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Question 1

Question Type: MultipleChoice

A company has a strict policy of limiting employee gifts from suppliers to no more than \$25. An employee violates this policy by accepting an \$80 ticket to a sporting event from a regular supplier. Given this situation, which of the following is the BEST course of action for this employee's supervisor to take?

Options:

- A- Conduct face-to-face training with the employee on company policy
- B- Dismiss the employee for violating company policy
- C- Deduct the \$80 from the employee's paycheck
- D- Warn the supplier that its contract will be terminated if any such gift is given again

Answer:

A

Explanation:

Policy Violation: The employee violated the company's strict gift policy by accepting an \$80 ticket, which exceeds the \$25 limit.

Appropriate Response: Conducting face-to-face training addresses the issue by educating the employee on the company's policies and the importance of adhering to them.

Corrective Action: This approach allows for a constructive discussion, ensuring the employee understands the policy and the reasons behind it, which can prevent future violations.

Proportional Response: While dismissal or other punitive measures may seem excessive for a first-time or minor infraction, training provides a balanced approach to correction and improvement.

Reference: Human resource management best practices emphasize the importance of training and education in addressing policy violations, as discussed in resources like 'Human Resource Management' by Gary Dessler and guidelines from the Society for Human Resource Management (SHRM).

Question 2

Question Type: MultipleChoice

A cross-functional team for a specialty art materials manufacturer is analyzing several hobby painting sets, each made at a different location. The supply manager asks the team to discuss packaging needs. As brainstorming progresses, a few team members comment that many paint jars look quite similar, and one member asks whether distinctive labels could be used to differentiate various types of paint. This change is implemented, saving costs through larger volumes and minimized shortages. Which of the following BEST

describes what process the supply manager has facilitated?

Options:

- A- Aggregation
- B- Internal negotiations
- C- Contribution to profit
- D- Synergy

Answer:

A

Explanation:

Understanding the Scenario: The cross-functional team identifies that using distinctive labels for different types of paint can save costs by increasing order volumes and minimizing shortages.

Definition of Aggregation: Aggregation in supply chain management refers to combining orders for similar items to achieve cost savings through economies of scale.

Implementation: By standardizing the labels and increasing order volumes, the team is effectively aggregating their purchasing needs, leading to lower per-unit costs and reduced risk of shortages.

Cost Savings: Aggregation leverages larger order quantities to negotiate better pricing and terms with suppliers, thus contributing to cost savings and operational efficiency.

Reference: Supply chain management literature, such as 'Supply Chain Management: Strategy, Planning, and Operation' by Sunil Chopra and Peter Meindl, highlights aggregation as a key strategy for achieving cost savings and efficiency in procurement.

Question 3

Question Type: MultipleChoice

A company conducts an audit of its environmental management system (EMS) for ISO 14001 compliance. In this situation, which of the following factors is MOST likely to be of concern?

Options:

- A-** The EMS audit is scheduled to be conducted by an entity within the company.
- B-** The EMS plan's targets and goals are subjective and non-quantifiable.
- C-** The implementation of the EMS plan includes a continuous improvement requirement.
- D-** The EMS plan has been communicated internally, as well as to suppliers and customers.

Answer:

B

Explanation:

ISO 14001 Compliance: ISO 14001 requires organizations to have an Environmental Management System (EMS) with clear, measurable objectives and targets.

Concern with Subjectivity: Targets and goals that are subjective and non-quantifiable do not meet ISO 14001 requirements, as they cannot be objectively measured or audited for compliance.

Importance of Quantifiable Goals: Clear, quantifiable targets allow for proper monitoring, measurement, and continuous improvement, which are core components of ISO 14001.

Reference: The ISO 14001 standard itself and environmental management literature, such as 'ISO 14001 Environmental Management Systems: An Easy-to-Use Guide' by Brian J. Gallant, emphasize the need for specific, measurable, and objective targets in an EMS.

Question 4

Question Type: MultipleChoice

A supply manager is evaluating the firm's supply management training courses developed for non-department staff. Which of the following should the supply manager address FIRST when evaluating these courses?

Options:

- A- 'Is the participation rate reasonable considering the total number of employees?'
- B- 'Are the costs of training reasonable compared to the results?'
- C- 'Do the skills learned in the courses support organizational goals?'
- D- 'Are the instructors appropriately certified to teach the subject matter?'

Answer:

C

Explanation:

Evaluation Focus: When evaluating training courses, the primary concern should be whether the skills taught align with and support the organization's strategic goals and objectives.

Alignment with Goals: Ensuring that training programs are aligned with organizational goals guarantees that the training contributes to the company's overall success and effectiveness.

Importance of Relevant Skills: Training programs that teach relevant skills enhance employee performance and ensure that the workforce is equipped to meet the company's needs.

Reference: Training and development best practices, as outlined in resources such as 'Employee Training & Development' by Raymond A. Noe and the guidelines from the Association for Talent Development (ATD), emphasize the importance of aligning training with organizational goals.

Question 5

Question Type: MultipleChoice

A highly-customized computer part needed to complete the assembly of a product would be classified as which of the following?

Options:

- A- Fixed cost
- B- Target cost
- C- Direct cost
- D- Variable cost

Answer:

C

Explanation:

Definition of Direct Cost: Direct costs are expenses that can be directly attributed to the production of a specific product or service. This includes raw materials, labor, and any other costs directly associated with manufacturing.

Highly-Customized Computer Part: The customized nature of the computer part makes it a direct cost because it is a specific component needed for the product assembly.

Relevance to Production: Since the part is essential for the assembly of the product, its cost is directly traceable to the product, fitting the definition of a direct cost.

Reference: Cost accounting literature, such as 'Cost Accounting: A Managerial Emphasis' by Charles T. Horngren, defines and discusses the classification of direct costs and their importance in product costing.

Question 6

Question Type: MultipleChoice

Two large industrial organizations with global operations merge. Prior to the merger, the two companies had individual buyers at each manufacturing location, and these buyers were very successful. In the newly merged company, a sourcing team is established, with commodity managers reporting to the chief purchasing officer (CPO). Saving money has always been a top priority of the procurement staff, but the CPO is concerned about the new company's culture, as the commodity manager role didn't exist in either of the two companies prior to the merger.

Which of the following should the CPO be MOST concerned with to ensure the success of the new commodity managers?

Options:

- A- Cost containment
- B- Optimization effort
- C- Cost avoidance
- D- Riskmanagement

Answer:

D

Explanation:

Merger Context: The merger has created a new structure with commodity managers, a role that didn't previously exist in either company. This restructuring can introduce various risks, including operational disruptions and cultural integration challenges.

Risk Management Focus: The CPO should prioritize risk management to ensure the transition to commodity managers is smooth and successful. This includes identifying potential risks, developing mitigation strategies, and monitoring implementation.

Risks to Consider: Potential risks include resistance to change, lack of clear role definitions, and integration of different corporate cultures.

Importance of Risk Management: Effective risk management helps in anticipating and addressing issues that could derail the integration process and ensures that the new structure supports the company's strategic goals.

Reference: Best practices in merger integration and change management literature, including 'Making Mergers Work' by Price Pritchett and the Project Management Institute's (PMI) guidelines on risk management, emphasize the importance of focusing on risk management in such transitions.

Question 7

Question Type: MultipleChoice

An audit of a supply management organization states that the department would likely benefit from the use of electronic signatures. Which of the following steps should be taken FIRST in the corrective action process?

Options:

- A- Evaluate whether electronic signatures are secure
- B- Assess the costs and benefits of implementing an electronic signature
- C- Work with the IT department to purchase an electronic signature program
- D- Research how industry counterparts use electronic signatures

Answer:

A

Explanation:

Audit Recommendation: The audit suggests that the supply management organization could benefit from using electronic signatures, indicating a need to modernize and potentially streamline processes.

First Step -- Security Evaluation: Before any implementation, it is crucial to ensure that electronic signatures are secure. This involves evaluating their security features, compliance with legal requirements, and potential vulnerabilities.

Importance of Security: Electronic signatures must meet legal standards and protect the integrity and authenticity of documents to be a viable replacement for handwritten signatures.

Reference: Security evaluation is a fundamental step in implementing any new technology, as emphasized in IT governance and management frameworks such as COBIT (Control Objectives for Information and Related Technologies) and NIST (National Institute of Standards and Technology) guidelines.

Next Steps: Once security is assured, the organization can proceed to assess costs and benefits, research industry practices, and work with IT for implementation.

Question 8

Question Type: MultipleChoice

A company restructures its supply management department by creating commodity management teams with representatives from procurement, engineering, quality and production. These new teams have complete responsibility for their assigned commodities, including sourcing, quality, inventory planning and risk/cost management. Six months later, there is significant progress in a few commodity areas, but some teams are still not working smoothly together. To assess the impact of the commodity teams, which of the following measurements will offer the MOST useful information?

Options:

- A- Inventory turns
- B- Purchase price
- C- Delivery to schedule
- D- Total cost

Answer:

D

Explanation:

Comprehensive Metric: Total cost is a comprehensive metric that includes all aspects of cost management, such as purchase price, inventory costs, quality costs, and logistics costs.

Assessing Team Impact: Evaluating total cost allows the organization to assess the overall impact of the commodity management teams on the company's cost structure and financial performance.

Holistic View: Unlike individual metrics like inventory turns, purchase price, or delivery schedules, total cost provides a holistic view of the efficiency and effectiveness of the commodity teams.

Continuous Improvement: Monitoring total cost helps identify areas for improvement across the entire supply chain, facilitating continuous improvement initiatives and cost-saving strategies.

Reference: The importance of total cost measurement is emphasized in supply chain management literature and best practices, such as those outlined in 'Supply Chain Management: Strategy, Planning, and Operation' by Sunil Chopra and Peter Meindl, and guidelines from the Institute for Supply Management (ISM).

Question 9

Question Type: MultipleChoice

When prioritizing a supply management department's goals and objectives for the coming year, the department should place the MOST emphasis on which of the following?

Options:

- A- Ways in which the department can support the organization
- B- First priorities in the functional planning process
- C- Key items identified by the business unit planning process
- D- Goals that will have greatest impact on the department

Answer:

A

Explanation:

Alignment with Organizational Goals: The supply management department's goals and objectives should align with and support the overall strategic goals of the organization.

Impact on Business Success: Prioritizing ways the department can support the organization ensures that supply management activities directly contribute to the company's success and competitive advantage.

Functional Integration: This approach fosters better integration and collaboration between the supply management department and other business units, leading to more cohesive and effective operations.

Strategic Focus: Emphasizing organizational support ensures that the department's goals are strategic rather than merely operational or departmental, driving broader business impact.

Reference: Strategic management literature, including 'Strategic Management: Concepts and Cases' by Fred R. David and resources from the Balanced Scorecard Institute, support the importance of aligning departmental goals with organizational objectives.

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