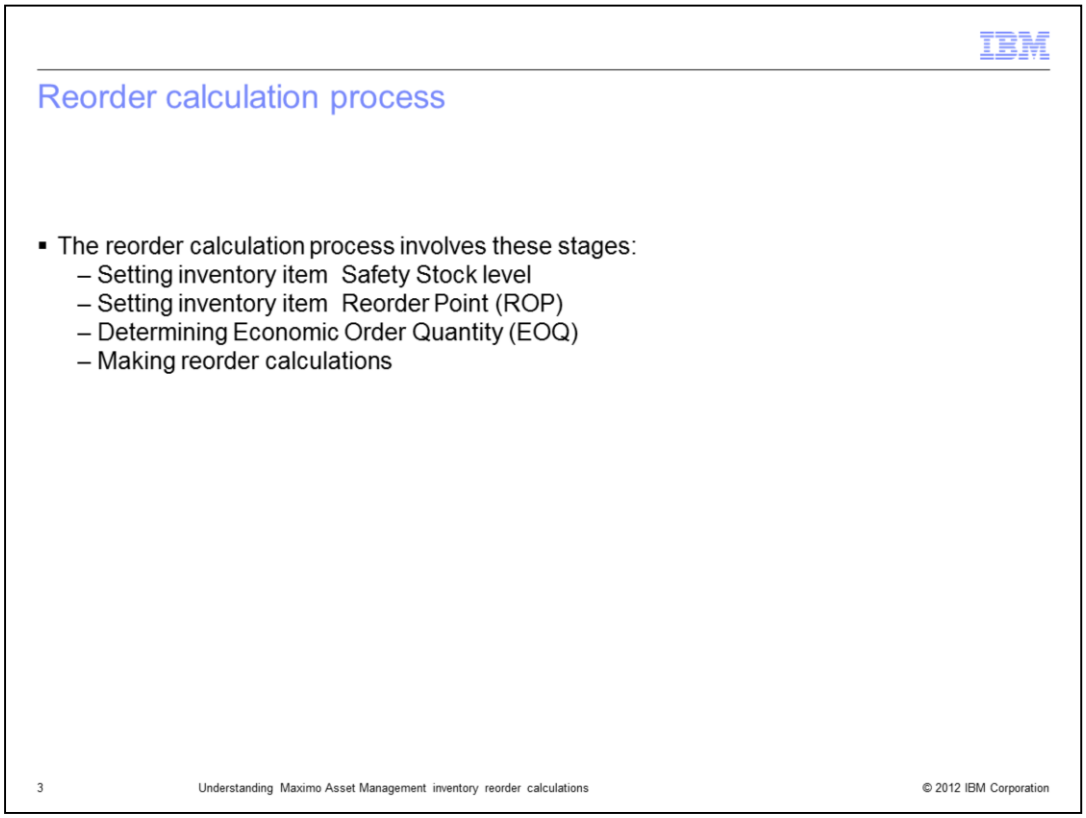


In this training module you will learn about the Maximo® Asset Management version 7.5 inventory reorder calculation process.

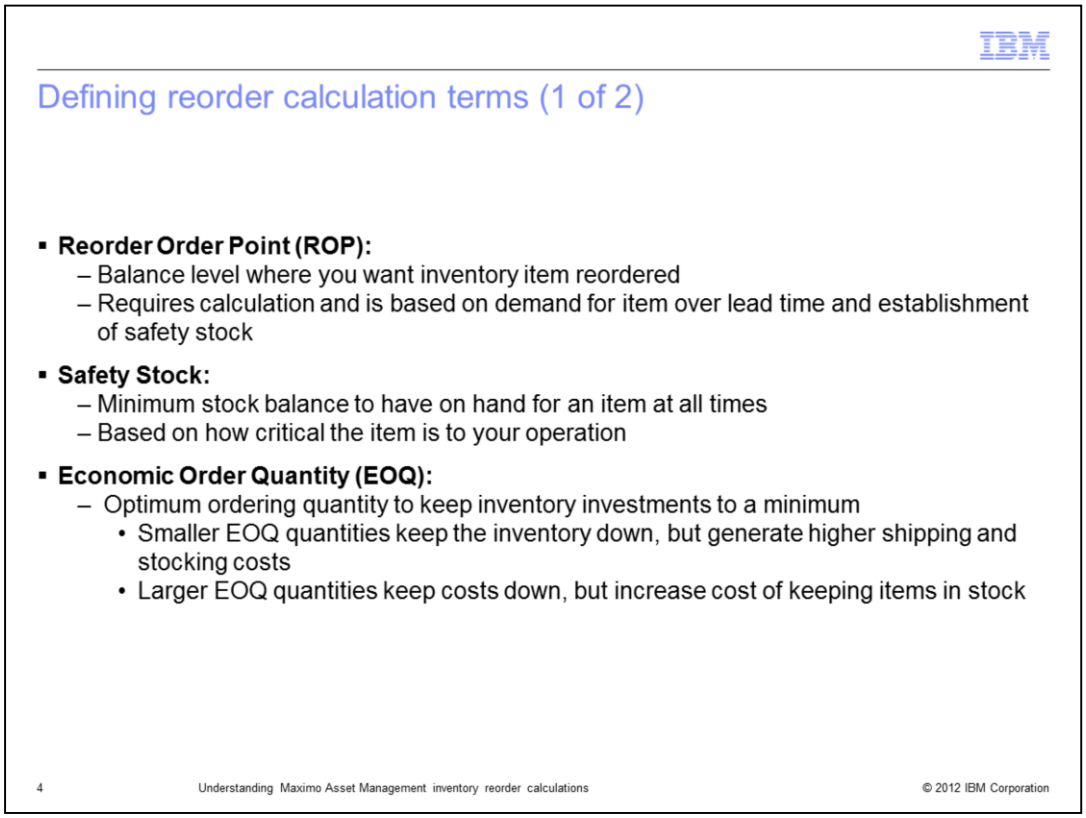


When you complete this training module, you are able to perform these tasks:

- Understand and define the terms related to inventory reorder calculations
- Determine and set an items safety stock level
- Determine an items Reorder Point (ROP)
- Set an items Economic Order Quantity (EOQ)
- Make inventory reorder calculations for storeroom items



Reorder calculations are accomplished in process stages setting the inventory item's Safety Stock level, setting the inventory item's Reorder Point (ROP), determining the inventory item's Economic Order Quantity (EOQ), and making the actual reorder calculations.



The reorder point is the balance level at which you want your inventory reorder to take place for the given item.

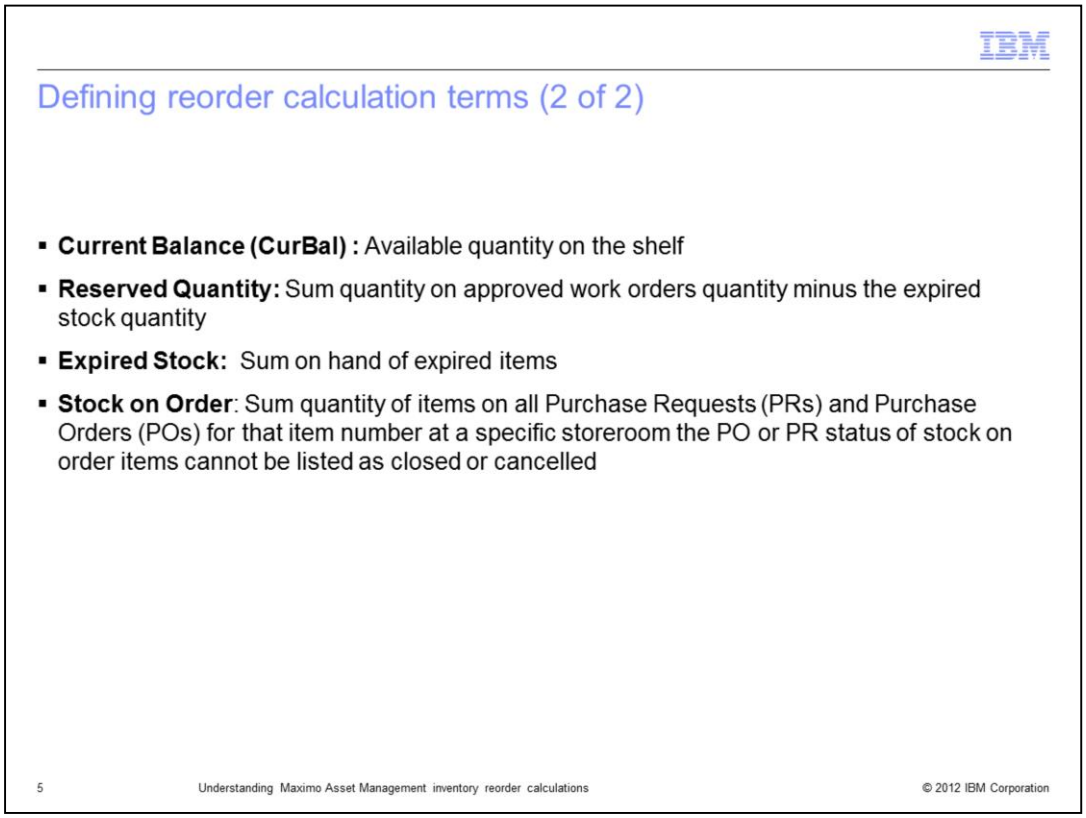
It is used to trigger the reorder process. The reorder point requires a calculation based on demand for the item over lead time and an establishment of the safety stock level.

The safety stock is the minimum stock balance that you want to have on hand for an item at all times. It's actual value is heavily based on how critical the item is to your operation.

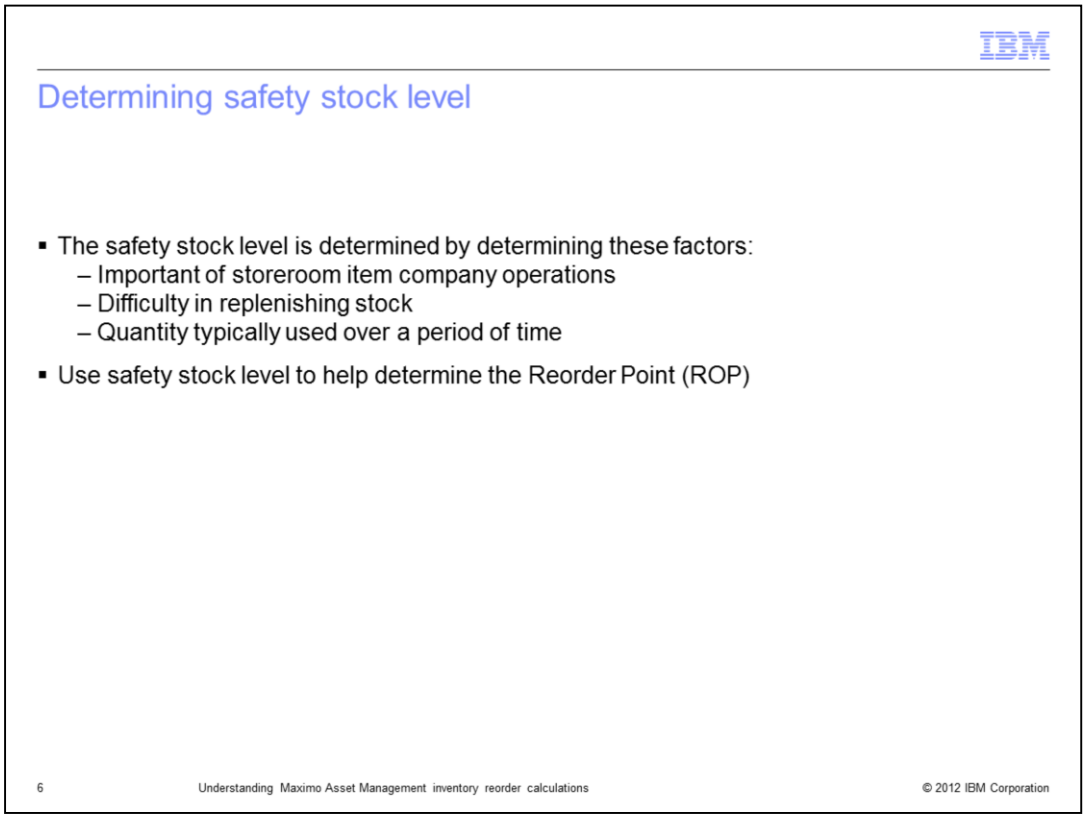
The economic order quantity is the quantity of an item that is reordered once reorder process is underway. This refers to the optimum ordering quantity to keep inventory investments to a minimum.

Smaller economic order quantities keep the inventory down, but generate higher shipping and warehouse stocking costs.

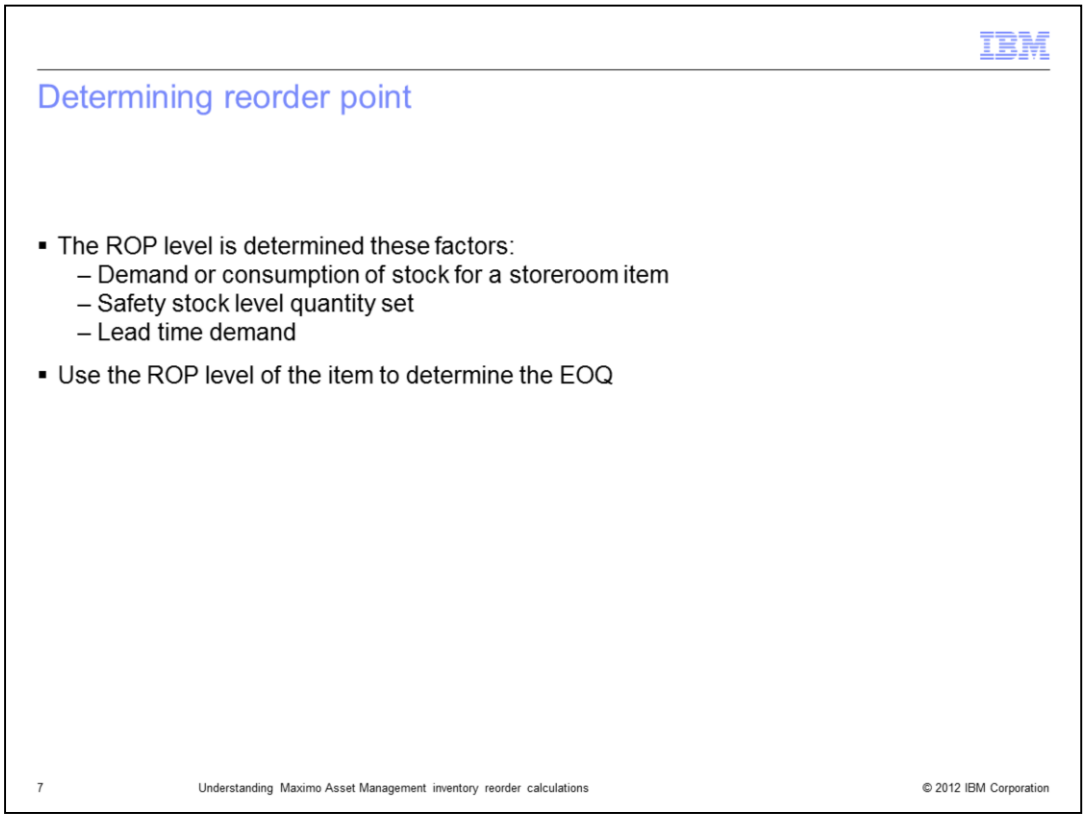
Larger economic order quantities keep shipping and warehouse stocking costs down, but increase cost of keeping items in stock.



A Current Balance is the available item quantity currently on the storeroom shelf. A Reserved Quantity is the quantity amount on all approved work orders referencing that item in the storeroom minus expired stock. Expired Stock is the quantity on hand of expired lotted items for a specific storeroom stock item number. Stock on Order is a sum quantity of items on all PR's and PO's for that item. Stock on Order items are at a specific storeroom and the PR or PO status is not listed as closed or cancelled.



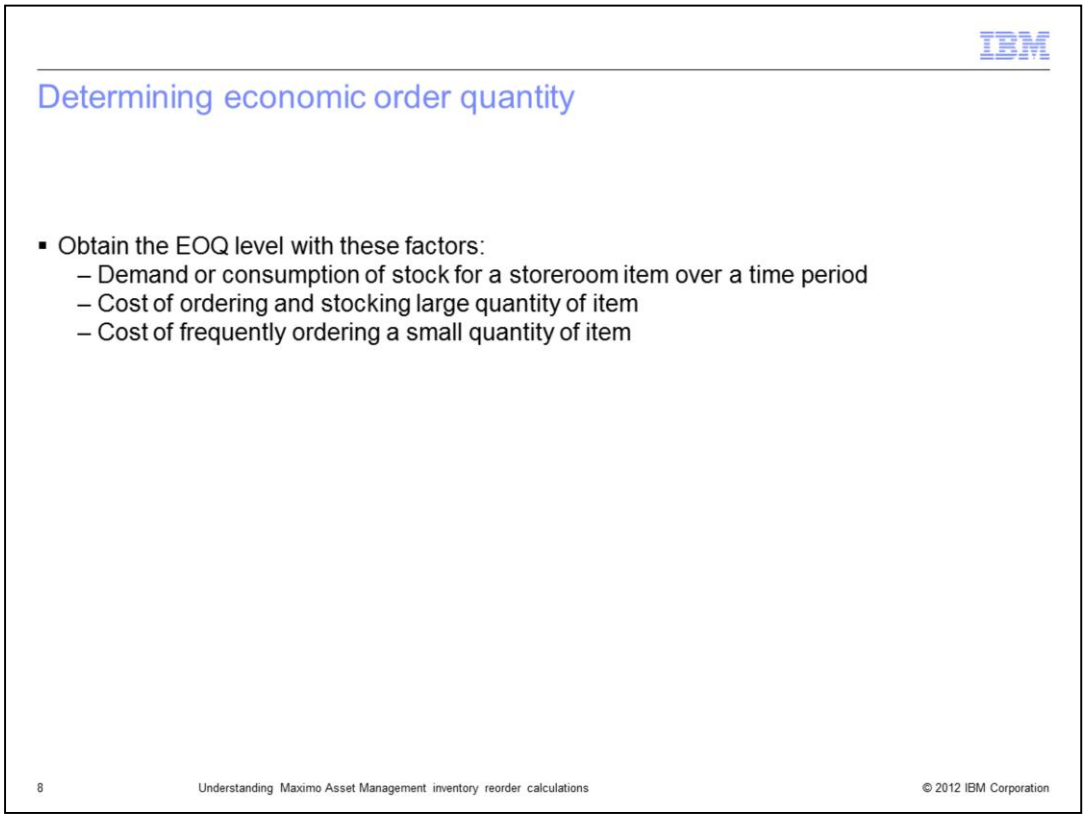
The safety stock level is determined by determining these factors. How critically important the storeroom item is to company operations. How difficult it is to replenish stock of the storeroom item. How many of the items are pulled from stock for use over a period of time. Once the safety stock level is determined you can use it to help determine the Reorder Point (ROP).



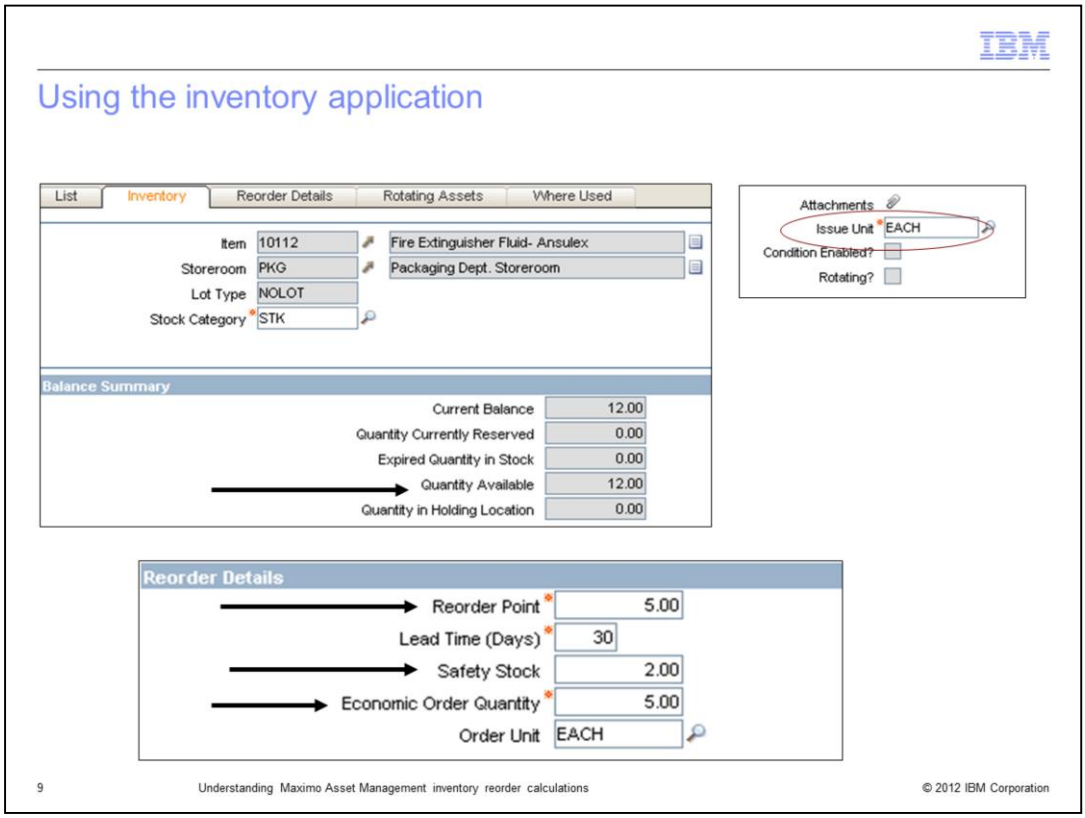
The **Reorder Point** (ROP) level is determined by demand or consumption of stock, the set safety stock level, and the **Lead Time Demand** for an item.

Lead Time Demand is the amount of stock expected to be used between the time of reorder and receipt of the new shipment.

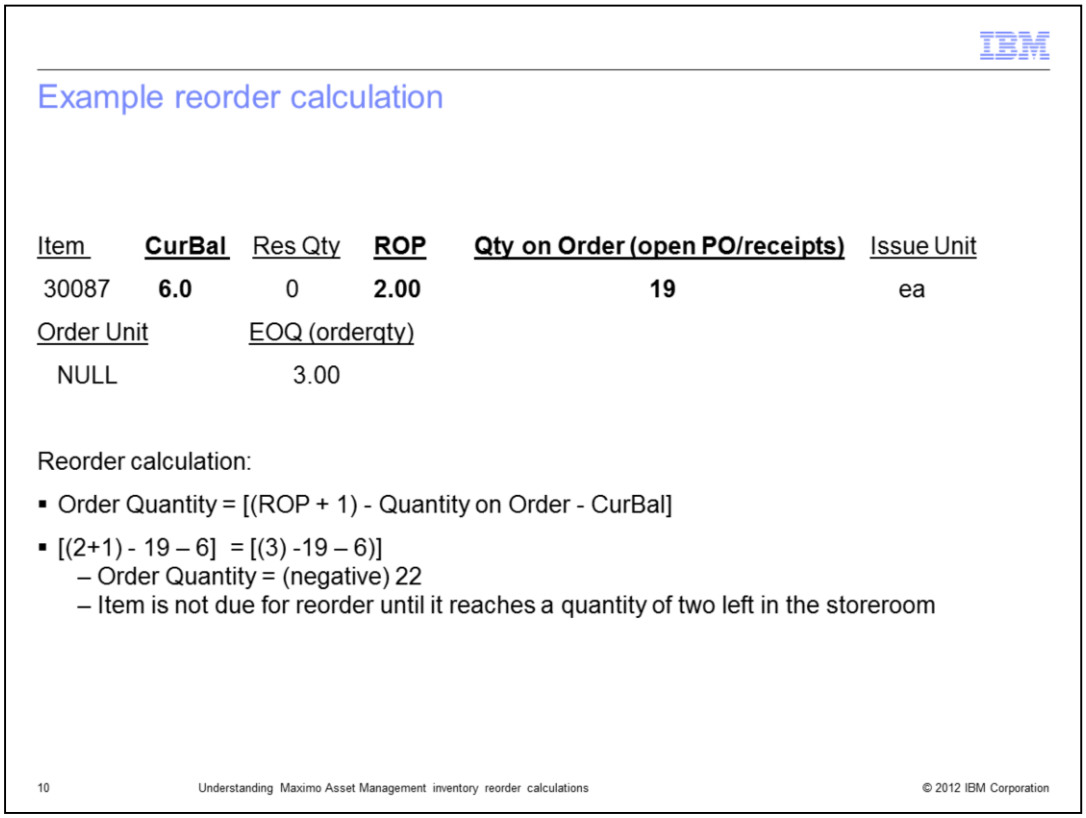
Once the item's ROP is determined you can use it to help determine the **Economic Order Quantity** (EOQ).



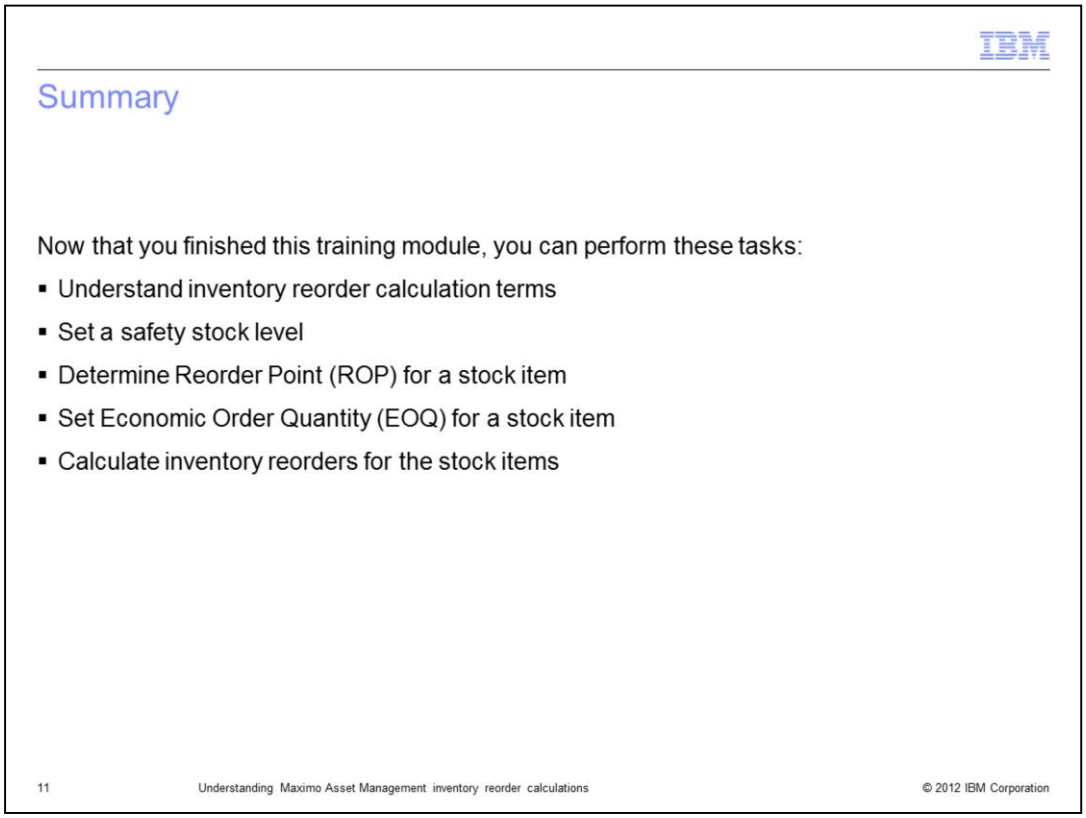
The EOQ level is determined by demand or consumption over a period of time and the cost of ordering and stocking large quantities of an item versus the cost of frequently ordering small quantities of an item.



Look at the **Inventory** screen. The screen shows an ample storeroom stock quantity of fire extinguishers. The **Balance Summary** shows twelve fire extinguishers in stock. The **Reorder Details** menu shows that the ROP is set to five and that the **Safety Stock** level is set to keep two fire extinguishers in stock at all times. Once stock of the item depletes to only five in stock the order is put in to request five more fire extinguishers. Five extinguishers is the amount to reorder and is determined by the **Economic Order Quantity** amount set in **Reorder Details**. The **Balance Summary** screen shows fields in the inventory application that are used to calculate whether an item is due to be reordered. **Current Balance** equals twelve in stock. **Quantity Currently Reserved** equals zero. Expired Quantity in Stock equals zero, which means that all twelve fire extinguishers are in good working order. Quantity Available equals twelve, since you have twelve and all twelve are in good working order. **Quantity in Holding Location** equals zero, which means you are not holding any fire extinguishers at another location. In **Reorder Details** the **Safety Stock** quantity is set to two. Usage of seven of the fire extinguishers in stock needs to occur before you reached the **Reorder Point** of only five left in stock. When the inventory item stock level falls to five then you order five more as shown in the **Economic Order Quantity** field.



In this reorder calculation the first step is to add one to the **Reorder Point (ROP).** The **ROP** for this item is two. Adding one to the **ROP** gives you a value of three to plug into your equation. Next, subtract the current **Quantity on Order** which is nineteen. This gives a calculation value of minus sixteen. Finally, subtract the available balance which is the **CurBal** for the item. The **CurBal** is six. Subtracting the current balance gives an order quantity of negative twenty-two. There is no need to reorder **Item 30087** because there is an adequate quantity of the item in stock (six) and on order (nineteen).



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