**Chapter 15: Inventory Management**

**Test Bank**

**Multiple Choice**

1. Inventory affects \_\_\_\_\_\_.

a. customer satisfaction

b. corporate strategies

c. compliance with government regulations

d. adherence to ISO specifications

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Operations Profile: Best Buy Moves Inventory Control to Its 1,000 Warehouses

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

2. Which of the following is one of the types of inventory carried by a company?

a. different foods for employee consumption

b. maintenance, repair, and operations (MRO) inventory

c. arms and ammunition for security purposes

d. pet food for animals on company premises

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Types of Inventory

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

3. Inventories \_\_\_\_\_\_.

a. have economic value

b. are listed as current liabilities in a company’s balance sheet

c. are subject to government inspection

d. depend on the number of employees in the company

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Inventory Costs

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

4. Which of the following is NOT a type of inventory-related costs?

a. purchasing costs

b. ordering costs

c. setup costs

d. cost of holding the wrong products

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Inventory Costs

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

5. Major categories of inventory-related costs include \_\_\_\_\_\_.

a. cost of defective raw materials

b. holding or carrying costs

c. cost of government audits

d. cost of holding the wrong products

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Inventory Costs

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

6. Ordering costs include \_\_\_\_\_\_.

a. warranty costs

b. the cost of inspecting goods received for quality and quantity

c. costs of scrap

d. costs of rework

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Inventory Costs

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

7. Ordering costs \_\_\_\_\_\_.

a. are expressed on a per-order basis

b. are proportional to quantity ordered

c. depend on quality of products ordered

d. are usually higher than holding costs

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Inventory Costs

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

8. Setup costs \_\_\_\_\_\_.

a. are the costs of setting up retail operations

b. are the costs of changing production from one item to another

c. are usually higher than holding costs

d. are the same as storage costs

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Setup Costs

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

9. Setup costs are \_\_\_\_\_\_.

a. variable costs

b. fixed costs

c. sunk costs

d. annual costs

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Setup Costs

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

10. On an annual basis, total setup costs \_\_\_\_\_\_.

a. decrease as the quantity produced per production run increases

b. increase as the quantity produced per production run increases

c. increase as the number of production runs decreases

d. increase as the number of setups required decreases

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Setup Costs

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

11. Insurance to protect inventory is a type of \_\_\_\_\_\_.

a. ordering costs

b. setup costs

c. stock-out costs

d. holding costs

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Holding, or Carrying, Costs

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

12. Insurance to cover costs associated with obsolete, stolen, deteriorated, or spoiled inventory falls under \_\_\_\_\_\_.

a. ordering costs

b. setup costs

c. stock-out costs

d. holding costs

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Holding, or Carrying, Costs

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

13. Holding costs can be expressed as \_\_\_\_\_\_.

a. the total carrying cost per unit per time period

b. the sum of setup costs and ordering costs

c. a hidden cost

d. proportional to manufacturing costs

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Holding, or Carrying, Costs

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

14. As a percentage of the value of an item, annual holding costs can be as high as \_\_\_\_\_\_.

a. 20%

b. 30%

c. 40%

d. 50%

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Holding, or Carrying, Costs

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

15. Holding costs have an inverse relationship with \_\_\_\_\_\_.

a. ordering costs

b. dismantling costs

c. costs of logistics

d. costs of warehousing

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Holding, or Carrying, Costs

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

16. Shortage costs refer to \_\_\_\_\_\_.

a. ordering costs

b. setup costs

c. stock-out costs

d. purchasing costs

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Stock-out Costs

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

17. Which of the following is NOT an example of holding costs?

a. storage

b. risk

c. purchase

d. interest

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Stock-out Costs

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

18. Which of the following is NOT a characteristic of stock-out costs?

a. They are inversely related to carrying costs.

b. They can be tangible costs.

c. They can be intangible costs.

d. They are directly related to setup costs.

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Stock-out Costs

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

19. Tangible stock-out costs include \_\_\_\_\_\_.

a. permanent loss of customers and future sales

b. failure to meet ISO requirements

c. potential for government audits

d. lost revenues

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Stock-out Costs

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

20. Stock held to meet a firm’s expected or normal demand is \_\_\_\_\_\_.

a. cycle stock

b. required stock

c. surplus stock

d. seasonal stock

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Meeting Expected Normal Demand

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

21. Which of the following statements is true with regard to cycle stock?

a. It is also called surplus stock.

b. It is received from a downstream supply chain partner.

c. It is seasonal in nature.

d. It is also referred to as base stock.

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Meeting Expected Normal Demand

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

22. Which of the following is NOT a reason why companies hold inventory?

a. to respond to the uncertainties in demand levels

b. to respond to the uncertainties in supply levels

c. to safeguard against shipping delays

d. to increase shortages artificially

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Protecting Against Shortages

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

23. Purchasing materials in higher volumes has the advantage of reducing \_\_\_\_\_\_.

a. unit cost of material

b. costs associated with storing these materials

c. avoiding the possibility of having a surplus of finished products

d. price charged to customer

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Receiving Quantity Discounts

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

24. Materials purchased in anticipating of rising prices, shortages, government instability, and the like is referred to as \_\_\_\_\_\_.

a. hedge inventory

b. anticipation inventory

c. seasonal inventory

d. stabilizing inventory

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Guarding Against Future Price Increases

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

25. Anticipation inventory is \_\_\_\_\_\_.

a. inventory held in excess of a firm’s cycle stock

b. to avoid expected fall in demand

c. also called seasonal inventory

d. stock-out avoidance inventory

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Guarding Against Future Price Increases

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

26. Advantages of full truckload shipments are \_\_\_\_\_\_.

a. power transportation cost per unit

b. potential for quality in transportation

c. reduced customer satisfaction

d. potential for reduced setup costs

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Reducing Transportation Costs and Transit Times

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

27. Inventories that are in transit in containers or trucks \_\_\_\_\_\_.

a. are known as pipeline inventories

b. are known as in-house inventories

c. are relatively small in global supply chain (as compared to domestic supply chains)

d. are known as en route inventories

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Reducing Transportation Costs and Transit Times

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

28. Which of the following is NOT associated with faster modes of transportation?

a. reduced in-transit inventory costs

b. reduced in-transit storage costs

c. higher transportation costs

d. lower customer satisfaction

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Reducing Transportation Costs and Transit Times

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

29. An inventory held to reduce or eliminate fluctuations in production is called a(n) \_\_\_\_\_\_.

a. smoothing inventory

b. hedge inventory

c. anticipation inventory

d. pipeline inventory

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Smoothing Out Production Fluctuations

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

30. Which of the following is usually NOT a reason to hold inventory?

a. to drive up price

b. to smooth out fluctuations in production

c. to hedge against variations in demand and supply

d. to decouple one step in the production process from another

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Facilitate Decoupling of Processes

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

31. Which of the following is NOT a measure of good inventory management?

a. cost of goods sold

b. backorders and lost sales

c. inventory turnover

d. days of inventory in stock

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Inventory Management Measures

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

32. Which of the following is NOT an appropriate measure of good inventory management?

a. order fulfillment lead time

b. item fill rate

c. inventory accuracy

d. amount of seasonal inventory

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Inventory Management Measures

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

33. A backorder is \_\_\_\_\_\_.

a. a customer order a company was unable to meet because the item demanded was not in stock

b. a customer order a company is unable to fulfill because the product is not exactly as per customer specifications

c. a customer order a company is unable to fulfill because the customer has not been able to finance the purchase

d. a customer order a company is unable to fulfill because the product does not meet manufacturing tolerances

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Backorders and Lost Sales

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

34. Which of the following is true with regard to backorders?

a. The sale is lost for the moment but filled at a future date.

b. The revenue earnings are improved.

c. They have a positive impact on the company’s reputation.

d. They have a positive impact on the company’s market share.

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-3. Examine the role of inventory in an organization’s supply chain.

Answer Location: Backorders and Lost Sales

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

35. Inventory turnover is \_\_\_\_\_\_.

a. a measure of how frequently a business sells its inventory in a given time period

b. calculated as the ratio of the cost of goods sold to the average manufacturing cost

c. calculated as the ratio of the cost of goods returned by customers to cost of goods sold to customers

d. calculated as the product of the cost of goods returned by customers to cost of goods sold to customers

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Turnover

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

36. Inventory turnover measured annually is \_\_\_\_\_\_.

a. the ratio of (Annual Average Inventory Investment) to (Annual Cost of Goods Sold)

b. the ratio of (Annual Cost of Goods Sold) to (Annual Average Inventory Investment)

c. the product of (Annual Average Inventory Investment) and (Annual Cost of Goods Sold)

d. the product of (Annual Cost of Goods Sold) and (Annual Average Inventory Investment)

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Turnover

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

37. Which of the following is NOT a problem that inventory turnover can alert managers to?

a. overstocking

b. product obsolescence

c. impending stock-out situations

d. increasing production costs

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Turnover

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

38. Which of the following is true with regard to inventory turnover ratio?

a. Generally, the higher a firm’s inventory turnover ratio, the less time its inventory spends in storage and, therefore, the more efficient is the firm’s use of the inventory.

b. Generally, the lower a firm’s inventory turnover ratio, the less time its inventory spends in storage and, therefore, the less efficient is the firm’s use of the inventory.

c. Generally, the higher a firm’s inventory turnover ratio, the less time its inventory spends in storage and, therefore, the less efficient is the firm’s use of the inventory.

d. Generally, the lower a firm’s inventory turnover ratio, the less time its inventory spends in storage and, therefore, the more efficient is the firm’s use of the inventory.

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Turnover

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

39. A high inventory turnover ratio indicates that \_\_\_\_\_\_.

a. the firm is converting its inventory to profits faster

b. potential for product obsolescence is high

c. inventory is not being replenished

d. potential for product theft and damage is high

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Turnover

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

40. Order-fulfillment lead time is \_\_\_\_\_\_.

a. the average time it takes from the submission of a customer’s purchase order until the company delivers the order

b. the average time it takes from the time the customer’s order is shipped till the customer receives the order

c. the average time it takes from the time production of a customer’s order starts till the production is completed

d. the average time it takes for a customer’s order to be packaged for shipping

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Order Fulfillment Lead Time

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

41. The fill rate \_\_\_\_\_\_.

a. is the percentage of customer orders that can be satisfied from inventory in stock

b. is inversely related to effectiveness of inventory management

b. is the product of the stock-out rate and rate at which customers place orders

d. is lower during periods of seasonal demand

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Fill Rate

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

42. Which of the following is true with regard to fill rates and inventory?

a. There is a strong relationship between fill rates and the amount of inventory in stock.

b. As inventory is added in steady increments, a firm’s fill rate decreases.

c. The higher the fill rate, the easier it is to improve the fill rate.

d. Fill rates are inversely related to inventory levels.

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Fill Rate

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

43. We can track inventory accuracy by \_\_\_\_\_\_.

a. calculating the mean absolute deviation between the quantity shown in inventory records and the real quantity that is physically available

b. calculating the difference between production records and sales records

c. counting each unit after each manufacturing cycle

d. counting units left in inventory after the sale of each unit

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Accuracy Rate

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

44. Which of the following is NOT associated with cycle counting?

a. counting a random sample or subset of inventory in stock

b. counting inventory in a particular location

c. counting inventory on a particular day

d. counting units left in inventory after the sale of each unit

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Accuracy Rate

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

45. Which of the following is NOT a benefit of cycle counting?

a. fewer disruptions to daily operations than a complete physical count

b. providing an ongoing measure of inventory accuracy

c. focusing on items critical to business processes

d. less time consuming than using RFID

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Accuracy Rate

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

46. The main objectives of inventory management are to provide customers with the right number of products and \_\_\_\_\_\_.

a. to provide these at the right place and at the right time

b. to keep inventory at a maximum

c. to ensure cost of production is low

d. to avoid stock-outs

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Key Features of Effective Inventory Management Systems

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

47. To achieve the goals of inventory management, operations managers should ask this: \_\_\_\_\_\_.

a. How much inventory should we order or produce?

b. What products should we offer?

c. At what price should we offer a product?

d. What level of quality should we offer?

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Key Features of Effective Inventory Management Systems

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

48. The ABC classification method classifies inventory based on \_\_\_\_\_\_.

a. unit value

b. amount of safety stock needed

c. product quality

d. quantity demanded

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Inventory Classification: The ABC Method

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

49. In an ABC classification system, an *A* item \_\_\_\_\_\_.

a. may have low value but high sales volume

b. may have low demand but high ordering cost

c. may have low quality but high holding cost

d. may have low quality but high ordering cost

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Inventory Classification: The ABC Method

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

50. When we apply the ABC classification to cycle counting, we would \_\_\_\_\_\_.

a. cycle count *A* items more frequently than *B* items

b. cycle count *C* items more frequently than *A* items

c. cycle count *C* items more frequently than *B* items

d. cycle count *C* items as frequently as *A* items

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Inventory Classification: The ABC Method

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

51. Which of the following is NOT one of the three basic types of inventory control systems?

a. single-period system

b. multi-period system

c. continuous review system

d. periodic review system

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Inventory Control Systems

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

52. In a single-period system, \_\_\_\_\_\_.

a. the entire inventory of a product is ordered at one time

b. as inventory is consumed it is continuously replenished

c. inventory is replenished halfway during a consumption cycle

d. the entire inventory of a product is ordered by a single customer

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Inventory Control Systems

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

53. When products are seasonal or have a limited shelf life, a company is more likely to use a \_\_\_\_\_\_.

a. single-period system

b. multi-period system

c. continuous replenishment system

d. periodic review system

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Inventory Control Systems

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

54. A single-period system \_\_\_\_\_\_.

a. is appropriate for ordering roses for Valentine’s Day

b. provides many opportunities to place the order

c. is one where inventory is replenished halfway during a consumption cycle

d. is one where the entire inventory of a product is ordered by a single customer

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Inventory Control Systems

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

55. A periodic review system \_\_\_\_\_\_.

a. is also known as a periodic inventory system

b. is also known as a variable order interval system

c. is one where the entire inventory is ordered once and not replenished

d. is suitable for selling high-volume products

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Periodic Review Systems

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

56. Periodic review systems are \_\_\_\_\_\_.

a. characterized by weekly, monthly, or annual physical counts of inventory

b. best suited for businesses that sell high-volume products

c. systems where inventory is replenished halfway during a consumption cycle

d. systems where the entire inventory of a product is ordered by a single customer

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Periodic Review Systems

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

57. Periodic review systems are \_\_\_\_\_\_.

a. characterized by a continuous physical count of inventory

b. best suited for businesses that sell low-volume products

c. also known as seasonal review systems

d. used extensively in the service industry

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Periodic Review Systems

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

58. In a periodic inventory system, \_\_\_\_\_\_.

a. inventory is monitored frequently between orders

b. costs associated with purchasing and ordering can be minimized

c. savings due to economies of scale are not available

d. physical counting and ordering of replacement items occur at different times

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Periodic Review Systems

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

59. A continuous review system is also known as a(n) \_\_\_\_\_\_.

a. fixed order quantity system

b. annual inventory system

c. periodic review system

d. fixed order interval system

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Continuous Review Systems

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

60. A continuous review system \_\_\_\_\_\_.

a. requires stringent monitoring of inventories because they have high value

b. is best suited for the *C* category of items under the ABC classification scheme

c. is also known as the annual inventory system

d. is one where inventory replenishment is done annually

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Continuous Review Systems

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

61. The use of radio frequency identification (RFID) \_\_\_\_\_\_.

a. has increased the accuracy and efficiency of managing inventory

b. is most appropriate for companies that handle inventory in small quantities

c. is not as efficient as the periodic review system

d. is a response to the costs of cycle counting

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Continuous Review Systems

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

62. A type of RFID system used for inventory tracking is the \_\_\_\_\_\_ system.

a. active

b. precise

c. positive

d. responsive

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Continuous Review Systems

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

63. Active tags are \_\_\_\_\_\_.

a. useful for tracking high-value goods that need to be scanned over long ranges

b. less expensive than passive tags

c. those that can be monitored from a long distance (e.g., company headquarters)

d. those for which government subsidies are available

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Continuous Review Systems

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

64. The bullwhip effect suggests that \_\_\_\_\_\_.

a. changes in consumer demand are magnified as one moves upstream in the supply chain

b. changes in consumer demand are magnified as one moves downstream in the supply chain

a. changes in consumer demand are minimized as one moves upstream in the supply chain

b. changes in consumer demand are constant as one moves downstream in the supply chain

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-5. Illustrate key features in inventory management systems.

Answer Location: Uncertainty in Supply Chain Inventories: The Bullwhip Effect

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

65. A major underlying cause for the bullwhip effect includes \_\_\_\_\_\_.

a. revised demand forecasts

b. the pull system of manufacture

c. low elasticity of demand

d. low elasticity of supply

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Causes of the Bullwhip Effect

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

66. The bullwhip effect \_\_\_\_\_\_.

a. results from information distortion

b. is due to low elasticity of demand

c. is due to low elasticity of supply

d. results from too much information

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Revised Demand Forecasts

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

67. The bullwhip effect \_\_\_\_\_\_.

a. is enhanced if the lead time is longer

b. is minimized if the lead time is longer

c. is enhanced if the lead time is shorter

d. is enhanced if the lead time is fluctuating

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Revised Demand Forecasts

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

68. Batch ordering \_\_\_\_\_\_.

a. can reduce a firm’s ordering costs

b. can reduce demand for products and materials

c. can reduce elasticity of demand for that product

d. can reduce elasticity of supply for that product

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Order Accumulation

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

69. Which of the following does NOT contribute to the bullwhip effect?

a. price discounts

b. coupons

c. quantity discounts

d. elasticity of demand

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Price Fluctuations

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

70. Customer responses to rationing \_\_\_\_\_\_.

a. can eliminate the bullwhip effect

b. is also referred to as gaming

c. depends on price of the product

d. depends on frequency with which inventory is replenished

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Rationing and Shortage Gaming

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

71. Strategies for mitigating the bullwhip effect include \_\_\_\_\_\_.

a. channel alignment

b. restricting information flows

c. reducing inventory

d. increasing price

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Strategies for Mitigating the Bullwhip Effect

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

72. Strategies for mitigating the bullwhip effect include \_\_\_\_\_\_.

a. operational efficiency

b. price fixing

c. reducing inventory

d. increasing price

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Strategies for Mitigating the Bullwhip Effect

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

73. If supply chain members share inventory information, they can \_\_\_\_\_\_.

a. coordinate their individual operations

b. update their forecasts independent of other supply chain members

c. fix prices to improve profit margins

d. influence demand elasticity

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Information Sharing

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

74. A postponement strategy \_\_\_\_\_\_.

a. refers to delaying the final assembly of the product until more accurate demand information becomes available

b. is a way to delay consumption

c. is an attempt to avoid seasonal fluctuations in demand

d. is an attempt to avoid seasonal fluctuations in supply

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Strategies for Mitigating the Bullwhip Effect

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

75. Which of the following is NOT true about channel alignment?

a. It refers to cooperation among supply chain members.

b. It is a way to worsen the bullwhip effect.

c. It facilitates coordination of inventory planning.

d. It facilitates coordination of warehousing.

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Channel Alignment

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

76. VMI is \_\_\_\_\_\_.

a. a channel alignment method that mitigates the bullwhip effect caused by forecast updates

b. vertically merged integration

c. when the vendor merges his inventory with the inventory of the company

d. a way to reduce cost of inventory transportation

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Channel Alignment

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

77. Disintermediation \_\_\_\_\_\_.

a. is used to prevent information distortion in a supply chain

b. refers to a downstream supply chain member selling directly to an upstream supply chain member

c. is one method to avoid or reduce seasonality of demand

d. is when a supplier of raw materials sells products directly to the end consumer

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Channel Alignment

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

78. A single-echelon inventory system \_\_\_\_\_\_.

a. is one where each supply chain partner (echelon) sequentially forecasts demand

b. reduces potential for the bullwhip effect

c. is one where supply chain partners forecast demand as a single group

d. reduce information flows

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Improving Operational Efficiency

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

79. Just-in-time replenishment practices include \_\_\_\_\_\_.

a. continuous replenishment programs (CRP)

b. discrete replenishment programs (DRP)

c. annual replenishment system (ARS)

d. a push system of replenishment

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-6. Identify the causes of the bullwhip effect and other causes of uncertainty in supply chain inventories.

Answer Location: Improving Operational Efficiency

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

80. Which of the following is least consistent with sustainability practices in inventory management?

a. minimizing wasted movement

b. less excess inventory

c. reduced waiting time

d. push system

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-7. Explain how companies can include sustainability and ethical practices in inventory management.

Answer Location: Applying Lean Principles to Inventory Management

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

81. The percentage of companies adopting lean practices in inventory management is estimated to be \_\_\_\_\_\_.

a. over 30%

b. over 40%

c. over 50%

d. over 60%

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-7. Explain how companies can include sustainability and ethical practices in inventory management.

Answer Location: Applying Lean Principles to Inventory Management

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

82. Examples of environmentally friendly products include \_\_\_\_\_\_.

a. products that are biodegradable

b. products that contain materials from fossil fuels

c. products with large carbon footprints

d. products that require large amounts of inventory

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-7. Explain how companies can include sustainability and ethical practices in inventory management.

Answer Location: Using Environmentally Friendly Materials in Product Development and Manufacturing Activities

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

83. Which of the following is NOT an ethical problem that occurs in inventory management?

a. misleading buyers about the price of storing inventory for them or the status of their inventory

b. covering up damaged products that are ready for shipment

c. manipulating inventory figures and inventory levels

d. charging higher prices for better quality products

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-7. Explain how companies can include sustainability and ethical practices in inventory management.

Answer Location: Using Environmentally Friendly Materials in Product Development and Manufacturing Activities

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

84. A code of ethics \_\_\_\_\_\_.

a. is required by law in the United States

b. is a specific set of professional behaviors and values

c. is based upon principles developed by the United Nations

d. is mandated by the ISO

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-7. Explain how companies can include sustainability and ethical practices in inventory management.

Answer Location: Using Environmentally Friendly Materials in Product Development and Manufacturing Activities

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

85. To manage inventories in globally supply chains, companies \_\_\_\_\_\_.

a. must have a clear understanding of the nature of their business operations

b. must apply the same tools used to manage inventories in domestic supply chains

c. must have an isolated ERP system

d. must be less dependent on technology

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-8. Demonstrate the requirements for managing inventory in global supply chains.

Answer Location: Global Inventory Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

86. In the service sector, inventory control methods \_\_\_\_\_\_.

a. are not necessary as no products are involved

b. may need to be tailored to the service provided

c. are the same for food services as airline services

d. are costlier than for inventory control for products

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-9. Describe how service firms apply inventory management methods to their operations.

Answer Location: Service Sector Inventory Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

87. The objective of inventory management in the airline industry is \_\_\_\_\_\_.

a. to maximize the total revenues generated by the mix of fare classes sold for a flight

b. to ensure seats are cleaned

c. to provide the highest quality of service

d. nonexistent, as there is no inventory relevant to air transportation

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-9. Describe how service firms apply inventory management methods to their operations.

Answer Location: Service Sector Inventory Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

88. Yield management \_\_\_\_\_\_.

a. is also called profit management

b. is a variable pricing strategy that enables service companies to control their inventory

c. is a technique to check how much demand yields to changes in price

d. is a technique to check how much supply yields to changes in price

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-9. Describe how service firms apply inventory management methods to their operations.

Answer Location: Service Sector Inventory Management

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

89. Order fill rates of 100% \_\_\_\_\_\_.

a. are impossible to achieve, no matter what

b. can be achieved, provided we are willing to overstock items

c. can be achieved only in some industries

d. can be achieved using a periodic review systems

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-9. Describe how service firms apply inventory management methods to their operations.

Answer Location: Fill Rate

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

90. In a single-period system, if too much is ordered but not sold, the company may have to \_\_\_\_\_\_.

a. sell the excess at a discounted price

b. open new distribution centers

c. identify new markets

d. give it away to its employees

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-9. Describe how service firms apply inventory management methods to their operations.

Answer Location: Single-Period Systems

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

91. If a customer places an order for 20 units of an item, but the current inventory in stock allows your company to ship only 15 units, \_\_\_\_\_\_.

a. your fill rate for the item is given by 15/20

b. your fill rate for the item is given by 20/15

c. your fill rate for the item is given by (20/15)^2

d. you have to ask the supplier to ship directly to customer

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-9. Describe how service firms apply inventory management methods to their operations.

Answer Location: Fill Rate

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

92. In general, as inventory is added in steady increments, \_\_\_\_\_\_.

a. a firm’s fill rate decreases but at a decreasing rate

b. a firm’s fill rate increases but at an increasing rate

c. a firm’s fill rate decreases but at an increasing rate

d. a firm’s fill rate increases but at a decreasing rate

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 15-9. Describe how service firms apply inventory management methods to their operations.

Answer Location: Fill Rate

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

93. An effective inventory management system \_\_\_\_\_\_.

a. will produce reliable demand forecasts and estimates of lead times and inventory costs

b. will attempt to reprice items such that inventory of finished products is minimized

c. will use the push system in some seasons and pull system in other seasons to balance demand and supply

d. will help identify the right markets for its products

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-9. Describe how service firms apply inventory management methods to their operations.

Answer Location: Key Features of Effective Inventory Management Systems

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

94. With regard to pipeline inventories, there is a trade-off between \_\_\_\_\_\_.

a. in-transit inventory and value of the inventory

b. value of the inventory and transportation costs

c. transportation costs and in-transit inventory

d. in-transit inventory and product cost

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Reducing Transportation Costs and Transit Times

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

95. Which of the following is NOT a problem that is signaled by inventory turnover?

a. overstocking

b. product obsolescence

c. impending stock-out situations

d. use of poor quality inputs

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Turnover

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

96. Generally, the higher a firm’s inventory turnover ratio, \_\_\_\_\_\_.

a. the more time its inventory spends in storage

b. the more efficient is the firm’s use of the inventory

c. the more inventory is in the warehouse

d. the lower the demand for the firm’s products

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Turnover

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

97. In the fashion apparel industry, fill rates greater than 70% are hard to achieve because \_\_\_\_\_\_.

a. new products are introduced only occasionally

b. top-selling fashions sell out quickly

c. fashions do not change very often

d. customers are easily satisfied with older fashions

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Fill Rate

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

98. In cycle counting, \_\_\_\_\_\_.

a. companies typically count items that generate most of their sales more frequently

b. the greater the popularity of a product, the less often it is counted

c. the greater the profitability of a product, the less often it is counted

d. the more frequently a product is supplied, the less often it is counted

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Inventory Accuracy Rate

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

99. In which type of inventory control system is the entire inventory of a product ordered at one time and not replenished upon consumption?

a. single-period system

b. multi-period system

c. continuous replenishment system

d. instant-ordering system

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Single-Period Systems

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

100. When a firm’s inventory falls to a predetermined level, a new order is placed to replenish inventory. This predetermined level is known as \_\_\_\_\_\_.

a. the reorder point

b. the replenishment point

c. the stock-out point

d. the safety stock point

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 15-4. Use inventory management measures to determine the efficiency of an inventory system.

Answer Location: Continuous Review Systems

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)