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Question 1

Question Type: MultipleChoice

Which of the following is a main objective of just-in-time?

Options:

- A- Better demand forecasting
- B- Leveraging economic order quantity
- C- Higher safety stock
- D- Waste reduction

Answer:

D

Explanation:

JIT, often referred to as the Toyota production system (TPS), originated in Toyota's manufacturing plants in Japan in the early 1970s. It was first introduced by the organisation's owner, Taiichi Ohno. The prime goal of JIT is the achievement of zero inventories.

The just-in-time objectives of eliminating waste can be summarised in the 'five zeros: zero defects, zero set-up times, zero inventories, zero handling and zero lead times.

LO 2, AC 2.3

Question 2

Question Type: MultipleChoice

XYZ Ltd is a highly profitable leading industrial distributor with over 60,000 products and an enviable record for customer service. After undertaking preliminary discussions it was decided to analyse the value-adding activities that contribute to XYZ's flagship products. The company is conducting which of the following activities?

Options:

- A- Postponement
- B- Value stream mapping
- C- Silo-working
- D- Kanban

Answer:

B

Explanation:

According to Hines and Rich, value stream refers to specific parts of the firms that actually add value to the specific product or service under consideration. XYZ Ltd is mapping the value stream by analysing the value-adding activities that contribute to their most important product.

Postponement is a business strategy which maximizes possible benefit and minimizes risk by delaying further investment into a product or service until the last possible moment. An example of this strategy is Dell Computers' build-to-order online store. One of the earliest references to the concept was in a paper by Zinn and Bowersox in the Journal of Business Logistics. They highlighted five types: Labelling, Packaging, Assembly, Manufacturing and Time postponements.

Kanban () (signboard or billboard in Japanese) is a scheduling system for lean manufacturing and just-in-time manufacturing (JIT). Taiichi Ohno, an industrial engineer at Toyota, developed kanban to improve manufacturing efficiency. Kanban is one method to achieve JIT. The system takes its name from the cards that track production within a factory. For many in the automotive sector, kanban is known as the 'Toyota nameplate system'.

Put simply, silo working occurs when several departments or groups within that organisation do not want to share information or knowledge with other individuals they work with.

LO 2, AC 2.3

Question 3

Question Type: MultipleChoice

A retailer wants to improve its service level in inventory management from 95% to 97%. Which of the following is the best course of action?

Options:

- A- Increasing safety stock
- B- Expanding replenishment lead time
- C- Decreasing safety stock
- D- Holding more cycle stock

Answer:

C

Explanation:

For single items, an extra investment in inventory (higher levels of safety stock) will always increase customer service levels. Conversely, higher service levels imply larger quantities of safety stocks and an increased investment in inventory. (Procurement and Supply Chain Management - 9th Edition)

LO 2, AC 2.2

Question 4

Question Type: MultipleChoice

Which of the following can replace pallets as bases for unit loads but they require push pull accessories to retrieve or discharge unit load?

Options:

- A- Shrink wraps
- B- Post pallets
- C- Skids
- D- Slip sheets

Answer:

D

Explanation:

The system of slip sheet load handling involves the use of a thin sheet of material, the slip sheet, as a base on which items are assembled as a unit load for handling, storage, and transport. The slip sheet is used in conjunction with a pallet, if desired, at certain stages in the distribution cycle. If all lift trucks in the cycle are equipped with the proper attachment, an appropriate slip sheet is the only material handling base required. Slip sheet requires special push pull accessories and usually use thin and wide forks.



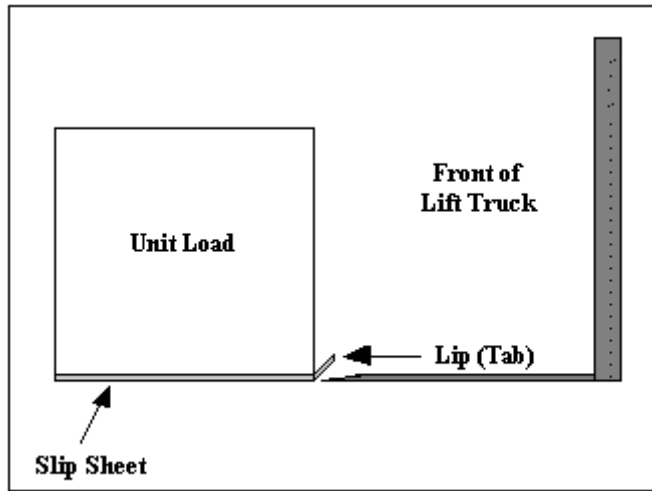


Figure 1: Slip Sheet Setup

Skids are generally described as single-deck pallets and do not have bottom flatted layer which makes them less bulky and cheaper than conventional pallets but also less universal in their use.



Shrink wrap, also referred to as shrink film or shrink wrap, is a versatile polymer material used for the packaging of finished goods. Heat is applied to the film -- by either a conveyor heat tunnel or an electric or gas heat gun -- which catalyzes the film to shrink tightly around

the item placed within. This process results in a clear, durable barrier of protection around the product.

Post pallets have a simple metal structure with four uprights and substantial feet to take the load. These may be free standing, but many are designed for the feet to interlock with the posts of another post pallet so that the stack can be created.



LO 1, AC 1.3

Question 5

Question Type: MultipleChoice

What are the contents of master production schedule in MRP system?

Options:

- A- The investment required for production
- B- How many final products will be made and when to make them
- C- The total number of labour required to produce the final product
- D- What components and materials are and when to purchase them

Answer:

B

Explanation:

A master production schedule (MPS) is a plan for individual commodities to be produced in each time period such as production, staffing, inventory, etc.[1] It is usually linked to manufacturing where the plan indicates when and how much of each product will be demanded.[2] This plan quantifies significant processes, parts, and other resources in order to optimize production, to identify bottlenecks, and to anticipate needs and completed goods. Since a MPS drives much factory activity, its accuracy and viability dramatically affect profitability. Typical MPSs are created by software with user tweaking.

LO 2, AC 2.3

Question 6

Question Type: MultipleChoice

An organisation may incur additional costs in stockout events. Which of the following is an exam-ple of costs of inventory stockouts?

Options:

- A-** The costs of storage space owned that cannot be used for other profitable purposes when inventories decrease
- B-** The lost contribution margin on sales forgone as a result of customer dissatisfaction due to unavailability of goods
- C-** The costs of obsolescence and costs of insurance that change with the quantity of in-ventory held

D- The return forgone by investing capital in inventory rather than elsewhere

Answer:

B

Explanation:

Stockout is a situation where an inventory item is not available when required. The costs associated with a stockout include the following:

- Lost of production output - there will be no production until the stockout is resolved (new stock is acquired). For factory operating 24/7 with no spare capacity, this lost output will not be able to be recovered.
- Costs of machine downtime and of overhead spread over a reduced level of output
- Costs of any action required to deal with the stockout...
- Loss of customer goodwill through inability to supply or late delivery
- Loss of sales or new orders
- Loss of market creditability

LO 2, AC 2.2

Question 7

Question Type: MultipleChoice

Can RFID tags work when they are attached to metal surfaces or embedded within metal products?

Options:

- A- Yes, some technologies allow RFID tags to work on metal or within metal products
- B- No, metal surface reflects the radio wave and thus interferes the operations of RFID tags
- C- No, RFID tags only work with plastic products
- D- Yes, all RFID tags can be used in every environmental conditions

Answer:

A

Explanation:

Mounting or embedding RFID tags on metal can be tricky. Metal surfaces reflect energy emitted from RFID readers and create interference for RFID tag antennas, which means the tag isn't able to receive power and transmit information; however, specific RFID

tags will work around metal surfaces. RFID companies have patented technology that allows RFID to work when attached to metal surfaces and even embedded within metal products. As long as you choose the correct RFID equipment for your environment and application, you won't need to worry about interference from metal.

LO 1, AC 1.2

Question 8

Question Type: MultipleChoice

In just in time production system, when is an upstream production triggered?

Options:

- A- When the inventory level reaches the reorder point
- B- After the management team forecasts the future demands
- C- When downstream operations summon the upstream production
- D- When the production workers are idle

Answer:

C

Explanation:

Along with Jidoka, Just-in-time (JIT) production is one of the pillars of the two Toyota Production System. It is a production method that fundamentally changed the way large-scale production occurred in the 20th century, and is the basis for Lean Manufacturing (Lean for short), which is the school of thought many modern companies have modeled themselves after.

JIT production is often called a pull system because instead of using traditional push production where scheduling is done based on historical data and demand forecasting, production is scheduled based on actual customer orders. Rather than predicting demands from customers, the JIT method requires that actual customer demand exists. Production doesn't begin before an order triggers it. This system not only reduces the amount of extra inventory, but also reduces the amount of work in progress at one time.

- Just-in-Time Production

- CIPS study guide page 122-127

LO 2, AC 2.3

Question 9

Question Type: MultipleChoice

Manufacturing resources planning (MRP II) was developed from material requirement planning (MRP). Which of the following is the additional input that is available in MRP II but does not appear in MRP?

Options:

- A- Finance
- B- Bill of materials
- C- Master production schedule
- D- Inventory records

Answer:

A

Explanation:

MRP I was some of the first business software to be widely adopted during the 1970s. Manufacturers sought these systems in order to improve efficiency and accuracy when it came to basic processes such as production scheduling and inventory management.

By the 1980s, manufacturers realized they needed software that could also tie into their accounting systems and forecast inventory requirements. Enter MRP II, which included these integrations in addition to all the capabilities offered by MRP I. Enterprise resource planning (ERP) software features---which we'll cover later on---are included in the following table for comparison.

	MRP	MRP II	ERP
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 Master Production Scheduling			
 Bill of Materials			
 Inventory Tracking			
 Machine Capacity Scheduling			
 Demand Forecasting			
 Quality Assurance			
 General Accounting			
 Core Financials (GL, AR, AP)			
 Customer Relationship Management (CRM)			

- MRP vs. MRP II: What's the Difference?

- CIPS study guide page 118-119

LO 2, AC 2.3

Question 10

Question Type: MultipleChoice

Multiple approval levels for a small purchase request is an example of which type of waste?

Options:

A- Over-processing

B- Not using talent

C- Over-production

D- Inventory

Answer:

A

Explanation:

Lean thinking aims to remove wastes from work processes. Before diving into the 8 wastes, it is important to understand what waste is. Waste is any action or step in a process that does not add value to the customer. In other words, waste is any process that the customer does not want to pay for.

The original seven wastes (Muda) was developed by Taiichi Ohno, the Chief Engineer at Toyota, as part of the Toyota Production System (TPS). The seven wastes are Transportation, Inventory, Motion, Waiting, Overproduction, Overprocessing and Defects. They are often referred to by the acronym 'TIMWOOD'. The 8th waste of non-utilized talent or 'Skills' of workers was later introduced in the 1990s when the Toyota Production System was adopted in the Western world. As a result, the 8 wastes are commonly referred to as 'TIMWOODS'.



DEFECTS

Waste from a product or service failure to meet customer expectations



OVERPRODUCTION

Waste from making more product than customers demand



WAITING

Waste from time spent waiting for the next process step to occur



UNUSED TALENT

Wastes due to underutilization of people's talents, skills, and knowledge



TRANSPORTATION

Wasted time, resources, and costs when unnecessarily moving products and materials



INVENTORY

Wastes resulting from excess products and materials that aren't processed



MOTION

Wasted time and effort related to unnecessary movements by people



EXTRA-PROCESSING

Wastes related to more work or higher quality than is required

Source: The lean way

Multiple approval levels for a small purchase request is an example of over-processing since this adds more unnecessary work to users and procurement professionals.

LO 2, AC 2.3

Question 11

Question Type: MultipleChoice

A pharmaceutical firm offers a new drug called NC-01. After analysing the market, the firm realises that the demand is largely variable. But they still have to forecast the customer demand for the next production cycle. The new drug NC-01 is best described as which type of item?

Options:

- A- Dependent demand
- B- Indirect demand
- C- Overhead items
- D- Independent demand

Answer:

D

Explanation:

Dependent demand is the requirement for stock item which is directly related to and therefore de-pendent upon the rate of production (examples are: raw materials, components, energy)

Independent demand is the requirement for stock item which is not directly related to, and is therefore independent of rate of production. Although independent demand is called thus, it can still be influenced by economic factors external to the demand-supply model such as general consumer sentiment and consumers' available disposal income. However, businesses that need to predict the number of products with independent demand needed to sate their customers have it easier than businesses that must calculate the demand for products with dependent demand because there are fewer factors to consider.

In this scenario, the new drug is finished good which is dependent on the demand of the market, and the firm needs to forecast before initiating the production process. The item is independent from rate of production, therefore, it must be independent demand item.

LO 2, AC 2.1

Question 12

Question Type: MultipleChoice

Which of the following is another name for scheduled (routine) maintenance?

Options:

- A- Preventative maintenance
- B- Predictive maintenance
- C- Run to breakdown
- D- Corrective maintenance

Answer:

A

Explanation:

There are different types of maintenance that organizations use to increase the uptime of their assets and utility of their facilities. Based on an organization's budget, amount of resources, level of combined experience, and maintenance goals, one or more maintenance types are used.

Proactive types of maintenance

Preventive maintenance

Preventive maintenance is the most popular type of proactive maintenance. To start conducting preventive maintenance tasks (PMs), an organization does not need to purchase new technology if it already has a CMMS. This is not the case with predictive maintenance which requires condition monitoring sensors and new software integrations. However, with preventive maintenance, the organization runs the risk of over-scheduling maintenance tasks because tasks are scheduled based on time rather than actual conditions. That said, preventive maintenance achieves 12% to 18% cost savings over reactive maintenance.

Predictive maintenance

Predictive maintenance (PdM) is what savvy maintenance teams aspire to have or are already implementing. The major barrier to PdM is the time it takes to implement rather than the cost of the technology itself. For instance, a vibration sensor that can identify imbalance, misalignment, and resonance issues only costs around \$200. But the time it takes to install, integrate with other maintenance software, and adopt a culture around it is not time that all organizations are willing to allocate. For those that do allocate the time, PdM provides an 8% to 12% cost savings over preventive maintenance.

Condition-based maintenance

Condition-based maintenance (CBM) is at the core of predictive maintenance but, on its own, does not rely on technology to determine the condition of an asset like PdM does. For instance, a manager may instruct an operator to monitor the condition of an asset and submit a work request when a specific condition is met. This approach may, or may not be, as reliable as predictive maintenance. An organization that has highly-trained operators may spot hazardous conditions better than an organization using PdM technology that doesn't know what to look for.

Scheduled maintenance

Scheduled maintenance includes work that is scheduled on a calendar for completion. The most common type of scheduled maintenance is calendar-based preventive maintenance tasks. These are scheduled well in advance of completion. For instance, an asset with a monthly PM has twelve instances of scheduled maintenance in a given year. However, just because maintenance is

scheduled does not mean it's planned. Planned maintenance implies that a maintenance planner or other type of maintenance worker has fully planned for parts, materials, skills, and other resources to be available during the scheduled time window.

Planned maintenance

Planned maintenance is work that's prepared for in advance of it taking place. According to an UpKeep survey, it's also the most popular key performance indicator (KPI) to track. A high planned maintenance percentage indicates that a maintenance team will have resources available to complete work for the time/day the work is scheduled for. Having a high planned maintenance percentage also helps boost other maintenance KPIs like schedule compliance. More planned maintenance means more successful completion of scheduled maintenance.

Routine maintenance

Routine maintenance is a form of time-based maintenance and preventive maintenance, though some organizations differentiate between routine maintenance and preventive maintenance. They use the latter for smaller tasks (i.e. cleaning) performed at higher frequencies (hourly, daily) and the former for larger tasks (i.e. inspections) performed at lower frequencies (weekly, monthly, annually). Additionally, routine maintenance is performed by operators, janitors, and other staff member while preventive maintenance is performed by technicians. Non-routine maintenance includes maintenance that is performed reactively or only when needed based on an asset's conditions.

Reactive types of maintenance

Emergency maintenance

Emergency maintenance occurs when an asset requires immediate attention in order to keep a facility operational or safe. This is the most reactive and intrusive type of maintenance as it pulls technicians away from other jobs and lowers schedule compliance. In extreme circumstances, emergency maintenance can set an organization back days depending on the scope of the repair, available

parts, and the asset's level of importance. To reduce the amount of emergency maintenance that is both unplanned and unscheduled, organizations adopt various forms of proactive maintenance.

Corrective maintenance

Corrective maintenance is inherently part of emergency maintenance because, when there is an emergency, something needs corrected or fixed. In this way, corrective maintenance is mostly reactive. However, it can also be proactive. If an asset with a condition monitoring sensor detects an issue, a work order is created and a technician is sent to correct it. Similarly, preventive maintenance is considered corrective maintenance if there is an issue to fix. This is rare though as PMs are often conducted when an asset is in good working order.

Other types of maintenance

Deferred maintenance

Deferred maintenance includes repairs and inspections that are put into a backlog due to limited budget and resources. While deferring maintenance saves money up front, the costs of not performing important maintenance compounds at 7% annually. Rising costs come from fines resulting from missed inspections and unscheduled downtime that brings production to a standstill. By far, deferred maintenance and emergency maintenance are the least desired types of maintenance.

Total productive maintenance

Total productive maintenance (TPM) is the broadest type of maintenance that targets more than the assets that need maintained. It also aims to improve employee satisfaction and overall morale in the workplace, specifically in manufacturing plants. TPM does this by increasing overall equipment effectiveness (OEE) and the amount of planned maintenance. More planned work means more workers have the resources they need to do their job, which means higher levels of satisfaction. TPM also leverages machine operators to participate in maintenance and take ownership of their equipment.

Types of Maintenance - Upkeep

CIPS study guide page 158-159

LO 3, AC 3.1

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