

# Supply Management Core Exam

1. A supplier's willingness to deal with rejected materials, fill surges in orders, and provide technical support will be MOST affected by which of the following?

A. Creating teaming agreements with suppliers

B. Negotiating Inclusive terms and conditions

C. Maintaining good supplier relationships

D. Including such conditions in the statement of work

**Answer(s): C**

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2. A buyer wishes to stop future shipments of goods from a supplier who has failed to meet the delivery schedule for several months. The buyer wishes to retain the ability to seek damages resulting from the supplier's failure to perform. In this case, the buyer's BEST option is to employ which of the following?

A. Reservation of Rights

B. Termination for Convenience

C. Repudiation

D. Termination for Cause

**Answer(s): D**

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3. A manufacturer develops a new product that will be more efficient and easier to use than previous versions.

A. Renegotiate price and find other suppliers to offset the high costs

B. Create a larger number of prototypes for testing and evaluation before going to large scale production

C. Collaborate with the supplier in the design process to understand the production method

D. Buy the raw material in bulk

**Answer(s): C**

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4. A company's major supplier of sub-assemblies provides excellent quality and reasonable costs. However, shipping delays and damage in transit make this supplier less reliable than desired. The supply manager would like to retain this supplier if possible, but is concerned about the reliability issues. Given this situation, which of the following is the BEST course of action for the supply manager to take?

A. Negotiate lower prices to compensate for the impact of delivery problems

B. Collaborate with the supplier to improve its outbound logistics

C. Increase forecasting lead times and safety stock for the supplier's products

D. Give the supplier a deadline by which to remedy unsatisfactory performance

**Answer(s): B**

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5. PQR, Inc. is a globally certified manufacturer and repair shop of aircraft parts. PQR's costs to produce these parts are as follows:

A. Purchase refurbished parts from non-certified repair shop with its extended warranty

B. Manufacture the parts internally

C. Acquire resale parts and repair them internally

D. Purchase materials from an outside manufacturer

**Answer(s): C**

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6. The chief procurement officer (CPO) for a large hospital system is planning to implement a new e-sourcing system. Satellite clinics and specialty centers will be authorized to process small orders through this system, rather than sending requests to the central supply management department, as has been done in the past. Which of the following actions by the CPO will MOST likely support a successful implementation of this system?

A. Providing regular progress reports to top management

B. Visiting similar organizations to see how their systems operate

C. Building a team of potential users to help define needs

D. Scheduling on-site demonstrations of leading software systems

**Answer(s): C**

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7. DEF, Inc. wants to ensure adequate material supply for an emerging product with high quality specifications for the raw materials. Given this situation, which of the following would be the BEST course of action for DEF to take?

A. Select an approved supplier and work collaboratively with it to meet the entirety of the organization's quality requirements

B. Ensure a wide selection of suppliers are offered opportunities to submit bids

C. Choose a supplier with a large infrastructure and high quality standards

D. Select a preferred supplier to cover the bulk of the requirement and supplement the balance with qualified suppliers

**Answer(s): A**

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8. PQR, Inc. is a small manufacturing firm that is rebuilding its customer base after emerging from bankruptcy.

A. There is considerable competition among suppliers.

B. Delivery schedules can be more flexible than in the past.

C. PQR has a reputation for innovation in its industry.

D. PQR wants to enhance long-term supplier relationships.

**Answer(s): A**

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**9.** PQR, Inc. is a large international life insurance company. PQR's vice president of sales asks the firm's supply manager to require that any future procurement contracts contain a provision which obligates the supplier to make PQR's insurance products available to the supplier's employees for optional purchase. In this situation, the supply manager should

A. ask legal counsel to review national and local laws in determining the legality of the request

B. accommodate the request, as the provision contains no absolute requirement that a supplier's employees purchase any insurance

C. decline the request on the grounds that it is illegal

D. decline the request, as it is contrary to the principle of buying and selling based on the fundamental criteria of quality, cost, and service

**Answer(s): A**

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**10.** An organization is preparing its budget for the next fiscal year. Management challenges the procurement team to reduce MRO purchasing costs. The procurement team has reduced the janitorial services budget by 2.5%, but corporate management wants a 5% reduction. Which of the following is the BEST approach for the team to take in order to meet management's expectation?

A. Demand that the current supplier reduce costs to meet the required budget

B. Contact the current supplier and develop a solution to reduce costs

C. Send out a request for quotation (RFQ) to all possible qualified suppliers

D. Conduct a root-cause analysis, and then negotiate with the current supplier

**Answer(s): B**

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**11.** An exploration firm's supply manager meets with the fleet operations team to plan for the acquisition of vehicles to be used in company operations on a remote Pacific island. As removing the old vehicles from the island has proven to be a significant problem, the team requests the inclusion of a "take-back" requirement in the contract. Which of the following is the BEST way for the supply manager to respond to this request?

A. The supply manager should oppose the idea, as a take-back program from a remote island would be cost prohibitive.

B. The supply manager should oppose the idea, as the sourcing process should be focused on acquisitions.

C. The supply manager should refer the issue to the environmental quality manager.

D. The supply manager should include this requirement in the firm's upcoming procurement.

**Answer(s): D**

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**12.** During its first annual business review, a supplier requests an increase in pricing. The supplier's survey results show a rating of 2.9 out of 5 possible points (with 3.0 being acceptable). Market indices indicate that the supplier's industry has experienced no price increase. In this situation, which of the following is the BEST course of action for the buyer to take?

A. Ask the supplier to respond to the survey results item by item, to determine the efficacy of the request

B. Review the survey results with the supplier asking how it plans to address the concerns, and discuss the economic factors supporting the price increase

C. Reestablish service level agreement expectations and deny any increase at this time

D. Inform the supplier that the market indices do not support an increase, and issue a 30-day cure letter warning of contract breach based on the survey results

**Answer(s): B**

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**13.** Which of the following refers to a stakeholder want as opposed to a stakeholder need?

A. Requiring that a supplier provide delivery schedules that meet the requirements specified in the contract

B. Requiring that a supplier provide accommodations for the company's representatives during visits

C. Requiring that a supplier provide the purchased component at or below the target cost

D. Requiring that a supplier provide detailed specifications for review for the supplied item

**Answer(s): B**

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**14.** Development of which of the following would be MOST beneficial for supplier technologies and processes important to the buying organization?

A. Center of excellence

B. Supplier engagement forum

C. Best practices solutions team

D. Joint research and development team

**Answer(s): D**

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**15.** Which of the following is the MOST important factor in the development of RFX documentation and processes?

A. Receiving authorization and approval from the chief procurement officer for each RFX

B. Working from a template tailored to the specific industry of the suppliers

C. Ensuring alignment with the policies and principles of the organization

D. Having significant experience In the industry of the bidding suppliers

**Answer(s): C**

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**16.** Consider the following data for four separate machines:

A. X

B. Y

C. W

D. Z

**Answer(s): A**

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**17.** A buying firm learns that its sole supplier of a critical part is being sued by an employee for negligence. The firm is currently in negotiations with this supplier. To minimize or avoid risk, which of the following is the BEST tactic for the buying firm to utilize in this situation?

A. Postpone the negotiations until after the suit is settled

B. Request more favorable payment terms

C. Complete the negotiations while monitoring the situation

D. Purchase an all-risk insurance policy

**Answer(s): C**

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**18.** Questions pertaining to standardizing products, reducing the number of suppliers, and combining volumes to attain better pricing are BEST addressed by which of the following?

A. Category strategy

B. Spend analysis

C. ERP system

D. Category action plan

**Answer(s): A**

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**19.** A luxury scarf manufacturer located in Europe selects a fine wool supplier in Australia. The manufacturer's supply manager wants to ensure timely monthly deliveries while keeping transportation costs reasonable.

A. Utilize a freight forwarder to schedule and track shipments

B. Select a consistent Incoterms 2020 rule for all shipments

C. Require the freight carriers to provide real-time tracking

D. Include a routing guide within the service level agreement

**Answer(s): A**

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**20.** A business unit conducts discussions with key management members that include category overviews, contracting executive summaries, local content spending plans, sourcing timelines, and cost management/value creation. These presentations can BEST be described as which of the following?

A. Commodity segmentation

B. Contracting plan

C. Spend analysis

D. Category action plan

**Answer(s): D**

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