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Exam : **630-005**

Title : C.P.M. Module 1: Purchasing Process

Version : DEMO

1. XXXX.com has a 10% profit margin before taxes and spends 50% of its sales dollar on materials. What percentage reduction in material costs for XXXX.com to achieve an increase of 5% in sales?

A. 1%

B. 2.5%

C. 5%

D. 7.5%

E. 10%

Answer: A

2. Which of the following statements regarding the process of reviewing supplier samples and/or demonstrations with user departments and functional departments such as quality, engineering, research, and administration, are FALSE?

A. It increases the amount of time involved in making a buying decision.

B. It is an example of purchasing's role as a service function within the organization.

C. It reduces purchased prices by allowing purchasing to make the final buying decision.

D. It leads to improved quality because the supplier will have a better understanding of user requirements.

Answer: C

3. In which of the following countries outside of the United States do U.S. patentees enjoy protection against infringement?

A. In countries that have full diplomatic relations with the United States.

B. In countries that are signatories to patent conventions only.

C. In European Union member counties only.

D. In GATT member countries only.

E. None of the above.

Answer: B

4. XXXX.com has a contract with Road Haulers, Ltd. to dispose of toxic material at a site in New Orleans. However, Road Haulers, Ltd. decides to use a site in Dallasinstead. The site at Dallas is a cheaper but disreputable source. Who has primary liability in this situation?

A. XXXX.com.

B. Road Haulers, Ltd.

C. The site at New Orleans.

D. The site at Dallas.

Answer: A

5. Which of the following is the MOST important aspect of service contract administration?

A. Aggressive management of the contract.

B. Selection of the right source.

C. A fair and reasonable price.

D. A sound statement of work.

Answer: D

6. You work as a purchaser at XXXX.com. Your brother works as an engineer for a major supplier for XXXX.com. Your brother asks you for input on a new product line that his company is developing. The product is quite similar to one that XXXX.com currently buys from another company. Which of the following is the PRIMARY ethical issue that arises in this situation?

A. Fraud

B. Bribery

C. Nepotism

D. Conflict of interest

Answer: D

7. From which of the following are prices requested from in the second step of two-step bidding?

A. All suppliers submitting acceptable technical proposals in the first step.

B. The three suppliers submitting the best proposals in the first step.

C. All suppliers qualified to submit proposals in the first step.

D. All suppliers submitting proposals in the first step.

Answer: A

8. Which of the following is generally NOT included in the cost analysis process?

A. Semi-variable costs.

B. Overhead costs.

C. Indirect costs.

D. Sunk costs.

Answer: D

9. Which of the following is MOST likely to assure receipt of materials against the invoice from the supplier?

A. The Receiving Department.

B. The Production Department.

C. The Purchasing Department.

D. The Accounts Payable Department.

Answer: D

10. You work as a buyer at XXXX.com. You place an online order containing only price, quantity, and description. You do NOT have a written contract with the supplier. The parts fail inspection, and the supplier claims it is under no obligation for the parts. What would be your FIRST line of action in this situation?

A. Accept the parts and write a contract covering the supplier's obligations in future online transactions.

B. State that an implied warranty for merchantability is applicable to the parts.

C. Use a manual order system for all future orders with the supplier.

D. Accept the parts with no further comment.

Answer: B

11. Which of the following should the buyer FIRST do when a using department requests that the buyer purchase a specific brand-name product?

A. Attempt to negotiate a lower price with the supplier of the brand-name product.

B. Attempt to persuade the user to furnish performance specifications.

C. Search for competitive suppliers that furnish similar products.

D. Appeal the request to higher purchasing management.

Answer: B

12. At which of the following times does the purchased raw material physically enters purchased goods inventory in a manufacturing stockless inventory program?

A. Never, since it becomes work in progress or goods shipped.

B. Five days before it is needed.

C. One day before it is needed.

D. At the time of delivery.

Answer: A

13. Which of the following would NOT be included in a commodity record?

A. Supplier financial performance.

B. A list of sources.

C. Price history.

D. Quantities.

Answer: A

14. In which of the following payment methods used in global sourcing, does the seller present only its draft on the buyer to its bank for collection, while the shipping and other documents are sent directly to the buyer?

A. Open account.

B. Sight draft collection.

C. Clean draft collection.

D. Confirmed letters of credit.

Answer: C

15. For its impact on which of the following should price variances of purchased materials be forecasted?

A. Cost of goods sold.

B. Inventory levels.

C. Supplier ratings.

D. Carrying costs.

Answer: B

16. Which of the following is NOT a goal of direct release systems?

A. Improved usage forecasting.

B. Reduced paperwork for purchasing.

C. Lower purchase order transaction costs.

D. Increased accountability of the selected supplier.

Answer: A

17. Which of the following is of LEAST consideration in the classification of needs when establishing procurement plans for the purchase of products or services?

A. Specifications

B. Monetary value

C. Strategic or operational need

D. Repetitive or non-repetitive need

Answer: A

18. Which of the following is the first consideration in developing an advanced purchasing plan?

A. The designation of the office to be responsible for payments.

B. A discussion of the level of competition expected.

C. The criteria to be used to evaluate the selection.

D. The development of a negotiation strategy.

Answer: B

19. What should the purchasing department do when MIS requests a full use copy of a piece of software for evaluation?

A. Have return shipping costs paid by the supplier

B. Execute an evaluation license.

C. Issue a purchase order.

D. Confirm receipt.

Answer: B

20. Suppose XXXX.com has a 5% profit margin, one dollar of savings in purchases will equal what amount of additional sales for XXXX.com?

A. $ 5

B. $ 10

C. $ 15

D. $ 20

E. $ 25

Answer: D

21. Which of the following provides the MOST difficulty in analyzing proposals for cost reimbursable service contracts?

A. Material costs.

B. Direct labor costs.

C. Supervisory costs.

D. Transportation costs.

Answer: C

22. According to which of the following will the type of evaluation required to determine a supplier's capability vary?

A. The nature of the purchase to be made only.

B. The dollar value of the purchase to be made only

C. Both the nature of the purchase to be made and the dollar value of the purchase to be made.

D. None of the above.

Answer: C

23. Which of the following is the LEAST desirable contract dispute resolution option?

A. Renegotiation.

B. Compromise.

C. Reformation.

D. Litigation.

Answer: D

24. Which of the following statements is FALSE regarding a purchase order contract that includes the term "C.I.F"?

A. B. The title transfers to the buyer on receipt of goods.

B. The cost of transportation is included in the price.

C. The seller makes all arrangements for shipment.

D. The shipment is insured against loss or damage.

Answer: A

25. Which of the following is the LEAST useful in evaluating a supplier's financial position?

A. Market forecasts.

B. Current balance sheet.

C. Dun & Bradstreet reports.

D. Monthly income statements.

Answer: A

26. Which of the following contracts rewards performance above a predetermined level by adding a percentage to price?

A. Futures

B. Blanket

C. Bilateral

D. Incentive

Answer: D

27. What does an implied warranty of merchantability mean?

A. Goods supplied will be free of apparent or hidden material defects.

B. Goods supplied will be of a quality comparable to that generally acceptable in the trade.

C. Goods supplied will be contained, packaged, and labeled as requested by the buyer.

D. Goods supplied will be in conformance to standards and specifications provided by the buyer.

Answer: B

28. XXXX.com has a contract with Waltons for the purchase of goods. The goods go missing in transit. What determines who held title to the goods when they were lost?

A. The CISG term.

B. The F.O.B. term.

C. The freight payment terms.

D. The course of the transaction.

Answer: B

29. Which of the following would be LEAST appropriate when sourcing a part presently made in-house?

A. Soliciting manufacturing's approval to ensure future cooperation.

B. Developing a good understanding of present true internal costs.

C. Obtaining accurate specifications for the item to be purchased.

D. Developing a list of potential sources from which to solicit.

Answer: A

30. On which of the following contract provisions should a buyer insist to ensure that a supplier will meet engineering specifications for a product?

A. An arbitration clause.

B. An acceptance test plan.

C. The indexing of price to inspection costs.

D. Discounts based on total purchases over a period of time.

Answer: B

31. Which of the following is the MOST important reason for a buyer to obtain legal review of RFQs

involving prospective contracts for the performance of services such as construction and maintenance?

A. To avoid antitrust implications.

B. To avoid potential bankruptcy proceedings.

C. To include implied warranty rights favorable to the buyer.

D. To protect the buyer, because the Uniform Commercial Code does not apply to such contracts.

Answer: D

32. Which of the following requires the purchaser to assume high inspection costs?

A. Method-of-manufacture specifications.

B. Supplier grade specifications.

C. Brand name.

D. Trade name.

Answer: A

33. Which of the following terms BEST describes a situation in which a buyer directly or indirectly benefits from his/her position or connections as an employee, or from the sale, purchase, or other activity of the company?

A. Conflict of interest.

B. Mutual assent.

C. Subrogation.

D. Reciprocity.

Answer: A

34. Which of the following best describes a policy that limits the amount a senior buyer can spend on a single purchase order?

A. Limits of authority.

B. Purchasing management control.

C. Accounting requisition control policy.

D. The checking of large-dollar requisitions for proper authority.

Answer: A

35. When should the "team" approach to supplier plant visits probably NOT be taken?

A. When the buyer plans to change production schedule documentation.

B. When the buyer plans to request changes in the supplier's quality levels.

C. When the buyer plans to change levels of expected production volumes.

D. When the buyer plans to make major changes in the complexity of delivered goods.

Answer: A

36. Purchasing should clearly understand the intended use of a product in order to determine if the description given in a purchase request is adequate and accurate. If there is any doubt, what should purchasing management do?

A. Substitute a comparable item.

B. Refuse to process the request.

C. Request a better description from the user.

D. Revise the description to conform to market terminology.

Answer: C

37. Which of the following is an element of the initial stage of a cost analysis?

A. Comparing historical costs.

B. Obtaining a cost breakdown.

C. Comparing previous prices.

D. Examining financial statements.

Answer: B

38. Which of the following is the MAIN advantage of systems contracting?

A. The organization is not legally committed to purchase.

B. Systems contracting reduces the cost of rejected material.

C. Systems contracting reduces the cost of carrying inventory.

D. Systems contracting reduces the costs of receiving and handling.

Answer: C

39. Which of the following would NOT be included in the preparation of a request for quotation to solicit competitive bids for construction?

A. Brand names of material to be used.

B. A list of pre-approved subcontractors.

C. The owner's budget estimate for the work.

D. The type and sample of contract to be used.

Answer: C

40. Which of the following refers to the repayment of duties paid on materials that have been imported and then re-exported in a different form?

A. Drawbacks.

B. Special dispensation.

C. Reverse "tax abatement".

D. Diversion and re-consignment.

Answer: A

41. You work as the purchasing manager at XXXX.com. An internal auditor's at XXXX.com has completed an audit in which a sample of purchase orders was evaluated. In his report, the internal auditor states that some 40% of the total purchase orders were for less than $500, and that of this 40%, the centralized purchasing department bought 80% of the items locally. These items were all shipped or delivered to the central warehouse for the receiving function to take place, and then delivered to the various field crew locations. You want to continue to collect purchasing data and reduce the administrative cost of individual purchases.

Which of the following would be your BEST course of action?

A. Establish blanket open-supplier orders.

B. Implement a procurement card system.

C. Decentralize the purchasing function.

D. Issue purchase orders electronically.

Answer: B

42. Which of the following is LEAST likely to require buyer visits to supplier plants during the qualification process?

A. Critical Path Method.

B. Statistical Process Control.

C. Total Quality Management.

D. Just-In-Time Inventory Management.

Answer: A

43. Which of the following is NOT part of the competitive bidding process?

A. Expediting deliveries.

B. Awarding the contract.

C. Receiving and reviewing bids.

D. Preparing and reproducing specifications.

Answer: A

44. Upon which of the following does the type of evaluation required to determine supplier capability depend?

A. On only the complexity of the purchase to be made.

B. On only the purchaser's knowledge of the firms being considered.

C. On both the complexity of the purchase to be made and the purchaser's knowledge of the firms being considered.

D. None of the above.

Answer: C

45. Which of the following conditions is MOST likely to create a buyers' market?

A. Threat of strikes.

B. Political instability.

C. Favorable sales forecasts.

D. Adequate supply of materials.

Answer: D

46. Which of the following methods is often used by government purchasing staff to compile lists of suppliers but would NOT be used by for-profit companies?

A. Internet search results.

B. Formal advertising in newspapers.

C. Attendance at industry trade shows.

D. Standard published industrial directories.

Answer: B

47. Which of the following are the MOST important results to measure each month using a supplier performance rating system? (Choose two.)

A. Price.

B. Quality.

C. Delivery.

D. Customer service.

Answer: B, C

48. Which of the following is the BIGGEST problem with the use of supplier inputs into specification and work statement development?

A. A lack of technical or technological expertise among supplier personnel.

B. The inability of a supplier to comply with the time constraint imposed by the buyer.

C. The potential for the supplier to ignore quality considerations even when requested by the buyer.

D. The potential for a supplier to structure the specifications in a manner that prevents competition.

Answer: D

49. Which piece of legislation is designed to prevent sellers from discriminating in price between buyers of like grade and quality materials where the consequence of so doing tends to injure or destroy competition?

A. The Clayton Act.

B. The False Claims Act.

C. The Davis-Bacon Act.

D. The Robinson-Patman Act.

Answer: D

50. Which of the following is LEAST likely to be included in a department's standard contract document for service contracts?

A. Insurance and indemnification.

B. Liability clause.

C. Force majeure.

D. Comity.

Answer: D

51. Which of the following is the MOST meaningful indicator of a company's trend of profitability?

A. The change in after-tax return on average invested capital.

B. The change in average profit margin on the product line.

C. The period-to-period change in cost of goods sold.

D. The earnings per share of common stock.

Answer: A

52. Which of the following would NOT be included in routine contract administration?

A. Verification of compliance with contract terms and conditions.

B. Control of supplier finances in administering the contract.

C. Day-to-day administrative actions.

D. Work control.

Answer: B

53. In which of the following is an integrated information system is generally classified?

A. Direct.

B. Standard.

C. Overhead.

D. Semi-variable.

Answer: C

54. XXXX.com is planning to introduce a new line of clothing endorsed by a celebrity.

XXXX.com has determined that the direct cost per unit for manufacturing the clothing is $150; the right to embroider the celebrity's name to the garment is $500,000; and the other overhead costs associated with manufacturing total $50,000.

What would the cost of the celebrity's name generally be considered as?

A. A fixed cost.

B. A variable cost.

C. An implicit cost.

D. An opportunity cost.

Answer: A

55. Which of the following is the LEAST important on a purchase requisition?

A. An authorized signature.

B. The account to be charged.

C. The name of the freight carrier.

D. The date the materials are required.

Answer: C

56. XXXX.com estimates that its new laboratory building will cost $3 million to construct. The purchasing department issues a bid request for construction and receives four bids. The bid from Contractor A comes in at $2.7 million. The bid from Contractor B is $4.8 million; from Contractor C it is $4.9 million; and from Contractor D it is $5.0 million. What should be the purchasing department's next step?

A. Reject all bids, review the specifications, and rebid the job.

B. Award the contract to Contractor A, because it is the low bidder.

C. Award the contract to Contractor B, because it is the lowest of the three clustered bids, and apparently Contractor A overlooked something.

D. Interview Contractor A to make sure it has properly understood the requirements of the bid request.

Answer: D

57. Which of the following costs are NOT identified with the specific products or services of an organization?

A. Variable costs.

B. Indirect costs.

C. Direct costs.

D. Fixed costs.

Answer: B

58. Which of the following would be the LEAST affected if the purchasing department at XXXX.com is given insufficient time to procure a needed item or service?

A. Special production runs.

B. Competitive position.

C. Negotiation edge.

D. Efficiency.

Answer: A

59. In which of the following situations may oral contracts NOT be acceptable according to the Uniform Commercial Code?

A. For the purchase of goods costing less than $500.

B. When they are within the boundaries of a single state.

C. When partial payment or part performance has occurred.

D. Where parties have customarily done business on an oral basis.

Answer: B

60. Which of the following is NOT a valid reason for obtaining competitive bids?

A. Preselection of suppliers.

B. Product homogeneity.

C. Organization policy.

D. Legal requirements.

Answer: A

61. Which of the following is MORE relevant to single sourcing is based than cost issues?

A. Price strategies.

B. Quality strategies.

C. Delivery strategies.

D. Management strategies.

Answer: D

62. Which of the following is the LEAST adaptable to the life cycle costing method?

A. Window air conditioners.

B. Hand-held calculators.

C. Hot water heaters.

D. Light bulbs.

Answer: B

63. Which of the following is an additional cost when buying internationally?

A. Customs

B. Insurance

C. Packaging

D. Transportation

Answer: A

64. XXXX.com has decided to construct a new data center building. XXXX.com has also determined that occupancy data center will be required in exactly one year. The purchasing department has determined that the construction time will exceed 11 months. Against its better judgment, the purchasing department issues a bid solicitation with responses due in 10 days, and which clearly states that no extensions will be granted. Which of the following will LEAST likely be the resulting scenario encountered by purchasing?

A. Many bidders will refuse to bid the job.

B. The successful bidder will do poor quality work.

C. Bid tabulation will reveal most bids to be much higher than anticipated.

D. The bids will be of such a wide range that the job may likely need to be rebid.

Answer: B

65. According to the Uniform Commercial Code, how long after the cause of action has accrued to either the buyer or seller must any legal action be filed?

A. 12 months.

B. 18 months.

C. 2 years.

D. 3 years.

E. 4 years.

Answer: E

66. Which of the following are NOT required on a contract for the purchase of hazardous/regulated materials?

A. A bill of material.

B. The method of disposal.

C. Material Safety Data Sheets.

D. The impact fees for disposal.

Answer: A

67. Which of the following should a buyer FIRST develop to counter continuing price increases of a specialty chemical?

A. A tough, "hold-the-line" bargaining position.

B. A trend chart based on the Consumer Price Index.

C. A cost model to better understand the supplier's price.

D. In-house capability to produce the specialty chemical.

Answer: C

68. Which of the following represents the BEST way to prevent one or more suppliers' technological innovations from being locked out of the buyer's organization as a result of reducing a supplier base?

A. Occasional rebidding to several suppliers.

B. Periodic purchasing department review of the supplier base.

C. The use of a multifunctional team that includes technical functions.

D. Allowing user functions to maintain direct contact with supply competitors.

Answer: C

69. A supplier responding to a tender appears to have the capability in all respects to fully perform the contract requirements, and the integrity and reliability to assure good faith performance. However, the supplier indicates in its bid that its price is contingent upon receiving another contract which the supplier has bid on as well.

How should this supplier be characterized?

A. As both a responsible and responsive bidder.

B. As a responsive but not a responsible bidder.

C. As a responsible but not a responsive bidder.

D. As neither a responsible nor a responsive bidder.

Answer: C

70. Which of the following statements is MOST accurate?

A. Only systems contracts require specific approval on every order.

B. Only procurement cards require specific approval on every order.

C. Both systems contracts and procurement cards requires specific approval on every order.

D. Neither systems contracts nor procurement cards requires specific approval on every order.

Answer: D

71. What is the GREATEST advantage provided by a pre-bid conference?

A. Involvement of bidders reflects interest level.

B. Competing bidders quickly get to know one another.

C. Involvement of all parties leads to better relationships.

D. Information concerning the bid and specifications is clearer.

Answer: D

72. XXXX.com has annual revenues of $1.5 billion. Its profit is estimated to be $180 million in earnings before interest and tax. What should XXXX.com do to achieve an increase in profitability of $60 million?

A. Increase its sales by $250 million.

B. Increase its sales by $500 million.

C. Reduce the cost of goods by $60 million.

D. Increase the cost of goods by $60 million.

E. Reduce the cost of goods by $120 million.

Answer: B

73. Which of the following is NOT a suitable solution to the "classic" small order problem?

A. Blanket orders.

B. Competitive bidding.

C. Purchase order drafts.

D. The electronic transmission of orders.

Answer: B

74. Which of the following should the role of legal counsel generally include in the preparation of a contract?

A. Identifying purchaser's rights and remedies in the event the supplier breaches.

B. Notifying a contractor in writing of minor nonconformance.

C. Writing commercial and legal terms for the contract.

D. Assisting in establishing negotiating strategies.

Answer: C

75. Under which of the following situations is it MOST appropriate to use competitive bidding?

A. When it is difficult to estimate costs.

B. When price is the main consideration.

C. When specification changes are likely.

D. When tooling and set-up costs are major considerations.

Answer: B

76. Which of the following makes the final decision in the administrative protest/appeal process established by the Model Procurement Code for State and Local Governments?

A. The courts.

B. Arbitration.

C. Mediation.

D. An appeals board.

E. The purchasing department.

Answer: D

77. Which of the following is the LEAST desirable method of handling costs for a contractor's supervision in drafting contracts for cost reimbursable services?

A. Establishing budgets and monitoring variances.

B. Requiring all supervisory time to be included in overheads.

C. Allowing all supervisory time to be billed to the contract as needed.

D. Specifying the levels of supervision that may be charged to the contract.

Answer: C

78. Which of the following is LEAST likely to be a driver of purchases of standard materials that are common and in repetitive use?

A. Bill of material.

B. Production plan.

C. Commitment of funds.

D. Internal customer order.

Answer: C

79. Which of the following is MOST likely to be found in a file of contracts and agreements?

A. Required dies, jigs, fixtures, and patterns.

B. Contract writing instructions.

C. Expiration dates.

D. Selling terms.

Answer: C

80. In which of the following dispute resolution methods is a dispute between buyer and seller turned over to a third party with neither buyer nor seller relinquishes their legal rights?

A. Litigation

B. Mediation

C. Arbitration

D. Reformation

Answer: B

81. Which of the following BEST describes a situation in which a client accepts the services of an accountant without an agreement concerning payment?

A. An implied in fact contract.

B. An implied in law contract.

C. An express contract.

D. No contract.

Answer: A

82. XXXX.com needs to replace a major software program used in many areas of the rganization. The existing software licenses will expire within the next year.

Extending these licenses is an option but not one that XXXX.com favors. Which of the following is the BEST approach to take in this situation?

A. Research sources for the software, issue RFPs to them, analyze the proposals, narrow them down to the top three, and negotiate the best deal.

B. Request engineering to propose three candidates, issue an RFP, have each supplier present its proposal, and select the best source based on weighted guidelines.

C. Issue an RFI with input from user departments, review software and licenses from several suppliers, issue an RFP, and evaluate the top three proposals based on weighted guidelines.

D. Identify which departments within the organization are satisfied with the current software, and use their input to present a case to top management that the license should be extended.

Answer: C

83. Which of the following is the LEAST likely to be included in a product file?

A. Price.

B. Specifications.

C. Supplier history.

D. Purchase history.

Answer: C

84. Which of the following is the WEAKEST method of expediting in a situation where the need for delivery is critical?

A. A personal letter.

B. A fax or e-mail message.

C. Contacts with the carrier.

D. A plant visit by the buyer or expediter.

Answer: C

85. Which of the following is NOT referred to in specifications?

A. Purchase descriptions.

B. Quality requirements.

C. Product descriptions.

D. Purchase conditions.

Answer: D

86. A purchaser at a research laboratory is working with scientists on a purchase agreement for a new generation of chemical analytic instrumentation. There is general agreement that a new instrument of this

type can be made to perform to the extreme precision and sensitivity desired, but that such an instrument does not at present exist. The engineers at a major supplier believe that they can achieve this new level of precision with information given to them by the research laboratory
staff. The supplier requests a sizeable down payment for the order: 50% of total purchase cost of $1 million. In order to achieve the MOST benefit, how should the research laboratory defining its purchase requirements?

A. In terms of brand-name specifications.

B. In terms of performance specifications.

C. In terms of industry standard specifications.

D. In terms of material composition specifications.

Answer: B

87. Which of the following would a purchaser NOT consider in evaluating the direct costs of producing a product?

A. Direct labor rates.

B. Labor estimates.

C. Overhead rates.

D. Material.

Answer: C

88. Which of the following is the LEAST important in a supplier performance rating system?

A. Price history.

B. Product quality.

C. On-time delivery.

D. Financial stability.

Answer: D

89. Which of the following is MOST beneficial in an environment where time to market is critical?

A. Have selected suppliers use on-site consignment warehousing.

B. Develop two suppliers for every part to assure availability.

C. Computerize the quotation system via EDI.

D. Work jointly with a supplier on the design.

Answer: D

90. Which of the following statements is TRUE according to the Law of Agency, if a buyer acts outside his actual authority but within what can reasonably be considered apparent authority?

A. The buyer's organization is without legal recourse against the buyer.

B. The seller generally has legal recourse against the buyer's organization.

C. The buyer's organization is free from all legal liability due to the action of its buyer.

D. The seller has legal recourse against the buyer for acting beyond the limit of his actual authority.

Answer: B

91. Which of the following is generally NOT a form of third party purchasing?

A. Consortiums.

B. Credit card purchases.

C. Master contracts/agreements.

D. Outsourced purchasing operations.

Answer: B

92. Which of the following is in the correct sequence from first to last?

A. Analysis, survey, negotiation, experience.

B. Experience, negotiation, survey, analysis.

C. Survey, negotiation, analysis, experience.

D. Survey, analysis, negotiation, experience.

Answer: D

93. Which of the following is the MOST accurate method for calculating and evaluating the economic advantages or disadvantages of purchasing a piece of machinery?

A. The pay-back method.

B. The return-on-assets method.

C. The return-on-equity method.

D. The return-on-investment method.

Answer: D

94. estInside.com is planning to introduce a new line of clothing endorsed by a celebrity.

XXXX.com has determined that the direct cost per unit for manufacturing the clothing is $150; the right to embroider the celebrity's name to the garment is $500,000; and the other overhead costs associated with manufacturing total $50,000.

What would the cost of the fabric used in the production of the garments generally be considered as?

A. A sunk cost.

B. A variable cost.

C. An implicit cost.

D. An opportunity cost.

Answer: B

95. When a customer places a purchase order with XXXX.com close to the need date, what is the MOST appropriate course of action for the customer to take?

A. Call XXXX.com the promised ship date.

B. Ask XXXX.com to call 3 days prior to the promised shipping date.

C. Ask the receiving clerk to call XXXX.com if the materials are not received on the promised date.

D. Establish a follow-up file to call XXXX.com one week before the promised ship date.

Answer: D

96. You work as the purchasing manager at XXXX.com. You are attempting to source and qualify potential bidders for a project. The project requires a highly technical scope of work. Which of the following factors will be of the LEAST importance to your considerations?

A. Location

B. References

C. Financial stability

D. Previous experience

Answer: A

97. Which of the following attributes of purchasing personnel is affected by requisitions from internal customers?

A. Familiarity with purchasing policy.

B. Experience.

C. Authority.

D. Job title.

Answer: C

98. Which of the following statements regarding the learning curve is FALSE?

A. The learning curve is basically the same as a progress or improvement curve.

B. The learning curve depicts an empirical relationship between the number of units produced and the labor hours required to produce them.

C. The learning curve is most useful in production operations that exhibit nonuniform rates of improvement.

D. The learning curve reflects not only production learning but also management learning.

Answer: C

99. Which of the following should be established in writing in order to avoid any confusion as to what event will trigger payment to a supplier?

A. When the requested work must be completed.

B. The financial viability of the supplier.

C. Mutually acceptable criteria.

D. Penalty clauses.

Answer: C

100. When can a purchasing department disclose supplier proprietary information to others within the buying organization?

A. When establishing alliances with other suppliers.

B. When supplier samples have been provided.

C. On a need-to-know basis only.

D. Never.

Answer: C

101. Which of the following should a buyer who is purchasing in the private sector normally do when using an extensive list of approved suppliers to prepare an RFQ?

A. Issue the RFQ to all prequalified suppliers.

B. Obtain samples/models of products prior to issuing the RFQ.

C. Issue the RFQ to a reasonable cross section of prequalified suppliers.

D. Ask the requisitioner for a recommendation as to which suppliers to solicit.

Answer: C

102. Which of the following is MOST suitable for a low-cost, high-volume item that is used by only one department within the organization but is used continuously at varying rates and is requisitioned frequently?

A. EDI

B. Purchase order

C. Bill of material

D. Systems contract

Answer: D

103. Which of the following would NOT be considered in the least total cost (LTC) supplier selection process?

A. Supplier goodwill and supplier balance sheet

B. Quality, on-time delivery, and service

C. Design and technical assistance

D. Price

Answer: A

104. Which of the following would NOT be found in a materials budget for a special product?

A. Indirect costs.

B. Cost variances.

C. Usage variances.

D. Direct material costs.

Answer: A

105. On which of the following would the evaluation of a supplier's ability to meet the requirements of a proposed be based? (Choose all that apply.)

A. Price

B. Capacity

C. Past performance

D. Financial condition

Answer: B, C, D

106. Which member of a buying organization is LEAST likely to be a member of a supplier analysis team?

A. The controller.

B. The design engineer.

C. The production engineer.

D. The quality assurance manager.

Answer: A

107. You work as a purchasing manager at XXXX.com. A top executive at XXXX.com is frequently involved with several charities. He calls you and says he would like to seek donations from XXXX.com's major suppliers. On what basis would you discourage this?

A. Information is confidential.

B. The executive's actions are illegal.

C. Reputation of the firm would suffer.

D. Suppliers are likely to cease doing business with the firm.

Answer: C

108. What is MOST likely to be the current stage of the product development life cycle for a product that is

going through frequent changes in specifications, resulting in the obsolescence of many inventoried items?

A. Growth.

B. Decline.

C. Maturity.

D. Introduction.

Answer: D

109. On which of the following is the following statement based?

A "material breach" on the part of the federal government does not preclude the contractor from continuing its work on behalf of the government, pending resolution of any request for relief, claim, appeal, or action arising under the contract.

A. Termination clause.

B. Davis-Bacon Act.

C. Disputes clause.

D. Clayton Act.

Answer: C

110. Which of the following statements is FALSE?

A. The purpose of supplier certification is to improve quality and delivery reliability.

B. The purpose of supplier certification is to determine the pricing of products to be purchased.

C. The purpose of supplier certification is to provide a means for monitoring ongoing performance of a supplier.

D. The purpose of supplier certification is to determine the suppliers with whom the organization should enter into long-term relationships.

Answer: B

111. Which of the following would MOST likely be of assistance in post-award contract administration with regard to service contracts?

A. An audit clause.

B. Force majeure.

C. A warranty.

D. Insurance.

Answer: A

112. You work as a purchaser at XXXX.com. You received two bids for the supply of materials. A third supplier calls before the due date and requests an extension of time. What should you do?

A. Refuse to grant the extension for any reason.

B. Grant the extension if the supplier can prove that it is a small and disadvantaged supplier.

C. Grant the extension if the reasons are justifiable, and inform all other suppliers of the extension.

D. Grant the extension, because the purchaser should have at least 3 bids in order to have true competition.

Answer: C

113. Which of the following publication provides the MOST complete data about a company's positions in the market and their comparative strengths within their industry?

A. TRY US.

B. Moody's Industrial Manual.

C. Standard and Poor's Register.

D. The Thomas Register of American Manufacturers.

Answer: B

114. The operations and planning functions within XXXX.com do not provide purchasing with sufficient time to obtain a needed product or service. Which of the following is LEAST likely to result from this situation?

A. Premium transportation charges.

B. Production schedule changes.

C. Cash flow reductions.

D. Higher prices.

Answer: C

115. You work as a buyer at XXXX.com. You are new to the industry, but is an experienced buyer. You receive an invitation from a major supplier's salesperson to meet for lunch to discuss new products and have a "get-to-know-you" visit. The salesperson suggests that the discussion not be tied to any present XXXX.com company need. You view this lunch meeting as an opportunity for free training and insight into the marketplace, as well as a demonstration of willingness to spend some personal time on training. You have no intention of accepting a free lunch from the supplier, see no ethical constraints, and know of no company policy on the matter.

The meeting, however, becomes known to the entire department, which starts discussions among the staff about what your purpose is, whether it is related to company business, and why the meeting was not conducted on company grounds with other more experienced staff. How would XXXX.com be BEST served in this situation?

A. By restricting meetings with sales personnel to official business on company grounds.

B. By limiting new-buyer training to in-house training, association courses, and trade shows.

C. By having a clear company policy statement for meetings with sales personnel.

D. By reviewing all buyers' lunch plans daily.

Answer: C

116. Which of the following are NOT accepted methods of payment for goods procured internationally?

A. Payment upon receipt of documented evidence of shipment.

B. Payment after receipt and inspection.

C. Letters of credit.

D. C.O.D.

Answer: D

117. Which of the following is required in open-end orders?

A. Purchase of a given amount of material over the term of the contract.

B. Delivery at fixed prices during a defined period.

C. Delivery of material on specific due dates.

D. No obligation on the part of the seller.

Answer: B

118. Which of the following involved is LEAST likely to be performed by purchasing?

A. Defining a competitive price range.

B. Checking availability and lead times.

C. Evaluating new materials and technologies.

D. Projecting market trends of materials and components.

Answer: C

119. Which of the following statements is TRUE?

A. Purchase orders are considered to be "offers" provided they are acknowledged in writing.

B. Purchase orders are either "offers" or "acceptances," depending upon individual terms and conditions.

C. Purchase orders are considered to be acceptances of offers made by suppliers whether or not confirmed in writing.

D. Purchase orders issued as "confirmations" can be issued with slightly different terms and conditions from the basic agreement order.

Answer: B

120. Which of the following support(s) the utilization of a supplier quality rating system? (Choose all that apply.)

A. The identification of quality as an important measure of supplier performance.

B. The availability of comparisons between suppliers of similar commodities.

C. The provision of a ready reference for future procurement.

D. None of the above.

Answer: A, B, C

121. Which of the following statements is TRUE?

A. A closed order file is LEAST likely to provide an audit trail.

B. A closed order file is LEAST likely to provide a reference for questions on past orders.

C. A closed order file is LEAST likely to provide historical records to guide future decisions.

D. A closed order file is LEAST likely to provide a record of both buyer and supplier performance.

Answer: D

122. You work as the purchasing manager at XXXX.com. You discover that staff members of the engineering department have been treated to expensive lunches by a supplier. Which of the following actions should you take?

A. Discuss the situation with the manager of the engineering department.

B. Send a copy of the company purchasing ethics to each engineer.

C. Appeal to the company president to take corrective action.

D. Discuss the situation with the supplier.

Answer: A

123. Which of the following are provided by a preferred supplier list? (Choose two.)

A. A guide for supplier selection.

B. Enhanced supplier confidence.

C. The ability to target costs with the supplier.

D. The ability to target quality with the supplier.

Answer: A, B

124. In which of the following budgets would a machine that has a three-year useful life and is valued at $5,500 belong?

A. MRO.

B. Capital.

C. Materials.

D. Operating.

Answer: B

125. Which of the following would define an organization that has various parts working well together in the development of specifications and performance criteria, thereby avoiding duplication and loss of time?

A. A high degree of centralization.

B. A high degree of coordination.

C. A high degree of integration.

D. A high degree of induction.

Answer: C

126. Which of the following statements MOST accurately describes an expediting call rather than a follow-up call?

A. A call to confirm that a supplier shipped an item on time.

B. A call to ensure shipment on an originally promised shipping date.

C. A call to confirm the expected completion date of an important custom component.

D. A call to request that a supplier ship an item sooner than the originally promised date.

Answer: D

127. Buyers are instructed to use specifications to describe needed products in terms of design and performance characteristics. Which of the following is this LEAST likely to result in?

A. Lower costs.

B. Brand name bias.

C. More competition.

D. New product awareness.

Answer: B

128. When may federal government contractors request reimbursement for costs incurred?

A. When payments have been booked on an accrual basis.

B. When payments have been audited by the fiscal officer.

C. When payments have been made to any subcontractors.

D. When payments have been approved by the contracting officer.

Answer: C

129. Which of the following specifications is MOST appropriate for the purchasing of subsystems and subassemblies?

A. Performance.

B. ANSI standards.

C. Chemical/physical.

D. Material and method-of-manufacture.

Answer: A

130. Which of the following costs would NOT be reduced by efficient expediting?

A. Lost discounts.

B. Excess inventory.

C. Production stoppage.

D. Premium transportation.

Answer: A

131. Which of the following is MOST likely to result from a long-term strategy to use multiple suppliers for the same part?

A. Competition among suppliers.

B. Reduced lead time.

C. Improved quality.

D. Reduced price.

Answer: B

132. What is the PRIMARY difference between expediting and follow-up?

A. The purchaser is usually not responsible for follow-up.

B. Expediting is more likely to be used for late shipments.

C. Follow-up is to assure delivery as promised, while expediting is used to accelerate shipment.

D. Back orders are usually handled by expediting, while follow-up is used when an entire delivery is late.

Answer: C

133. Which of the following is the PRIMARY document authorizing a purchasing department to buy specific goods or services?

A. Purchase order.

B. Bill of materials.

C. Production schedule.

D. Purchase requisition.

Answer: D

134. Which of the following is typically accounted for by demonstration equipment?

A. Purchase order only.

B. Evaluation agreement only.

C. Purchase order and Evaluation agreement only.

D. Purchase order, Evaluation agreement, and Lease.

Answer: C

135. Which of the following models BEST illustrates the relationship between output rates and the length of time a company has been manufacturing a particular product?

A. Productivity ratio.

B. Learning curve.

C. Normal curve.

D. Pareto chart.

Answer: B

136. You work as the purchasing manager at XXXX.com. The vice president of XXXX.com requests that you visit a friend who is the marketing manager of a company attempting to sell XXXX.com its product line. You find the marketing manager's line of products to be excellent but overpriced and tell him so. The marketing manager asks you to provide him with competitive prices, which he states he will meet. Which of the following is the MOST professional course of action you could follow?

A. Refuse to deal with the marketing manager at all, because he attempted to use influential tactics.

B. Provide the competitive prices and agree to switch XXXX.com's orders to the marketing manager's firm.

C. Provide the competitive prices and agree to switch XXXX.com's orders to the marketing manager's firm if he offers better prices.

D. Refuse to reveal competitive prices, but offer the marketing manager an opportunity to bid competitively for XXXX.com's next requirements.

Answer: D

137. Which of the following would NOT results in variances in a purchasing materials budget?

A. A reduction in purchasing's operating budget.

B. Master production schedule adjustments.

C. Updates in the bill of materials.

D. A change in sales forecasts.

Answer: A

138. Which of the following should be considered when evaluating service in price analysis? (Choose all that apply.)

A. Timeliness of deliveries.

B. Dun & Bradstreet rating.

C. Supplier technical/value analysis assistance.

D. Supplier willingness to make satisfactory adjustments for claims by the buyer.

Answer: A, C, D

139. Which of the following are the LEAST important results to measure each month using a supplier performance rating system? (Choose two.)

A. Price.

B. Quality.

C. Delivery.

D. Customer service.

Answer: A, D

140. Which of the following statements is TRUE?

A. Direct costs increase as a function of product/service output.

B. Direct costs change as a basis for the allocation of overhead.

C. Direct costs decrease per unit as output rises.

D. None of the above

Answer: A

141. Which of the following statements BEST describes "quality at the source"?

A. The organization provides workers with the tools of in-process quality assurance.

B. The organization increases the number of work-in-process inspections.

C. The organization prescribes quality requirements to the workers.

D. The organization stops incoming inspection.

Answer: A

142. Which of the following would be liable for any shipping damages if a product is shipped "F.O.B. Destination, Freight Paid by Buyer"?

A. The seller.

B. The buyer.

C. The carrier.

D. Cannot be determined from above information.

Answer: A

143. In which of the following is bid prices adjusted to reflect differences in supplier performance?

A. Benchmarking.

B. The Cost-ratio method.

C. The Categorical method.

D. The Weighted-point method.

Answer: B

144. Which of the following would NOT be included in purchase specifications?

A. Brand name or equal.

B. Drawings.

C. Finishes.

D. Cost.

Answer: D

145. Which two of the following statements regarding the concept of order consignment are FALSE? (Choose two.)

A. The supplier normally determines minimum and maximum stocking levels.

B. Supplier invoices may be eliminated by using disbursement reports on items taken from consignment inventory.

C. The buyer pays only for goods removed from consignment, regardless of the length of time goods remain available for use.

D. The supplier is responsible for identifying shipped goods as consignment goods and must keep them separate from nonconsignment goods in the buyer's inventory.

Answer: A, D

146. Which of the following indicators in a supplier's financial report BEST reflects the supplier's ability to meet its short-term cash requirement?

A. Times interest earned.

B. Return on assets.

C. Debt to sales.

D. Quick ratio.

Answer: D

147. Which of the following would be the LEAST important consideration in purchase requisitions?

A. Sales forecasts.

B. OEM considerations.

C. Production schedules.

D. Financial considerations.

Answer: B

148. In which of the following methods of supplier performance rating is the supplier is rated as "preferred," "neutral," or "unsatisfactory"?

A. Weighted-point plan.

B. Categorical plan.

C. Cost-ratio plan.

D. Benchmarking.

Answer: B

149. Which of the following statements is MOST accurate?

A. Supplier proprietary information is a compact between a manager and a purchaser.

B. Supplier proprietary information is subject to protection and is of value.

C. Supplier proprietary information is an ethic codified in law.

D. Supplier proprietary information gives market control.

Answer: B

150. Which two of the following statements regarding the concept of order consignment are TRUE? (Choose two.)

A. The supplier normally determines minimum and maximum stocking levels.

B. Supplier invoices may be eliminated by using disbursement reports on items taken from consignment inventory.

C. The buyer pays only for goods removed from consignment, regardless of the length of time goods remain available for use.

D. The supplier is responsible for identifying shipped goods as consignment goods and must keep them separate from nonconsignment goods in the buyer's inventory.

Answer: B, C

151. When is a buyer bound by the supplier's acknowledgment terms?

A. When the supplier takes exception to the specific buyer's terms.

B. When the supplier fails to respond to the buyer's purchase order terms, but ships the material.

C. When the supplier acknowledges the buyer's purchase order by returning to the buyer the acknowledgment copy of the purchase order set.

D. When the supplier sends an acknowledgment form insisting on the supplier's terms, and the buyer

accepts delivery.

Answer: D

152. On which of the following needs is the use of benchmarking in supplier evaluations PRIMARILY based?

A. Add value.

B. Reduce overhead.

C. Manage inventory.

D. Focus on work flow.

Answer: A

153. In which of the following categories does a purchasing manager fall into according to the Law of Agency?

A. A principal.

B. A special agent.

C. A change agent.

D. A general agent.

Answer: D

154. Which of the following bonds are used to protect purchasers and their organizations?

A. Performance bonds.

B. Municipal bonds.

C. Corporate bonds.

D. Bearer bonds.

Answer: A

155. Which of the following BEST describes improving quality during the manufacturing process?

A. The firm is meeting the quality expectations of the customer.

B. The quality of the product will exceed that of competitors.

C. The firm is attempting to meet its quality objectives.

D. Additional final quality inspectors will be required.

Answer: C

156. You work as a purchaser at XXXX.com. You are determining and evaluating financial strategies. When will you decide to buy in advance due to anticipated price increases or shortages of a specific commodity?

A. When the cost/benefit analyses indicates significant rate of return.

B. When the cost/benefit analyses indicates decrease in carrying cost.

C. When the cost/benefit analyses indicates lower total cost of ownership.

D. When the cost/benefit analyses indicates substantial purchase price variance.

Answer: C

157. Which of the following statements regarding progress payments is FALSE?

A. They may be tied to time periods.

B. They may be modified if a dispute develops during the course of a contract.

C. They should approximate the costs incurred by the supplier, including a portion of the profits.

D. They preclude the right to cancel a contract.

Answer: D

158. What is the MAIN purpose of the term "or equal" when a requisition uses a brand name as the specification?

A. To allow for better quality.

B. To find possible alternatives.

C. To allow for the product to be made in-house.

D. To allow engineering to redefine the specifications.

Answer: C

159. You work as a buyer at XXXX.com. You visit a manufacturer's plant and research division for a general inspection and product review. You are required to sign in at the registration desk and must acknowledge acceptance of the standard terms of visiting. You determine that the visit was very

encouraging discussions and return to XXXX.com with a sample of a new product. The new product is an expensive item of complex design with innovative features.

Why would you need to take specific precautions to protect the sample while in XXXX.com's care?

A. The Truth-in-Lending Law requirements apply.

B. Damage to the sample may result in a charge for repair.

C. Evaluation of the sample might consume company resources.

D. The plant sign-in may have established non-disclosure requirements.

Answer: D

160. Which of the following would NOT come under consideration when a buyer performs contract compliance monitoring?

A. Whether the cost will be within the estimate.

B. Whether performance on schedule can be expected.

C. Whether the quality of the end products will be consistent with the specifications.

D. Whether the supplier's own progress monitoring system has been validated by an ISO validation team.

Answer: D

161. Which of the following should generally be included in the role of legal counsel in the purchaser's administration of a contract?

A. Assisting in establishing negotiating strategies.

B. Writing commercial and legal terms for the contract.

C. Notifying suppliers in writing of minor nonconformance.

D. Identifying purchaser's rights and remedies in the event the supplier breaches.

Answer: B

162. Which of the following are NOT required items in computing total cost in capital equipment procurement analysis?

A. Production inventory investment.

B. Installation and start-up costs.

C. Warranty considerations.

D. Performance guarantees.

Answer: A

163. Under which of the following conditions can bids be rejected in the public sector?

A. Failure to sign the bid.

B. Failure to submit design specifications.

C. Failure to provide adequate cost analysis.

D. Failure to respond to previous solicitations.

Answer: A

164. Which of the following is NOT used to measure a supplier's responsibility in public purchasing?

A. Price.

B. Past performance.

C. Financial condition.

D. Technical organization.

Answer: A

165. Which of the following is NOT a good reason for maintaining records of purchases?

A. To provide a paper trail for internal and external auditors.

B. To maintain information for a legal defense in liability suits.

C. To provide information that the purchasing department needs in order to operate.

D. To eliminate the time required for requesting information from other departments.

Answer: D

166. Which of the following are NOT suitable recommendations for the purchase of chemical products according to the OSHA Hazard Communication Standard?

A. Establishing a chemical quality control program.

B. Establishing a list of chemicals pre-approved for purchase.

C. Reducing the number of chemicals through standardization.

D. Purchasing alternative products that contain less hazardous chemicals.

Answer: A

167. Which of the following does NOT have a bearing on a supplier performance rating system?

A. Quality

B. Service

C. Delivery

D. Past price

Answer: D

168. Which of the following do NOT characterize operational needs that lead to a decision to buy?

A. High dollar value.

B. User prioritization.

C. Strategic significance.

D. Competitive advantage.

Answer: A

169. Which of the following is NOT a valid reason for a requisitioner to limit competition?

A. The requisitioner is seeking to fulfill requirements.

B. The requisitioner needs superior technical capabilities.

C. The requisitioner desires an exclusive catalogue number.

D. The requisitioner is seeking capital equipment replacement parts.

Answer: C

170. Which of the following would provide the MOST valuable insights into a supplier's ability to perform?

A. Site visits.

B. Annual reports.

C. Trade literature.

D. Sales representatives.

Answer: A

171. Which of the following would be of the LEAST assistance in locating global sources?

A. Chambers of Commerce.

B. Trading companies.

C. World Wide Web.

D. Embassies.

Answer: A

172. Which of the following is LEAST likely to be a problem in the inspection and acceptance of a contract for services?

A. Determining the price to be paid.

B. Determining where responsibility lies.

C. Verifying compliance in contractual areas.

D. Establishing specific procedures and systems.

Answer: A

173. Which of the following is the MAIN reason for establishing penalties for late supplier deliveries?

A. To ensure on-time delivery.

B. To cover the full cost of delays.

C. To invoke financial recompense.

D. To prevent manufacturing delays.

Answer: C

174. Which of the following is NOT a valid reason for rejecting an invoice?

A. A mismatch between actual quantity received and quantity stated on the invoice.

B. Errors in unit price or total price.

C. A wrong address on the invoice.

D. Incorrect freight terms.

Answer: C

175. Which of the following responsibilities does the term "F.O.B. Shipping Point," added to a purchase

order designate? Choose all that apply.)

A. If the delivered shipment fails to reach the buyer, the supplier must reimburse the purchase price.

B. The supplier is required to deliver the shipment to a carrier.

C. The buyer takes title at the specified delivery point.

D. All transportation costs are paid by the buyer.

Answer: B, D

176. Which of the following would NOT be considered costs due to improper delivery in a delivery performance rating system?

A. Deliveries made ahead of schedule.

B. Deliveries made behind schedule.

C. Price variance performance.

D. Expediting costs.

Answer: C

177. Which of the following represents trade discounts that are structured as a sequence of individual discounts, such as 25, 10, and 5 percent?

A. Cash discounts.

B. Quantity discounts.

C. Seasonal discounts.

D. Functional discounts.

Answer: D

178. You work as a seller for XXXX.com. You hear a rumor that a major competitor is going out of business due to a weakening financial condition. You share this information with your customers, adding that the competitor's financial problems are causing major quality problems in their operations. What could the competitor sue you and XXXX.com for, if these claims are not based on fact?

A. Libel.

B. Bribery.

C. Disparagement.

D. Breach of trust.

E. Misrepresentation.

Answer: C

179. Which piece of legislation is designed to prevent well-financed itinerant contractors from successfully bidding on and winning federal government contracts and then transporting low-wage workers from distant points to displace local workers?

A. The Clayton Act.

B. The False Claims Act.

C. The Davis-Bacon Act.

D. The Robinson-Patman Act.

Answer: C

180. Which of the following statements are TRUE? (Choose all that apply.)

A. The prices of products produced by suppliers that produce single products tend to be lower.

B. The quality of a product that is produced by suppliers that produce single products tends to be higher.

C. Suppliers that produce single products tend to be more stable financially.

D. The delivery suppliers that produce single products tends to be faster.

Answer: A, B, D

181. Which of the following is the LEAST important consideration in preparing product specifications?

A. Competition of concepts.

B. Economical production.

C. Consumer acceptance.

D. Function.

Answer: A

182. Which of the following is the BEST approach for protecting information when attending a supplier demonstration of a proprietary manufacturing process?

A. Using key card entry.

B. Requiring a signed non-disclosure agreement.

C. Requiring positive identification and registration.

D. A discussion of the handling of certified information.

Answer: B

183. Which of the following are TRUE?

A. When goods are shipped "F.O.B. Origin or Factory, Freight Prepaid and Added," the buyer pays freight charges.

B. When goods are shipped "F.O.B. Origin or Factory, Freight Prepaid and Added," the buyer bears freight charges.

C. When goods are shipped "F.O.B. Origin or Factory, Freight Prepaid and Added," the buyer collects freight charges.

D. When goods are shipped "F.O.B. Origin or Factory, Freight Prepaid and Added," the buyer invoices freight charges.

Answer: B

184. In which of the following payment methods used in global sourcing, does the seller forward all shipping documents, invoices, insurance certificates, and other appropriate documents, along with its draft drawn on the buyer, through the seller's bank to the buyer's bank overseas?

A. Open account.

B. Sight draft collection.

C. Clean draft collection.

D. Confirmed letters of credit.

Answer: B

185. Which of the following can a buyer and a supplier may do under the terms of the Uniform Commercial Code?

A. Make a binding contract without agreeing on an exact price until a later date only.

B. Make a binding contract without agreeing on an exact price until a later date and Revoke a contract at any time if it does not contain an exact price.

C. Revoke a contract at any time if it does not contain an exact price only.

D. None of the above

Answer: A

186. Which of the following are the LEAST important criteria a company would use in determining a list of approved suppliers?

A. Price.

B. Service.

C. Quality.

D. Capacity.

E. Customer service.

Answer: E

187. What type of solicitation is represented by a request for bids using an approved products list?

A. Two-step bidding.

B. Alternate proposals.

C. Restricted competition.

D. Competitive proposals.

Answer: C

188. Which of the following BEST describes the flaw of supplier evaluation plans?

A. Empirical studies have shown them to be invalid.

B. Their subjectivity makes sole reliance on them inadvisable.

C. They cannot be performed without the assistance of a computer.

D. Many suppliers in recent years have had vehement objections to their use.

Answer: B

189. You work as the senior vice president of corporate procurement for XXXX.com.

You have just come out of a meeting of the company's top executives. At the meeting you were informed about the pending merger of XXXX.com with a multibillion-dollar European conglomerate that is a major player in the IT certification business. You have been asked to participate in the supply strategy planning

team, which will prepare a plan after the merger is complete. Which of the following will provide a supply strategy that will help your team to prepare a plan?

A. Supply segmentation analysis.

B. Supply-base rationalization.

C. Early supplier involvement.

D. Activity-based costing.

Answer: A

190. On which of the following are progress payments usually made? (Choose two.)

A. Very high dollar value purchases.

B. Construction contracts.

C. Systems contracts.

D. Blanket orders.

Answer: A, B

191. Which of the following should the buyer consider FIRST when locating a potential source of supply?

A. Current suppliers.

B. Trade publications.

C. Chambers of commerce.

D. Trade shows and exhibits.

Answer: A

192. Which of the following is NOT a measure of the responsiveness of a supplier in state and local government purchasing?

A. Meeting small, disadvantaged business requirements.

B. Complying with the buying agency's specifications.

C. Filling out the bid document correctly.

D. Providing required documentation.

Answer: A

193. Which of the following statements is the LEAST accurate?

A. Preferred suppliers find ways to enhance their products.

B. Preferred suppliers emphasize acquisition costs over total costs.

C. Preferred suppliers warn the customer in advance of factors that may affect the purchaser's operations.

D. Preferred suppliers take the initiative in suggesting better ways to serve the customer.

Answer: B

194. Which of the following statements is TRUE?

A. Firms buying simple off-the-shelf supplies consider telephone instructions sufficient to complete a purchase.

B. When receiving a telephone order suppliers prepare all paperwork, including invoices, packing slips, and receiving documents.

C. In the past, telephone orders were rarely used in the procurement of MRO items.

D. Automated systems cannot be used to track and control telephone orders.

Answer: A

195.With regard to suppliers who are producers of single product, which of the following are FALSE?

A. Their prices tend to be lower.

B. Their quality tends to be higher.

C. Their delivery tends to be faster.

D. They tend to be more stable financially.

Answer: D

196. Which of the following will LEAST accurately reflect the goals of a supplier performance rating system?

A. Reduced rejects.

B. Reduced rework.

C. Reduced receipts.

D. Reduced warranty costs.

Answer: C

197. When may a letter of intent be used prior to issuance of a more complete purchase order or contract? (Choose all that apply.)

A. To cope with fluctuating market conditions or critical shortages.

B. To purchase material or equipment with a lengthy lead time.

C. To obtain advance release of production items or services.

D. To avoid near-term increases.

Answer: A, B, C, D

198. On which of the following would a change in a company's marketing plans or strategy have the LEAST impact?

A. Material requirements.

B. Purchase requisitions.

C. Production plans.

D. Sales forecasts.

Answer: B

199. Which of the following would be used to resolve buyer/seller disputes related to global shipping and packaging?

A. World Trade Organization (WTO)

B. General Agreement on Tariffs and Trade (GATT)

C. North American Free Trade Agreement (NAFTA)

D. Convention on Contracts for the Sale of Goods (CISG)

Answer: D

200. Which of the following is likely to obligate XXXX.com to a fiduciary responsibility?

A. Power.

B. Negotiation.

C. Commitment.

D. Functional authority.

Answer: D

201. For which of the following is credit card purchases the MOST appropriate?

A. Periodic services.

B. Commodity items.

C. Low-dollar purchases.

D. Low-volume purchases.

Answer: C

202. Which of the following would generally NOT be accepted methods of payment for goods acquired through international procurement?

A. C.O.D.

B. Letters of credit.

C. Payment after receipt and inspection.

D. Payment upon receipt of documented evidence of shipment.

Answer: A

203. XXXX.com has placed an order that called for delivery to be F.O.B. Shipping Point, with Freight Allowed to Destination. On delivery the purchasing manager discovers that the material was damaged in transit. What should the purchasing manager do?

A. File a claim with the transportation company for repair and replacement costs.

B. Notify the supplier and request that it file the claim and reship the material.

C. Have repairs made to the material and backcharge the supplier.

D. Refuse to accept the shipment and reorder the material.

Answer: A

204. Which of the following BEST defines the concept of "sharp" buying practices?

A. Negotiating with more than one supplier.

B. Developing a supplier alliance for strategic materials.

C. Misleading a supplier about the actual quantity that the buyer intends to purchase.

D. Reporting verified information about a supplier's financial problems to management.

Answer: C

205. On which of the following do most state and local governments establish a supplier base?

A. Bidders lists.

B. Pre-bid conferences.

C. Interactions between purchasing and the supplier.

D. Interactions between the using department and the supplier.

Answer: A

206. Which of the following is LEAST likely to result from a supplier dealing directly with several user departments within XXXX.com?

A. Confusion and uncertainty.

B. Lower total acquisition costs.

C. Bureaucratic problems for purchasing.

D. Increased supplier knowledge about the organization.

Answer: B

207. Which piece of legislation is designed to prevent monopolies by outlawing discrimination in pricing due to conspiracies or combinations that act in restraint of trade?

A. The Clayton Act.

B. The False Claims Act.

C. The Davis-Bacon Act.

D. The Robinson-Patman Act.

Answer: A

208. XXXX.com has won a grant from the federal government to construct and operate a standard weather observation station and equipment structure. On the basis of which of the following would the construction contract for the weather observation station and equipment structure be awarded?

A. Letter of intent.

B. Directors' decision.

C. Competitive sealed bid.

D. Competitive sealed proposal.

E. Student design and build competition.

Answer: C

209. You work as a buyer at XXXX.com. You have responsibility for the purchase of capital equipment. You receive an emergency call from the plant manager, requesting the purchase of a special generator that costs $100,000. The existing generator is old and causing problems, and the repair company can no longer guarantee future repairs. Normal leadtime for delivery of the special generator is 20 weeks. However, the plant manager has requested delivery of the new generator within 30 days. Which of the following should you do FIRST?

A. Insist that the plant manager submit a properly approved and funded requisition for the new generator.

B. Determine the current cost of the new generator and additional costs related to short-time-interval ordering, expediting, and premium transportation.

C. Contact the repair company to determine the extent of the existing generator's problems before taking any action.

D. Quickly contact potential suppliers to determine availability of the new generator.

Answer: D