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QUESTION & ANSWER

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Exam : **630-007**

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

Version : DEMO

1. 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

2. 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

3. 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

4. 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

5. 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

6. 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

7. 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

8. 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

9. 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

10. KillTest 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

11. You work as a purchaser at KillTest. 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

12. 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

13. 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

14. 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

15. 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

16. 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

17. 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

18. 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

19. 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

20. 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