



**Free Questions for CPIM-Part-2 by certsinside**

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# Question 1

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**Question Type:** MultipleChoice

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Sales and operations planning (S&OP) in a make-to-stock (MTS) environment is concerned with projecting:

**Options:**

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- A- item forecasts.
- B- inventory.
- C- backlog.
- D- bookings.

**Answer:**

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B

**Explanation:**

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Sales and operations planning (S&OP) in a make-to-stock (MTS) environment is concerned with projecting inventory. S&OP is an integrated planning process that aligns demand, supply, and financial planning and is managed as part of a company's master

planning<sup>1</sup>. MTS is a traditional production strategy that is used by businesses to match inventory with anticipated consumer demand<sup>2</sup>. Inventory is the quantity and value of materials and products that are available in stock or in transit<sup>3</sup>.

S&OP in an MTS environment is concerned with projecting inventory because inventory is the key link between demand and supply. Inventory can be classified into three types: raw materials, work-in-process, and finished goods<sup>3</sup>. S&OP aims to balance the inventory levels of these types with the expected demand and supply plans, as well as the financial objectives of the company. S&OP can help optimize inventory management by:

Reducing inventory costs, such as holding, ordering, and shortage costs<sup>3</sup>.

Improving inventory turnover, which is the ratio of sales to average inventory<sup>3</sup>.

Increasing inventory availability, which is the percentage of orders that can be fulfilled from stock<sup>3</sup>.

Enhancing inventory quality, which is the degree of conformance to specifications and standards<sup>3</sup>.

The other options are not as relevant for S&OP in an MTS environment as inventory. Item forecasts are estimates of future demand for specific products or services based on historical data, market trends, or customer inputs<sup>4</sup>. Item forecasts are an input to S&OP, not an output. S&OP uses item forecasts to generate aggregate demand plans for product families or categories, which are then matched with aggregate supply plans for production capacity or resources<sup>1</sup>. Backlog is the quantity of customer orders that have been received but not yet fulfilled<sup>3</sup>. Backlog is not applicable for S&OP in an MTS environment, because MTS products are produced before customer orders are received. MTS products are delivered from stock, not from backlog. Bookings are the quantity of customer orders that have been received and confirmed<sup>3</sup>. Bookings are also not applicable for S&OP in an MTS environment, because MTS products are not dependent on customer orders. MTS products are based on forecasted demand, not actual demand.

## Question 2

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**Question Type:** MultipleChoice

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In a lean environment, the batch-size decision for planning "A" items would be done by:

**Options:**

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- A- least total cost.
- B- min-max.
- C- lot-for-lot (L4L).
- D- periodic order quantity.

**Answer:**

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C

**Explanation:**

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In a lean environment, the batch-size decision for planning "A" items would be done by lot-for-lot (L4L). A lean environment is a production system that aims to eliminate waste and maximize value by applying the principles and practices of lean manufacturing. "A"

items are the most important items in an inventory system, based on the Pareto principle or the 80/20 rule, which states that 80% of the effects come from 20% of the causes<sup>2</sup>. Lot-for-lot (L4L) is an inventory ordering policy that orders exactly the quantity needed to meet the demand for each period<sup>3</sup>.

The reason why L4L is the preferred batch-size decision for planning "A" items in a lean environment is because it minimizes the inventory holding costs and reduces the risk of obsolescence or deterioration of the items<sup>3</sup>. L4L also supports the concept of pull production, which is a key element of lean manufacturing. Pull production is a method of controlling the flow of materials and information by producing only what is requested by the downstream customers or processes<sup>4</sup>. L4L aligns the production and consumption rates of "A" items, which are typically high-demand and high-value items, and avoids overproduction or underproduction. L4L also enables faster feedback and learning, as well as better responsiveness to customer needs and expectations.

The other options are not as suitable for planning "A" items in a lean environment. Least total cost is an inventory ordering policy that orders the quantity that minimizes the sum of ordering costs and holding costs<sup>5</sup>. However, this policy does not consider the demand variability or customer service level, and may result in large batch sizes that increase inventory levels and waste. Min-max is an inventory ordering policy that orders a fixed quantity whenever the inventory level falls below a minimum level<sup>6</sup>. However, this policy does not reflect the actual demand or consumption rate, and may result in excess inventory or stockouts. Periodic order quantity is an inventory ordering policy that orders a variable quantity at fixed time intervals. However, this policy does not synchronize the production and consumption rates, and may result in mismatched supply and demand.

## Question 3

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**Question Type:** MultipleChoice

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In which of the following phases of the product life cycle is product price most effective in influencing demand?

**Options:**

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A- Introduction

B- Growth

C- Maturity

D- Decline

**Answer:**

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A

**Explanation:**

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Product price is most effective in influencing demand in the introduction phase of the product life cycle. The product life cycle is a concept that describes the stages that a product goes through from its development to its decline. The introduction phase is the first stage, when the product is launched into the market and consumers are made aware of its existence and benefits. In this phase, product price can have a significant impact on the demand for the product, depending on the following factors:

**The degree of product innovation:** If the product is highly innovative and offers a unique value proposition to customers, it may have a high price elasticity of demand, meaning that customers are willing to pay a high price for it regardless of the availability of substitutes or

competitors<sup>1</sup>. This is often the case for products that create a new market or category, such as the iPhone or the Kindle<sup>2</sup>. On the other hand, if the product is not very innovative and offers a similar value proposition to existing products, it may have a low price elasticity of demand, meaning that customers are sensitive to price changes and will switch to cheaper alternatives or competitors if the price is too high<sup>1</sup>. This is often the case for products that enter an existing market or category, such as generic drugs or copycat products<sup>3</sup>.

The degree of market competition: If the product faces little or no competition in the market, it may have more pricing power and flexibility, meaning that it can charge a high price and still generate high demand<sup>4</sup>. This is often the case for products that have a strong brand image, a loyal customer base, or a patent protection<sup>5</sup>. On the other hand, if the product faces high competition in the market, it may have less pricing power and flexibility, meaning that it has to charge a low price or offer discounts and promotions to attract and retain customers<sup>4</sup>. This is often the case for products that have a weak brand image, a low customer loyalty, or a short product life cycle.

Therefore, product price can be an effective tool to influence demand in the introduction phase of the product life cycle, depending on how innovative and competitive the product is. A high price can signal quality, exclusivity, and differentiation, while a low price can signal affordability, accessibility, and penetration.

## Question 4

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**Question Type: MultipleChoice**

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Collaborative planning, forecasting, and replenishment (CPFR) typically would be most effective for a:

### Options:

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- A- distributor with a few major customers and many smaller customers.
- B- manufacturer that sells directly to a large number of firms.
- C- regional headquarters for a large home improvement retailer.
- D- company that has a large number of geographically dispersed suppliers.

### Answer:

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C

### Explanation:

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Collaborative planning, forecasting, and replenishment (CPFR) is a set of actions taken by supply chain partners to plan and communicate tasks to meet customer demand while reducing cost. It includes business planning, sales forecasting, and replenishment of raw materials and finished goods<sup>1</sup>. CPFR typically would be most effective for a regional headquarters for a large home improvement retailer, because this type of organization can benefit from the following advantages of CPFR:

CPFR can strengthen the supply chain partner relationships between the regional headquarters and its suppliers, distributors, and stores, by enhancing trust, transparency, and coordination<sup>2</sup>.

CPFR can provide analysis of sales and order forecast which improves the forecast accuracy, by using customer inputs and data from partners in the value chain, as well as advanced analytical tools and techniques<sup>3</sup>.



CPFR can manage the demand chain and proactively eliminate problems before they appear, by identifying and resolving potential issues or conflicts in the planning, forecasting, and replenishment processes<sup>4</sup>.

CPFR can allow collaboration on future requirements and plans, by involving all the relevant stakeholders in the decision-making process and aligning their goals and expectations<sup>5</sup>.

CPFR can combine planning, forecasting and logistic activities, by integrating the best practices in sales and marketing (e.g. such as category management) to supply chain planning and execution processes<sup>2</sup>.

The other options are not as suitable for CPFR as a regional headquarters for a large home improvement retailer. A distributor with a few major customers and many smaller customers may not have enough incentives or resources to implement CPFR with all its customers, especially the smaller ones who may have low volumes or high variability in demand. A manufacturer that sells directly to a large number of firms may face challenges in coordinating and communicating with all its customers, as well as managing the complexity and diversity of their demand patterns. A company that has a large number of geographically dispersed suppliers may encounter difficulties in establishing trust and transparency with its suppliers, as well as ensuring the quality and reliability of their products or services.

## Question 5

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**Question Type:** MultipleChoice

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Marketing has requested a significant change in the mix for a product family. The requested change falls between the demand and the planning time fences. The most appropriate action by the master scheduler is to:

**Options:**

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- A- reject the request
- B- accept the request.
- C- forward the request to senior management.
- D- check the availability of required material.

**Answer:**

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C

**Explanation:**

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The most appropriate action by the master scheduler is to forward the request to senior management. According to the Time Fence Control (MRP and Supply Chain Planning Help) - Oracle, the demand time fence is a period within which the planning process does not consider forecast demand when calculating actual demand, and the planning time fence is a period within which the planning process does not alter the current material plan or master schedule. The master scheduler can make changes to the master schedule within the planning time fence, but only with approval from senior management. The request from marketing falls between the demand and the planning time fences, which means that it may affect the current material plan or master schedule, as well as the capacity and resource requirements of the production system. Therefore, the master scheduler should forward the request to senior management, who can evaluate the impact and feasibility of the request, and decide whether to approve or reject it.

## Question 6

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**Question Type:** MultipleChoice

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Collaborative planning, forecasting, and replenishment (CPFR) typically would be most effective for a:

### Options:

---

- A- distributor with a few major customers and many smaller customers.
- B- manufacturer that sells directly to a large number of firms.
- C- regional headquarters for a large home improvement retailer.
- D- company that has a large number of geographically dispersed suppliers.

### Answer:

---

C

### Explanation:

---

Collaborative planning, forecasting, and replenishment (CPFR) is a set of actions taken by supply chain partners to plan and communicate tasks to meet customer demand while reducing cost. It includes business planning, sales forecasting, and replenishment of

raw materials and finished goods<sup>1</sup>. CPFR typically would be most effective for a regional headquarters for a large home improvement retailer, because this type of organization can benefit from the following advantages of CPFR:

CPFR can strengthen the supply chain partner relationships between the regional headquarters and its suppliers, distributors, and stores, by enhancing trust, transparency, and coordination<sup>2</sup>.

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## Question 7

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**Question Type:** MultipleChoice

---

In which of the following phases of the product life cycle is product price most effective in influencing demand?

**Options:**

---

- A- Introduction
- B- Growth
- C- Maturity
- D- Decline

**Answer:**

---

A

**Explanation:**

---

Product price is most effective in influencing demand in the introduction phase of the product life cycle. The product life cycle is a concept that describes the stages that a product goes through from its development to its decline. The introduction phase is the first

stage, when the product is launched into the market and consumers are made aware of its existence and benefits. In this phase, product price can have a significant impact on the demand for the product, depending on the following factors:

The degree of product innovation: If the product is highly innovative and offers a unique value proposition to customers, it may have a high price elasticity of demand, meaning that customers are willing to pay a high price for it regardless of the availability of substitutes or competitors<sup>1</sup>. This is often the case for products that create a new market or category, such as the iPhone or the Kindle<sup>2</sup>. On the other hand, if the product is not very innovative and offers a similar value proposition to existing products, it may have a low price elasticity of demand, meaning that customers are sensitive to price changes and will switch to cheaper alternatives or competitors if the price is too high<sup>1</sup>. This is often the case for products that enter an existing market or category, such as generic drugs or copycat products<sup>3</sup>.

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## Question 8

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**Question Type:** MultipleChoice

---

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**Options:**

---

- A- reject the request
- B- accept the request.
- C- forward the request to senior management.
- D- check the availability of required material.

**Answer:**

---

C

**Explanation:**

---

The most appropriate action by the master scheduler is to forward the request to senior management. According to the Time Fence Control (MRP and Supply Chain Planning Help) - Oracle, the demand time fence is a period within which the planning process does not consider forecast demand when calculating actual demand, and the planning time fence is a period within which the planning process does not alter the current material plan or master schedule. The master scheduler can make changes to the master schedule within the planning time fence, but only with approval from senior management. The request from marketing falls between the demand and the planning time fences, which means that it may affect the current material plan or master schedule, as well as the capacity and resource

requirements of the production system. Therefore, the master scheduler should forward the request to senior management, who can evaluate the impact and feasibility of the request, and decide whether to approve or reject it.

## Question 9

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**Question Type:** MultipleChoice

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In a lean environment, the batch-size decision for planning "A" items would be done by:

**Options:**

---

- A- least total cost.
- B- min-max.
- C- lot-for-lot (L4L).
- D- periodic order quantity.

**Answer:**

---

C



## Explanation:

---

In a lean environment, the batch-size decision for planning "A" items would be done by lot-for-lot (L4L). A lean environment is a production system that aims to eliminate waste and maximize value by applying the principles and practices of lean manufacturing<sup>1</sup>. "A" items are the most important items in an inventory system, based on the Pareto principle or the 80/20 rule, which states that 80% of the effects come from 20% of the causes<sup>2</sup>. Lot-for-lot (L4L) is an inventory ordering policy that orders exactly the quantity needed to meet the demand for each period<sup>3</sup>.

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## Question 10

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**Question Type:** MultipleChoice

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Sales and operations planning (S&OP) in a make-to-stock (MTS) environment is concerned with projecting:

### Options:

---

- A- item forecasts.
- B- inventory.
- C- backlog.
- D- bookings.

### Answer:

---

B

### Explanation:

---

Sales and operations planning (S&OP) in a make-to-stock (MTS) environment is concerned with projecting inventory. S&OP is an integrated planning process that aligns demand, supply, and financial planning and is managed as part of a company's master planning. MTS is a traditional production strategy that is used by businesses to match inventory with anticipated consumer

demand<sup>2</sup>. Inventory is the quantity and value of materials and products that are available in stock or in transit<sup>3</sup>.

S&OP in an MTS environment is concerned with projecting inventory because inventory is the key link between demand and supply. Inventory can be classified into three types: raw materials, work-in-process, and finished goods<sup>3</sup>. S&OP aims to balance the inventory levels of these types with the expected demand and supply plans, as well as the financial objectives of the company. S&OP can help optimize inventory management by:

Reducing inventory costs, such as holding, ordering, and shortage costs<sup>3</sup>.

Improving inventory turnover, which is the ratio of sales to average inventory<sup>3</sup>.

Increasing inventory availability, which is the percentage of orders that can be fulfilled from stock<sup>3</sup>.

Enhancing inventory quality, which is the degree of conformance to specifications and standards<sup>3</sup>.

The other options are not as relevant for S&OP in an MTS environment as inventory. Item forecasts are estimates of future demand for specific products or services based on historical data, market trends, or customer inputs<sup>4</sup>. Item forecasts are an input to S&OP, not an output. S&OP uses item forecasts to generate aggregate demand plans for product families or categories, which are then matched with aggregate supply plans for production capacity or resources<sup>1</sup>. Backlog is the quantity of customer orders that have been received but not yet fulfilled<sup>3</sup>. Backlog is not applicable for S&OP in an MTS environment, because MTS products are produced before customer orders are received. MTS products are delivered from stock, not from backlog. Bookings are the quantity of customer orders that have been received and confirmed<sup>3</sup>. Bookings are also not applicable for S&OP in an MTS environment, because MTS products are not dependent on customer orders. MTS products are based on forecasted demand, not actual demand.

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