

Exam Name : GDMM Paper 10 Inventory Management

Total Questions : 50

Q.1 A good definition of inventory is

Marks: 2

Question ID:
5227201

No	Options Details	Select Option
1	Any idle resource that could be put to some future use	
2	Stocks held for sale	
3	Inventory is working capital	
4	Stocks kept for production	

Q.2 All are statements that shows the importance of inventory EXCEPT

Marks: 2

Question ID:
5227202

No	Options Details	Select Option
1	Material cost is a major cost of a manufactured product	
2	Investment in inventory is significantly high	
3	Investment in inventory has a direct bearing on the profitability of a firm	
4	Higher investment in inventory leads to higher ROI	

Q.3 Which of the following is a function of inventory

Marks: 2

Question ID:

5227203

No	Options Details	Select Option
1	Provides place utility	
2	Helps to take advantage of quantity discounts	
3	Helps to reduce inventory carrying costs	
4	Helps to improve quality of production	

Q.4 Inventory arising out of purchasing in lots rather than in exact requirements leads to

Marks: 2

Question ID:

5227204

No	Options Details	Select Option
1	Cycle inventory	
2	Pipeline inventory	
3	Anticipation inventory	
4	Movement inventories	

Q.5

A product has 70% material cost, 15% labour cost, 5% overhead and 10% profit . A 5% reduction in material cost increases the profit by

Marks: 2

Question ID: 5227205

No	Options Details	Select Option
1	5 %	
2	10 %	
3	35 %	
4	20 %	

Q.6

Which of the following is a type of independent inventory

Marks: 2

Question ID: 5227206

No	Options Details	Select Option
1	Raw material inventory	
2	Work in process inventory	
3	Consumable inventory	
4	Finished goods inventory	

Q.7 Materials used in the process of production but does not become part of the product is known as

Marks: 2

Question ID:
5227207

No	Options Details	Select Option
1	Raw materials	
2	Work in process	
3	Spare parts	
4	Consumable	

Q.8 All are factors affecting work in process inventory EXCEPT

Marks: 2

Question ID:
5227208

No	Options Details	Select Option
1	Space availability	
2	Pull production	
3	Cost of maintaining and controlling in process inventory	
4	Ability to assess requirement	

Q.9 Which of the following factor does NOT control finished goods inventory

Marks: 2

Question ID:
5227209

No	Options Details	Select Option
1	Market research	
2	Capability to meet sudden rise in demand	
3	Recommended service level to customers	
4	JIT supplies	

Q.10 Shelf-life item is related to

Marks: 2

Question ID:
5227210

No	Options Details	Select Option
1	Spare parts	
2	Consumable	
3	Work in process	
4	Time sensitive materials	

Q.11 Materials that are critical to the success of a product is termed as

Marks: 2

Question ID:

5227211

No	Options Details	Select Option
1	Routine items	
2	Bottleneck items	
3	Strategic items	
4	Hazmat items	

Q.12 Acquisition cost is also known as

Marks: 2

Question ID:

5227212

No	Options Details	Select Option
1	Ordering cost	
2	Opportunity cost	
3	Carrying cost	
4	Interest cost	

Q.13 All are components of inventory risk cost EXCEPT

Marks: 2

Question ID:

5227213

No	Options Details	Select Option
1	Insurance cost	
2	Pilferage cost	
3	Obsolescence cost	
4	Maintenance cost of handling equipment	

Q.14 Which of the following is NOT true about stock out cost

Marks: 2

Question ID:

5227214

No	Options Details	Select Option
1	It includes additional cost arising out of rescheduling production	
2	Rush purchase is a part of shortage cost	
3	Lower capacity utilization is a constituent of stock out cost	
4	It is easy to calculate stock out cost	

Q.15 A statement NOT true about activity based costing

Marks: 2

Question ID:

5227215

No	Options Details	Select Option
1	Based on cost allocation	
2	Uses a logical basis of allocating cost	
3	An accounting technique to determine actual cost of products	
4	Ability to clearly define the critical attributes of business processes	

Q.16 Warranty cost is a part of

Marks: 2

Question ID:

5227216

No	Options Details	Select Option
1	Pre-acquisition cost	
2	Acquisition cost	
3	Post acquisition cost	
4	Risk cost	

Q.17 For an air conditioner manufacturer the demand for window air conditioner is

Marks: 2

Question ID:
5227217

No	Options Details	Select Option
1	Dependent demand	
2	Independent demand	
3	Stable demand	
4	Basic demand	

Q.18 Forecast spanning for a period of 8-18 months is termed as

Marks: 2

Question ID:
5227218

No	Options Details	Select Option
1	Short-term forecast	
2	Middle-term forecast	
3	Long-term forecast	
4	Strategic forecast	

Q.19 Which of the following is NOT a time series based forecasting technique

Marks: 2

Question ID:
5227219

No	Options Details	Select Option
1	Moving average	
2	Weighted moving average	
3	Exponential smoothing	
4	Econometric models	

Q.20 Actual demand for an item for a period is 50 units. The forecast for the period is 60 units. Using exponential smoothing coefficient of 0.8 the demand for the next period is

Marks: 2

Question ID:
5227220

No	Options Details	Select Option
1	52	
2	98	
3	64	
4	88	

Q.21 A measure of the performance of a forecasting model is

Marks: 2

Question ID:
5227221

No	Options Details	Select Option
1	Mean absolute deviation	
2	Mean absolute percentage error	
3	Mean squarred error	
4	Tracking signal	

Q.22 Variation of deamnd of a time series within a calendar year is

Marks: 2

Question ID:
5227222

No	Options Details	Select Option
1	Seasonal variation	
2	Cyclic variation	
3	Trend	
4	Random variation	

Q.23 Forecast errors are -2, 4, -4, 8, 9. The mean absolute deviation is

Marks: 2

Question ID:

5227223

No	Options Details	Select Option
1	5	
2	15	
3	3	
4	10	

Q.24 Which of the following is basis for selective inventory control

Marks: 2

Question ID:

5227224

No	Options Details	Select Option
1	All items of inventory need the same attention	
2	Critical items are more in numbers compared to trivial items	
3	It is neither necessary nor required to exercise the same control on all items	
4	It is based on the technical specifications of items	

Q.25 The inventory classification based on the easiness of procurement is

Marks: 2

Question ID:
5227225

No	Options Details	Select Option
1	ABC	
2	XYZ	
3	HML	
4	SDE	

Q.26 GOLF classification of inventory is based on

Marks: 2

Question ID:
5227226

No	Options Details	Select Option
1	Nature of source	
2	Unit price	
3	Criticality	
4	Frequency of issue	

Q.27 ABC analysis is based on the fact

Marks: 2

Question ID:

5227227

No	Options Details	Select Option
1	All items in inventory must be monitored very closely	
2	There are usually very few critical items but many trivial items	
3	An item is critical if its annual usage is high	
4	Safety stock of A items should be more compared to C items	

Q.28 Which of the following leads to variety reduction

Marks: 2

Question ID:

5227228

No	Options Details	Select Option
1	Standardization	
2	Computerization	
3	Modification	
4	Consolidation	

Q.29 The use of numbers to identify materials in stores is known as

Marks: 2

Question ID:

5227229

No	Options Details	Select Option
1	Codification	
2	Standardization	
3	Identification	
4	Simplification	

Q.30 An important inventory performance criteria is

Marks: 2

Question ID:

5227230

No	Options Details	Select Option
1	Number of A class items	
2	Number of dead stock	
3	Inventory visibility	
4	Inventory turn over ratio	

Q.31 All are assumptions of EOQ, EXCEPT

Marks: 2

Question ID:

5227231

No	Options Details	Select Option
1	Annual demand for the item is certain and constant over time	
2	Lead time is known and fixed	
3	Inventory is replenished as and when required	
4	Purchase price of the item is constant	

Q.32 An item cost Rs 1000/-. The annual demand for the item is 10000 units and the carrying cost is 25%. The ordering cost of the item is Rs 150/-. Approximate EOQ is

Marks: 2

Question ID:

5227232

No	Options Details	Select Option
1	80	
2	110	
3	250	
4	12000	

Q.33 Inventory maintained to take care of the variation due to both demand and lead time is

Marks: 2

Question ID:
5227233

No	Options Details	Select Option
1	VMI	
2	Safety stock	
3	Imprest stock	
4	Consignment stock	

Q.34 Annual demand for an item is 30000 units and the lead time is 15 days. Total working days in a year is 300 days. In a deterministic model the reorder point is

Marks: 2

Question ID:
5227234

No	Options Details	Select Option
1	1000	
2	1500	
3	1800	
4	2000	

Q.35 All are true about P system of inventory replenishment EXCEPT

Marks: 2

Question ID:

5227235

No	Options Details	Select Option
1	Time for review is fixed	
2	Safety stock is more in P system	
3	Quantity ordered on each review is fixed	
4	Also known as cyclical review system	

Q.36 In the two bin system one of the bins contains quantity equal to

Marks: 2

Question ID:

5227236

No	Options Details	Select Option
1	Safety stock	
2	Reorder level	
3	EOQ	
4	Minimum	

Q.37 Visual depiction of the requirement of all items in a product at various levels is

Marks: 2

Question ID:
5227237

No	Options Details	Select Option
1	Master production schedule	
2	Product structure	
3	Inventory record file	
4	Arrow diagram	

Q.38 Which of the following is NOT an input to MRP

Marks: 2

Question ID:
5227238

No	Options Details	Select Option
1	Bill of materials	
2	Master production schedule	
3	Inventory record file	
4	Purchase orders	

Q.39 A lot size method where there is nil inventory holding is

Marks: 2

Question ID:

5227239

No	Options Details	Select Option
1	Lot for lot	
2	Fixed order quantity	
3	Periodic order quantity	
4	Least total cost	

Q.40 An end item "A" is assembled from two components of "B", and two subassemblies of "C". The subassembly "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 D.

Marks: 2

Question ID:

5227240

No	Options Details	Select Option
1	100	
2	200	
3	400	
4	500	

Q.41 All are true about master production schedule EXCEPT

Marks: 2

Question ID:

5227241

No	Options Details	Select Option
1	Provides the exact requirements for production	
2	Disaggregates the information contained in an aggregate plan	
3	Links to specific varieties of products	
4	Specifies the exact cost of each product	

Q.42 Time taken for incoming part inspection is an example of

Marks: 2

Question ID:

5227242

No	Options Details	Select Option
1	Pre-order lead time	
2	External lead time	
3	Post order lead time	
4	Payment lead time	

Q.43 Time fence means

Marks: 2

Question ID:
5227243

No	Options Details	Select Option
1	Time period where changes in MPS are not allowed	
2	Time limit for delivery of input materials by suppliers	
3	Time taken for completing a product	
4	Time given by customer to deliver products	

Q.44 Imbalances in the assembly line leads to _____ inventory

Marks: 2

Question ID:
5227244

No	Options Details	Select Option
1	Transit	
2	Work in process	
3	Consumable	
4	Finished goods	

Q.45 All are factors affecting finished goods inventory EXCEPT

Marks: 2

Question ID:

5227245

No	Options Details	Select Option
1	Demand forecast	
2	Economic batch production	
3	Product structure	
4	Seasonality	

Q.46 A fact NOT true about scrap

Marks: 2

Question ID:

5227246

No	Options Details	Select Option
1	Generated during production process	
2	Items not used during a prescribed period	
3	Unusable but has the value of its material content	
4	Can be recycled to recover its value	

Q.47 Part identical to the part of an equipment that needs replacement is

Marks: 2

Question ID:
5227247

No	Options Details	Select Option
1	Parent part	
2	Spare part	
3	Rotable part	
4	Redundant part	

Q.48 Part of the equipment/machine whose life is almost that of the equipment is

Marks: 2

Question ID:
5227248

No	Options Details	Select Option
1	Capital spare	
2	Insurance spare	
3	Rotable sapre	
4	Consumable	

Q.49 A function NOT related to warehousing is

Marks: 2

Question ID:

5227249

No	Options Details	Select Option
1	Receipts	
2	Issues	
3	Tendering	
4	Preservation	

Q.50 In a wide fluctuating price regime the inventory valuation that minimises unrealised gains or loses in inventory is

Marks: 2

Question ID:

5227250

No	Options Details	Select Option
1	FIFO	
2	LIFO	
3	Standard costs	
4	Market value	