

630-007 ISM

ISM C.P.M. Module 3: Value Enhancement Strategies

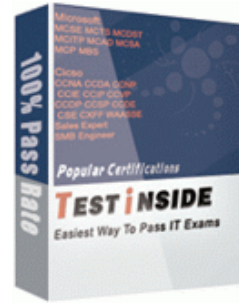
Practice Exam: 630-007 Exams

Exam Number/Code: 630-007

Exam Name: C.P.M. Module 3: Value Enhancement Strategies

Questions and Answers: 201 Q&As

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Title : C.P.M. Module 3: Value Enhancement Strategies

1. Which of the following are the two basic categories of costs associated with inventories from a management point of view?

- A. Supplies and services costs.
- B. Storage and incremental costs.
- C. Carrying costs and acquisition costs.
- D. Obsolescence and deterioration costs.

Answer: C

2. Which of the following can be used to spot abnormalities in a process, as well as compare actual measurements to customer or engineering specifications, and show if a distribution is centered at an expected place?

- A. Pareto charts.
- B. Area graphs.
- C. Histograms.
- D. Pie graphs.

Answer: C

3. Which of the following is NOT an appropriate consideration when seeking to mitigate seasonal capacity issues?

- A. Safety stock levels.
- B. Transportation costs.
- C. Forecasting accuracy.
- D. Seasonal sales forecasts.

Answer: B

4. Which of the following should generally make a "make-or-buy" decision?

- A. Engineering Management.
- B. Purchasing Management.
- C. Production Management.
- D. General Management.

Answer: D

5. Which of the following do NOT provide economic forecasts?

- A. ISM Report On Business(r).
- B. Bureau of Labor Statistics.
- C. Department of Commerce.
- D. Thomas Register.

Answer: D

6. Which of the following BEST describes the difference between evaluation of a product and value analysis?

- A. Value analysis is more concerned with "make-or-buy" issues.
- B. Evaluation of a product is more concerned with cost issues.

C. Value analysis focuses more on economy and efficiency.

D. Value analysis is more concerned with product liability.

Answer: C

7. Which of the following should a purchaser utilize when there is a need to minimize financial risk in a sensitive market?

A. Cash flow management.

B. Long-term relationships.

C. Market demand analysis.

D. Hedging using futures contracts.

Answer: D

8. When is the timing of purchases MOST important?

A. When a market has price and supply stability.

B. When a market has price and supply instability.

C. When a market has unstable supply with predictable prices.

D. When a market has reasonably stable supply with substantial fluctuation in prices.

Answer: C

9. Which of the following is the MOST commonly sought-after piece of inventory information?

A. The date the inventory is taken.

B. The current price of the items.

C. Inventory I.D. numbers.

D. Quantities.

Answer: D

10. Which of the following favors making the part in a "make-or-buy" decision?

A. When design secrecy is required.

B. When volume requirements are small.

C. When production facilities are limited.

D. When there is a desire to maintain a multiple-source policy.

Answer: A

11. Which of the following statements is FALSE?

A. An operational lease has a non-cancelable term varying from hours to years.

B. An operational lease is a total financial commitment by the lessor.

C. In operational leases, payments are fixed payments per period.

D. Operational leases stress service.

Answer: B

12. Which of the following represents the MOST common reason for a public or nonprofit corporation to use lease/purchase agreements to obtain equipment?

A. To gain tax advantages.

B. To avoid capital expenditures.

C. To reduce maintenance needs.

D. To gain depreciation advantages.

Answer: B

13. What is generally the PRIMARY motivation for outsourcing in the health care sector?

A. To reduce technological risk.

B. To shift patient liability.

C. To reduce labor costs.

D. To implement JIT.

Answer: C

14. Which of the following is the FIRST step in standardization?

A. Collecting data.

B. Simplifying standards.

C. Establishing objectives.

D. Publicizing the program.

Answer: A

15. Which of the following criteria would a project or process targeted for improvement generally NOT meet?

A. It is in the process of change.

B. It is relevant to a key product or service issue.

C. It is within the control or influence of the team.

D. It is likely to contribute to organizational goals.

Answer: A

16. Which of the following represents the BEST strategy for minimizing price risk in a falling market?

A. Hedging.

B. Forward buying.

C. Hand-to-mouth buying.

D. Buying to requirements.

Answer: C

17. When would a purchasing manager generally use a third-party lease as a financing instrument?

A. When purchasing equipment from the manufacturer with someone else's money.

B. When acquiring equipment from one party and maintenance from another.

C. When arranging an assignment agreement with a bank.

D. When transferring the asset to the internal customer.

Answer: A

18. TestInside has been experiencing numerous stockouts on a production item.

Which of the following is LEAST likely to cause this problem?

A. Faulty sales forecasts.

B. Incorrect order points.

C. Increased supplier prices.

D. Problems with incoming shipments.

Answer: C

19. You work as a purchaser at TestInside. You are negotiating a contract for which production and delivery will be stretched out over a 24-month period. You want to get the best price. Which of the following should you include in the contract?

A. A provision to accept all material produced under the contract.

B. A provision to cover changes in rates for material and labor.

C. A provision to eliminate penalties for late deliveries.

D. A provision to cover unforeseen production delays.

Answer: B

20. Which of the following represents the MAIN reason why a fully documented

permanent summary record of a "make-or-buy" analysis should be maintained?

- A. To respond to charges of favoritism by unsuccessful bidders.
- B. To serve as a useful source of information in future situations.
- C. To support cost-of-goods-sold (CGS) figures for tax purposes.
- D. To justify the participation of all departments that were involved in the analysis.

Answer: C

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