



# Final Test Semester 3 Paper 14

## INDIAN INSTITUTE OF MATERIALS

### MANAGEMENT INVENTORY

### MANAGEMENT [PGDMM ,

### PGDSCM & L (2 years)]

Instructions:

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

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Short-answer text

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Short-answer text

1. The type of inventory NOT seen in a research organization

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



2. All of the following are feature of inventory EXCEPT

- Inventory is stock maintained by an organization
- Inventory has economic value
- Inventory provides core competence
- Inventory is idle resource

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

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

4. The fundamental decision related to inventory are

- 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

5. Major constituent of inventory carrying cost is

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

6. Stock out cost calculation is NOT affected by

- Idle workers
- Premium shipment
- Lost sales
- Unit price

7. Inventory valuation method suitable for perishable materials is

- First in First out
- Last in First out
- Next in First out
- Weighted average cost

8. 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

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

9. ABC classification is based on

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

10. VED analysis is based on \_\_\_\_\_

- Criticality
- Shelf life
- Density
- Unit price

11. Which of the following is NOT true about VMI?

- Supplier replenishes inventory of customers
- Inventory is held by customer
- Vendor has better visibility of customers demand
- Both vendor and buyer should be located close to each other

12. A qualitative forecasting method where experts meet to decide demand is known as

- Delphi method
- Consumer survey
- Executive opinion
- Panel consensus

13. A forecasting method that can easily determine seasonal trends and differences is

- Exponential smoothing
- Box-Jenkins model
- Moving weighted average
- Causal model

14. A forecasting method that divides time series into seasonal time frames, trend

cycles. and irregular elements is

- Box-Jenkins model
- Data mining
- X-11
- Trend projection

15. MAD stands for

- Moving average data
- Mean absolute deviation
- Most accurate demand
- Most acceptable data

16. Forecast for item A for January was 27 units and the actual demand was 32 units. Using a smoothing constant of 0.6, the forecast for February is

- 32
- 29.5
- 35.4
- 30

17. Pick up the right choice about the following statements  
A) Independent demands are uncertain  
B) Dependent demands are calculated

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

18. All are characteristics of MRP EXCEPT

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

19. Number of parts required to produce a single unit of a product is called

- Bill of materials
- Master production schedule
- Aggregate production plan
- Inventory status file

20. Which of the following is NOT true about MRP?

- Reduces inventories
- Improves customers services
- Reduces productivity
- Improves sales

21. A project-based manufacturing strategy is

- Make to order
- Make to stock
- Engineer to order
- Assemble to order

22. ERP provides all EXCEPT

- Integration and accuracy
- Decisions
- Standardization of procedures
- Adoption to new technology

23. All are assumptions of EOQ EXCEPT

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

24. When the cost of placing an order increases by 4 times, EOQ increases by\_\_\_\_\_

- 2
- 3
- 4
- Remains same

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

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

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

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

27. All are elements of JIT EXCEPT

- Flexible resources
- Push production
- Small lot sizes
- Quick set ups

28. Which of the following characterizes cellular lay out?

- Cellular layout is effective for a wider processing requirement
- Cellular layout handles work in batches
- Works flow in both directions in cellular lay out
- Cellular layout can expand or contract depending on demand requirement

29. Pick up the right choice for the following statements about Kanban

- A) Pull system is controlled by Kanban
- B) Kanban has a standard quantity of production

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

30. Andon means



- Quality at source
- Call lights
- Fail safe
- Continuous improvement

31. The 5S word “Seiso” means

- Organization
- Tidiness
- Cleanliness
- Discipline

32. The visual tool used to identify several possible causes for an effect is

- Ishikawa diagram
- Histogram
- Scatter diagram
- Stratification

33. The Japanese word for continuous improvement is

- Jidoka
- Muda
- Kaizen
- Poka-Yoke

34. 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

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

35. All are reasons for WIP inventory EXCEPT

- Frequent breakdown of machines
- Fluctuation in demands
- Perfectly balanced production line
- Delay in next stage of production

36. A statement that is TRUE about CONWIP system is

- CONWIP controls WIP in push production system
- CONWIP uses both production and withdrawal cards
- CONWIP maintains a constant level of WIP in the production system
- CONWIP uses a constant number of cards

37. All are TRUE about finished goods inventory EXCEPT

- Made-to-order system does not keep finished goods inventory
- Finished goods inventory are short term assets
- In Made-to-stock system finished goods are mass produced
- In Made-to-order system optimal level of finished goods inventory are maintained

38. In inventory management ITR stands for

- Inventory Transaction Rate

- Inventory Turnover Ratio
- Inventory Turnover Rate
- Inventory Transportation Rate

39. \_\_\_\_\_ inventory management enable retailers to track and monitor stocks as well as the finances involved

- Lean
- Agile
- Digital
- Flexible

40. A random counting of inventory is termed as

- Perpetual checking
- Spot checking
- Periodic checking
- Blind checking

41. \_\_\_\_\_ inventory is a temporary situation where there is less than zero of products in stock

- Negative
- Dead
- Non-moving
- Perishable

42. On the basis of activities, a warehouse area is classified as various zones. A zone which is not a part of this demarcation is

- Arrival zone
- Storage zone
- Pick zone
- Inspection zone

43. In retail management a \_\_\_\_\_ policy for sold merchandise for repair is very

- Return
- Collection
- Transportation
- Disposal

44. Top reason for retail shrinkage is

- Shoplifting
- Return fraud
- Employee theft
- Internal process failure

45. Stock audit helps in all of the following ways except

- Matching the accounting records
- Identifying overstocked/understocked items
- Improving financial health of a company
- Checking effectiveness of the warehouse system

46. Pick up the correct choice about the following statements

- A) RFID uses both active and passive tags
- B) Both RFID and BARCODE are auto identification system

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

47. All are reasons for inventory valuation EXCEPT

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

48. FIFO method of inventory valuation is appropriate when

- Inflation is high
- There are rapid stock turnovers
- There is high price fluctuation
- Closing stock has to reflect market prices

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

- FIFO
- LIFO
- Simple average
- Specific cost

50. It is fairly difficult to calculate \_\_\_\_\_ cost related to inventory.

Purchase cost

Inventory carrying cost

Ordering cost

Stock out cost