

CIPS Level 4 – Diploma in Procurement and Supply

Whole Life Asset Management [L4M7]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question

Q1. Which **ONE** of the following is the best example of 'lean' in the context of inventory control?

- a. Advance ordering
- b. Buffer stocks
- c. Timescale reduction
- d. Waste minimisation

LO: 2

AC: 2.3

Correct answer: D

Q2. Which **ONE** of the following is the most effective inventory performance measure?

- a. Lead time
- b. Profit margin
- c. Revenue generated
- d. Value of stock

LO: 2

AC: 2.3

Correct answer: A

Q3. Which **ONE** of the following can be described as resources used in the production process that cannot be easily attributed to the actual products being manufactured?

- a. Indirect supplies
- b. Variable units
- c. Fixed costs
- d. Marginal overheads

LO: 2

AC: 2.1

Correct answer: A

Q4. Construct Group (CG) is a major construction company. It buys an extensive range of goods and services and is in the process of adopting a category management approach. As an initial step, CG has applied ABC stock classification to identify its most important items. Which **TWO** of the following is an advantage of using this approach?

- a. It is very complex to apply across a large organisation with many products
- b. It can aid the calculation of the financial value of the various products
- c. The information required to conduct the analysis is generally not available
- d. The approach is not suitable for goods used in the construction industry
- e. The approach allows frequency of use as a valid classification of inventory

LO: 2

AC: 2.1

Correct answer: B & E

Q5. Heavy Duty Engineering Group (HDEG) manufactures a wide range of diesel engines, mostly used in the agricultural sector. Forecasting future volumes is not easy as sales are unpredictable especially items such as gaskets, filters and pumps. These items are known as which **ONE** of the following?

- a. Dependent demand items
- b. Indirect items
- c. Overhead items
- d. Safety stock items

LO: 2

AC: 2.1

Correct answer: A

Q6. EatWell (EW) is a medium-sized regional retailer. In recent years EW has been experiencing financial difficulties as a result of changing consumer habits and increasing pressure from major national retailers. Its financial controller has been concerned about its increasing expenditure on inventories, whilst EW's revenues and sales volumes have both been declining steadily. Which **ONE** of the following measures should have highlighted this deteriorating trend?

- a. Lead times
- b. Service levels
- c. Stock turn
- d. Disposal costs

LO: 2

AC: 2.3

Correct answer: C

Q7. The use of RFID technologies has directly driven which of the following benefits in procurement and supply?

- 1. Easier stock identification
- 2. Improved inventory tracking
- 3. Fewer returned items
- 4. Less individual deliveries

- a. 1 and 2 only
- b. 1 and 3 only
- c. 2 and 4 only
- d. 3 and 4 only

LO: 1

AC: 1.2

Correct answer: A

Q8. Which of the following stock items could be considered as direct supplies in inventory management?
Select the **TWO** that apply.

- a. Goods purchased and stocked by a retailer for resale
- b. Car batteries held ready for use on the assembly line
- c. Drilling machines to be issued to the construction department
- d. Ink cartridges for 30 printers scattered around various business units
- e. The compulsory safety shoes issued to staff

LO: 2

AC: 2.1

Correct answer: A & B

Q9. Which of the following are advantages of using barcodes as an integral part of inventory management?
Select the **TWO** that apply.

- a. They are easy and cheap to print and use
- b. They can be scanned remotely using radio waves
- c. They can be read reliably using various technologies
- d. They all have to be scanned individually
- e. They can be scanned even when faded or damaged

LO: 1

AC: 1.2

Correct answer: A & C

Q10. Which of the following are the primary considerations when designing a new warehouse? Select **THREE** that apply.

- a. Stakeholder mapping
- b. Competitive activities
- c. Physical movement of goods
- d. Product pricing
- e. Space utilisation
- f. Flexibility of layout

LO: 1

AC: 1.1

Correct answer: C, E & F

Q11. Which **ONE** of the following is an important consideration when choosing the location of a new warehouse facility?

- a. Availability of sufficient parking for directors
- b. Distance from competitors' facilities
- c. Visibility of the company brand from nearby roads
- d. Ease of access to transport infrastructure

LO: 1

AC: 1.1

Correct answer: D

Q12. Which **ONE** of the following is the most useful to determine what each type of pallet can be used for?

- a. Its colour coding
- b. Its maximum weight loading rating
- c. Its year of manufacture
- d. Its international standard registration

LO: 1

AC: 1.3

Correct answer: B

Q13. Super Chips Group (SCG) is the world's leading manufacturer of microchips. It supplies many of the global computer hardware manufacturers. Whilst the business is highly successful it has found it increasingly difficult to produce accurate forecasts due to the uncertain demand patterns of the customers it supplies. SCG microchips are best described as which type of item?

- a. Indirect demand
- b. Consumer demand
- c. Dependent demand
- d. Market demand

LO: 2

AC: 2.1

Correct answer: C

Q14. International Manufacturing Group (IMG) has previously experienced production issues due to stock-outs, following the introduction of a just in time approach two years ago. Since then it has increased its inventory levels of many key components. This has caused issues for IMG as its insurance costs have increased as have the levels of obsolescence and damage. These issues relate to which **ONE** of the following?

- a. Holding costs
- b. Indirect costs
- c. Fixed costs
- d. Acquisition costs

LO: 2

AC: 2.2

Correct answer: A

Q15. In implementing a 'lean' philosophy, organisations will focus primarily on which of the following aspects?

1. Value
 2. Risks
 3. Waste
 4. Sustainability
-
- a. 1 and 2 only
 - b. 2 and 3 only
 - c. 3 and 4 only
 - d. 1 and 3 only

LO: 2

AC: 2.3

Correct answer: D

Q16. Which of the following are commonly encountered hidden costs associated with global sourcing which are less likely to be experienced when using local suppliers?

1. Access to innovation
 2. Customs delays
 3. Cultural issues
 4. Specification development
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- a. 1 and 2 only
 - b. 2 and 3 only
 - c. 3 and 4 only
 - d. 1 and 3 only

LO: 3

AC: 3.2

Correct answer: B

Q17. Considering whole life costing, when an asset reaches end-of-life, it will always have zero value. Is this statement **TRUE**?

- a. No, some assets have a residual value
- b. Yes, they will have been fully depreciated
- c. No, all assets will be replaced before then
- d. Yes, the definition of end of life is when the value is nil'

LO: 3

AC: 3.1

Correct answer: A

Q18. The triple bottom line concept still reinforces the importance of commercial organisations achieving sufficient margin. Is this statement **TRUE**?

- a. Yes, it is the only important element of the concept
- b. No, it is about ethics, environmental and social responsibility
- c. Yes, the concept gives it an equal weighting with the other elements
- d. No, it is only applied by charities and public sector organisations

LO: 3

AC: 3.3

Correct answer: C

Q19. Which of the following are typical inventory performance measures? Select the **TWO** that apply.

- a. Lead times
- b. Receivables days
- c. Staff turnover
- d. Stakeholder engagement
- e. Stock turn rates

LO: 2

AC: 2.3

Correct answer: A & E

Q20. An organisation might find it more beneficial to lease and use an asset over a pre-determined period. After this period the lessee has the right to secure an outright ownership of the asset by paying an agreed amount, otherwise, the asset would be repossessed by the lessor. Which **ONE** of the following is an advantage of leasing?

- a. Long-term commitment to pay instalments even if not using the asset
- b. Costs are known and agreed in advance
- c. The usage of the asset is usually capped
- d. The total cost of ownership is not applicable as the asset is leased

LO: 3

AC: 3.1

Correct answer: B

SAMPLE QUESTIONS