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Question 1

Question Type: MultipleChoice

Value can be added through XXXX reduction or by making a process more efficient or more effective'

Options:

- A- Profit
- B- Value
- C- Cost
- D- Cash

Answer:

C

Explanation:

This is a reference to cost reduction - something which procurement is often tasked with as an activ-ity.

This question is pretty straightforward - we wouldn't normally seek cash, profit or value reductions. However, there is something a little bit counter-intuitive: adding or creating something by making a reduction... Perhaps 'less is more'.

Question 2

Question Type: MultipleChoice

'From an accounting perspective, added value is total XXXXXX minus total costs of all activities'.

Which word is missing?

Options:

- A- Costs
- B- Expenditure
- C- Savings
- D- Revenue

Answer:

D

Explanation:

Revenue.

Added value is really measured through the customer's eyes. I have a choice of six coffee shops from which to buy my morning coffee. One has an attractive mix of cleanliness, tasty coffee, efficient and friendly service - more than the others. This appealing all-round mix 'adds value' as far as I am concerned and I give it daily repeat business, visiting the others only occasionally. That added value offering generates the repeat business, and helps make the coffee shop more profitable.

Question 3

Question Type: MultipleChoice

OTIF stands for:

Options:

A- Order transmitted and in the supplier's factory

- B-** Order transmitted in full
- C-** On time and in our facility
- D-** On time and in full

Answer:

D

Explanation:

On time and in full.

OTIF is a reference to an order placed with a supplier having been delivered in the right quantity and on time. Note that this acronym makes no reference to quality.

Question 4

Question Type: MultipleChoice

Regarding quality management, how many defects?

Options:

- A- Zero
- B- One
- C- Three
- D- Two

Answer:

A

Explanation:

Zero defects - a quality concept, recognising the significant cost of re-work - remedying problems created earlier in the process. It is therefore desirable to strive for 'zero defects', thus avoiding error correction, re-work, etc. An important idea within JIT, Lean, etc.

Question 5

Question Type: MultipleChoice

'The usefulness of lifetime costing is for decision-making about whether to acquire an asset with an expected:

Options:

A- Short life

B- Long life

C- After life

D- Shelf life

Answer:

B

Explanation:

The correct answer is 'long life'.

Lifetime doesn't really make sense in respect of the other answers offered.

Question 6

Question Type: MultipleChoice

It is thought that the cause of a negative variance in the materials budget is the poor negotiation skills of procurement staff. Which of the following (select two) would be a move in the right direction to remedy this situation?

Options:

- A- Replace the Head of Procurement
- B- Use competition to find suppliers with lower prices
- C- Provide effective negotiation training for procurement staff
- D- Increase stockholding of the materials in QUESTION NO : to ensure supply

Answer:

C, D

Explanation:

Surety of supply is not in question; cost of supply is.

Sacking the Head of Procurement is probably a rash move, unless there is much more going on.

Using competition, and ensuring effective skills are in place would seem to be good options in the circumstances.

Question 7

Question Type: MultipleChoice

The abbreviation 'KPI' stands for:

Options:

- A- Key performance inducement
- B- Key procurement indicator
- C- Key performance improvement
- D- Key performance indicator
Key personnel insurance

Answer:

D

Explanation:

Key performance indicator, designed to monitor a small number of critically-important aspects of supplier performance, indicated within a contract or a service level agreement as part of a contract.

Question 8

Question Type: MultipleChoice

Regarding quality management, how many Sigma?

Options:

A- Five

B- Seven

C- Four

D- Six

Answer:

D

Explanation:

The answer is 'six'.

Six Sigma is a statistical approach to quality management.

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