**Chapter 10: Supplier Management**

**Practice Problems**

**MULTIPLE CHOICE**

1. A business process that enables a company to identify and select the best possible suppliers and negotiate the best possible prices for the resources it purchases from them is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | supplier management |
| b. | supplier process evaluation |
| c. | supply chain management |
| d. | strategic sourcing |

ANS: A PTS: 1 DIF: Easy

2. Which of the following is NOT a goal of supplier management?

|  |  |
| --- | --- |
| a. | meet their quality standards |
| b. | minimization of a firm’s supply cost |
| c. | reduce reliance on foreign suppliers |
| d. | foster sustainability |

ANS: C PTS: 1 DIF: Medium

3. Many companies worldwide now require their suppliers be prequalified by having \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | APICS certification |
| b. | ISO 9001 |
| c. | ISO 14000 |
| d. | ASQ approval |

ANS: B PTS: 1 DIF: Medium

4. Cost of poor quality primarily includes \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | purchase cost |
| b. | scrap and rework cost |
| c. | maintenance cost |
| d. | selling cost |

ANS: B PTS: 1 DIF: Easy

5. Sony’s JIT program insists that their component suppliers’ warehouses be \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | ISO 9001 certified |
| b. | ISO 14000 certified |
| c. | located in close proximity |
| d. | APICS certified |

ANS: C PTS: 1 DIF: Medium

6. A firm has successfully completed a supplier management program and has reduced its COGS by $3 million dollars. Assuming that the firm has a 7% margin on sales, what would be the equivalent increase in sales that the $3 million dollars in savings would be equal to?

|  |  |
| --- | --- |
| a. | $21,000,000 |
| b. | $30,353,872 |
| c. | $42,857,143 |
| d. | $61,237,122 |

ANS: C PTS: 1 DIF: Hard

7. A firm has changed many of its large suppliers and reduced its COGS by $4.5 million dollars. Assuming that the firm has a 9% margin on sales, what would be the equivalent increase in sales that the $4.5 million dollars in savings would be equal to?

|  |  |
| --- | --- |
| a. | $32,464,983 |
| b. | $46,291,087 |
| c. | $50,000,000 |
| d. | $90,000,000 |

ANS: C PTS: 1 DIF: Hard

8. Costs that include the idle time from production shutdowns, scrap and rework, the cost of returns and product recalls, liability and warranty costs, lost sales, and damage to a company’s reputation are known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | cost of business |
| b. | cost of maintenance |
| c. | cost of operations |
| d. | cost of poor quality |

ANS: D PTS: 1 DIF: Easy

9. How many tasks are there in the supplier management process?

|  |  |
| --- | --- |
| a. | three |
| b. | five |
| c. | seven |
| d. | eight |

ANS: C PTS: 1 DIF: Medium

10. Which of the following is NOT one of the tasks of the supplier management process?

|  |  |
| --- | --- |
| a. | strategic sourcing |
| b. | purchasing |
| c. | supplier performance management |
| d. | acquisition of suppliers |

ANS: D PTS: 1 DIF: Medium

11. All of the following are tasks of the supplier management process EXCEPT this:

|  |  |
| --- | --- |
| a. | creation of enterprise resource management system |
| b. | supplier relationship management |
| c. | supplier information management |
| d. | supplier phase-out |

ANS: A PTS: 1 DIF: Medium

12. The systematic process that seeks to align a firm’s purchasing strategies with its overall strategy in a cost-effective manner is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | supplier management |
| b. | supplier process evaluation |
| c. | supply chain management |
| d. | strategic sourcing |

ANS: D PTS: 1 DIF: Medium

13. For firms that actively monitor and control their spending, it is estimated that the average company saves what percentage on total spend dollars?

|  |  |
| --- | --- |
| a. | 0.25%-1.00% |
| b. | 1.25%-1.75% |
| c. | 2.00%-2.50% |
| d. | 3.00%-3.50% |

ANS: A PTS: 1 DIF: Hard

14. When there is a low level of value impact and a low level of supply risk, the sourcing strategy is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | bottleneck purchases |
| b. | leveraged purchases |
| c. | noncritical purchases |
| d. | strategic purchases |

ANS: C PTS: 1 DIF: Medium

15. When there is a low level of value impact and a high level of supply risk, the sourcing strategy is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | bottleneck purchases |
| b. | leveraged purchases |
| c. | noncritical purchases |
| d. | strategic purchases |

ANS: A PTS: 1 DIF: Medium

16. When there is a high level of value impact and a low level of supply risk, the sourcing strategy is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | bottleneck purchases |
| b. | leveraged purchases |
| c. | noncritical purchases |
| d. | strategic purchases |

ANS: B PTS: 1 DIF: Medium

17. When there is a high level of value impact and a high level of supply risk, the sourcing strategy is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | bottleneck purchases |
| b. | leveraged purchases |
| c. | noncritical purchases |
| d. | strategic purchases |

ANS: D PTS: 1 DIF: Medium

18. A firm in the heating oil industry would most likely employ what type of sourcing strategy?

|  |  |
| --- | --- |
| a. | bottleneck purchases |
| b. | leveraged purchases |
| c. | noncritical purchases |
| d. | strategic purchases |

ANS: B PTS: 1 DIF: Hard

19. A firm in the office supplies industry would most likely employ what type of sourcing strategy?

|  |  |
| --- | --- |
| a. | bottleneck purchases |
| b. | leveraged purchases |
| c. | noncritical purchases |
| d. | strategic purchases |

ANS: C PTS: 1 DIF: Hard

20. A firm in the high-value electronic components industry would most likely employ what type of sourcing strategy?

|  |  |
| --- | --- |
| a. | bottleneck purchases |
| b. | leveraged purchases |
| c. | noncritical purchases |
| d. | strategic purchases |

ANS: D PTS: 1 DIF: Medium

21. A firm in the maintenance, repair, and operations industry would most likely employ what type of sourcing strategy?

|  |  |
| --- | --- |
| a. | bottleneck purchases |
| b. | leveraged purchases |
| c. | noncritical purchases |
| d. | strategic purchases |

ANS: A PTS: 1 DIF: Hard

22. The development of a sourcing strategy involves all but which of the following?

|  |  |
| --- | --- |
| a. | optimizing the supply base |
| b. | choosing the location of the suppliers |
| c. | acquiring suppliers |
| d. | determining the nature and length of the contractual relationship |

ANS: C PTS: 1 DIF: Medium

23. Supply-base optimization means

|  |  |
| --- | --- |
| a. | obtaining optimal prices from suppliers |
| b. | determining the best number of suppliers |
| c. | finding optimal locations for suppliers |
| d. | finding the optimal mix of suppliers |

ANS: B PTS: 1 DIF: Medium

24. For bottleneck purchases, a company may want to rely on a \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | single-source strategy |
| b. | dual-sourcing strategy |
| c. | multiple-sourcing strategy |
| d. | any of these |

ANS: C PTS: 1 DIF: Medium

25. For leveraged purchases, a company may want to rely on a \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | single-source strategy |
| b. | dual-sourcing strategy |
| c. | single-source or dual-sourcing strategy |
| d. | none of these |

ANS: C PTS: 1 DIF: Medium

26. Some of the disadvantages of global sourcing include all but which of the following?

|  |  |
| --- | --- |
| a. | need to be fluent in several languages |
| b. | difficult to achieve on-time deliveries |
| c. | failure to protect intellectual property rights |
| d. | fluctuating exchange rates |

ANS: A PTS: 1 DIF: Easy

27. The simple buy-and-sell exchanges of goods or services, which are typical for noncritical or one-time purchases, as is the case for commodities that can be purchased from hundreds of suppliers, are known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | strategic alliances |
| b. | collaborative relationships |
| c. | transactional relationships |
| d. | unitary relationships |

ANS: C PTS: 1 DIF: Medium

28. Firms that share knowledge and expertise, expenses, and risks are involved in \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | strategic alliances |
| b. | collaborative relationships |
| c. | transactional relationships |
| d. | joint ventures |

ANS: A PTS: 1 DIF: Medium

29. When two firms create an independent company by sharing their resources and capabilities, they are involved in a \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | strategic alliance |
| b. | collaborative relationship |
| c. | transactional relationship |
| d. | joint venture |

ANS: D PTS: 1 DIF: Medium

30. Japanese companies in \_\_\_\_\_\_ maintain long-term relationships and collaborate as partners by providing mutual financial support and technical expertise to one another.

|  |  |
| --- | --- |
| a. | cartels |
| b. | Keiretsus |
| c. | trusts |
| d. | yakuzas |

ANS: B PTS: 1 DIF: Easy

31. The process of selecting suppliers begins with the buying company preparing a \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | competitive bid |
| b. | request for design |
| c. | request for proposal |
| d. | selection bid |

ANS: C PTS: 1 DIF: Medium

32. A decision methodology that uses a hierarchy of criteria against which each decision alternative is evaluated is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | AHP |
| b. | ANOVA |
| c. | conjoint |
| d. | SAS |

ANS: A PTS: 1 DIF: Hard

Malcolm Electronics is reviewing four suppliers to be the single source for a key component. They have identified four metrics that will be the basis of their evaluation, and they have scored the four suppliers on those metrics. The results are given below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Score | | | |
| Factor | Weight | Supplier A | Supplier B | Supplier C | Supplier D |
| Delivery Reliability | 0.25 | 60 | 50 | 80 | 40 |
| Purchase Price | 0.10 | 40 | 80 | 50 | 100 |
| Quality Metrics | 0.40 | 60 | 60 | 70 | 75 |
| Manufacturing Capabilities | 0.25 | 50 | 60 | 70 | 30 |
| Total | 1.00 |  | | | |

33. What would be the score for Supplier B?

|  |  |
| --- | --- |
| a. | 55.5 |
| b. | 57.5 |
| c. | 59.5 |
| d. | 70.5 |

ANS: C PTS: 1 DIF: Medium

34. What would be the score for Supplier D?

|  |  |
| --- | --- |
| a. | 55.5 |
| b. | 57.5 |
| c. | 59.5 |
| d. | 70.5 |

ANS: B PTS: 1 DIF: Medium

35. What would be the ranking of the suppliers (from highest to lowest)?

|  |  |
| --- | --- |
| a. | A - D - B - C |
| b. | B - C - A - D |
| c. | C - D - A - B |
| d. | C - B - D - A |

ANS: D PTS: 1 DIF: Hard

36. An e-procurement solution where suppliers compete for the buyer’s business by offering their products or services at lower and lower prices is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | competitive bidding |
| b. | a Russian auction |
| c. | an online reverse auction |
| d. | a request for proposal |

ANS: C PTS: 1 DIF: Easy

37. Which of the following is NOT an example of an online reverse auction?

|  |  |
| --- | --- |
| a. | English auction |
| b. | Dutch auction |
| c. | Russian auction |
| d. | second-price auction |

ANS: C PTS: 1 DIF: Medium

38. An online reverse auction where, within a specified time period, each potential supplier submits a sealed secret bid online in response to the buyer’s RFQ is known as a(n) \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | English auction |
| b. | Dutch auction |
| c. | sealed-bid, first-price auction |
| d. | second-price auction |

ANS: C PTS: 1 DIF: Easy

39. This is an online reverse auction where bidding starts with the buyer listing an initial price for the item it wants to buy. Suppliers then submit their bids, and the auction continues as long as each successive bid is lower than the previous bid. It is known as a(n) \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | English auction |
| b. | Dutch auction |
| c. | sealed-bid, first-price auction |
| d. | second-price auction |

ANS: A PTS: 1 DIF: Medium

40. An online reverse auction where the buyer starts with an initial low price and then gradually raises the price of the item until one of the suppliers agrees to provide it at that price is known as a(n) \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | English auction |
| b. | Dutch auction |
| c. | sealed-bid, first-price auction |
| d. | second-price auction |

ANS: B PTS: 1 DIF: Medium

41. This is an online reverse auction where each potential supplier submits a sealed bid in response to the buyer’s RFQ. The contract is awarded to the supplier that bids the lowest price, but the contract price is set at the level quoted by the *second-lowest* bid. This is known as a(n) \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | English auction |
| b. | Dutch auction |
| c. | sealed-bid, first-price auction |
| d. | second-price auction |

ANS: D PTS: 1 DIF: Easy

42. When a supplier is to be paid in full for all reasonable expenses incurred up to a preset limit, as well as an additional sum so that the supplier realizes a profit on the transaction, it is a \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | blanket contract |
| b. | buyback contract |
| c. | cost-plus contract |
| d. | planned purchase contract |

ANS: C PTS: 1 DIF: Medium

43. When purchases are to be made on approximate dates at specified quantities when inventories run low, it is known as a \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | blanket contract |
| b. | buyback contract |
| c. | cost-plus contract |
| d. | planned purchase contract |

ANS: D PTS: 1 DIF: Medium

44. When long-term purchases are made on multiple delivery dates scheduled over a period of time, it is known as a \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | blanket contract |
| b. | buyback contract |
| c. | cost-plus contract |
| d. | planned purchase contract |

ANS: A PTS: 1 DIF: Medium

45. Risk that stems from volatility in market prices caused by fluctuations in stock prices, exchange rates, interest rates, and commodity prices is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | demand risk |
| b. | implementation risk |
| c. | market risk |
| d. | performance risk |

ANS: C PTS: 1 DIF: Easy

46. Risk that stems from suppliers’ inability or unwillingness to meet delivery lead times or increase production because of capacity problems or because the buyer is not a key customer is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | demand risk |
| b. | implementation risk |
| c. | market risk |
| d. | performance risk |

ANS: B PTS: 1 DIF: Medium

47. Risk that stems from ongoing quality and financial issues with the supplier is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | demand risk |
| b. | implementation risk |
| c. | market risk |
| d. | performance risk |

ANS: D PTS: 1 DIF: Medium

48. Risk that stems from fluctuations in customer wants and inventory levels is known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | demand risk |
| b. | implementation risk |
| c. | market risk |
| d. | performance risk |

ANS: A PTS: 1 DIF: Medium

49. A buying organization phases out its suppliers for all but the following reason:

|  |  |
| --- | --- |
| a. | Cheaper and more reliable suppliers are available. |
| b. | Suppliers with better offerings, technology, or processes are available. |
| c. | The risks associated with doing business with the supplier cannot be mitigated. |
| d. | The suppliers speak a different language. |

ANS: D PTS: 1 DIF: Easy

50. Materials not explicitly used in the finished product but that support their production, such as replacement parts; maintenance items, such as oil for machinery; and office products used for administrative purposes, are examples of \_\_\_\_\_\_.

|  |  |
| --- | --- |
| a. | overhead costs |
| b. | direct costs |
| c. | indirect costs |
| d. | transaction costs |

ANS: C PTS: 1 DIF: Medium