Final Test Semester 3 Paper 14
INDIAN INSTITUTE OF MATERIALS
MANAGEMENT INVENTORY MANAGEMENT
[PGDMM, PGDSCM & L (2 years)]

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

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1. The type of inventory NOT seen in a research organization
   - Raw material inventory
   - Work in progress inventory
   - Finished goods inventory
2. All of the following are features of inventory EXCEPT
   - Inventory is stock maintained by an organization
   - Inventory has economic value
   - Inventory provides core competence
   - Inventory is idle resource

3. The type of inventory that helps in detaching operations in a process is
   - Production inventory
   - Work in progress inventory
   - Finished goods inventory
   - Consumables

4. The fundamental decision related to inventory are
   - 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

5. Major constituent of inventory carrying cost is
   - Warehouse rental cost
   - Warehouse maintenance cost
   - Opportunity cost
   - Risk cost
6. Stock out cost calculation is NOT affected by
   - Idle workers
   - Premium shipment
   - Lost sales
   - Unit price

7. Inventory valuation method suitable for perishable materials is
   - First in First out
   - Last in First out
   - Next in First out
   - Weighted average cost

8. 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
   - Only statement A is true
   - Only statement B is true
   - Both A and B are true
   - Both A and B are not true

9. ABC classification is based on
   - Unit price
   - Inventory investment
   - Frequency of issue
   - Consumption value
10. VED analysis is based on ________
   - Criticality
   - Shelf life
   - Density
   - Unit price

11. Which of the following is NOT true about VMI?
   - Supplier replenishes inventory of customers
   - Inventory is held by customer
   - Vendor has better visibility of customers demand
   - Both vendor and buyer should be located close to each other

12. A qualitative forecasting method where experts meet to decide demand is known as
   - Delphi method
   - Consumer survey
   - Executive opinion
   - Panel consensus

13. A forecasting method that can easily determine seasonal trends and differences is
   - Exponential smoothing
   - Box-Jenkins model
   - Moving weighted average
   - Causal model

14. A forecasting method that divides time series into seasonal time frames, trend
cycles, and irregular elements is

- Box-Jenkins model
- Data mining
- X-11
- Trend projection

15. MAD stands for

- Moving average data
- Mean absolute deviation
- Most accurate demand
- Most acceptable data

16. Forecast for item A for January was 27 units and the actual demand was 32 units. Using a smoothing constant of 0.6, the forecast for February is

- 32
- 29.5
- 35.4
- 30

17. Pick up the right choice about the following statements
   A) Independent demands are uncertain
   B) Dependent demands are calculated

- Only Statement A is true
- Only statement B is true
- Both A and B are true
- Both A and B are not true
18. All are characteristics of MRP EXCEPT
- MRP is a computer integrated system
- MRP works backward from finished goods
- It is an inexpensive and quick system
- MRP needs accurate BOM

19. Number of parts required to produce a single unit of a product is called
- Bill of materials
- Master production schedule
- Aggregate production plan
- Inventory status file

20. Which of the following is NOT true about MRP?
- Reduces inventories
- Improves customers services
- Reduces productivity
- Improves sales

21. A project-based manufacturing strategy is
- Make to order
- Make to stock
- Engineer to order
- Assemble to order

22. ERP provides all EXCEPT
Integration and accuracy
Decisions
Standardization of procedures
Adoption to new technology

23. All are assumptions of EOQ EXCEPT

- Uniform rate of consumption
- Annual demand is determined
- Constant lead time
- Multiple items are covered

24. When the cost of placing an order increases by 4 times, EOQ increases by ______

- 2
- 3
- 4
- Remains same

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

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

26. 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
27. All are elements of JIT EXCEPT

- Flexible resources
- Push production
- Small lot sizes
- Quick set ups

28. Which of the following characterizes cellular lay out?

- Cellular layout is effective for a wider processing requirement
- Cellular layout handles work in batches
- Works flow in both directions in cellular lay out
- Cellular layout can expand or contract depending on demand requirement

29. Pick up the right choice for the following statements about Kanban

A) Pull system is controlled by Kanban
B) Kanban has a standard quantity of production

- Only statement A is true
- Only statement B is true
- Both A & B are true
- Both A & B are not true

30. Andon means
31. The 5S word “Seiso” means
- Organization
- Tidiness
- Cleanliness
- Discipline

32. The visual tool used to identify several possible causes for an effect is
- Ishikawa diagram
- Histogram
- Scatter diagram
- Stratification

33. The Japanese word for continuous improvement is
- Jidoka
- Muda
- Kaizen
- Poka-Yoke

34. 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
35. All are reasons for WIP inventory EXCEPT

- Frequent breakdown of machines
- Fluctuation in demands
- Perfectly balanced production line
- Delay in next stage of production

36. A statement that is TRUE about CONWIP system is

- CONWIP controls WIP in push production system
- CONWIP uses both production and withdrawal cards
- CONWIP maintains a constant level of WIP in the production system
- CONWIP uses a constant number of cards

37. All are TRUE about finished goods inventory EXCEPT

- Made-to-order system does not keep finished goods inventory
- Finished goods inventory are short term assets
- In Made-to-stock system finished goods are mass produced
- In Made-to-order system optimal level of finished goods inventory are maintained

38. In inventory management ITR stands for

- Inventory Transaction Rate
39. ________ inventory management enable retailers to track and monitor stocks as well as the finances involved

- Lean
- Agile
- Digital
- Flexible

40. A random counting of inventory is termed as

- Perpetual checking
- Spot checking
- Periodic checking
- Blind checking

41. ________ inventory is a temporary situation where there is less than zero of products in stock

- Negative
- Dead
- Non-moving
- Perishable

42. On the basis of activities, a warehouse area is classified as various zones. A zone which is not a part of this demarcation is
43. In retail management a ________ policy for sold merchandise for repair is very

- Return
- Collection
- Transportation
- Disposal

44. Top reason for retail shrinkage is

- Shoplifting
- Return fraud
- Employee theft
- Internal process failure

45. Stock audit helps in all of the following ways except

- Matching the accounting records
- Identifying overstocked/understocked items
- Improving financial health of a company
- Checking effectiveness of the warehouse system

46. Pick up the correct choice about the following statements
A) RFID uses both active and passive tags
B) Both RFID and BARCODE are auto identification system
47. All are reasons for inventory valuation EXCEPT

- Ascertainment of income
- Defining liquidity position
- Statutory compliance
- Filling income tax return

48. FIFO method of inventory valuation is appropriate when

- Inflation is high
- There are rapid stock turnovers
- There is high price fluctuation
- Closing stock has to reflect market prices

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

- FIFO
- LIFO
- Simple average
- Specific cost

50. It is fairly difficult to calculate ________ cost related to inventory.
- Purchase cost
- Inventory carrying cost
- Ordering cost
- Stock out cost