Final Test Paper 10 INDIAN INSTITUTE OF MATERIALS MANAGEMENT INVENTORY MANAGEMENT GDMM/PGDMM 3 YEARS

Instructions:
1. Answer all 50 questions. Each question carries 2 marks Total : 100 Marks
2. Duration 1 Hour.

*Required

1. Email *

2. Name *

3. Roll Number *

4. 1. Most suited definition for inventory is

Mark only one oval.

☐ Inventory is necessary evil
☐ Inventory means raw materials
☐ Inventory is idle resource having economic value
☐ Inventory is finished material ready for sale

5. 2. Which of the following is NOT a function of inventory?

Mark only one oval.

☐ Helps to decouple or separate part of the production process
☐ Helps to improve quality of production
☐ Helps to take advantage of quantity of discounts
☐ Helps to hedge against inflation
6. All of the following are motivators for a firm to hold inventories EXCEPT

*Mark only one oval.*

- It decouples the activities in an assembly line
- It minimizes holding cost
- It gives purchase department flexibility
- It helps to meet rush demands

7. Profit margin is

*Mark only one oval.*

- Net income over sales
- Sales over total assets
- Net income over assets
- Cost of goods sold over sales

8. A product has 60% material cost. Provided that all other costs remain the same a 5% reduction in material cost will increases the profit by

*Mark only one oval.*

- 5%
- 10%
- 15%
- 30%

9. All are types of inventory EXCEPT

*Mark only one oval.*

- Production inventory
- Working capital
- Finished goods
- MRO inventory
10. An external factor that does NOT affect raw material inventory is

*Mark only one oval.*

- [ ] Supplier’s lead-time
- [ ] Vendor relations
- [ ] Scarcity
- [ ] Availability of funds to pay supplier

11. Purpose of finished goods inventory is

*Mark only one oval.*

- [ ] Continuous supply in distribution channels
- [ ] To improve production planning and coordination
- [ ] To avail quantity discounts
- [ ] To balance assembly line

12. The type of inventory NOT seen in a research organization

*Mark only one oval.*

- [ ] Raw material inventory
- [ ] Work in progress inventory
- [ ] Finished goods inventory
- [ ] Spare parts inventory

13. The type of inventory that helps in detaching operations in a process is

*Mark only one oval.*

- [ ] Production inventory
- [ ] Work in progress inventory
- [ ] Finished goods inventory
- [ ] Consumables
11. These are used in the production process but does NOT become part of the product. We are talking about

*Mark only one oval.*

- Component inventory
- Parts inventory
- Furniture
- Consumable

12. Major constituent of inventory carrying cost is

*Mark only one oval.*

- Warehouse maintenance cost
- Warehouse rental cost
- Risk cost
- Opportunity cost

13. The cost NOT associated with inventory

*Mark only one oval.*

- Acquisition cost
- Carrying cost
- Activity based cost
- Under stocking cost

14. An element that is NOT a component of ordering cost

*Mark only one oval.*

- Cost of source development
- Receiving inspection
- Under-stocking cost
- Follow up cost
18. 15. Over stock means

*Mark only one oval.*

- ☐ Obsolescence stock
- ☐ Nonmoving stock
- ☐ Insurance stock
- ☐ Stock in excess of requirement

19. 16. Total cost of acquisition is also called

*Mark only one oval.*

- ☐ Total cost of ownership
- ☐ Landed cost
- ☐ Activity based cost
- ☐ Replacement cost

20. 17. A cost that does NOT form inventory risk cost

*Mark only one oval.*

- ☐ Cost of insurance
- ☐ Cost of deterioration
- ☐ Cost of maintenance
- ☐ Cost of pilferage

21. 18. It is fairly difficult to calculate ________ cost related to inventory.

*Mark only one oval.*

- ☐ Purchase cost
- ☐ Inventory carrying cost
- ☐ Ordering cost
- ☐ Stock out cost
22. 19. Pick up the correct choice about the following statements A) One of the objectives of inventory control is to optimize inventory investment B) Inventory is procured to take advantage of quantity discounts

*Mark only one oval.*

- [ ] Only statement A is true
- [ ] Only statement B is true
- [ ] Both A and B are true
- [ ] Both A and B are not true

23. 20. In total cost of ownership, purchase cost is classified under __________ costs

*Mark only one oval.*

- [ ] Acquisition
- [ ] Ownership
- [ ] Post ownership
- [ ] Disposal

24. 21. The fundamental decision related to inventory are

*Mark only one oval.*

- [ ] How much to order and when to order
- [ ] How much to order and where to order
- [ ] What to order and where to order
- [ ] What to order and when to order

25. 22. All are assumptions of EOQ, EXCEPT

*Mark only one oval.*

- [ ] Uniform rate of consumption
- [ ] Annual demand is determined
- [ ] Constant lead time
- [ ] Multiple items are covered
26. When the cost of placing an order increases by 4 times, EOQ increases by ______ times

*Mark only one oval.*

- 2
- 3
- 4
- Remains same

27. Annual demand for an item is 5000 units. Cost of placing an order is Rs 100/-. Carrying cost is 30% and the unit price of the item is Rs 50/-. EOQ for this item is

*Mark only one oval.*

- 300
- 264
- 258
- 200

28. Determination of re-order point depends on the following factors EXCEPT

*Mark only one oval.*

- Lead time
- Usage time
- Safety stock
- Nature of item

29. Annual demand for an item A is 3000 units. The company has 300 working days. Lead time for A is 10 days and safety stock is 50 units. Reorder point for A is

*Mark only one oval.*

- 150 Units
- 100 Units
- 350 Units
- 60 Units
27. Periodic review system is NOT known as

*Mark only one oval.*

- □ P system of replenishment
- □ Cyclic ordering system
- □ Fixed interval order system
- □ Event triggered system

28. ABC classification is based on

*Mark only one oval.*

- □ Unit price
- □ Inventory investment
- □ Frequency of issue
- □ Consumption value

29. VED analysis is based on

*Mark only one oval.*

- □ Criticality
- □ Shelf life
- □ Density
- □ Unit price

30. All are factors contributing to WIP except

*Mark only one oval.*

- □ Faulty production planning
- □ Balanced assembly line
- □ In process inspection
- □ Declining machine performance
34. 31. Which of the following is NOT a problem associated with WIP?

Mark only one oval.

☐ Requires storage space
☐ Has opportunity costs
☐ Involves handling and carrying costs
☐ Incurs acquisition costs

35. 32. Pick up the right choice from the following statements related to WIP A) WIP is partially processed items B) In JIT, WIP is strategic buffer within production process

Mark only one oval.

☐ Only A is True
☐ Only B is True
☐ Both A & B are True
☐ Both A & B are not True

36. 33. Which of the following does NOT affect finished goods inventory?

Mark only one oval.

☐ Demand
☐ Seasonality
☐ Supplier location
☐ Logistics

37. 34. All are control measures for finished goods inventory EXCEPT

Mark only one oval.

☐ MIS
☐ Proper demand forecasting
☐ Material requirement planning
☐ Fixing of norms
38. All of the following affect spare parts inventory EXCEPT

Mark only one oval.

☐ Nature of plant & machinery
☐ Appropriate maintenance techniques
☐ VED analysis
☐ Failure analysis

39. Which of the following is NOT a functional classification of spares?

Mark only one oval.

☐ Capital spares
☐ Rotable spares
☐ Regularly used spares
☐ Insurance spares

40. OEM Stands for

Mark only one oval.

☐ Overall Equipment Maintenance
☐ Once in Every Month
☐ Original Equipment Manufacturer
☐ Overhaul Equipment Maintenance

41. All are characteristics of MRP, EXCEPT

Mark only one oval.

☐ MRP is a computer integrated system
☐ MRP works backward from finished goods
☐ It is an inexpensive and a faster system
☐ MRP needs accurate BOM
39. Demand for a given item is said to be dependent if

*Mark only one oval.*

- The item has several children
- There is a large bill of materials
- The finished products are mostly service rather than goods
- There is a clearly identifiable parent

40. The MRP input detailing which end items are to be produced, when they are needed, and in what quantities is called

*Mark only one oval.*

- Master production schedule
- Gross requirements
- Inventory records
- Assembly time chart

41. The three major inputs to an MRP system are

*Mark only one oval.*

- MPS, Inventory status records, and product structure
- BOM, inventory status records and product structure
- Shop order, work order and reschedule notices
- On hand inventory, on order inventory and lead times

42. An end item “A” is assembled from two components of “B”, and two sub assemblies of “C”. The sub assembly “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 B.

*Mark only one oval.*

- 100
- 200
- 400
- 800
46. The two general approaches to forecasting are

*Mark only one oval.*

- Qualitative and quantitative
- Mathematical and statistical
- Judgmental and speculative
- Historical and associative

47. Gradual, long-term movement in time-series data is called

*Mark only one oval.*

- Seasonal variation
- Cycles
- Trends
- Random variation

48. The primary purpose of mean absolute deviation in forecasting is to

*Mark only one oval.*

- Estimate the trend line
- Eliminate forecast errors
- Measure forecast accuracy
- Seasonally adjust the forecast

49. For a given product demand, the time-series trend equation is \(25.3 + 2.1\) \(X\). What is the forecast of demand for period 7?

*Mark only one oval.*

- 23.2
- 25.3
- 27.4
- 40
50. Given an actual demand of 103, a previous forecast value of 99, and an alpha value of 0.4, the forecast for the next period using exponential smoothing would be

*Mark only one oval.*

- 94.6
- 97.4
- 100.6
- 101.6

51. Given forecast errors of -1, 4, 8, and -3, what is the mean absolute deviation?

*Mark only one oval.*

- 2
- 3
- 4
- 8

52. A company has stable prices for its inputs. Most suitable inventory valuation method the company can resort to is

*Mark only one oval.*

- FIFO
- LIFO
- Simple average
- Specific cost

53. All are reasons for inventory valuation EXCEPT

*Mark only one oval.*

- Ascertainment of income
- Defining liquidity position
- Statutory compliance
- Filing income tax return
This content is neither created nor endorsed by Google.

Google Forms