

## **CIPS Level 2 – Certificate in Procurement and Supply Operations**

# **Inventory, Logistics and Expediting [L2M5]**

### **Sample Exam Questions (Objective Response)**

**The correct answer will be listed below each question**

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Q1. Stock that is included in unfinished products throughout a factory is referred to as?

- a. Work in process
- b. Work in progress
- c. Work in purchase
- d. Work in procurement

LO: 1

AC: 1.1

Correct answer: B

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Q2. ABC analysis of stock is a method derived from which theory?

- a. Pareto 80/20 Rule
- b. Porter's 5 Forces
- c. STEEPLE analysis
- d. Kraljic Matrix

LO: 1

AC: 1.1

Correct answer: A

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Q3. Hannah has set up an ordering system that has products arriving at the warehouse door one hour before they are needed on the shop floor. What type of system has Hannah set up?

- a. JIT
- b. ERP
- c. ABC
- d. MRP

LO: 1

AC: 1.3

Correct answer: A

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Q4. Due to an increase in inventory, Steve has had to procure some additional racking. To what type of cost should the racking be allocated?

- a. Indirect
- b. Variable
- c. Direct
- d. Fixed

LO: 1

AC: 1.2

Correct answer: C

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Q5. Gathering data from previous sales, adding a percentage on for a known upward trend in purchases from customers' results in what form of forecasting?

- a. Objective
- b. Subjective
- c. Accurate
- d. Unreliable

LO: 1

AC: 1.3

Correct answer: A

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Q6. Arranging for a purchase order to be transported by rail rather than road could provide which benefit to an organisation?

- a. Reduced environmental impact
- b. Higher ethical risk
- c. Slower delivery
- d. Less likely to incur damage

LO: 2

AC: 2.2

Correct answer: A

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Q7. DDP, EXW and FOC are examples of what?

- a. Contracts
- b. Tenders
- c. Incoterms
- d. Standard Terms

LO: 2

AC: 2.3

Correct answer: C

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Q8. What is the name for the document which states where a product in transit started its life?

- a. Certificate of conformance
- b. Certificate of authentication
- c. Certificate of incorporation
- d. Certificate of origin

LO: 2

AC: 2.5

Correct answer: D

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Q9. Juan has been awarded a contract with a low cost country supplier. This is the first time Juan has dealt with the new supplier. The supplier does not want to supply Juan until he has received payment, but Juan does not want to pay until he has the goods. Which of the below options is the best solution to the problem Juan and his supplier face?

- a. Letter of credit
- b. Pro forma
- c. Credit terms
- d. BACS/CHAPS payment

LO: 2

AC: 2.5

Correct answer: A

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Q10. Which of the following statements best describe obsolescent stock?

- a. Stock that has a use to another organisation
- b. Stock that is at the end of its lifecycle
- c. Stock that is appreciating in value
- d. Stock that is held as JIT inventory

LO: 1

AC: 1.1

Correct answer: B

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Q11. Which of the following explains the actions involved as part of an efficient expediting system?

- a. Checking requirements for export of goods from another country
- b. Maintaining contact with important suppliers to reduce the likelihood of problems with orders
- c. Updating users on progress and ensuring speedy release of the purchase order
- d. Ensuring invoices are checked and supplier payment is not delayed

LO: 3

AC: 3.2

Correct answer: B

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Q12. Why might an organisation hold safety stock?

- a. To minimise the risk of stock outs
- b. To increase stock recording accuracy
- c. To reduce order and handling costs
- d. To utilise available storage capacity

LO: 1

AC: 1.1

Correct answer: A

Q13. Which of the following is an example of why an organisation might decide to hold inventory?

- a. To help production look busy
- b. To maintain service level agreements
- c. To make best use of warehouses
- d. To maintain smooth production

LO: 1

AC: 1.2

Correct answer: B

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Q14. A example of system used to control inventory is ...

- a. TQM
- b. MRP
- c. NLP
- d. OGM

LO: 1

AC: 1.3

Correct answer: B

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Q15. Drag and drop the correct option into the blank space.

can be described as “the management of the flow of goods and services between the point of origin and the point of consumption in order to meet customer requirements”.

Logistics, Operations, Organisational success, Procurement

LO: 2

AC: 2.1

Correct answer: Logistics

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Q16. The rules that are used internationally to define the way in which goods can be purchased are known as ...

- a. land and sea terms
- b. open borders
- c. closed borders
- d. incoterms

LO: 2

AC: 2.3

Correct answer: D

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Q17. Which of the following documentation would you associate with the transportation of supplies?

- a. Specification
- b. Consignment note
- c. Purchase order
- d. Supplier catalogue

LO: 2

AC: 2.5

Correct answer: B

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Q18. One of the major problems of transporting goods by sea is ...

- a. salt ingress
- b. losing the ship in a storm
- c. time of delivery
- d. excessive cost

LO: 2

AC: 2.2

Correct answer: C

Q19. Air freight is often not considered to be an option to transport goods because ...

- a. aircraft can crash
- b. it is very expensive
- c. the pressure at height can damage goods
- d. loading is a problem

LO: 2

AC: 2.2

Correct answer: B

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Q20. A stock out may lead to ...

- a. better use of warehouse space
- b. reputational damage for the organisation
- c. identifying ways to be more efficient
- d. increased value for money

LO: 3

AC: 3.1

Correct answer: B