

# CIPS Level 4 Diploma in Procurement and Supply - Module 7

1. XYZ Ltd organises a meeting in order to decide on the safety stock level of a strategic material which is used in XYZ latest product - DMD. To do this, they must forecast the future demand for this new product. In the meeting, external consultants are invited to join with cross-functional team. Each person of the group anonymously replies to questionnaires and subsequently receives feedback in the form of a statistical representation of the "group response," after which the process repeats itself. The goal is to reduce the range of responses and arrive at something closer to expert consensus. XYZ Ltd is using which forecasting method?

A. Objective forecasting technique

B. Delphi method

C. Holt-Winters seasonal method

D. Time series analysis

**Answer(s): B**

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2. XYZ Ltd has been adopting MRP system for years. The system helps the company improve efficiency greatly and generates huge cost-savings. However, MRP system is only limited to production process management and XYZ management team would like to have better insights into resources required across the organisation as a whole.

Which software system would help XYZ management team achieve the above objective?

A. MRP II

B. MPS

C. ERP

D. P2P

**Answer(s): C**

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3. Assuming that all other factors are constant except one, the net present value of a capital expenditure increases when...?

A. The initial cost of a project increases

B. The discounted rate increases

C. Net cash flow during a time period increases

D. Cash outflow during a time period increases

**Answer(s): C**

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4. A supermarket calculates that the average holding cost for an item is \$1.50 per cubic meter per day. A beer pallet which has volume of 0.5 cubic meter will be stored for 5 days.

What is the holding cost of this beer pallet?

A. \$4.00

B. \$4.50

C. \$4.25

D. \$3.75

**Answer(s): D**

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5. Which of the following is the minimum aisle width for using standard counterbalanced forklifts?

A. 4.9 ft - 5.2 ft

B. 5.6 ft - 5.9 ft

C. 6.9 ft - 7.2 ft

D. 10.5 ft - 13.1 ft

**Answer(s): D**

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6. With D is the annual demand (units), S is cost per order, H is annual carrying cost per unit; the formula for Economic Order Quantity is....?

A.  $(D*S/2H)$

B.  $(2D*S/H)$

C.  $(D*S*H)$

D.  $(D*S/3H)$

**Answer(s): B**

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7. To improve the security of a warehouse, alarm systems are commonly used. Which of the following is an important part of these systems?

A. Sensors

B. Fencing

C. CCTV

D. Lighting

**Answer(s): A**

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8. Which of the following best describes the term 'periodic review'?

A. Items are reviewed and orders placed depending on requirements

B. Items are reviewed when the Kanban is triggered

C. Items are reviewed when the price is at its lowest

D. Items are reviewed as part of an imprest system

**Answer(s): D**

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**9.** What is the different between gross material requirements plan (gross MRP) and a net material requirements plan (net MRP)?

A. The gross requirement doesn't take taxes into account, whereas the net requirement includes the tax considerations

B. The gross MRP includes consideration of available inventory, whereas the net MRP does not

C. The net MRP includes the amount of inventory on hand, whereas the gross MRP does not

D. The gross MRP is mostly paper-based, but the net MRP must be computerised

**Answer(s): B**

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**10.** The following are examples of scheduled maintenance except...

A. Oil changes and regular servicing

B. Overhauling of machine

C. Repair signage damage from a recent storm

D. Cleaning of tank

**Answer(s): C**

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**11.** Which of the following are warehouse layouts that allow the cross aisle to meet picking aisle at angles different from 90 degrees?

1. 'Fan' shaped layout

2. Herringbone-shaped layout

3. U-shape layout

4. L-shape layout

A. 1 and 2 only

B. 3 and 4 only

C. 1 and 3 only

D. 2 and 3 only

**Answer(s): A**

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**12.** ANTA Logistics is looking for a place to build a new, integrated cold chain facility, "Chill Hub", to its customers.

Which of the following need to be considered when selecting the location of the new facility? Select TWO that apply.

A. Availability of the building

B. Ease of objective forecasting on inventory level

C. Volume of obsolescent stock

D. Accessibility to roads and highways

E. Availability of product coding system

**Answer(s): A D**

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**13.** The ABC approach involves classifying inventory items by unit cost, with expensive items classified as 'A' items and low cost items classified as 'C' items. Is this statement true?

A. Yes, 'A' items represent approximately 20% of total unit prices

B. Yes, 'C' items with the lowest unit prices are the tail spends

C. No, ABC analysis considers the usage of each inventory item

D. No, ABC analysis considers the supply risks associated with an inventory item

**Answer(s): C**

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**14.** Which of the following costs does the EOQ minimise?

A. Total cost of safety stock

B. Total cost of ordering inventory

C. Total cost of annual inventory cost

D. Total cost of carrying stock

**Answer(s): C**

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**15.** A major investment bank is planning to purchase a complex banking system that will interface with multiple applications at varying times of the day. Before deploying the system, there are various levels of testing that must be performed through joint testing between the in-house team and off- shore testing consultants. The testing will be performed in a resource-constrained shared environment and managed by the on-shore development team. The costs for testing are generally classified as...?

A. Insurance

B. Maintenance costs

C. Acquisition costs

D. Purchase prices

**Answer(s): C**

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**16.** What is the stock turn for a store holding products to the value of £250,000 with annual sales of these products amounting to £1,000,000?

A. 10

B. 4

C. 0.25

D. 0.4

**Answer(s): B**

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**17.** Which of the following is essential to effective implementation of just-in-time?

A. Regular machine changeovers

B. Larger warehouse for larger amount of inventory

C. No need for smoothing production

D. Strong links between the suppliers and the buying organisation

**Answer(s): D**

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**18.** The amount of inventory available at the start of an accounting period is known as...?

A. Buffer stock

B. Work-in-progress

C. Opening stock

D. Closing stock

**Answer(s): C**

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**19.** Which of the following are most likely to be the purposes of packing and packaging?

1. To bring the product cost down

2. To protect the product
3. To improve the product recognition
4. To test the product durability

A. 1 and 2 only

B. 3 and 4 only

C. 2 and 3 only

D. 1 and 4 only

**Answer(s): C**

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**20.** Which of the following are features of product codes?

1. Product codes link to products' characteristics
2. A product code must comply with international standards
3. Many internal processes use the product codes as facilitators
4. There are no duplicate product codes

A. 2 and 4 only

B. 3 and 4 only

C. 1 and 3 only

D. 1 and 2 only

**Answer(s): C**

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