

A simple method to compute economic order quantities: Some observations

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Teng [2] presents an arithmetic-geometric mean method to be applied to determine the optimal lot size for the EOQ/EPQ models, taking into account backorders. Although the arithmetic-geometric mean method is correct, arguments as to when (not) to use the arithmetic-geometric mean inequality as optimization method are not complete. Moreover, this optimization method does not focus on the method for deriving the optimal backorders level. The main purpose of this work is to overcome these shortcomings, presents a discussion of when (not) to use the cost minimization method and derives the optimal backorders level. © 2009 Elsevier Inc. All rights reserved.

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