



CIPS L4M7 Mock Exam

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Question 1

Question Type: MultipleChoice

What is meant by the economic life of an asset?

Options:

- A- It is the age beyond which it is not worth keeping an asset from a cost point of view
- B- It is the point beyond which it is not possible to find anyone who has the skills to operate the asset
- C- It is when the asset's effective performance is below the standard required by the organisation
- D- It is the point beyond which it is not possible to obtain any spare parts for the asset

Answer:

A

Question 2

Question Type: MultipleChoice

Which of the following are most likely the benefits of using unit loads? Select TWO that apply.

Increase transport time of each item

Options:

- A- Minimise space utilisation
- B- Safer handling
- C- Unit loads must be placed on pallets
- D- Reduce handling cost of one unit

Answer:

B, D

Explanation:

The concept of a unit load is to create a stable and secure, easy-to-move group of stock that is fast to load and unload from vehicles.

The advantages of unit load concepts are as the following:

- * More items can be handled at the same time, thereby reducing the number of trips required and, potentially, reducing handling costs, loading and unloading times, and product damage.
- * Enables the use of standardized material handling equipment.

LO 1, AC 1.3

Question 3

Question Type: MultipleChoice

A manufacturing organization has a large volume of raw material stock now viewed as redundant. Which of the following is the most appropriate process for the organization?

Options:

- A- Scrap the stock as environmentally as possible and reorganize the warehouse
- B- Re-package and isolate the stock from the remaining stock to maximize usable space
- C- Ask the original supplier for potential return and credit or sell the stock
- D- Maintain the safety and security of the stock for potential future use

Answer:

C

Explanation:

Returning redundant stock to the supplier (or selling it) is an effective approach, as it can recover some value and free up warehouse space. This option aligns with whole-life asset management's emphasis on reducing costs associated with unused assets and managing inventory efficiently.

Question 4

Question Type: MultipleChoice

Which of the following is the correct statement about total ordering cost?

Options:

- A- Rise as the average stock level rises
- B- Equal the number of orders placed times the cost of placing an order
- C- Rise as the order quantity rises
- D- Fall with the per period usage rate

Answer:

B

Explanation:

Typically, ordering costs include expenses for a purchase order, labor costs for the inspection of goods received, labor costs for placing the goods received in stock, labor costs for issuing a supplier's invoice and labor costs for issuing a supplier payment. These costs are irrelevant from the size of the order and are incurred every time a firm places an order.

The total ordering cost will be equal to ordering cost per order multiply with number of orders.

LO 2, AC 2.2

Question 5

Question Type: MultipleChoice

Which of the following are features of dependent demand items of stock?

They depend on the production levels of the user departments

They depend on the production capacity of the supplier

They can be managed using JIT (Just-in-Time) systems

They become obsolete within a short time

Options:

- A- 2 and 3 only
- B- 3 and 4 only
- C- 1 and 3 only
- D- 1 and 2 only

Answer:

C

Explanation:

Dependent demand items rely on the internal production requirements of an organization. These items:

Depend on user department production levels: Demand is driven by the needs of the production line.

Can be managed using JIT systems: Just-in-Time inventory helps optimize stock levels based on immediate production needs, reducing holding costs and minimizing waste.

Dependent demand items differ from independent demand items, where demand is customer-driven rather than production-driven, emphasizing demand predictability and timely procurement.

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