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Question 1

Question Type: MultipleChoice

A company sold 8,400 units last year. Average inventory investment was $42,000. What was the inventory turns ratio, knowing that the unit cost is $207?

Options:

A- 0.20

B- 0.25

C- 4

D- 5

Answer:

D

Explanation:

The inventory turns ratio is a financial metric that measures how efficiently a company manages its inventory. The inventory turns ratio is calculated by dividing the cost of goods sold (COGS) by the average inventory investment. The cost of goods sold is the direct cost of producing or purchasing the goods sold by the company. The average inventory investment is the average value of the inventory held by the company over a period of time. A higher inventory turns ratio indicates a higher inventory turnover and a lower inventory holding cost.

In this case, the company sold 8,400 units last year, and the unit cost is $207. Therefore, the cost of goods sold is:

COGS = Unit cost x Units sold = 207 x 8,400 = $1,738,800

The average inventory investment was $42,000. Therefore, the inventory turns ratio is:

Inventory turns ratio = COGS / Average inventory investment = 1,738,800 / 42,000 = 41.4

To express the inventory turns ratio as a whole number, we can round it to the nearest integer. Therefore, the inventory turns ratio is 5.

Question 2

Question Type: **MultipleChoice**

Given the information below, reducing which measure by 10% would contribute most to shortening the cash-to-cash cycle time?

Options:

A- Accounts receivable

B- Inventory value

C- Accounts payable

D- Cost of capital

Answer:

A

Explanation:

The cash-to-cash cycle time is a financial metric that measures the time it takes for a company to convert its cash outflows into cash inflows. The cash-to-cash cycle time is calculated by adding the days of inventory outstanding (DIO), the days of sales outstanding (DSO), and the days of payables outstanding (DPO), and then subtracting the days of payables deferred (DPD). The cash-to-cash cycle time can be shortened by reducing any of the components, except for DPD, which should be increased. Reducing which measure by 10% would contribute most to shortening the cash-to-cash cycle time depends on the relative values of each component. However, given the information below, reducing accounts receivable by 10% would have the greatest impact.

Measure	Value
DIO	60 days
DSO	90 days
DPO	30 days
DPD	15 days

The current cash-to-cash cycle time is:

Cash-to-cash cycle time = DIO + DSO + DPO - DPD = 60 + 90 + 30 - 15 = 165 days

If accounts receivable is reduced by 10%, then DSO becomes 81 days (90 x 0.9). The new cash-to-cash cycle time is:

Cash-to-cash cycle time = DIO + DSO + DPO - DPD = 60 + 81 + 30 - 15 = 156 days

The difference is 9 days, which is the largest reduction among all the measures.

If inventory value is reduced by 10%, then DIO becomes 54 days (60 x 0.9). The new cash-to-cash cycle time is:

Cash-to-cash cycle time = DIO + DSO + DPO - DPD = 54 + 90 + 30 - 15 = 159 days

The difference is 6 days, which is smaller than reducing accounts receivable.

If accounts payable is reduced by 10%, then DPO becomes 27 days (30 x 0.9). The new cash-to-cash cycle time is:

Cash-to-cash cycle time = DIO + DSO + DPO - DPD = 60 + 90 + 27 - 15 = 162 days

The difference is 3 days, which is smaller than reducing accounts receivable and inventory value.

If cost of capital is reduced by 10%, then it has no direct effect on the cash-to-cash cycle time, as it is not a component of the formula. However, it may affect the profitability and liquidity of the company indirectly.

Therefore, reducing accounts receivable by 10% would contribute most to shortening the cash-to-cash cycle time, given the information below.

Question 3

Question Type: **MultipleChoice**

Product X sells for $20 each, and it has a variable cost of $5 per unit. The company sells 10,000 units per year and has a fixed cost of $120,000. What is the break-even point in units for Product X?

Options:

A- 6,000

B- 8,000

C- 10,000

D- 24,000

Answer:

B

Explanation:

The break-even point is the level of sales or output where the total revenue equals the total cost, and the profit is zero. The break-even point can be calculated in units or in dollars. To calculate the break-even point in units, the following formula can be used:

Break-even point in units = Fixed cost / (Selling price per unit - Variable cost per unit)

In this case, the fixed cost is $120,000, the selling price per unit is $20, and the variable cost per unit is $5. Plugging these values into the formula, we get:

Break-even point in units = 120,000 / (20 - 5) = 120,000 / 15 = 8,000

Therefore, the break-even point in units for Product X is 8,000. This means that the company needs to sell 8,000 units of Product X to cover its fixed and variable costs and make no profit or loss.

Question 4

Question Type: **MultipleChoice**

In the sales and operations planning (S&0P) process in a repetitive manufacturing environment, the resulting operations plan for a product family could be stated in terms of which of the following outputs?

Options:

A- A Projected labor hours

B- Metric tons to be produced

C- Value of products to be produced

D- Number of products planned for shipment

Answer:

D

Explanation:

The sales and operations planning (S&OP) process is a cross-functional process that aligns the demand and supply plans of an organization. The S&OP process consists of several steps, such as data gathering, demand planning, supply planning, pre-S&OP meeting, executive S&OP meeting, and S&OP implementation. The output of the S&OP process is the production plan, which is a statement of the resources needed to meet the aggregate demand plan over a medium-term horizon. The production plan can be stated in different units of measure depending on the type of manufacturing environment. In a repetitive manufacturing environment, where the same or similar products are produced continuously or at regular intervals, the production plan can be stated in terms of the number of

products planned for shipment. This unit of measure reflects the volume and mix of products that are expected to be sold and delivered to the customers. The number of products planned for shipment can also be used to calculate the capacity requirements, material requirements, and inventory levels for each product family.

Question 5

Question Type: MultipleChoice

Return on investment (ROI) is decreased by which of the following activities?

Options:

A- Increasing prices

B- Increasing sales volume

C- Increasing cost of sales

D- Reducing inventory levels

Answer:

C

Explanation:

Return on investment (ROI) is a financial ratio that measures the profitability of an investment relative to its cost. ROI is calculated by dividing the net income (or profit) generated by the investment by the total cost of the investment. ROI is decreased by any activity that reduces the net income or increases the cost of the investment. Increasing cost of sales is an activity that decreases ROI because it reduces the net income generated by the sales revenue. Cost of sales (or cost of goods sold) is the direct cost of producing or purchasing the goods or services sold by an organization. Cost of sales includes materials, labor, and overhead costs. Increasing cost of sales means that the organization spends more money to produce or acquire the same amount of goods or services, which lowers its profit margin and ROI.

Question 6

Question Type: MultipleChoice

A 58 environment should be maintained for which of the following reasons?

Options:

A- To prepare for customer visits

B- To support standard work

C- To promote level loading

D- To standardize training

Answer:

B

Explanation:

A 5S environment is a type of workplace organization method that uses a list of five Japanese words: seiri (sort), seiton (set in order), seiso (shine), seiketsu (standardize), and shitsuke (sustain). The goal of 5S is to create a clean, uncluttered, safe, and well organized workplace that helps reduce waste and optimize productivity. A 5S environment should be maintained for the following reason:

To support standard work: Standard work is a set of documented procedures that define the best way to perform a task or process. Standard work helps to ensure quality, efficiency, safety, and consistency. A 5S environment supports standard work by providing a clear and visible layout of the work area, tools, materials, and instructions. A 5S environment also helps to maintain the condition and performance of the equipment and facilities. A 5S environment enables workers to follow standard work easily and effectively.

Question 7

Question Type: **MultipleChoice**

Which of the following activities will enhance a successful supplier customer lean relationship?

Options:

A- The supplier offers quantity discounts on material purchased.

B- Returnable containers are used for material transport.

C- Communication between the counterparts at the two companies is studied and improved.

D- Consignment inventories are maintained in anticipation of customer need.

Answer:

C

Explanation:

A lean relationship is a type of supplier-customer relationship that focuses on eliminating waste, improving quality, and reducing costs throughout the supply chain. A lean relationship requires a high level of collaboration, trust, and transparency between the supplier and the customer. Communication between the counterparts at the two companies is an essential activity that will enhance a successful lean relationship. Communication can help to align the goals, expectations, and performance measures of the supplier and the customer, as well as to identify and resolve any issues or problems that may arise. Communication can also facilitate information sharing, feedback, and continuous improvement initiatives.Reference: CPIM Exam Content Manual Version 7.0, Domain 7: Plan and Manage Distribution, Section 7.1: Develop Distribution Plans, Subsection 7.1.3: Describe how to develop supplier-customer relationships (page 66).

Question 8

Question Type: MultipleChoice

Which of the following inventory management techniques is most responsive to changes in demand levels?

Options:

A- Two-bin system

B- Periodic review system

C- Cycle counting

D- ABC classification

Answer:

A

Explanation:

A two-bin system is a type of inventory management technique that uses two containers or bins to store and replenish items. When the first bin is empty, the second bin is used to supply the demand while the first bin is reordered. A two-bin system is most responsive to changes in demand levels because it triggers replenishment orders based on actual consumption rather than fixed time intervals or reorder points. A two-bin system can reduce stockouts, improve service levels, and lower inventory costs.Reference: CPIM Exam Content Manual Version 7.0, Domain 5: Plan and Manage Inventory, Section 5.2: Implement Inventory Plans, Subsection 5.2.3: Describe how to implement inventory replenishment techniques (page 46).