

Comprehensive Purchasing Module 1: Purchasing Process

1. Which of the following bonds are used to protect purchasers and their organizations?

A. Corporate bonds.

B. Municipal bonds.

C. Performance bonds.

D. Bearer bonds.

Answer(s): C

2. Which of the following is the LEAST important consideration in preparing product specifications?

A. Economical production.

B. Function.

C. Consumer acceptance.

D. Competition of concepts.

Answer(s): D

3. Which of the following would be used to resolve buyer/seller disputes related to global shipping and packaging?

A. World Trade Organization (WTO)

B. General Agreement on Tariffs and Trade (GATT)

C. Convention on Contracts for the Sale of Goods (CISG)

D. North American Free Trade Agreement (NAFTA)

Answer(s): C

4. Which of the following is the LEAST important in a supplier performance rating system?

A. Price history.

B. Financial stability.

C. Product quality.

D. On-time delivery.

Answer(s): B

5. Which of the following is NOT used to measure a supplier's responsibility in public purchasing?

A. Financial condition.

B. Price.

C. Technical organization.

D. Past performance.

Answer(s): B

6. In which of the following budgets would a machine that has a three-year useful life and is valued at

A. Materials.

B. Operating.

C. MRO.

D. Capital.

Answer(s): D

7. Which of the following should be established in writing in order to avoid any confusion as to what event will trigger payment to a supplier?

A. The financial viability of the supplier.

B. Penalty clauses.

C. Mutually acceptable criteria.

D. When the requested work must be completed.

Answer(s): C

8. Which of the following would NOT be included in the preparation of a request for quotation to solicit competitive bids for construction?

A. A list of pre-approved subcontractors.

B. Brand names of material to be used.

C. The owner's budget estimate for the work.

D. The type and sample of contract to be used.

Answer(s): C

9. Which of the following is the LEAST adaptable to the life cycle costing method?

A. Window air conditioners.

B. Hand-held calculators.

C. Hot water heaters.

D. Light bulbs.

Answer(s): B

10. On which of the following would a change in a company's marketing plans or strategy have the LEAST impact?

A. Material requirements.

B. Sales forecasts.

C. Production plans.

D. Purchase requisitions.

Answer(s): D

11. Which of the following refers to the repayment of duties paid on materials that have been imported and then re-exported in a different form?

A. Drawbacks.

B. Diversion and re-consignment.

C. Reverse "tax abatement".

D. Special dispensation.

Answer(s): A

12. Which of the following is MOST likely to assure receipt of materials against the invoice from the supplier?

A. The Purchasing Department.

B. The Accounts Payable Department.

C. The Production Department.

D. The Receiving Department.

Answer(s): B

13. Which of the following is LEAST likely to be a driver of purchases of standard materials that are common and in repetitive use?

A. Internal customer order.

B. Production plan.

C. Bill of material.

D. Commitment of funds.

Answer(s): D

14. On which of the following do most state and local governments establish a supplier base?

A. Bidderslists.

B. Interactions between purchasing and the supplier.

C. Pre-bid conferences.

D. Interactions between the using department and the supplier.

Answer(s): A

15. Which of the following terms BEST describes a situation in which a buyer directly or indirectly benefits from his/her position or connections as an employee, or from the sale, purchase, or other activity of the company?

A. Mutual assent.

B. Reciprocity.

C. Conflict of interest.

D. Subrogation.

Answer(s): C

16. Which of the following would be LEAST appropriate when sourcing a part presently made in-house?

A. Developing a list of potential sources from which to solicit.

B. The course of the transaction. The course of the transaction.

C. Developing a good understanding of present true internal costs.

D. Soliciting manufacturing's approval to ensure future cooperation.

E. Obtaining accurate specifications for the item to be purchased.

Answer(s): B

17. Pass4test.com has a contract with Waltons for the purchase of goods. The goods go missing in transit. What determines who held title to the goods when they were lost?

A. The F.O.B. term.

B. The freight payment terms.

C. The CISG term.

D. The course of the transaction.

Answer(s): D

18. Pass4test.com has won a grant from the federal government to construct and operate a standard weather observation station and equipment structure. On the basis of which of the following would the construction contract for the weather observation station and equipment structure be awarded?

A. Competitive sealed proposal.

B. Directors' decision.

C. Letter of intent.

D. Student design and build competition.

E. Competitive sealed bid.

Answer(s): E

19. Which of the following statements regarding progress payments is FALSE?

A. They may be tied to time periods.

B. They preclude the right to cancel a contract.

C. They may be modified if a dispute develops during the course of a contract.

D. They should approximate the costs incurred by the supplier, including a portion of the profits.

Answer(s): B

20. Which of the following would provide the MOST valuable insights into a supplier's ability to perform?

A. Annual reports.

B. Sales representatives.

C. Trade literature.

D. Site visits.

Answer(s): D
