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Question 1

Question Type: MultipleChoice

Reducing distribution network inventory days of supply will have which of the following impacts?

Options:

- A- Increase turnovers and increase cash-to-cash cycle time.
- B- Increase turnovers and reduce cash-to-cash cycle time.
- C- Decrease turnovers and reduce cash-to-cash cycle time.
- D- Decrease turnovers and increase cash-to-cash cycle time.

Answer:

B

Explanation:

Reducing distribution network inventory days of supply will have the impact of increasing turnovers and reducing cash-to-cash cycle time. Distribution network inventory days of supply is a measure of how long it takes for a company to sell its entire inventory in its

distribution network, which includes the warehouses and transportation systems that deliver the products to the customers¹. It is calculated by dividing the average inventory by the cost of sales per day¹. A lower distribution network inventory days of supply indicates that the company is selling its inventory faster and more efficiently, while a higher distribution network inventory days of supply indicates that the company is holding too much inventory or having difficulty selling its products.

Turnovers, also known as inventory turnover or stock turnover, is a measure of how many times a company sells and replaces its inventory in a given period. It is calculated by dividing the cost of goods sold by the average inventory². A higher turnover indicates that the company is selling its inventory quickly and efficiently, while a lower turnover indicates that the company is holding too much inventory or having difficulty selling its products.

Cash-to-cash cycle time, also known as cash conversion cycle or net operating cycle, is a measure of how long it takes for a company to convert its cash outflows into cash inflows. It is calculated by adding the days sales outstanding (DSO), which is the average time it takes for customers to pay for their purchases, and the distribution network inventory days of supply, and subtracting the days payable outstanding (DPO), which is the average time it takes for the company to pay its suppliers³. A shorter cash-to-cash cycle time indicates that the company is managing its cash flow more effectively, while a longer cash-to-cash cycle time indicates that the company is tying up more cash in its operations.

Therefore, reducing distribution network inventory days of supply will have the impact of increasing turnovers and reducing cash-to-cash cycle time, as it will decrease the average inventory level, increase the cost of sales per day, and decrease the distribution network inventory days of supply component in the cash-to-cash cycle time formula. This will improve the efficiency and profitability of the company's operations and reduce its working capital needs.

Question 2

Question Type: MultipleChoice

An effective process to create meaningful change begins with:

Options:

- A-** reviewing financial outcomes and metrics over the last 4 quarters year-over-year.
- B-** identifying and discussing a past crisis, a potential crisis, or major opportunities.
- C-** refreshing corporate strategy to align with current marketplace realities for your industry.
- D-** using consultants to provide in-depth analysis of current management opportunities.

Answer:

B

Explanation:

An effective process to create meaningful change begins with identifying and discussing a past crisis, a potential crisis, or major opportunities. This step is important because it helps to create a sense of urgency and motivation for the change, as well as to clarify the vision and goals of the change¹. A past crisis can be used as a learning opportunity to analyze what went wrong and how to prevent it from happening again. A potential crisis can be used as a warning signal to anticipate and prepare for the possible challenges and risks. A major opportunity can be used as a catalyst to seize the competitive advantage and create value for the organization and its

stakeholders2.

The other options are not the best ways to start an effective process to create meaningful change. Reviewing financial outcomes and metrics over the last 4 quarters year-over-year may provide some insights into the performance and profitability of the organization, but it may not reveal the underlying causes or drivers of the change, or the future trends and scenarios that may affect the organization3. Refreshing corporate strategy to align with current marketplace realities for your industry may be a necessary step in the change process, but it may not be sufficient to generate buy-in and commitment from the people who are involved in or affected by the change4. Using consultants to provide in-depth analysis of current management opportunities may be a helpful way to obtain external perspectives and expertise, but it may not ensure that the change is aligned with the organization's culture, values, and capabilities5.

Question 3

Question Type: MultipleChoice

Locating service facilities differs from locating manufacturing or distribution facilities primarily because service location decisions are:

Options:

- A-** driven by revenue concerns, while manufacturing and distribution location decisions are driven by costs.
- B-** driven by competition, while manufacturing and distribution location decisions are not.

C- driven by real estate costs, while manufacturing and distribution location decisions are driven by product costs.

D- determined after surveying customers, while manufacturing and distribution location decisions are determined after surveying suppliers.

Answer:

A

Explanation:

Locating service facilities differs from locating manufacturing or distribution facilities primarily because service location decisions are driven by revenue concerns, while manufacturing and distribution location decisions are driven by costs. This is because service facilities are usually closer to the customers and depend on their demand and preferences. Service facilities need to consider factors such as customer convenience, accessibility, visibility, traffic, and competition when choosing a location, as these factors affect the revenue potential and market share of the service facility¹. Manufacturing and distribution facilities, on the other hand, are usually farther from the customers and depend on their supply chain efficiency and effectiveness. Manufacturing and distribution facilities need to consider factors such as transportation, labor, utilities, taxes, and regulations when choosing a location, as these factors affect the cost structure and profitability of the facility².

The other options are not correct. Competition is a factor that affects both service and manufacturing or distribution location decisions, as it influences the market attractiveness and strategic positioning of the facility³. Real estate costs are also a factor that affects both service and manufacturing or distribution location decisions, as they represent a significant portion of the fixed costs of the facility⁴. Surveying customers or suppliers is a method that can be used for both service and manufacturing or distribution location decisions, as it provides valuable information about the demand and supply characteristics of the market⁵.

Question 4

Question Type: MultipleChoice

Shop backlogs remain constant when:

Options:

- A- work input equals work output,
- B- forecasts are updated on the basis of the longest lead time item.
- C- capacity is assumed to be infinite.
- D- shop orders are released at a steady rate.

Answer:

A

Explanation:

Shop backlogs are the amount of work that has been ordered but not yet completed by a production facility¹. Shop backlogs remain constant when the work input, which is the rate of incoming orders, equals the work output, which is the rate of finished products². This means that the production facility is able to match the demand and supply of its products, and maintain a steady level of backlog. This can indicate that the production facility is operating efficiently and effectively, and has a stable market position.

The other options are not correct. Forecasts are updated on the basis of the longest lead time item means that the production facility uses the item that takes the longest time to produce as a reference for planning its future production³. This may help the production facility to avoid underestimating its capacity or overcommitting its resources, but it does not guarantee that the shop backlogs will remain constant, as it depends on the actual demand and supply of its products. Capacity is assumed to be infinite means that the production facility does not consider any limitations or constraints on its ability to produce its products. This may help the production facility to simplify its production planning and scheduling, but it does not reflect the reality of its operations, and may lead to unrealistic expectations or poor performance. Shop orders are released at a steady rate means that the production facility releases a fixed number of orders to its shop floor at regular intervals. This may help the production facility to smooth out its production flow and reduce variability, but it does not ensure that the shop backlogs will remain constant, as it depends on the actual work input and output.

Question 5

Question Type: MultipleChoice

One way to mitigate liability risk in the supply chain is to:

Options:

- A- negotiate lower component cost.
- B- require traceability for components.
- C- push inventory to supplier locations.
- D- use less-than-truckload (LTL) shipments more frequently.

Answer:

B

Explanation:

Liability risk in the supply chain is the risk that a company may be held legally responsible for damages caused by its products or services, or by its business partners, such as suppliers, subcontractors, or customers¹. Liability risk can result in financial losses, legal penalties, reputational damage, and customer dissatisfaction¹.

One way to mitigate liability risk in the supply chain is to require traceability for components, which means the ability to track the origin, history, location, and status of a product or its parts throughout the supply chain². Traceability can help a company to identify and prevent potential quality issues, defects, recalls, counterfeits, or frauds that may cause harm to the customers or the environment². Traceability can also help a company to comply with regulatory standards, customer requirements, and social responsibility expectations². Traceability can be achieved by using various methods, such as barcodes, RFID tags, serial numbers, blockchain, or cloud-based platforms³.

The other options are not effective ways to mitigate liability risk in the supply chain. Negotiating lower component cost may reduce the procurement expenses, but it may also compromise the quality and safety of the components, which may increase the liability risk. Pushing inventory to supplier locations may reduce the inventory carrying costs and risks, but it may also increase the dependency and vulnerability on the suppliers, which may expose the company to more liability risk. Using LTL shipments more frequently may reduce the transportation costs and emissions, but it may also increase the handling and damage risks of the products, which may affect the customer satisfaction and liability.

Question 6

Question Type: MultipleChoice

Components of an organization's immediate industry and competitive environment include:

Options:

- A- political factors.
- B- interest rates.
- C- substitute products.
- D- sociocultural forces,

Answer:

C

Explanation:

An organization's immediate industry and competitive environment includes the factors that directly affect its ability to compete and achieve its goals. These factors are often analyzed using Porter's Five Forces model, which identifies five competitive forces that shape the industry: threat of new entrants, power of suppliers, power of buyers, threat of substitute products, and rivalry among existing competitors¹. Among these forces, substitute products are the most relevant component of the immediate industry and competitive environment, as they represent the alternative solutions that customers can choose instead of the organization's products. Substitute products can reduce the demand and profitability of the organization's products, as well as increase the price sensitivity and bargaining power of customers¹.

The other options are not components of the immediate industry and competitive environment, but rather components of the general or macro environment. The general or macro environment includes the broader factors that affect all organizations in a society or a market, such as political, economic, social, technological, environmental, and legal factors². These factors are often analyzed using PESTEL analysis, which helps organizations identify the opportunities and threats arising from the external environment². Among these factors, political factors include the government policies, regulations, and stability that affect the organization's operations and decisions². Interest rates are part of the economic factors that include the market conditions, growth, inflation, unemployment, and exchange rates that affect the organization's performance and profitability². Sociocultural forces are part of the social factors that include the demographics, values, beliefs, lifestyles, and preferences of the customers and society that affect the organization's demand and customer satisfaction².

Question 7

Question Type: MultipleChoice

The trade-off of increasing safety stock to improve customer fill rate would be a decrease in:

Options:

- A- A pipeline inventory.
- B- transportation costs.
- C- inventory turns.
- D- sales revenue.

Answer:

C

Explanation:

Inventory turns, also known as inventory turnover or stock turnover, is a measure of how many times a company sells and replaces its inventory in a given period. It is calculated as the ratio of cost of goods sold (COGS) to average inventory¹. A higher inventory turnover indicates that the company is selling its inventory quickly and efficiently, while a lower inventory turnover indicates that the company is

holding too much inventory or having difficulty selling its products.

Increasing safety stock to improve customer fill rate would result in a decrease in inventory turns, as it would increase the average inventory level. Safety stock is the extra inventory that is held to prevent stockouts and meet unexpected demand². Customer fill rate is the percentage of customer orders that are fulfilled from available inventory without delay³. Increasing safety stock can improve customer fill rate by reducing the risk of stockouts and ensuring high service levels. However, increasing safety stock also increases the inventory carrying costs and risks, such as storage, handling, obsolescence, shrinkage, and opportunity costs⁴. Therefore, increasing safety stock is a trade-off between customer satisfaction and inventory efficiency.

The other options are not correct. Pipeline inventory is the inventory that is in transit between locations or stages in the supply chain⁵. Increasing safety stock would not affect pipeline inventory, as it is determined by the lead time and demand rate. Transportation costs are the expenses incurred for moving goods from one location to another⁶. Increasing safety stock would not affect transportation costs, as it is determined by the distance, mode, volume, and frequency of transportation. Sales revenue is the income generated from selling goods or services to customers⁷. Increasing safety stock would not affect sales revenue directly, as it is determined by the price and quantity of sales. However, increasing safety stock may have an indirect positive effect on sales revenue by improving customer satisfaction and loyalty.

Question 8

Question Type: MultipleChoice

The cumulative available-to-promise (ATP) method is based on an assumption that available inventory in a period can be committed to demand in that period and:

Options:

- A-** any future period in the planning horizon.
- B-** any period before the demand time fence (DTF).
- C-** future periods beyond the DTF.
- D-** future periods with a planned receipt.

Answer:

A

Explanation:

The cumulative available-to-promise (ATP) method is based on an assumption that available inventory in a period can be committed to demand in that period and any future period in the planning horizon. The planning horizon is the time span for which plans are made and executed¹. The cumulative ATP is a running total of the ATP figure in the master schedule, which shows the planned production or purchase of a product over a series of time periods². The cumulative ATP method allows the company to account for future shortages and build up inventory for large or seasonal orders³.

The other options are not correct. The demand time fence (DTF) is a point in the near future, usually equal to the cumulative lead time, beyond which changes to the master schedule are not allowed⁴. The cumulative ATP method does not depend on the DTF, as it considers all future periods in the planning horizon, regardless of whether they are inside or outside the DTF. Future periods with a planned receipt are periods where there is an expected supply of inventory from production or purchase orders². The cumulative ATP

method does not only commit inventory to these periods, but also to any other periods where there is demand.

Question 9

Question Type: MultipleChoice

Which of the following factors may be used to calculate available capacity?

Options:

A- Productivity

B- Load

C- Yield

D- Efficiency

Answer:

D

Explanation:

Available capacity is the difference between the required capacity and planned operating capacity¹. It refers to how capable the resources in an organization are in formulating and implementing strategy¹. To calculate available capacity, factors such as the number of machines or workers, the number of shifts, utilization, and efficiency are considered¹. Efficiency, in particular, is a crucial factor as it measures how effectively resources are used to produce output. It is calculated as the ratio of actual output to standard output within a specific time period¹. Therefore, efficiency directly impacts available capacity by determining how much output can be produced with the available resources and time.

The other options, while important in production and operations management, are not directly used to calculate available capacity:

Productivity measures the output per unit of input and is more about overall performance rather than available capacity.

Load refers to the amount of work assigned to a resource or facility but does not directly indicate available capacity.

Yield measures the percentage of products that meet quality standards out of total units produced but does not directly calculate available capacity.

Question 10

Question Type: MultipleChoice

In which of the following environments is capable-to-promise (CTP) more appropriate than available-to-promise (ATP)?

Options:

- A- Consumer electronics sold through local retailers
- B- Industrial supplies shipped from regional distribution centers (DCs)
- C- Packaged foods sold in grocery stores
- D- Specialty chemicals packaged and shipped to order

Answer:

D

Explanation:

Capable-to-promise (CTP) is a method of order promising that considers both material and capacity availability. CTP is more appropriate than available-to-promise (ATP), which only considers material availability, in environments where the production process is complex, customized, or resource-intensive, and where the demand is uncertain or variable. CTP can provide more accurate and realistic delivery dates, as well as optimize the use of resources and reduce inventory costs.

Among the options given, specialty chemicals packaged and shipped to order is the most suitable environment for CTP. This is because specialty chemicals are often produced in small batches or on demand, according to the specific requirements and preferences of each customer. Therefore, the production process requires high flexibility and customization, as well as careful coordination of materials and capacity. The demand for specialty chemicals may also vary depending on the market conditions and customer needs. CTP can help the

company to promise delivery dates that take into account the availability of both materials and capacity, as well as the production lead time and transportation time.

The other options are less suitable for CTP, as they are more likely to use standard or mass production processes, where the products are made in large quantities or in advance, and where the demand is more stable or predictable. In these environments, ATP may be sufficient to promise delivery dates based on material availability alone, without considering capacity constraints.

Question 11

Question Type: MultipleChoice

When deciding what to report externally regarding sustainability performance, a company should disclose:

Options:

- A- results of poor performance.
- B- results of acceptable performance.
- C- past results and future strategies.
- D- why current regulations are too costly.

Answer:

C

Explanation:

When deciding what to report externally regarding sustainability performance, a company should disclose its past results and future strategies. This will help the company to demonstrate its progress, achievements, challenges, and commitments in relation to its environmental, social, and governance (ESG) goals. Disclosing past results and future strategies will also enhance the company's transparency, accountability, and credibility with its stakeholders, such as investors, customers, employees, regulators, and the public.

Disclosing results of poor performance or acceptable performance alone is not sufficient, as it does not provide a complete picture of the company's sustainability performance. Moreover, disclosing only poor performance may damage the company's reputation and trust, while disclosing only acceptable performance may raise doubts about the company's honesty and reliability. Disclosing why current regulations are too costly is irrelevant and inappropriate, as it does not reflect the company's sustainability performance or efforts. It may also imply that the company is not willing or able to comply with the regulations or improve its sustainability practices.

Question 12

Question Type: MultipleChoice

Which of the following actions will result in lower inventory levels?

Options:

- A-** Level load the master production schedule (MPS).
- B-** B. Reduce replenishment lead times.
- C-** Increase customer service level.
- D-** Decentralize inventory locations.

Answer:

B

Explanation:

Replenishment lead time is the time between placing an order and receiving the goods¹. Reducing replenishment lead time will result in lower inventory levels, as it will allow the company to order less frequently and in smaller quantities, while still meeting customer demand. This will reduce the safety stock, cycle stock, and pipeline stock that the company needs to hold, and thus lower the inventory carrying costs and risks.

The other options will not result in lower inventory levels. Level loading the MPS means producing at a constant rate regardless of demand fluctuations². This will result in higher inventory levels, as the company will need to build up inventory during periods of low demand and draw down inventory during periods of high demand. Increasing customer service level means improving the ability to meet customer expectations and requirements³. This will also result in higher inventory levels, as the company will need to hold more safety stock to avoid stockouts and ensure high fill rates. Decentralizing inventory locations means distributing inventory across multiple

warehouses or facilities⁴. This will also result in higher inventory levels, as the company will need to maintain more safety stock at each location to account for demand variability and uncertainty.

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