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Question 1

Question Type: MultipleChoice

Which of the following forecasting techniques is often used in causal forecasting?

Options:

A- Qualitative

B- Moving average

C- Regression

D- Delphi

Answer:

C

Explanation:

Causal forecasting is a method used to predict future events by examining the cause-and-effect relationships among variables. It goes beyond simple trend analysis and considers various factors that could influence the forecasted quantity.

Regression analysis is a statistical process for estimating the relationships among variables. In the context of causal forecasting, regression is used to identify and measure the impact of one or more independent variables on a dependent variable. This technique is particularly useful when you want to forecast a variable based on the relationship it has with other variables.

For example, a company might use regression analysis to forecast sales based on advertising spend, assuming that there is a causal relationship between advertising and sales. The regression model would allow the company to quantify the expected increase in sales for each unit of increased advertising spend.

Reference: The information provided here is based on the general principles of causal forecasting and regression analysis, which are well-established in the field of supply management and statistics

Question 2

Question Type: MultipleChoice

Overall supply chain risk may be increased by implementing which of the following strategies?

Options:

A- Single sourcing a product that makes the highest annual profit

B- Outsourcing products that are not well suited to a company's operations

C- Identifying multiple sources for a product with the potential for supply chain disruption

D- Internally manufacturing products with high levels of technical intellectual property

Answer:

A

Explanation:

Single sourcing a high-profit product increases overall supply chain risk due to several reasons:

Supplier Dependency: Relying on a single supplier for a critical product creates a high dependency, making the supply chain vulnerable to disruptions if that supplier faces issues (e.g., natural disasters, financial instability).

Lack of Alternatives: Without alternative sources, any disruption can lead to significant delays, shortages, and potential loss of revenue.

Negotiation Leverage: Single sourcing can reduce the buyer's negotiation leverage, potentially leading to higher costs or unfavorable terms.

Outsourcing unsuitable products, identifying multiple sources for risk-prone products, and internally manufacturing IP-sensitive products are strategies to mitigate risk, not increase it.

Chopra, Sunil, and Peter Meindl. 'Supply Chain Management: Strategy, Planning, and Operation.' Pearson.

Harland, Christine, Richard Brenchley, and Helen Walker. 'Risk in Supply Networks.' Journal of Purchasing and Supply Management.

Question 3

Question Type: MultipleChoice

The primary risk associated with outsourcing innovative components to suppliers is:

Options:

A- decreased flexibility.

B- higher carrying costs.

C- employee turnover.

D- loss of competitive knowledge.

Answer:

D

Explanation:

Outsourcing innovative components can lead to several risks, but the primary risk is the loss of competitive knowledge:

Intellectual Property: When innovative components are outsourced, there is a risk that critical intellectual property and proprietary knowledge will be transferred to or accessed by suppliers.

Competitive Advantage: These components often embody the firm's core competencies and technological advantages. Losing control over these can diminish the company's competitive edge.

Dependency on Suppliers: Relying on external suppliers for innovative parts can reduce the firm's ability to rapidly adapt and innovate, leading to decreased flexibility and potential delays in response to market changes.

While decreased flexibility and higher carrying costs are concerns, they are secondary to the risk of losing competitive knowledge.

Pisano, Gary P., and Willy C. Shih. 'Restoring American Competitiveness.' Harvard Business Review.

Quinn, James Brian. 'Strategic Outsourcing: Leveraging Knowledge Capabilities.' Sloan Management Review.

Question 4

Question Type: **MultipleChoice**

Total annual profit typically is highest at what stage of the product life cycle?

Options:

A- Growth

B- Maturity

C- Decline

D- Introduction

Answer:

B

Explanation:

The product life cycle consists of four stages: Introduction, Growth, Maturity, and Decline. Total annual profit typically is highest at the maturity stage due to several factors:

Market Penetration: By the maturity stage, the product has achieved significant market penetration and established a stable customer base.

Economies of Scale: Production and operational efficiencies are maximized, reducing costs and increasing profit margins.

Stable Demand: Demand tends to stabilize during maturity, leading to consistent revenue streams.

Reduced Marketing Costs: Marketing expenses may decrease compared to the growth stage, as the product is already well-known.

In contrast, the introduction and growth stages involve higher costs for development and marketing, while the decline stage sees reduced sales and profitability.

Kotler, Philip, and Kevin Lane Keller. 'Marketing Management.' Pearson.

Anderson, Carl R., and Julian W. Vincze. 'Strategic Management: An Integrated Approach.' Cengage Learning.

Question 5

Question Type: MultipleChoice

Which of the following outcomes is most likely to result when lot size increases?

Options:

A- Setup costs will increase.

B- Inventory carrying cost will increase.

C- Operating expenses will increase.

D- Total profit will increase.

Answer:

B

Explanation:

When lot size increases, the number of units ordered in each batch grows, leading to several outcomes:

Inventory Levels: As lot size increases, more inventory is held at any given time. This results in higher average inventory levels.

Carrying Costs: Inventory carrying costs include storage, insurance, handling, and obsolescence. With more inventory on hand due to larger lot sizes, these costs increase proportionally.

Setup Costs: While larger lot sizes can reduce the frequency of setups, thereby reducing setup costs, the increase in carrying costs due to holding more inventory typically outweighs the setup cost savings.

Operating Expenses and Total Profit: Operating expenses might not necessarily increase with lot size, and total profit is not directly influenced by lot size alone but by a combination of factors like sales, costs, and efficiency.

Therefore, increasing lot size primarily leads to an increase in inventory carrying costs.

Silver, Edward A., David F. Pyke, and Rein Peterson. 'Inventory Management and Production Planning and Scheduling.' Wiley.

Chopra, Sunil, and Peter Meindl. 'Supply Chain Management: Strategy, Planning, and Operation.' Pearson.

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Question 6

Question Type: MultipleChoice

The purpose of the Global Reporting Initiative (GRI) is to summarize which of the following guidelines?

Options:

A- Sustainability reporting guidelines regardless of country

B- Country-specific best practices in sustainability reporting

C- Continent-specific best practices in sustainability reporting

D- Governmental sustainable reporting regulations

Answer:

A

Explanation:

The purpose of the Global Reporting Initiative (GRI) is to summarizesustainability reporting guidelines regardless of country.GRI is an international independent standards organization that provides a common framework and language for organizations to communicate and demonstrate their impacts on economic, environmental, and social issues12.GRI's sustainability reporting guidelines are applicable

and relevant for any organization, regardless of its size, sector, or location

Question 7

Question Type: MultipleChoice

A firm purchases a product requiring high quality, but it is not a critical or high-value item. What is the targeted supplier qualification level for this product?

Options:

A- Approved

B- Preferred

C- Certified

D- Partnered

Answer:

C

Explanation:

For a product that requires high quality but is not critical or high-value, the targeted supplier qualification level should be 'Certified.' Certified suppliers have demonstrated their ability to consistently meet quality standards and performance criteria, making them reliable sources for high-quality products. While 'Approved' and 'Preferred' suppliers may meet basic requirements, 'Certified' suppliers have typically undergone more rigorous evaluation processes, ensuring a higher level of quality assurance.

Leenders, M. R., Johnson, P. F., Flynn, A., & Fearon, H. E. (2006). Purchasing and Supply Management. McGraw-Hill.

Trent, R. J. (2005). End-to-End Lean Management: A Guide to Complete Supply Chain Improvement. J. Ross Publishing.

Question 8

Question Type: MultipleChoice

The ultimate goal of a supply contract is to achieve which of the following outcomes?

Options:

A- Minimize the risk of stockouts for the buyer.

B- Reduce the risk of excess inventory for the supplier.

C- Share risk and increase profits for both entities.

D- Decrease quality issues and product returns.

Answer:

C

Explanation:

The ultimate goal of a supply contract is to achieve a win-win outcome for both the buyer and the supplier, where they share the risk and increase the profits of their business relationship12. A supply contract can help achieve this goal by establishing clear and fair terms and conditions that align the incentives, expectations, and responsibilities of both parties34. A supply contract can also help foster trust, collaboration, and innovation between the buyer and the supplier, which can enhance their competitive advantage and customer satisfaction .

Question 9

Question Type: MultipleChoice

A company is determining where it should manufacture a product weighing 1 lb. for the Chicago market with a demand of 100,000 items per year. Costs for each of four possible locations are summarized in the table below. If the company wants to minimize the total cost to supply the items to the Chicago market, where should the items be produced?

Cost element	Houston	Taiwan	Chicago	Seattle
Material and labor cost per item	$7	$6	$10	$12
Shipment cost to market ($/100 lb.)	$5	$6	$0	$5
Raw material shipment from source ($/100 lb.)	$0	$2	$1	$1
Import duty per item	$0	$2	$0	$0

Options:

A- Houston

B- Taiwan

C- Chicago

D- Seattle

Answer:

C

Explanation:

To find the total cost of supplying the items to the Chicago market from each location, we need to multiply the demand (100,000 items) by the sum of the material and labor cost per item, the shipment cost to market per item, and the import duty per item. The shipment cost to market per item can be obtained by dividing the shipment cost to market per 100 lb. by 100, since each item weighs 1 lb. The raw material shipment from source cost is irrelevant for this question, since it does not affect the total cost to supply the items to the Chicago market. Using this formula, we can calculate the total cost for each location as follows:

Houston: 100,000 x ($7 + $5/100 + $0) = $712,000

Taiwan: 100,000 x ($6 + $6/100 + $2) = $814,000

Chicago: 100,000 x ($10 + $0/100 + $0) = $1,000,000

Seattle: 100,000 x ($12 + $5/100 + $0) = $1,205,000

The location with the lowest total cost is Chicago, with $1,000,000. Therefore, the items should be produced in Chicago to minimize the total cost to supply the items to the Chicago market.

Question 10

Question Type: MultipleChoice

One of the difficulties in purchasing services is to:

Options:

A- be fully knowledgeable of the services provided.

B- completely understand the service provider's supply chain.

C- estimate the service provider's cost.

D- measure the quality of services provided.

Answer:

D

Explanation:

Purchasing services presents unique challenges compared to purchasing tangible goods. One of the primary difficulties is measuring the quality of services provided. Unlike physical products, services are often intangible and can vary significantly based on the provider's performance, making it challenging to establish objective quality metrics. This subjectivity in service delivery requires robust monitoring and feedback mechanisms to ensure that the services meet the required standards consistently.

Ellram, L. M., Tate, W. L., & Billington, C. (2007). Services supply management: The next frontier for improved organizational performance. California Management Review, 49(4), 44-66.

van der Valk, W., & Rozemeijer, F. (2009). Buying business services: towards a structured service purchasing process. Journal of Services Marketing, 23(1), 3-10.