



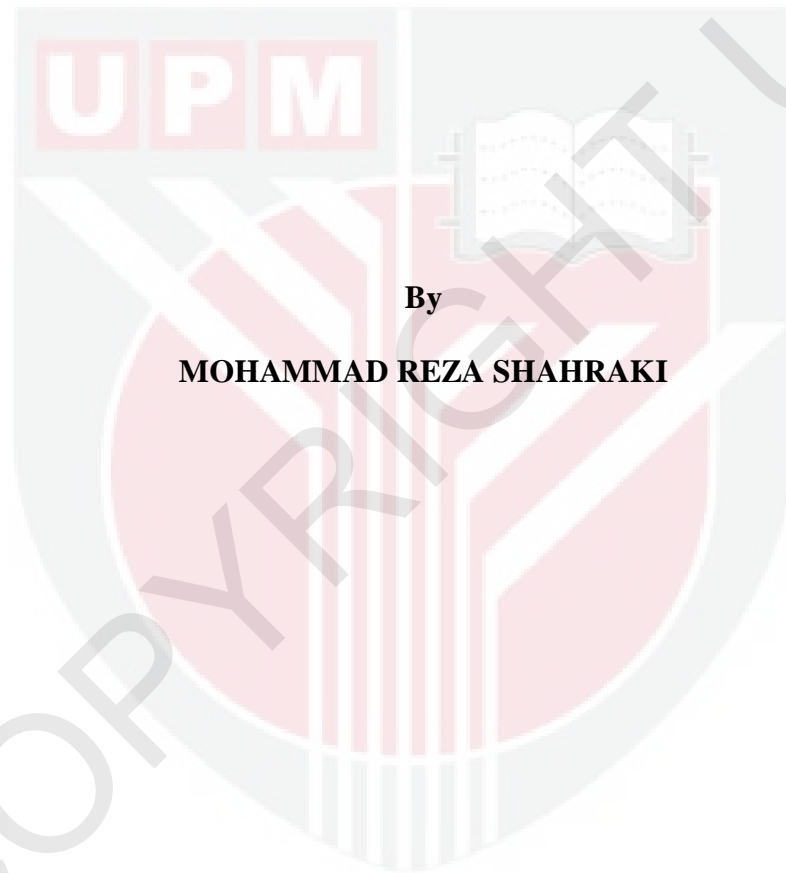
**UNIVERSITI PUTRA MALAYSIA**

***ECONOMIC PRODUCTION QUANTITY MODEL BASED ON EXTENDED  
COST PARAMETERS FOR IMPERFECT PROCESS AND DEFECTIVE  
ITEMS***

**MOHAMMAD REZA SHAHRAKI**

**FK 2011 64**

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COST PARAMETERS FOR IMPERFECT PROCESS AND DEFECTIVE  
ITEMS**



**By**

**MOHAMMAD REZA SHAHRAKI**

**Thesis submitted to the School of Graduate Studies, Universiti Putra Malaysia,  
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**August 2011**

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**ECONOMIC PRODUCTION QUANTITY MODEL BASED ON EXTENDED COST PARAMETERS FOR IMPERFECT PROCESS AND DEFECTIVE ITEMS**

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**MOHAMMAD REZA SHAHRAKI**

**August 2011**

**Chairman : Prof. Napsiah Ismail, PhD**

**Faculty : Engineering**

The inventory includes the elements to construct the products that finally will appear as completed goods. The main purpose for the inventory management is effectively utilizing inventories in the manufacturing system to meet customer requirements and bring about the minimum total cost. The classic Economic Production Quantity (EPQ) model is a mathematical model, which determines the lot sizing in a production process so that minimizes the total inventory holding cost and set up cost. The classic EPQ model is assumed that the product quality is always perfect; therefore, the quality cost is not considered as an issue to influence the production lot size.

This research aims to extend the existing body of knowledge on the imperfect-quality inventory problem by developing a new inventory model that relaxes some of the previous common assumptions of the EPQ models. The main objective is to minimize the total cost of inventory and quality in a manufacturing system with a

single product, and a batch production process. The proposed EPQ model identifies the costs that exist because of poor quality and their effects on the optimal lot size and total cost. The sensitivity analysis is employed to show changes in the optimal production lot size and total cost from variations in the various parameters of the proposed EPQ model. The statistical hypothesis tests demonstrated that the total cost of the proposed EPQ model significantly less than previous EPQ models. The results indicated that the production rate, demand rate, holding cost of returned items, scrap rate, defective rate, warranty cost, lost sale cost, lost sale cost, and holding cost of scrap items have extensive effect on the total cost of manufacturing system.

Abstrak tesis dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**EKONOMI PRODUKSI KUANTITI MODEL BERDASARKAN KOS  
KUALITI PROSES TAK SEMPURNA DAN ITEM CACAT**

Oleh

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**Ogos 2011**

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Inventori merangkumi elemen-elemen untuk membina produk yang akhirnya akan menjadi barangan lengkap. Tujuan utama pengurusan inventori ialah untuk menggunakan inventori secara efektif dalam sistem pembuatan demi memenuhi tuntutan pelanggan dengan jumlah kos yang minimum. Model klasik Kuantiti Pengeluaran Ekonomi atau *Economic Production Quantity* (EPQ) adalah sebuah model matematik yang menentukan pensaihan lot dalam proses pengeluaran agar dapat meminimumkan jumlah kos pegangan inventori dan kos penubuhan. Model EPQ klasik ini mengandaikan bahawa kualiti produk adalah sentiasa sempurna; oleh sebab itu, kos kualiti tidak dianggap sebagai satu isu untuk mempengaruhi saiz lot pengeluaran.

Kajian ini bertujuan untuk memperluaskan bidang pengetahuan yang sedia ada tentang masalah ketidaksempurnaan kualiti inventori dengan membangunkan satu model inventori baru yang merehatkan beberapa andaian umum terdahulu dalam

model-model EPQ. Objektif utamanya ialah untuk meminimumkan jumlah kos inventori dan kualiti dalam sistem pembuatan dengan produk tunggal, dan sebuah proses pengeluaran berkelompok. Model EPQ yang dicadangkan mengenalpasti kos-kos yang wujud disebabkan oleh kualiti yang rendah dan kesannya terhadap saiz lot optimum serta jumlah kos. Analisis sensitiviti telah dijalankan untuk menunjukkan perubahan yang berlaku dalam saiz lot pengeluaran yang optimum dan jumlah kos daripada variasi dalam pelbagai parameter bagi model EPQ yang telah dicadangkan. Ujian hipotesis statistik menunjukkan bahawa jumlah kos bagi model EPQ yang dicadangkan adalah secara signifikannya kurang daripada model-model EPQ yang terdahulu. Keputusan kajian pula menunjukkan bahawa kadar pengeluaran, kadar permintaan, kos pegangan barangan yang dikembalikan, kadar kerosakan, kos penalti, kos pemulihan, peratusan pesanan yang dibatalkan, dan kos pegangan barangan tidak terpakai mempunyai kesan ekstensif pada jumlah kos bagi sistem pembuatan.

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Praise is to “Allah” the cherisher, and the sustainer of the world for giving me strengths, health and determination to complete this thesis.

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Finally, I would like to express my sincere gratitude and appreciation to my father for their help and encouragement, to my wife, Jamileh, who offered constant support and love during the years I spent doing this research, and to my children, Reza and Kosar, who at age seven and two do not fully understand what inventory and quality are but who have tried to be patient when I retreated to my study to write the thesis.

## DEDICATION

Dedicate to my wife, Jamileh and my children, Reza and Kosar for their love and support.





I certify that a thesis Examination committee has met on 26 May 2011 to conduct the final examination of Mohammad Reza Shahraki on his thesis entitled "Economic Production Quantity Model Based on Extended Cost Parameters For Imperfect Process and Defective Items" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the University Putra Malaysia [P.U.(A) 106] 15 March 1998. The committee recommends that the student be awarded the Doctor of Philosophy.

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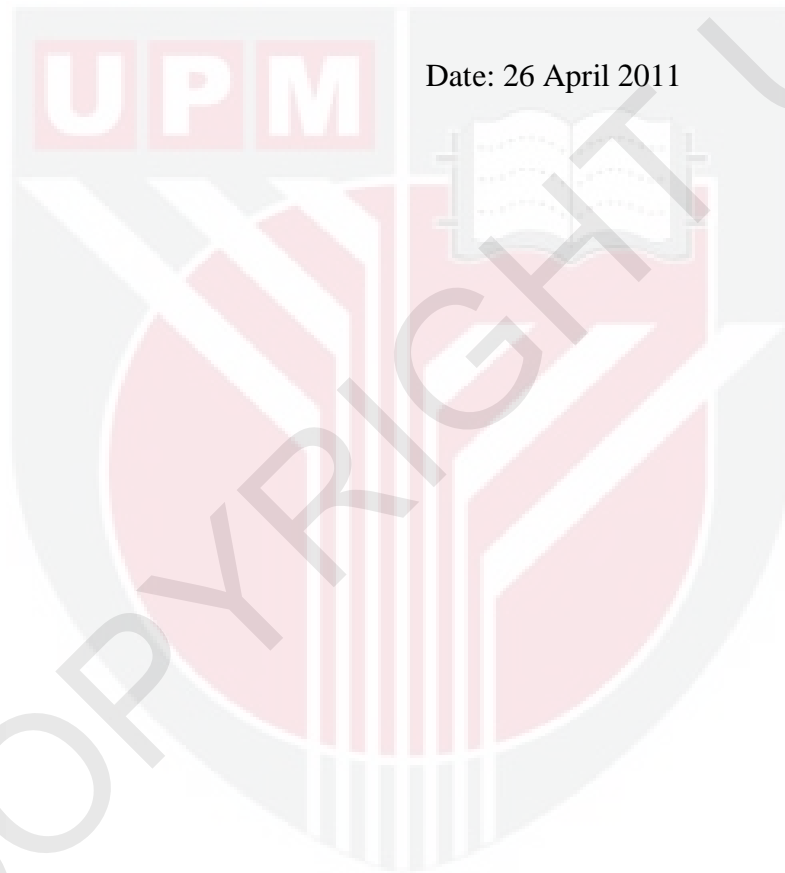
## DECLARATION

I declare that the thesis is my original work except for quotations and citations which have been duly acknowledge. I also declare that it has not been previously and is not submitted for any other degree at Universiti Putra Malaysia or other institutions.

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**MOHAMMAD REZA SHAHRAKI**

Date: 26 April 2011



## TABLE OF CONTENTS

	<b>Page</b>
<b>ABSTRACT</b>	ii
<b>ABSTRAK</b>	iv
<b>ACKNOWLEDGEMENTS</b>	vi
<b>DEDICATION</b>	vii
<b>APPROVAL</b>	x
<b>DECLARATION</b>	xi
<b>LIST OF TABLES</b>	xv
<b>LIST OF FIGURES</b>	xvi
<b>LIST OF APPENDICES</b>	xvii
<b>LIST OF NOTATIONS AND ABBREVIATIONS</b>	xviii

### CHAPTER

<b>1</b>	<b>INTRODUCTION</b>	
1.1	Background	1
1.2	Problem statement	3
1.3	Research objectives	6
1.4	Scope of research	7
1.5	Thesis organization	9
<b>2</b>	<b>LITERATURE REVIEW</b>	
2.1	Introduction	11
2.2	Terms and terminology	12
2.2.1	Backorder	12
2.2.2	Batch production	13
2.2.3	Demand	13
2.2.4	Finished goods	13
2.2.5	Holding cost	14
2.2.6	Inspection	14
2.2.7	Inventory	14
2.2.8	Inventory model	15
2.2.9	Lot size	15
2.2.10	On-hand inventory	15
2.2.11	Quality cost	15
2.2.12	Scrap	16
2.2.13	Shortage	16
2.3	Background in production process	16
2.3.1	Definition of manufacturing	17
2.3.2	Definition of manufacturing system	17
2.3.3	Types of manufacturing system	18
2.4	Background in quality cost	20
2.4.1	Definition of Quality	20
2.4.2	Review of the quality costs model	23
2.4.3	Explanation of quality costs in the PAF model	24
2.5	Background of inventory management	25

2.5.1	Behaviour of different costs in the classic EPQ model	28
2.5.2	Assumptions of the traditional EPQ model	30
2.6	Review the EPQ model associated with quality aspects	31
2.6.1	Inventory policies accompanied by the imperfect production process	32
2.6.2	Inventory policies accompanied by the imperfect/defective items	40
2.7	Summary	54
<b>3</b>	<b>RESEARCH METHODOLOGY</b>	
3.1	Introduction	65
3.2	Methodology of study	66
3.2.1	Development of the mathematical proposed EPQ model	72
3.2.2	Solution procedure	109
3.3	Testing stage	121
3.3.1	Sensitivity analysis	122
3.4	Result validation	125
3.4.1	Validation and evaluation of the proposed EPQ model	126
3.4.2	Data generation	127
3.4.3	Logic of the simulation model	130
3.4.4	Research hypothesis tests	136
3.5	Summary	145
<b>4</b>	<b>RESULTS AND DISCUSSION</b>	
4.1	Introduction	147
4.2	Sensitivity analysis results	146
4.3	Statistical analysis and data interpretation	154
4.3.1	Numerical examples	155
4.3.2	Hypothesis test to comparing EPQ models	156
4.4	Results interpretation	161
4.4.1	Effect of the holding cost of perfect items on the optimal lot size and total cost	164
4.4.2	Effect of the setup cost on the optimal lot size and total cost	165
4.4.3	Effect of the production rate on the optimal lot size and total cost	166
4.4.4	Effect of the rework rate on the optimal lot size and total cost	167
4.4.5	Effect of the imperfect rate on the optimal lot size and total cost	168
4.4.6	Effect of the proportion of the customer's returned on the optimal lot size and total cost	169
4.4.7	Effect of the production cost on the optimal lot size and total cost	170
4.4.8	Effect of the production cost on the optimal lot size and total cost	171

4.4.9	Effect of the cost of customer's returned on the optimal lot size and total cost	172
4.4.10	Effect of holding cost of customer returned items on the optimal lot size and total cost	173
4.4.11	Effect of holding cost of imperfect items on the optimal lot size and total cost	174
4.4.12	Effect of rework cost on the optimal lot size and total cost	175
4.4.13	Effect of shortage cost on the optimal lot size and total cost	175
4.4.14	Effect of quality investment cost on the optimal lot size and total cost	176
4.4.15	Effect of inspection cost on the optimal lot size and total cost	177
4.4.16	Effect of scrap cost on the optimal lot size and total cost	178
4.4.17	Effect of restoration cost on the optimal lot size and total cost	178
4.4.18	Effect of holding cost of scrap items on the optimal lot size and total cost	179
4.4.19	Effect of scrap rate on the optimal lot size and total cost	180
4.4.20	Effect of unit lost sale cost on the optimal lot size and total cost	181
4.5	Real case study	182
4.6	Limitations of research	184
4.7	Summary	185

## **5 CONCLUSION AND RECOMMENDATIONS**

5.1	Introduction	188
5.2	Conclusions	188
5.3	Research contributions	193
5.4	Future researches	196
5.4.1	Stochastic demand/lead time	196
5.4.2	Multistage manufacturing system	197
5.4.3	Multiple product types	197
5.4.4	Multi-period environment	197
5.4.5	The capacity constraint	198
5.4.6	Discount strategy	198
5.4.7	Time value money	199
5.5	Summary	199

<b>REFERENCES</b>	201
<b>APPENDICES</b>	214
<b>BIODATA OF STUDENT</b>	271
<b>LIST OF PUBLICATIONS</b>	272