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Question 1

Question Type: MultipleChoice

A group of items which are stacked together for more convenient movement is called...?

Options:

- A- Unit load
- B- Load cell
- C- Stacker
- D- Unit price

Answer:

A

Explanation:

Unit load is a term used to describe grouping of different items into a convenient stack or stacks which make them easy to handle and store. Typically this involves pallets and/or the plastic wrap-ping of a load.

Stacker is designed to lift and stack pallets. This one is fully mobile so can move easily around the warehouse. An operator would typically sit or stand while driving like a counterbalanced, reach or straddle lift truck.

A load cell is a type of transducer, specifically a force transducer. It converts a force such as tension, compression, pressure, or torque into an electrical signal that can be measured and standardized.

Unit price is the price of a single product or service, used for example when buying several things together to refer to the price of each one.

LO 1, AC 1.3

Question 2

Question Type: MultipleChoice

An electricity company charges its customers monthly fee for access and a usage fee for consumption of electricity. Which pricing structure is the company using?

Options:

A- Fixed pricing

B- Multi-part pricing

C- Dynamic pricing

D- Freemium Pricing

Answer:

B

Explanation:

Multi-part pricing. The transaction price is calculated from using two or more metrics rather than just one. The most common economic example of a price structure beyond unit pricing is called a two-part tariff. Basically it can be described such that the "entrance fee" provides the privilege of purchasing the metered component. A common multi-part tariff is the two-part tariff in electricity, under which the customer pays a monthly fee for access and a usage fee for consumption of electricity. With this two-part tariff, the operator is able to charge a price equal to marginal cost for electricity, which is profit maximizing, and deviate from marginal cost pricing in the fee for access.

Freemium is an internet-based pricing strategy where a service is offered for free in the beginning, but the price is charged on the premium package with some additional features. However, freemium pricing strategy is different from the premium pricing strategy because freemium offers free sample which you can use without paying anything, you'll only be charged when you want additional features.

Demand pricing is also synonymously used for dynamic pricing; it is a relative term used in the online platform. Dynamic pricing means different pricing is charged from the different customers depending upon the urgency, customer's ability and demand of the customers.

Question 3

Question Type: MultipleChoice

Reservoir Inc runs several oil refineries across the country. These refineries require heavy investment, particularly in maintenance, repair and operating (MRO) inventory. But the inventory turnover rate of these MRO items are low, while some items have expired date, which increases the risks of obsolescence. Which of the following methods can address the issues of these MRO items?

Options:

- A- Forrester effect
- B- Just in case
- C- Larger safety stock
- D- Vendor-owned stock

Answer:

D

Explanation:

Where stock turn (inventory turnover) is low and there are potential risks of redundancy or obsolescence, the buying organisation may adopt vendor owned stock. In this system, a supplier (vendor) maintains a stock of items ready to be used at the point of customer consumption. The supplier owns the stock until it is used by the purchaser; only then is the purchaser invoiced for it.

Just in case and larger safety stock would significantly increase the stock level, which may cause redundancy or obsolescence.

Forrester effect (or Bullwhip effect) is a distribution channel phenomenon in which forecasts yield supply chain inefficiencies. It refers to increasing swings in inventory in response to shifts in customer demand as one moves further up the supply chain.

LO 2, AC 2.2

Question 4

Question Type: MultipleChoice

One of the important outputs of an MRP system is the material requirement plan. This plan shows the net requirements for materials or components to make the final product. Which of the following best describes the net material requirements?

Options:

- A- Gross requirements + on-order - Inventory on-hand
- B- On order + Inventory on-hand
- C- Total requirements - order releases + amount on-hand
- D- Gross requirements - Inventory level - Scheduled receipt

Answer:

D

Explanation:

The net requirements are worked out using the following equation:

Net requirements = Total requirements - Available inventory

Where:

Total requirements = Gross requirements

Available inventory = Inventory on-hand + Units on-order

In the other words: Net requirements = Gross requirements - Inventory on-hand - Units on-order

Inventory on-hand is also known as Inventory level, whereas Units on-order can be called Scheduled receipt.

LO 2, AC 2.3

Question 5

Question Type: MultipleChoice

The optimum balance in the standard ISO 18602:2013 (Packaging and the environment --- Optimi-zation of the packaging system) considers which of the following factors?

1. Environmental impact of losses due to lack of packaging
2. The process for packaging design, including material selection
3. Procedures and requirements for packaging that are suitable for organic recycling
4. Environmental impact of excess packaging

Options:

A- 2 and 3 only

B- 2 and 4 only

C- 1 and 3 only

D- 1 and 4 only

Answer:

D

Explanation:

ISO 18602:2013 is about Packaging and the environment --- Optimization of the packaging system. ISO 18602:2013 specifies requirements and a procedure for assessment of packaging to ensure that the weight or volume of its material content is optimized consistent with the functions of packaging. This is one of several options for reducing the impact of packaging on the environment.

It also provides methodologies and procedures for

- determining the amount and minimization of substances or mixtures hazardous to the environment, and
- determining the amount of four heavy metals (lead, cadmium, mercury, hexavalent chromium) in packaging.

The optimum balance in this standard weighs the environmental impact of losses that may happen with no packaging or inadequate packaging against the environmental impact from excess packaging.

The process for packaging design, including material selection, is not part of ISO 18602:2013.

The procedure for applying ISO 18602:2013 is contained in ISO 18601.

LO 1, AC 1.3

Question 6

Question Type: MultipleChoice

A restaurant needs to buy a new freezer. The owner applies total cost of ownership model to calculate the life-time cost of the freezer. This equipment has a price tag of \$1,000, the supplier can offer free delivery if the restaurant pays off immediately. Estimated electricity consumption of the freezer is \$200 in 5 years. The supplier ascertains that the freezer is very durable, buyer doesn't need to care about maintenance costs. However, if the restaurant needs better protection from breakdowns, the warranty is free for the first 12 months after the purchase. This warranty package can be extended once for another 24-month period with the cost of \$75. After 5 years, the buyer will be able to resell this freezer for \$250. What would be the estimated total cost of ownership of this freezer if the restaurant owner buys the extended warranty package?

Options:

A- \$1,025

B- \$1,200

C- \$1,275

D- \$1,525

Answer:

A

Explanation:

The total cost of ownership would be the sum of all estimated costs.

The costs are as the following:

- Purchase price: \$1,000
- Electricity consumption: \$200
- Extended warranty: \$75

Total expense = $\$1,000 + \$200 + \$75 = \$1,275$. Then subtract the resale price from this sum, the total cost of ownership is \$1,025.

LO 3, AC 3.1

Question 7

Question Type: MultipleChoice

When deciding on the storage facilities and locations, an organisation needs to assess the current situation comprehensively and forecast the future demands. Quantitative analysis is the best method for these activities. Is this statement true?

Options:

- A- Yes, quantitative analysis provides a reality based on numerical values
- B- No, some intangible information is difficult to collect and measure
- C- Yes, quantitative analysis is easy to implement as it is based on 'hard' facts
- D- No, subjective judgements are the best as they compensate for weaknesses of quantitative analysis

Answer:

B

Explanation:

Decisions regarding stores and warehouse locations involve a complex range of issues that are unique to each business. Most storage facilities and location decisions are based on a combination of qualitative and quantitative analysis.

Qualitative analysis uses subjective judgment to analyze a situation based on non-quantifiable information, such as potential markets for new products, forecast on possible risks that may happen, etc.

Quantitative analysis (QA) is a technique that uses mathematical and statistical modeling, measurement, and research to understand behavior. Quantitative analysts represent a given reality in terms of a numerical value. This may include the following:

- Cost analysis for the current premises and future predictions based on current premises
- Cost analysis for routine operations
- Current inventory performance measures: lead times, service levels, rate of stock turn, stock-outs in a given period and stock cover

To get a big picture of current situation and future demands, organisation should combine both qualitative and quantitative methods so that useful information is achieved and well-informed decisions are made.

LO 1, AC 1.1

Question 8

Question Type: MultipleChoice

"Open stock plus purchases minus closing stock" is the formula of which of the following?

Options:

- A- Inventory
- B- Revenue
- C- Cost of goods sold
- D- Liability

Answer:

C

Explanation:

The amount of closing stock (properly valued) is used to arrive at the cost of goods sold in a periodic inventory system with the following calculation:

Opening stock + Purchases - Closing stock = Cost of goods sold

- CIPS study guide page 130-131
- Closing stock definition

LO 2, AC 2.3

Question 9

Question Type: MultipleChoice

A manager who is concerned about the environmental impact of packaging should do which of the following?

Options:

- A- Adopt international environmental packaging standards
- B- Try to reduce the costs of packaging
- C- Purchase the packaging materials in bulk
- D- Not use the packaging materials at all

Answer:

A

Explanation:

In principle, use of any materials involves an environmental cost. Some packaging materials use a lot of natural resources and energy to produce. The journey taken by packaging from raw material to manufacturing and then to the initial user also incurs a 'carbon footprint'.

The weight of packaging contributes to the fuel usage of vehicles while the volume used can add up to additional journeys or the use of larger vehicles. Finally, the reuse, return, disposal or recycling will also involve additional to the environmental cost.

In this question:

- 'Purchase

the packaging materials in bulk' may incur additional fuel and carbon footprint in delivering these materials

- 'Try to reduce the costs of packaging' may prompt the organisation to use less eco-friendly and cheap materials like polystyrene chips

- 'Not use the packaging materials at all' can increase the environmental performance of packaging activities, but it also harms the products to be delivered and may cause other environmental problems (i.e. spillage of toxic chemicals into the environment)

So the correct answer should be: 'Adopt international environmental packaging standards'. The International Standards Organisation (ISO) has published several standards regarding packaging and environment, namely ISO 18601, ISO 18602, ISO 18603, ISO 18604, ISO 18605, ISO 18606.

LO 1, AC 1.3

Question 10

Question Type: MultipleChoice

MRP software is a powerful tool for managing material requirements of manufacturing processes. To keep the software function well, an organisation must have appropriate input data

a. Which of the following are the inputs of MRP software? Select THREE that apply.

Options:

- A- Master production schedule
- B- Bill of materials
- C- Capacity requirement plan
- D- Payrolls information
- E- Facilities management
- F- Inventory records

Answer:

A, B, F

Explanation:

A powerful benefit of MRP system is the capacity to produce exception reports, which show deviations from normal planning and performance. These enable anomalies to be investigated with a view to improve future forecasting.

Material requirement planning is an electronic system for combining the following:

- Known demand
- Forecast demand. Known demand and forecasted demand are shown in master production schedule.
- Bill of materials for the final product
- Inventory records

LO 2, AC 2.3

Question 11

Question Type: MultipleChoice

Which of the following is the definition of work in progress inventory?

Options:

A- Inventory that has finished the production process

- B-** Inventory introduced into production but not completed as of the stocktake date
- C-** Inventory not yet introduced into the production process
- D-** Obsolete inventory

Answer:

B

Explanation:

Work in progress is the stock part-way through a manufacturing process; in the service sectors the term is also used for anything between order and delivery.

LO 2, AC 2.1

Question 12

Question Type: MultipleChoice

Which of the following is often created by each business and commonly used for the purpose of inventory management?

Options:

- A- SKU
- B- ISBN
- C- Harmonised system
- D- FDA product code

Answer:

A

Explanation:

Organisations often create their own stock keeping unit (SKU) numbering system, which may or may not have a meaningful structure. Stock keeping unit is a number that is assigned to a product for the purpose of inventory management and is of tracking. In other words, a stock keeping unit is a unique identifier assigned to each product for easier and more efficient record keeping.

An FDA (US Food and Drug Administration) product code describes a specific product and contains a combination of five to seven numbers and letters. The product code submitted with each FDA line item should match the actual product name and/or invoice description of the product.

The International Standard Book Number is a numeric commercial book identifier which is in-tended to be unique. Publishers purchase ISBNs from an affiliate of the International ISBN Agency.

The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature is an internationally standardized system of names and numbers to classify traded products.

LO 1, AC 1.2

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