Free Questions for CPIM-Part-2

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Question 1

Question Type: MultipleChoice

Which of the following activities represents waste in a system?

Options:

A- More kanbans with smaller quantities are added to the supply chain.
B- A kanban is eliminated from the system.
C- A production forecast is issued to the supplier.
D- A purchase order is issued to the supplier for each delivery requirement.

Answer:

D

Explanation:

A purchase order is issued to the supplier for each delivery requirement is an activity that represents waste in a system. Waste is any activity or process that does not add value to the customer or the product, but consumes resources, time, or money. Waste can reduce the efficiency, productivity, and quality of the system, as well as increase the costs, defects, or delays.Waste can be classified into seven types: overproduction, inventory, transportation, motion, waiting, overprocessing, and defects1.

Issuing a purchase order to the supplier for each delivery requirement is an example of overprocessing waste. Overprocessing waste is any activity or process that is unnecessary or excessive for meeting the customer needs or specifications. Overprocessing waste can result from poor communication, unclear requirements, redundant tasks, or outdated procedures. Issuing a purchase order to the supplier for each delivery requirement is an overprocessing waste because it involves more paperwork, approvals, and transactions than needed. It can also create confusion, errors, or delays in the delivery process.A better way to eliminate this waste is to use a pull system, such as kanban2, that signals the supplier to deliver only when there is a demand from the customer.

The other options are not activities that represent waste in a system. More kanbans with smaller quantities are added to the supply chain is an activity that reduces waste in a system. Kanban is a pull system that uses visual signals, such as cards or containers, to indicate when and how much to produce or deliver.Kanban can help reduce waste by synchronizing the production and delivery processes with the customer demand, minimizing inventory levels, improving quality and efficiency, and preventing overproduction or underproduction3. Adding more kanbans with smaller quantities can help reduce inventory waste by lowering the holding costs, transportation

costs, or obsolescence costs of inventory. It can also help reduce overproduction waste by producing or delivering only what is needed by the customer.

A kanban is eliminated from the system is an activity that reduces waste in a system. Eliminating a kanban from the system means reducing the number of signals or containers used in the production or delivery process.Eliminating a kanban from the system can help reduce waste by increasing the throughput and velocity of the process, reducing cycle times and lead times, improving responsiveness and flexibility, and enhancing customer satisfaction4.

A production forecast is issued to the supplier is not an activity that represents waste in a system. A production forecast is an estimate of the future demand or sales of a product or service. A production forecast can help plan and manage the production and delivery processes by determining how much and when to produce or deliver.A production forecast can help reduce waste by optimizing the use of resources and capacity, minimizing inventory levels and costs, improving service levels and quality, and avoiding stockouts or shortages5. Issuing a production forecast to the supplier can help align the production and delivery processes with the customer demand and expectations.

Question 2

Question Type: MultipleChoice

Once an organization's monthly sales and operations planning (S&0OP) process has been completed, the functional responsibility of operations is to:

Options:

A- change the master schedule to meet the sales orders.
B- signal critical capacity constraints to top management.
C- meet the revised production plan.
D- produce to the current master production schedule (MPS).

Answer:

C

Explanation:

The sales and operations planning (S&OP) process is a cross-functional process that aligns the demand and supply plans of an organization. The S&OP process consists of several steps, such as data gathering, demand planning, supply planning, pre-S&OP meeting, executive S&OP meeting,

and S&OP implementation. Once the S&OP process has been completed, the executive S&OP meeting approves the final production plan, which is the output of the supply planning step. The production plan is a statement of the resources needed to meet the aggregate demand plan over a medium-term horizon. The functional responsibility of operations is to meet the revised production plan by developing and executing the master production schedule (MPS) and the detailed schedules. The MPS is a statement of the specific end items to be produced in each time period of the short-term horizon. The detailed schedules are the statements of the specific materials, resources, and activities needed to execute the MPS.Reference: CPIM Exam Content Manual Version 7.0, Domain 4: Plan and Manage Supply, Section 4.1: Develop Supply Plans, Subsection 4.1.2: Describe how to develop a production plan (page 36).

Question 3

Question Type: MultipleChoice

The results from responding to uncertainty in the supply chain by exaggerating lead times and increasing lot sizes is called:

Options:

A- bullwhip effect.
B- supply and demand.
C- process train.
D- forward integration.

Answer:

A

Explanation:

The results from responding to uncertainty in the supply chain by exaggerating lead times and increasing lot sizes is called the bullwhip effect. The bullwhip effect is a phenomenon that occurs when small changes in demand at the downstream end of the supply chain (such as retailers or customers) cause larger and larger fluctuations in demand at the upstream end of the supply chain (such as wholesalers, distributors, or manufacturers). The bullwhip effect can create inefficiencies, waste, and costs in the supply chain, as well as reduce customer satisfaction and profitability.

One of the causes of the bullwhip effect is the response to uncertainty in the supply chain by exaggerating lead times and increasing lot sizes. Lead time is the time between placing an order

and receiving it from a supplier. Lot size is the quantity of units ordered or produced at a time. When there is uncertainty or variability in demand or supply, such as due to seasonality, promotions, disruptions, or forecasting errors, some supply chain members may try to cope by exaggerating lead times and increasing lot sizes. For example, a retailer may increase its safety stock or reorder point to avoid stockouts or delays, or a manufacturer may produce more than needed to take advantage of economies of scale or discounts. However, these actions can have unintended consequences, as they can distort the demand information and amplify the demand variability along the supply chain. This can result in excess inventory, low inventory turnover, high holding costs, poor service levels, lost sales, obsolete products, or capacity issues.

To prevent or reduce the bullwhip effect caused by responding to uncertainty in the supply chain by exaggerating lead times and increasing lot sizes, some possible solutions are:

Improving communication and collaboration among supply chain members to share accurate and timely demand information and forecasts.

Reducing lead times and lot sizes by using lean production techniques, just-in-time inventory systems, or quick response methods.

Implementing vendor-managed inventory (VMI) systems, where suppliers are responsible for managing and replenishing the inventory of their customers based on their actual consumption data.

Adopting advanced technologies, such as radio-frequency identification (RFID), artificial intelligence (AI), or blockchain, to enhance visibility, traceability, and coordination in the supply chain.

Question 4

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 5

Question Type: MultipleChoice

Which of the following planning modules considers the longest-range planning goals?

Options:

A- Capacity requirements planning (CRP)
B- Input/output analysis
C- Resource planning
D- Rough-cut capacity planning (RCCP)

Answer:

B

Explanation:

Process improvement is a method of analyzing and enhancing the production methods and techniques to increase productivity and performance. Process improvement aims to reduce costs, waste, defects, and errors, as well as to improve quality, efficiency, and customer satisfaction. When considering process improvement, the first approach that should be considered is making better use of existing resources. This means that the production system should optimize the utilization and allocation of the available resources, such as materials, labor, machines, and space. This can be achieved by implementing various techniques, such as lean manufacturing, six sigma, kaizen, or 5S. Making better use of existing resources can help to improve the process without requiring additional investment or expenditure.

The other options are not the first approaches that should be considered as part of process improvement. Hiring more skilled people to perform the job is not the first approach, as it may increase the labor cost and require more training and supervision. Hiring more skilled people may not necessarily improve the process if the existing methods and techniques are inefficient or ineffective. Buying better and faster equipment is not the first approach, as it may involve a large capital outlay and a long payback period. Buying better and faster equipment may not necessarily improve the process if the existing resources are underutilized or misallocated. Applying stricter quality control is not the first approach, as it may increase the inspection and testing cost and time. Applying stricter quality control may not necessarily improve the process if the existing methods and techniques are prone to errors or defects.Reference: CPIM Exam Content Manual Version 7.0, Domain 8: Manage Quality, Continuous Improvement, and Technology, Section 8.2: Continuous Improvement Concepts, p. 46; Process Improvement; Process Improvement Definition.

Question 6

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.

Question 7

Question Type: MultipleChoice

Rivalry among competing sellers is generally weaker when:

Options:

A- buyer demand is growing rapidly.
B- the products of rival sellers are commodities.
C- buyer costs to switch brands are low.
D- the number of rivals increases, and rivals are of roughly equal size and competitive capability.

Answer:

A

Explanation:

Rivalry among competing sellers is the degree of competition between firms in the same industry. It can affect the profitability and market share of the firms, and influence their strategies and decisions. Rivalry tends to be stronger when the demand is slow, the products are similar, the switching costs are low, and the capacity is high. Rivalry can also lead to innovation, differentiation, and customer satisfaction.

Rivalry among competing sellers is generally weaker when buyer demand is growing rapidly. This is because a fast-growing market offers more opportunities for expansion and growth for all the firms, without having to compete aggressively for a limited number of customers. A fast-growing market also reduces the pressure to cut prices or increase advertising, as the demand exceeds the supply. A fast-growing market can also attract new entrants, which can increase the rivalry in the long run, but in the short run, it can create more diversity and segmentation in the market.

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