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Exam : **L4M7**

Title : CIPS Whole Life Asset
Management

Vendor : CIPS

Version : DEMO

NO.1 A company does not have enough space to hold inventory to satisfy an external foreign market. Therefore, the board of directors has decided that the company would buy stock in bulk and pay a fee for storage to a third-party warehouse provider local to the foreign market. This would allow the company to focus on other aspects of the business. The stock will be called off as and when required. Which of the following strategies is being pursued by this company?

- A. Cross-docking
- B. Insourcing
- C. Outsourcing
- D. Partnering

Answer: C

Explanation:

Outsourcing involves contracting a third party to manage storage or logistics functions, which allows the company to concentrate on core business activities. In this case, outsourcing the warehousing needs aligns with whole-life asset management, as it optimizes resources and mitigates the challenges of limited storage capacity.

NO.2 Can RFID tags work when they are attached to metal surfaces or embedded within metal products?

- A. Yes, some technologies allow RFID tags to work on metal or within metal products
- B. No, metal surface reflects the radio wave and thus interferes the operations of RFID tags
- C. No, RFID tags only work with plastic products
- D. Yes, all RFID tags can be used in every environmental conditions

Answer: A

Explanation:

Mounting or embedding RFID tags on metal can be tricky. Metal surfaces reflect energy emitted from RFID readers and create interference for RFID tag antennas, which means the tag isn't able to receive power and transmit information; however, specific RFID tags will work around metal surfaces. RFID companies have patented technology that allows RFID to work when attached to metal surfaces and even embedded within metal products. As long as you choose the correct RFID equipment for your environment and application, you won't need to worry about interference from metal.

Reference: CIPS study guide page 49-50

LO 1, AC 1.2

NO.3 Among different types of costs associated with inventory, the costs of obtaining purchase approvals are...?

- A. Purchasing price
- B. Costs of stockouts
- C. Acquisition costs
- D. Holding costs

Answer: C

Explanation:

Direct and indirect costs of holding inventory include the following:

- Acquisition costs: preparing the requisition, supplier selection and approvals, time and costs of the procurement process, etc.

- Holding costs
 - Costs of stockouts
- LO 2, AC 2.2

NO.4 Stockyards are suitable for specific materials with which of the following characteristics? Select TWO that apply.

- A. Equipment only suited for inside storage
- B. Equipment with a long delivery lead time
- C. Items that are bulky and individually packed
- D. Small equipment that is of relatively low value
- E. Equipment that requires larger specialised handling

Answer: C E

NO.5 A buyer has been asked to support the chief procurement officer with a whole-life cost analysis. What is the key benefit of a cross-functional team for the development of a whole-life costing model?

- A. It will ensure quicker access to all the data needed to develop the whole-life cost model
- B. It will ensure that the decision making process will be slowed down
- C. It will ensure that information is not shared
- D. It will ensure that no department is left out of the planning process

Answer: D

NO.6 The only reason stocks become obsolete is because items have been held in stock for a very long time. Is this a valid statement?

- A. Yes, because all obsolete items result from significant overstocking
- B. Yes, because users assume that the items are no longer in stock
- C. No, because stock held for a long time are called buffer stocks
- D. No, because some items can become obsolete because of changes in consumer needs

Answer: D

NO.7 A construction organisation requires specialist equipment for digging deep foundations. Which of the following circumstances would result in the hire of equipment rather than leasing it?

- A. The subjective assessment of multiple factors for both hire and lease by the directors
- B. The expected frequency of use, the storage available, and the lease cost of the equipment compared to hiring it
- C. The results of a discounted cost analysis using comparative weekly payments for both hire and lease options
- D. The finance available and the potential profits available on the eventual sale of the leased equipment compared to hire costs

Answer: B

NO.8 Which of the following is a description of a distribution centre?

- A. A building which is rented to tenants, usually on a short-term month-by-month basis
- B. A large building for storing things before they are sold, used, or sent out to shops

- C.** A large metal box of a standard design and size used for the transport of goods by road, rail, sea, or air
- D.** A building that offers value-added services like product mixing, order fulfilment, cross-docking, and packaging

Answer: D

NO.9 Which of the following lists all components, ingredients, and materials required to produce the final product?

- A.** Master schedule
- B.** Engineering change notice
- C.** Purchase order
- D.** Bill of materials

Answer: D

Explanation:

Master production schedule (MPS) plans items that have "direct" demand, or "independent demand." With independent demand, the demand comes from sales orders, service orders, or forecasts, and the demand comes directly from customer-or forecasted-requirements. It is the list that provides the timing of the production schedule and shows how much each machine can produce, how many shifts are used, etc.

A bill of materials (BOM) is a comprehensive inventory of the raw materials, assemblies, subassemblies, parts and components, as well as the quantities of each, needed to manufacture a product.

Reference: CIPS study guide page 116-119

LO 2, AC 2.3

NO.10 XYZ Ltd is a retailer in the US. Their customers' demand for Thanksgiving and Christmas decorations usually rises in the end of the year. This irregular demand results in more required storage space for finished goods during peak seasons. Which of the following are possible solutions for dealing with required additional space?

1. Maximising aisle width
2. Keeping high buffer stock throughout the year
3. Maximising flexibility in warehouse layout
4. Installing mezzanine floor

A. 1 and 3 only

B. 2 and 4 only

C. 1 and 2 only

D. 3 and 4 only

Answer: D

Explanation:

Possible solutions to the high irregular or seasonal demand problems are listed below:

- * Take advantage of the height of the warehouse
 - Mezzanine floor
 - High racking system (increase storage capacity but require high-reach material handling equipment)
- * Eliminate dead stock or inventory
- * Improve material flow

- * Improve storage location method
- * Consider using aisle space during demand peak
- * Narrow aisles between racks (require narrow handling equipment)
- * Carousel-type storage system
- * Auto-storage and retrievals system (ASRS)

Reference: CIPS study guide page 22

LO 1, AC 1.1

NO.11 A meaning of 'decommissioning a piece of equipment' is to...

- A.** Take the equipment out of action while undertaking maintenance
- B.** Take the equipment out of action ready to perform a changeover
- C.** Remove the equipment from use to prepare it for disposal
- D.** Switch the power off from the equipment when not in use

Answer: C

NO.12 PRP Toys has to manage annual seasonal demand that requires double the warehouse space that it has available in order to fulfil the orders. It requires this extra space for only a four week period each year. Which of the following solutions is the most effective way for PBP to manage this problem?

- A.** Reduce stock volumes held and undertake variety reduction
- B.** Rent additional space in a third-party warehouse facility
- C.** Relocate to a new warehouse capable of storing the required volumes
- D.** Replace warehouse racking and use stacking pallets throughout

Answer: B

NO.13 In order to control the costs of holding inventory, the manager has decided to install CCTV cameras in the warehouse. This will help to deter potential pilferage (theft) by the warehouse operatives. Is this the correct way of managing costs of holding inventory?

- A.** Yes, the warehouse operatives should always be under watch because all of them tend to be involved in pilferage
- B.** Yes, because when pilferage is under control then other costs of holding inventory automatically come under control
- C.** No, the cost of installing and operating CCTV cameras may not be justified by pilferage costs that are likely to be a small element of the total cost of holding inventory
- D.** No, pilferage and the overall cost of holding inventory could be controlled more efficiently by stocking similar items in different locations under different names.

Answer: C

NO.14 Which of the following factors should be considered in the choice of a warehouse location?

- * The type of barcoding that is used
- * The impact of local authority bylaws and regulations
- * The number of forklifts to be used
- * The nature of the items to be stored

A. 2 and 3 only

- B. 1 and 3 only
- C. 2 and 4 only
- D. 1 and 2 only

Answer: C

Explanation:

Key considerations in choosing a warehouse location include:

- * Local regulations: Compliance with bylaws and other local authority requirements.
- * Nature of items stored: Warehouses for perishable or hazardous items may have specific location requirements.

These factors ensure the warehouse is compliant and suitable for the type of inventory stored, optimizing safety and operational efficiency, both crucial in whole-life asset management.

NO.15 Radio Frequency Identification (RFID) is an electronic technology that transmits data from tagged items.

What are the advantages of RFID technology? Select TWO that apply.

- A. RFID technology uses barcodes but is not limited by distance from the item location
- B. RFID technology can be detected by both portable and fixed readers
- C. RFID technology can operate in a harsh physical environment
- D. RFID technology can cause a tag collision when numerous tags in the same area respond simultaneously
- E. RFID technology is very small and holds limited information

Answer: B C

NO.16 XYZ Ltd is looking for new office space overseas. To keep the overhead expense minimal, it chooses leasing rather than purchasing new office. In leasing contract, which of the following costs are most likely to be attributable to the lessee?

1. Disposal costs
2. Rentals
3. Operating costs
4. Vendor selection costs

- A. 2, 3 and 4
- B. 1, 2 and 3
- C. 1, 3 and 4
- D. 1, 2 and 4

Answer: A

Explanation:

A lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.

Property, buildings and vehicles are common assets that are leased. Industrial or business equipment is also leased. Since the lessee does not own the asset, it is not responsible for disposing the assets, and therefore, disposal costs are not attributable to the lessee. The lessee usually incurs rentals and operating costs. Finally, a company should treat the lease the same as other contracts, which they must qualify the supplier.

Reference: CIPS study guide page 144-147

LO 3, AC 3.1

NO.17 Multiple approval levels for a small purchase request is an example of which type of waste?

- A. Over-processing
- B. Not using talent
- C. Over-production
- D. Inventory

Answer: A

Explanation:

Lean thinking aims to remove wastes from work processes. Before diving into the 8 wastes, it is important to understand what waste is. Waste is any action or step in a process that does not add value to the customer. In other words, waste is any process that the customer does not want to pay for.

The original seven wastes (Muda) was developed by Taiichi Ohno, the Chief Engineer at Toyota, as part of the Toyota Production System (TPS). The seven wastes are Transportation, Inventory, Motion, Waiting, Overproduction, Overprocessing and Defects. They are often referred to by the acronym 'TIMWOOD'. The

8th waste of non-utilized talent or 'Skills' of workers was later introduced in the 1990s when the Toyota Production System was adopted in the Western world. As a result, the 8 wastes are commonly referred to as

'TIMWOODS'.

Source: The lean way

Multiple approval levels for a small purchase request is an example of over-processing since this adds more unnecessary work to users and procurement professionals.

Reference: CIPS study guide page 127-129

LO 2, AC 2.3

NO.18 A cardiac department within a local hospital carries out a small number of specialist emergency care heart surgeries each year. The devices implanted in the patients can vary significantly depending on the condition of the patient. Therefore, the hospital requires a stock management technique that minimizes the cost of holding several different items of stock, without impacting the critical service levels, and allowing the supplier to retain the title of the stock until the hospital's cardiac team utilizes it. Which of the following stock management techniques would enable the hospital to achieve this?

- A. Having strategically placed hospital-owned safety stock in various hospital storerooms
- B. Increasing the hospital's overall stock levels in all supplies
- C. Having vendor-owned stock in the hospital stores
- D. Subjective stock forecasting being undertaken by the doctors

Answer: C

Explanation:

Vendor-owned stock allows the hospital to keep essential items available without holding costs. The vendor retains ownership until the item is used, helping the hospital avoid large upfront costs for low-frequency items. This technique aligns with whole-life asset management principles by reducing inventory holding costs while ensuring critical items are readily accessible.

NO.19 Long-term forecasting of demand using a subjective method is based on a ...

- A. predicted cash flow forecast levels used by the organization
- B. quantitative, explicit, statistical, or formal method
- C. qualitative, informal, clinical, experienced-based or intuitive method
- D. method of calculating the price in detail within the supply chain

Answer: C

Explanation:

Subjective demand forecasting relies on qualitative methods that draw on expert experience and intuition rather than quantitative data. This includes techniques like the Delphi method, where experts provide insights based on their judgment. In whole-life asset management, subjective forecasting may complement data-driven forecasts when historical data is limited or demand patterns are unpredictable.

NO.20 Under a Hire Purchase Agreement, ownership is transferred to the hirer...

- A. At the beginning of the contract
- B. When all instalments have been paid
- C. When half the instalments have been paid
- D. If the items are damaged by the hirer

Answer: B

NO.21 Warehouse automation involves the use of technology to perform as many warehousing tasks as possible.

There are several benefits that can be gained by using automation in a warehouse. They are...

- A. Maintenance costs, downtime due to malfunction, investment costs, and reduced flexibility
- B. Decreased speed, increasing cost, improved efficiency, and maximising space
- C. Reduced customer service, reduced picking errors, reduced accidents, and minimised space utilisation
- D. Increased speed, decreasing cost, improved efficiency, and maximised space

Answer: D

NO.22 ATT is a small retailer that specializes in selling 'seasonal goods' which change throughout the year. Some products need regular reordering and some only require a start-of-season single order. Sales volumes are unpredictable and variable. Ordering is from multiple suppliers with variable lead times (between two weeks and two months). ATT has no computerized stock management system but can monitor product sales through the barcode-equipped point-of-sale (POS) system. Which of the following would be appropriate to support ATT for its stock monitoring and reorder requirements?

- A. Introduce a continuous stocktaking process to check all stock once per month against sales records for each product
- B. Undertake an MRP system with a dependent demand database to allow for variances in delivery and availability
- C. Undertake variable periodic reviews of products by classifying each product by lead times and sales volume
- D. Introduce a just-in-time system using sales information with visual checks of stock to create orders

Answer: C

Explanation:

Variable periodic reviews enable ATT to manage seasonal goods effectively by adjusting ordering based on:

* Lead times and sales volume: Classifying products by these factors helps in planning, aligning with varying supplier delivery times and unpredictable sales demand.

Implementing a JIT or MRP system would require more sophisticated management tools, making option C the most feasible. This method aligns with whole-life asset management by supporting efficient inventory planning while minimizing stockouts or overstock situations.

NO.23 Which of the following factors should be considered when decommissioning and disposing of a machine at the end of its useful life? Select TWO that apply.

- A. The relevant country's legislation concerning the disposal of equipment
- B. The environmental impact that incorrect disposal may have
- C. Whether the organisation will make a profit from the disposal of the machine
- D. Whether the finances will be in position to replace the machine with another
- E. The effect that the disposal will have on the organisation's competitors

Answer: A B

NO.24 A manufacturing company warehouse manager has recently decided to adopt a cross-docking system for some of the components held in storage. Which of the following is associated with goods in cross-docking?

- A. Cross-docking eliminates any inventory losses
- B. Cross-docking leads to increased finished goods delivery costs
- C. Cross-docking significantly increases delivery lead times
- D. Cross-docking reduces or eliminates storage requirements

Answer: B

NO.25 Removal or disposal of assets should depend on an assessment of which of the following? Select TWO that apply.

- * The total cost of the equipment
- * Location of the equipment and accessibility
- * Type of equipment and incorporated components
- * Consumer demand for the product
- * The current rate of interest for new equipment

- A. 1 and 2 only
- B. 1 and 4 only
- C. 2 and 3 only
- D. 3 and 4 only

Answer: C

Explanation:

Asset disposal decisions should consider:

* Location and accessibility: Equipment located in hard-to-reach areas may have higher disposal costs.

* Type of equipment and components: Some equipment has specific disposal requirements, especially if it contains hazardous materials or valuable components that can be recycled. These assessments align with whole-life asset management by identifying factors that impact disposal costs and potential environmental effects, ensuring the responsible removal of assets.

NO.26 The optimum balance in the standard ISO 18602:2013 (Packaging and the environment - Optimization of the packaging system) considers which of the following factors?

1. Environmental impact of losses due to lack of packaging
2. The process for packaging design, including material selection
3. Procedures and requirements for packaging that are suitable for organic recycling
4. Environmental impact of excess packaging

- A.** 2 and 3 only
B. 2 and 4 only
C. 1 and 3 only
D. 1 and 4 only

Answer: D

Explanation:

ISO 18602:2013 is about Packaging and the environment - Optimization of the packaging system. ISO 18602:2013 specifies requirements and a procedure for assessment of packaging to ensure that the weight or volume of its material content is optimized consistent with the functions of packaging. This is one of several options for reducing the impact of packaging on the environment.

It also provides methodologies and procedures for

- determining the amount and minimization of substances or mixtures hazardous to the environment, and

- determining the amount of four heavy metals (lead, cadmium, mercury, hexavalent chromium) in packaging.

The optimum balance in this standard weighs the environmental impact of losses that may happen with no packaging or inadequate packaging against the environmental impact from excess packaging.

The process for packaging design, including material selection, is not part of ISO 18602:2013.

The procedure for applying ISO 18602:2013 is contained in ISO 18601.

Reference: CIPS study guide page 69

LO 1, AC 1.3

NO.27 Which of the following is essential to effective implementation of just-in-time?

- A.** Regular machine changeovers
B. Larger warehouse for larger amount of inventory
C. No need for smoothing production
D. Strong links between the suppliers and the buying organisation

Answer: D

Explanation:

For JIT manufacturing to succeed, companies must have steady production, high-quality workmanship, glitch-free plant machinery, and reliable suppliers.

JIT production systems cut inventory costs because manufacturers do not have to pay storage costs. Manufacturers are also not left with unwanted inventory if an order is canceled or not fulfilled.

Reference:

- Just in Time (JIT)
 - CIPS study guide page 122-124
- LO 2, AC 2.3

NO.28 Which of the following is a benefit of bar code scanning systems?

- A.** Allows faster access to information
- B.** Reduces the creation of scrap items
- C.** Achieves environmental compliance
- D.** Increases the number of keystrokes to enter data

Answer: A

NO.29 Which of the following is an assumption of economic-order-quantity model?

- A.** The quantity ordered can vary at each reorder point
- B.** Demand, ordering costs, and carrying costs are uncertain
- C.** No inventory stockouts occur
- D.** The purchasing cost per unit is affected by the order quantity

Answer: C

Explanation:

Economic order quantity (EOQ) model is the method that provides the company with an order quantity. This order quantity figure is where the record holding costs and ordering costs are minimized. By using this model, the companies can minimize the costs associated with the ordering and inventory holding. In 1913, Ford W. Harris developed this formula whereas R. H. Wilson is given credit for the application and in-depth analysis on this model.

If the economic order quantity model is applied, the following assumptions should be met:

- The rate of demand is constant, and total demand is known in advance.
- The ordering cost is constant.
- The unit price of inventory is constant, i.e., no discount is applied depending on order quantity.
- Delivery time is constant.
- Replacement of defective units is instantaneous.
- There is no safety stock level, i.e., the minimum stock level is zero.
- Restocking is made by the whole batch.

Because the demand and lead time are constant, no stockout events can occur.

Reference: CIPS study guide page 113-114

LO 2, AC 2.3

NO.30 TCD Manufacturing has taken over the operations of a fabric processor in another country. TCD has planned to eliminate some traditional fabric processing that has high risks because of the chemicals used in the dying process. TCD is now preparing for new dying processes to be installed and needs to remove the current tanks and its associated equipment. Which of the following is appropriate to TCD's situation?

- A.** TCD should undertake an environmental risk assessment to establish the likely risks of the options available and any residual risks
- B.** TCD should identify the sale opportunities for the equipment and prioritise the potential income to offset any decommissioning costs

- C. TCD should store the obsolete tanks on site for a period of 12 months before arranging removal
- D. TCD should use a contractor to remove the equipment at the lowest cost provided that the contract agrees to remedial action in the event of problems

Answer: A