CIPS Level 4 – Diploma in Procurement and Supply

Whole Life Asset Management [L4M7]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question
Q1. Which of the following is the best example of 'lean' in the context of inventory control?

   a. Advance ordering
   b. Buffer stocks
   c. Timescale reduction
   d. Waste minimisation

   LO: 2
   AC: 2.3
   Correct answer: D

Q2. Which of the following is the most effective inventory performance measure?

   a. Lead time
   b. Profit margin
   c. Revenue generated
   d. Value of stock

   LO: 2
   AC: 2.3
   Correct answer: A

Q3. Which of the following can be described as resources used in the production process that cannot be easily attributed to the actual products being manufactured?

   a. Indirect supplies
   b. Variable units
   c. Fixed costs
   d. Marginal overheads

   LO: 2
   AC: 2.1
   Correct answer: A
Q4. Construct Group (CG) is a major construction company. It buys an extensive range of goods and services and is in the process of adopting a category management approach. As an initial step CG has applied ABC stock classification to identify its most important items. Which of the following is a disadvantage of using this approach alone?

a. It is very complex to apply across a large organisation with many products
b. It assumes that financial value is the only driver of importance
c. The information required to conduct the analysis is generally not available
d. The approach is not suitable for goods used in the construction industry

LO: 2  
AC: 2.1  
Correct answer: B

Q5. Heavy Duty Engineering Group (HDEG) manufactures a wide range of diesel engines, mostly used in the agricultural sector. Forecasting future volumes is not easy as sales are unpredictable, in particular in respect of items such as gaskets, filters and pumps. These items are known as which of the following?

a. Dependent demand items  
b. Indirect items  
c. Overhead items  
d. Independent product lines

LO: 2  
AC: 2.1  
Correct answer: A
Q6. EatWell (EW) is a medium-sized regional retailer. In recent years EW has been experiencing financial difficulties as a result of changing consumer habits and increasing pressure from the major stores. Its financial controller has been concerned about its increasing expenditure on inventories, whilst overall EW’s revenues and sales volumes have both been declining steadily. Which of the following measures should have highlighted this deteriorating trend?

a. Lead times
b. Service levels
c. Stock turn
d. Disposal costs

LO: 2
AC: 2.3
Correct answer: C

Q7. The use of RFID technologies have directly driven which of the following benefits in procurement and supply?
1. Easier stock identification
2. Improved inventory tracking
3. Fewer returned items
4. Less individual deliveries

a. 1 and 2 only
b. 1 and 3 only
c. 2 and 4 only
d. 3 and 4 only

LO: 1
AC: 1.2
Correct answer: A
Q8. EatWell (EW) is a medium-sized regional retailer. In recent years EW has been experiencing financial difficulties as a result of changing consumer habits and increasing pressure from the major stores. Its financial controller has been concerned about its increasing expenditure on inventories, whilst overall EW's revenues and sales volumes have both been declining steadily. Which of the following measures should have highlighted this deteriorating trend?

a. Lead times  
b. Service levels  
c. Stock turn  
d. Disposal costs  

LO: 2  
AC: 2.3  
Correct answer: C

Q9. The use of RFID technologies have directly driven which of the following benefits in procurement and supply?
1. Easier stock identification  
2. Improved inventory tracking  
3. Fewer returned items  
4. Less individual deliveries 

a. 1 and 2 only  
b. 1 and 3 only  
c. 2 and 4 only  
d. 3 and 4 only  

LO: 1  
AC: 1.2  
Correct answer: A
Q10. Which of the following are crucial and primary considerations when designing a new warehouse? Select **THREE** that apply

a. Stakeholder mapping  
b. Competitive activities  
c. Flow  
d. Product pricing  
e. Space utilisation  
f. Flexibility

**LO:** 1  
**AC:** 1.1  
Correct answer: C, E & F

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Q11. Which of the following is the most important consideration when choosing the location of a new warehouse facility?

a. Availability of sufficient parking for directors  
b. Distance from competitors’ facilities  
c. Visibility of the company brand from nearby roads  
d. Ease of access to transport infrastructure

**LO:** 1  
**AC:** 1.1  
Correct answer: D

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Q12. Which of the following is the most useful to determine what each type of pallet can be used for?

a. Its colour coding  
b. Its maximum weight loading rating  
c. Its year of manufacture  
d. Its international standard registration

**LO:** 1  
**AC:** 3.2  
Correct answer: B
Q13. Super Chips Group (SCG) is the world’s leading manufacturer of microchips. It supplies many of the global IT manufacturers. Whilst the business is highly successful it has found it increasingly difficult to produce accurate forecasts due to uncertain demand patterns by the manufacturers it supplies. SCG microchips are best described as which type of item?

a. Indirect demand
b. Consumer demand
c. Dependent demand
d. Market demand

LO: 2
AC: 1.5
Correct answer: C

Q14. International Manufacturing Group (IMG) has previously experienced production issues due to stock outs, following the introduction of a 'just in time' approach two years ago. Since then it has increased its inventory levels of a number of key components. This has caused issues for IMG as its insurance costs have increased as have the levels of obsolescence and damage. These issues relate to which of the following?

a. Holding costs
b. Indirect costs
c. Fixed costs
d. Acquisition costs

LO: 2
AC: 2.2
Correct answer: A
Q15. In implementing a 'lean' philosophy, organisations will focus primarily on which of the following?
1. Value.
2. Risks.
4. Sustainability.
   a. 1 and 2
   b. 2 and 3
   c. 3 and 4
   d. 1 and 3

LO: 2
AC: 3.6
Correct answer: D

Q16. Which of the following are commonly encountered 'hidden costs' associated with global sourcing which less likely to be experienced when using local suppliers?
1. Pricing fluctuations.
2. Customs delays.
3. Logistics issues.
   a. 1 and 2
   b. 2 and 3
   c. 3 and 4
   d. 1 and 3

LO: 3
AC: 2.3
Correct answer: B
Q17. Considering whole life costing, when an asset reaches 'end-of-life' it will always have zero value. Is this correct?

   a. No, some assets have a residual value
   b. Yes, they will have been fully depreciated
   c. No, all assets will be replaced before then
   d. Yes, the definition of 'end of life' is when the value is 'nil'

LO: 3
AC: 1.9
Correct answer: A

Q18. The triple bottom line concept still reinforces the importance of commercial organisations achieving sufficient margin. Is this correct?

   a. Yes, it is by far the most important element of the concept.
   b. No, it is about ethics, environmental and social responsibility.
   c. Yes, the concept gives it an equal weighting with the other elements.
   d. No, it is only applied by charities and public sector organisations.

LO: 3
AC: 3.3
Correct answer: C

Q19. Which of the following are typical inventory performance measures? Select the TWO that apply.

   a. Lead times
   b. Receivables days
   c. Staff turnover
   d. Stakeholder engagement
   e. Stock turn rates

LO: 2
AC: 3.7
Correct answer: A & E
Q.20 Which of the following are crucial considerations in warehouse design? Select the **THREE** that apply.

a. Staff recreation  
b. Flow  
c. Space utilisation  
d. Flexibility  
e. Catering services  
f. Training

LO: 1  
AC: 1.4  
Correct answer: B, C & D