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Question 1

Question Type: MultipleChoice

Which of the following is the core idea of Lean manufacturing?

Options:

- A- New product development
- B- Waste elimination
- C- Improving response to erratic demand
- D- Business Continuity Planning

Answer:

B

Explanation:

The core idea of lean manufacturing is actually quite simple...relentlessly work on eliminating waste from the manufacturing process. Waste is defined as any activity that does not add value from the customer's perspective. According to research conducted by the Lean

Enterprise Research Centre (LERC), fully 60% of production activities in a typical manufacturing operation are waste -- they add no value at all for the customer.

On the other hand, agile manufacturing places an extremely strong focus on rapid response to the customer -- turning speed and agility into a key competitive advantage.

LO 2, AC 2.3

Question 2

Question Type: MultipleChoice

Which of the following are main objectives of warehouse operations? Select TWO that apply.

Options:

- A-** To ensure stock available when customers demand
- B-** To create sufficient space for redundant stock
- C-** To minimise stock loss and deterioration

D- To generate check digits for a product code

E- To maintain the highest level of buffer stock

Answer:

A, C

Explanation:

The purposes of stores and warehouses are:

1. Maximum use of space.
2. Ready access to all items.
3. Efficient movement of goods.
4. Effective utilization of labour & equipment's
5. Maximum protection of items
6. Good-house-keeping.

- Warehousing: Meaning, Objectives and Functions

- CIPS study guide page 3

Question 3

Question Type: MultipleChoice

Which of the following are recognised as disadvantages of ERP systems? Select TWO that apply.

Options:

- A- High initial investment
- B- Required intensive employee training
- C- Only applied to manufacturing
- D- Lower factory efficiencies
Excluded inventory records

Answer:

A, B

Explanation:

Implementing a full ERP system is not an easy option. They are complex systems and the disadvantages include the following:

- The installation of the ERP system is costly. ERP consultants are very expensive take approximately 60% of the budget.
- The success depends on the skills and experience of the workforce, including education and how to make the system work properly.
- Resistance in sharing internal information between departments can reduce the efficiency of the software.
- The systems can be difficult to use.
- Change of staff, companies can employ administrators who are not trained to manage the ERP system of the employing company, proposing changes in business practices that are not synchronized with the system.
- Having an ERP system has many advantages, but does not guarantee the total success of the company. Organizational culture, know how to involve staff and anticipate changes that will suffer the organization using this system of administration, are important elements for the completion of the implementation.
- The effectiveness of the ERP system may decrease if there is resistance to share information between business units or departments. Due to strong changes that implementation of the ERP system brings in the culture of work, there may be poorly trained or disinterested in making use of the same staff...
- The benefits of having an ERP system are not presented immediately with the implementation of the software, they will be evident long after the system is running.
- The culmination of the implementation depends on the ability and skill of the workforce, also involves education and training, to make the system is correctly applied.

- What are the Advantages and Disadvantages of ERP System

- CIPS study guide page 119-122

LO 2, AC 2.3

Question 4

Question Type: MultipleChoice

MRP system is the most suitable IT system to manage which type of items?

Options:

A- Dependent demand

B- Construction projects

C- Independent demand

D- Fast moving components

Answer:

A

Explanation:

Material requirement planning (MRP) is a production planning and material (inventory) control system used in manufacturing. Objectives of MRP are to ensure materials are available for production while minimising inventory and to plan production and procurement activities.

Bill of materials (BOM) is an important component of MRP. BOM is also known as product structure. This lists all the items that comprise each assembly and sub-assembly that make up the final product or end item. Therefore, MRP is commonly used to manage dependent demand stock.

LO 2, AC 2.3

Question 5

Question Type: MultipleChoice

A manufacturer is making a plan for strategic safety stock. To do so, they must analyse the probability of a stock out occurring and the cost impacts if it does. Which of the following are typical costs the manufacturer may incur in 'out of stock' event? Select TWO that apply.

Options:

- A- Extra costs for urgent transportation
- B- Cost of equipment downtime
- C- Costs for qualifying suppliers
- D- Costs of handling inventory
Costs of approving the requisition

Answer:

A, B

Explanation:

The costs of stockouts - the costs of being out of inventory - include:

- Loss of production output
- Costs of idle time and of fixed overheads spread over a reduced level of output
- Costs of any action taken to deal with the stockout, such as buying from another stockist at an enhanced price, switching production, obtaining substitute materials
- Loss of customer goodwill due to the inability to supply or late delivery.

(Procurement and Supply Chain management - 9th Edition, K. Lysons and B. Farrington, 2016)

LO 2, AC 2.2

Question 6

Question Type: MultipleChoice

A company has obsolete inventories and it must write off these inventories. How does writing off inventories impact on the company's financial statements?

1. Stock increases
2. Stock decreases
3. Profit increases
4. Profit decreases

Options:

A- 2 and 4 only

B- 1 and 3 only

C- 2 and 3 only

D- 1 and 4 only

Answer:

A

Explanation:

An inventory write-off is a process of removing from the general ledger any inventory that has no value.

Using the direct write-off method, a business will record a credit to the inventory asset account and a debit to the expense account. For example, say a company with \$100,000 worth of inventory decides to write off \$10,000 in inventory at the end of the year. First, the firm will credit the inventory account with the value of the write-off to reduce the balance. The value of the gross inventory will be reduced as such: $\$100,000 - \$10,000 = \$90,000$. Next, the inventory write-off expense account will be increased with a debit to reflect the loss.

The expense account is reflected in the income statement, reducing the firm's net income and thus its retained earnings. A decrease in retained earnings translates into a corresponding decrease in the shareholders' equity section of the balance sheet.

If the inventory write-off is immaterial, a business will often charge the inventory write-off to the cost of goods sold (COGS) account. The problem with charging the amount to the COGS account is that it distorts the gross margin of the business, as there is no corresponding revenue entered for the sale of the product. Most inventory write-offs are small, annual expenses. A large inventory write-off (such as

one caused by a warehouse fire) may be categorized as a non-recurring loss.

- CIPS study guide page 86-90

- Inventory Write-Off

LO 2, AC 2.1

Question 7

Question Type: MultipleChoice

Which component of an RFID device is responsible for sending and receiving radio waves?

Options:

A- Network database

B- Laser beam

C- Integrated circuit

D- Antenna

Answer:

D

Explanation:

RFID tags are made of three different components: an RFID chip, which is an integrated circuit (IC), an antenna, and a substrate. RFID Antennas are necessary elements in an RFID system because they convert the RFID reader's signal into RF waves that can be picked up by RFID tags. Without some type of RFID antenna, whether integrated or stand-alone, the RFID reader cannot properly send and receive signals to RFID tags.

LO 1, AC 1.2

Question 8

Question Type: MultipleChoice

A logistics company has a 2-story warehouse in the suburban area

a. The goods receiving area and dispatch area are located on the ground floor only. There is a lift connecting the two floors. The daily operations of the warehouse are quite busy. Which of the following would be the best arrangement for this warehouse?

Options:

- A-** Small items in tote boxes will be stored on the ground floor with forklifts and other equipment, high-usage palletised items will be stored on the first floor
- B-** Medium- to low-usage palletised items will be stored on the ground floor, high-usage items will be stored on the first floor where the building administrative office is located
- C-** Forklifts and other warehouse equipment will park on the ground floor, all inventories will be stored on the first floor
- D-** Pallets, roller cages and other bulky items will be stored on the ground floor, smaller items in plastic tote boxes will be stored on the first floor

Answer:

D

Explanation:

The purposes of a warehouse are to keep the inventories in good condition and to ensure that the operations is smooth. In the scenario, the warehouse has 2 stories, with goods-in and goods-out areas located on the ground floor and a lift connecting the stories. The lift could become a bottleneck if the goods inside the warehouse are not well-arranged.

Since the lift is often small with limited load capacity, putting heavy bulk items on the first floor will cause bottleneck and increase the chance of accidents. Therefore, palletised items (even they have low-usage) should be placed on the ground floor. Smaller and lighter items should be stored on the first floor.

LO 1, AC 1.1

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