

Final Test Paper 10 INDIAN INSTITUTE OF MATERIALS MANAGEMENT INVENTORY MANAGEMENT GDMM/PGDMM 3 YEARS

Instructions:

1. Answer all 50 questions. Each question carries 2 marks Total : 100 Marks
2. Duration 1 Hour.

***Required**

1. Email *

2. Name *

3. Roll Number *

4. 1. Most suited definition for inventory is

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- Inventory is necessary evil
- Inventory means raw materials
- Inventory is idle resource having economic value
- Inventory is finished material ready for sale

5. 2. Which of the following is NOT a function of inventory?

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- Helps to decouple or separate part of the production process
- Helps to improve quality of production
- Helps to take advantage of quantity of discounts
- Helps to hedge against inflation

6. 3. All of the following are motivators for a firm to hold inventories EXCEPT

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- It decouples the activities in an assembly line
- It minimizes holding cost
- It gives purchase department flexibility
- It helps to meet rush demands

7. 4. Profit margin is

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- Net income over sales
- Sales over total assets
- Net income over assets
- Cost of goods sold over sales

8. 5. A product has 60% material cost. Provided that all other costs remain the same a 5% reduction in material cost will increase the profit by

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- 5%
- 10%
- 15%
- 30%

9. 6. All are types of inventory EXCEPT

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- Production inventory
- Working capital
- Finished goods
- MRO inventory

10. 7. An external factor that does NOT affect raw material inventory is

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- Supplier's lead-time
- Vendor relations
- Scarcity
- Availability of funds to pay supplier

11. 8. Purpose of finished goods inventory is

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- Continuous supply in distribution channels
- To improve production planning and coordination
- To avail quantity discounts
- To balance assembly line

12. 9. The type of inventory NOT seen in a research organization

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- Raw material inventory
- Work in progress inventory
- Finished goods inventory
- Spare parts inventory

13. 10. The type of inventory that helps in detaching operations in a process is

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- Production inventory
- Work in progress inventory
- Finished goods inventory
- Consumables

14. 11. These are used in the production process but does NOT become part of the product. We are talking about

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- Component inventory
- Parts inventory
- Furniture
- Consumable

15. 12. Major constituent of inventory carrying cost is

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- Warehouse maintenance cost
- Warehouse rental cost
- Risk cost
- Opportunity cost

16. 13. The cost NOT associated with inventory

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- Acquisition cost
- Carrying cost
- Activity based cost
- Under stocking cost

17. 14. An element that is NOT a component of ordering cost

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- Cost of source development
- Receiving inspection
- Under-stocking cost
- Follow up cost

18. 15. Over stock means

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- Obsolescence stock
- Nonmoving stock
- Insurance stock
- Stock in excess of requirement

19. 16. Total cost of acquisition is also called

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- Total cost of ownership
- Landed cost
- Activity based cost
- Replacement cost

20. 17. A cost that does NOT form inventory risk cost

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- Cost of insurance
- Cost of deterioration
- Cost of maintenance
- Cost of pilferage

21. 18. It is fairly difficult to calculate _____ cost related to inventory.

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- Purchase cost
- Inventory carrying cost
- Ordering cost
- Stock out cost

22. 19. Pick up the correct choice about the following statements A) One of the objectives of inventory control is to optimize inventory investment B) Inventory is procured to take advantage of quantity discounts

Mark only one oval.

- Only statement A is true
- Only statement B is true
- Both A and B are true
- Both A and B are not true

23. 20. In total cost of ownership, purchase cost is classified under _____ costs

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- Acquisition
- Ownership
- Post ownership
- Disposal

24. 21. The fundamental decision related to inventory are

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- How much to order and when to order
- How much to order and where to order
- What to order and where to order
- What to order and when to order

25. 22. All are assumptions of EOQ, EXCEPT

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- Uniform rate of consumption
- Annual demand is determined
- Constant lead time
- Multiple items are covered

26. 23. When the cost of placing an order increases by 4 times, EOQ increases by _____ times

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- 2
- 3
- 4
- Remains same

27. 24. Annual demand for an item is 5000 units. Cost of placing an order is Rs 100/-. Carrying cost is 30% and the unit price of the item is Rs 50/-. EOQ for this item is

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- 300
- 264
- 258
- 200

28. 25. Determination of re-order point depends on the following factors EXCEPT

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- Lead time
- Usage time
- Safety stock
- Nature of item

29. 26. Annual demand for an item A is 3000 units. The company has 300 working days. Lead time for A is 10 days and safety stock is 50 units. Reorder point for A is

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- 150 Units
- 100 Units
- 350 Units
- 60 Units

30. 27. Periodic review system is NOT known as

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- P system of replenishment
- Cyclic ordering system
- Fixed interval order system
- Event triggered system

31. 28. ABC classification is based on

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- Unit price
- Inventory investment
- Frequency of issue
- Consumption value

32. 29. VED analysis is based on

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- Criticality
- Shelf life
- Density
- Unit price

33. 30. All are factors contributing to WIP except

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- Faulty production planning
- Balanced assembly line
- In process inspection
- Declining machine performance

34. 31. Which of the following is NOT a problem associated with WIP?

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- Requires storage space
- Has opportunity costs
- Involves handling and carrying costs
- Incurs acquisition costs

35. 32. Pick up the right choice from the following statements related to WIP A) WIP is partially processed items B) In JIT, WIP is strategic buffer within production process

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- Only A is True
- Only B is True
- Both A & B are True
- Both A & B are not True

36. 33. Which of the following does NOT affect finished goods inventory?

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- Demand
- Seasonality
- Supplier location
- Logistics

37. 34. All are control measures for finished goods inventory EXCEPT

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- MIS
- Proper demand forecasting
- Material requirement planning
- Fixing of norms

38. 35. All of the following affect spare parts inventory EXCEPT

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- Nature of plant & machinery
- Appropriate maintenance techniques
- VED analysis
- Failure analysis

39. 36. Which of the following is NOT a functional classification of spares?

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- Capital spares
- Rotable spares
- Regularly used spares
- Insurance spares

40. 37. OEM Stands for

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- Overall Equipment Maintenance
- Once in Every Month
- Original Equipment Manufacturer
- Overhaul Equipment Maintenance

41. 38. All are characteristics of MRP, EXCEPT

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- MRP is a computer integrated system
- MRP works backward from finished goods
- It is an inexpensive and a faster system
- MRP needs accurate BOM

42. 39. Demand for a given item is said to be dependent if

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- The item has several children
- There is a large bill of materials
- The finished products are mostly service rather than goods
- There is a clearly identifiable parent

43. 40. The MRP input detailing which end items are to be produced, when they are needed, and in what quantities is called

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- Master production schedule
- Gross requirements
- Inventory records
- Assembly time chart

44. 41. The three major inputs to an MRP system are

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- MPS, Inventory status records, and product structure
- BOM, inventory status records and product structure
- Shop order, work order and reschedule notices
- On hand inventory, on order inventory and lead time

45. 42. An end item "A" is assembled from two components of "B", and two sub assemblies of "C". The sub assembly "C" is composed of one each component of "B" and "D". If the gross requirement for "A" is 100 units what is the demand for component B.

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- 100
- 200
- 400
- 800

46. 43. The two general approaches to forecasting are

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- Qualitative and quantitative
- Mathematical and statistical
- Judgmental and speculative
- Historical and associative

47. 44. Gradual, long-term movement in time-series data is called

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- Seasonal variation
- Cycles
- Trends
- Random variation

48. 45. The primary purpose of mean absolute deviation in forecasting is to

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- Estimate the trend line
- Eliminate forecast errors
- Measure forecast accuracy
- Seasonally adjust the forecast

49. 46. For a given product demand, the time-series trend equation is $25.3 + 2.1X$. What is the forecast of demand for period 7?

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- 23.2
- 25.3
- 27.4
- 40

50. 47. Given an actual demand of 103, a previous forecast value of 99, and an alpha value of 0.4, the forecast for the next period using exponential smoothing would be

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- 94.6
 97.4
 100.6
 101.6

51. 48. Given forecast errors of -1, 4, 8, and -3, what is the mean absolute deviation?

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- 2
 3
 4
 8

52. 49. A company has stable prices for its inputs. Most suitable inventory valuation method the company can resort to is

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- FIFO
 LIFO
 Simple average
 Specific cost

53. 50. All are reasons for inventory valuation EXCEPT

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- Ascertainment of income
 Defining liquidity position
 Statutory compliance
 Filing income tax return

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