

100% Money Back **Guarantee**

Vendor: ISM

Exam Code: 630-005

Exam Name: C.P.M. Module 1: Purchasing Process

Version: Demo

QUESTION NO: 1

A purchaser places a purchase order with XYZ Company close to the need date. The MOST appropriate course of action for the purchaser to take would be to

- A. tell the supplier to call 3 days prior to the promised shipping date
- B. tell the receiving clerk to call the supplier if the materials are not received on the promised date
- C. establish a follow-up file to call the supplier one week before the promised ship date
- D. call the supplier the day the shipment is promised

Answer: C

QUESTION NO: 2

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

- A. Bilateral
- B. Blanket
- C. Futures
- D. Incentive

Answer: D

QUESTION NO: 3

To ensure that a supplier will meet engineering specifications for a product, a buyer should insist on which of the following contract provisions?

- A. An arbitration clause
- B. The indexing of price to inspection costs
- C. Discounts based on total purchases over a period of time
- D. An acceptance test plan

Answer: D

QUESTION NO: 4

Purchasing should clearly understand the intended use of an item in order to determine if the description given in the purchase request is adequate and accurate. If there is any question, purchasing management should

-
- A. solicit a better description from the user
 - B. revise the description to conform to market terminology
 - C. substitute a comparable item
 - D. refuse to process the request

Answer: A

QUESTION NO: 5

Which of the following is the MOST serious problem with the use of supplier inputs into specification and work statement development?

- A. The potential for a supplier to structure the specifications in a manner that prevents competition
- B. The inability of a supplier to comply with the time constraint imposed by the buyer
- C. A lack of technical or technological expertise among supplier personnel
- D. The potential for the supplier to ignore quality considerations even when requested by the buyer

Answer: A

QUESTION NO: 6

The type of evaluation required to determine supplier capability may vary depending on which of the following? I. Complexity of the purchase to be made II. Purchaser's knowledge of the firms being considered

- A. I only
- B. II only
- C. Both I and II
- D. Neither I nor II

Answer: C

QUESTION NO: 7

When attempting to source and qualify potential bidders for a project requiring a highly technical scope of work, which of the following factors will be the LEAST important consideration?

- A. Financial stability
- B. Location
- C. References
- D. Previous experience

Answer: B

QUESTION NO: 8

A using department requests that a buyer purchase a specific brand-name product. In this situation, the buyer should FIRST do which of the following?

- A. Attempt to negotiate a lower price with the supplier of the brand-name product
- B. Search for competitive suppliers that furnish similar products
- C. Attempt to persuade the user to furnish performance specifications
- D. Appeal the request to higher purchasing management

Answer: C

QUESTION NO: 9

Which of the following is LEAST likely to be required on a purchase requisition?

- A. The account to be charged
- B. An authorized signature
- C. The date the materials are required
- D. The name of the freight carrier

Answer: D

QUESTION NO: 10

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

- A. The electronic transmission of orders
- B. Competitive bidding
- C. Blanket orders
- D. Purchase order drafts

Answer: B

QUESTION NO: 11

The initial stage of a cost analysis involves

- A. comparing previous prices
- B. obtaining a cost breakdown
- C. examining financial statements
- D. comparing historical costs

Answer: B

QUESTION NO: 12

Which of the following costs is specifically EXCLUDED from the process of cost analysis?

- A. Indirect
- B. Overhead
- C. Semivariable
- D. Sunk

Answer: D

QUESTION NO: 13

When establishing procurement plans for the purchase of products or services, which of the following is of LEAST consideration in the classification of needs?

- A. Monetary value
- B. Specifications
- C. Repetitive or non-repetitive need
- D. Strategic or operational need

Answer: B

QUESTION NO: 14

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. Commitment of funds
- C. Production plan
- D. Internal customer order

Answer: B

QUESTION NO: 15

Specifications refer to all of the following EXCEPT

- A. purchase descriptions
- B. quality requirements

-
- C. product descriptions
 - D. purchase conditions

Answer: D

QUESTION NO: 16

To source a part presently made in-house, which of the following actions would be LEAST appropriate?

- A. Soliciting manufacturing's approval to ensure future cooperation
- B. Obtaining accurate specifications for the item to be purchased
- C. Developing a good understanding of present true internal costs
- D. Developing a list of potential sources from which to solicit

Answer: A

QUESTION NO: 17

In the second step of two-step bidding, prices are requested from

- A. all suppliers submitting acceptable technical proposals in the first step
- B. all suppliers qualified to submit proposals in the first step
- C. all suppliers submitting proposals in the first step
- D. the three suppliers submitting the best proposals in the first step

Answer: A

QUESTION NO: 18

If MIS requests a full use copy of a piece of software for evaluation, it is essential that the purchasing department

- A. have return shipping costs paid by the supplier
- B. execute an evaluation license
- C. issue a purchase order
- D. confirm receipt

Answer: B

QUESTION NO: 19

In an environment where time to market is critical, it is MOST beneficial to do which of the

following?

- A. Computerize the quotation system via EDI
- B. Have selected suppliers use on-site consignment warehousing
- C. Develop two suppliers for every part to assure availability
- D. Work jointly with a supplier on the design

Answer: D

QUESTION NO: 20

In a manufacturing stockless inventory program, the purchased raw material physically enters purchased goods inventory at which of the following times?

- A. Five days before it is needed
- B. One day before it is needed
- C. At the time of delivery
- D. Never, since it becomes work in progress or goods shipped

Answer: D

QUESTION NO: 21

Which of the following is MOST suitable for an item that is: 1) used continuously at varying rates; 2) used by only one department within the organization; and 3) a low-cost, high-volume item that is requisitioned frequently?

- A. Bill of material
- B. Purchase order
- C. EDI
- D. Systems contract

Answer: D

QUESTION NO: 22

Which of the following is TRUE with regard to direct costs?

- A. They increase as a function of product/service output.
- B. They change as a basis for the allocation of overhead.
- C. They decrease per unit as output rises.
- D. None of the above

Answer: A

QUESTION NO: 23

Assistance in finding global sources is LEAST likely to come from which of the following?

- A. Chambers of Commerce
- B. World Wide Web
- C. Embassies
- D. Trading companies

Answer: A

QUESTION NO: 24

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

- A. Performance bonds
- B. Corporate bonds
- C. Bearer bonds
- D. Municipal bonds

Answer: A

QUESTION NO: 25

A request for bids using an approved products list is an example of what type of solicitation?

- A. Two-step bidding
- B. Restricted competition
- C. Alternate proposals
- D. Competitive proposals

Answer: B

QUESTION NO: 26

When a supplier deals directly with several user departments within an organization, this is LEAST likely to lead to which of the following?

- A. Bureaucratic problems for purchasing
- B. Increased supplier knowledge about the organization
- C. Confusion and uncertainty
- D. Lower total acquisition costs

Answer: D

QUESTION NO: 27

Open-end orders call for which of the following?

- A. Purchase of a given amount of material over the term of the contract
- B. Delivery of material on specific due dates
- C. No obligation on the part of the seller
- D. Delivery at fixed prices during a defined period

Answer: D

QUESTION NO: 28

The buyer of a sole-source specialty chemical has, in the last three years, been faced with price increases ranging from 10 percent to 15 percent. To help fight continuing increases, the buyer should FIRST develop which of the following?

- A. A trend chart based on the Consumer Price Index
- B. A cost model to better understand the supplier's price
- C. A tough, "hold-the-line" bargaining position
- D. In-house capability to produce the specialty chemical

Answer: B

QUESTION NO: 29

All of the following are required items in computing total cost in capital equipment procurement analysis EXCEPT

- A. production inventory investment
- B. installation and start-up costs
- C. performance guarantees
- D. warranty considerations

Answer: A

QUESTION NO: 30

Which of the following members of the buying organization is LEAST likely to be a member of a supplier analysis team?

-
- A. The controller
 - B. The design engineer
 - C. The quality assurance manager
 - D. The production engineer

Answer: A

QUESTION NO: 31

Which of the following factors generally has NO bearing in a supplier performance rating system?

- A. Quality
- B. Delivery
- C. Past price
- D. Service

Answer: C

QUESTION NO: 32

Under the terms of the Uniform Commercial Code, a buyer and a supplier may do which of the following? I. Make a binding contract without agreeing on an exact price until a later date II. Revoke a contract at any time if it does not contain an exact price

- A. I only
- B. II only
- C. Both I and II
- D. Neither I nor II

Answer: A

QUESTION NO: 33

A salesperson, who has no authority to do so, represents herself to be a salesperson for a certain company and solicits orders. A buyer occasionally gives the salesperson orders for the company the salesperson says she represents. The so-called salesperson takes the orders. The company fills the orders without indicating to the buyer that the salesperson is not an authorized agent of the company. According to the law of agency, which of the following statements applies in these circumstances?

- A. The salesperson derives no authority to act as an agent because of her misrepresentations to the buyer.
- B. The salesperson derives authority to act as an agent because of the acquiescence of the company whose products she sells and the failure of the company to notify the buyer that the

salesperson is not its authorized agent.

C. The salesperson derives no authority to act as an agent because she does not possess a written authorization appointing her as an agent.

D. The salesperson derives authority to act as an agent because there is no legal requirement to have an agreement between principal and agent to create an agency.

Answer: B

QUESTION NO: 34

Of the following, the MOST meaningful indicator of an individual firm's trend of profitability is the

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

B. change in average profit margin on the product line

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

D. earnings per share of common stock

Answer: A

QUESTION NO: 35

In determining and evaluating financial strategies, a company purchaser may decide to buy in advance due to anticipated price increases or shortages of a specific commodity. These decisions are considered beneficial to the company if cost/benefit analyses indicates which of the following?

A. Substantial purchase price variance

B. Significant rate of return

C. Lower total cost of ownership

D. Decrease in carrying cost

Answer: C

QUESTION NO: 36

Of the following, the publication that offers the MOST complete data about firms' positions in the market and their comparative strengths within industries is

A. The Thomas Register of American Manufacturers

B. TRY US

C. Moody's Industrial Manual

D. Standard and Poor's Register

Answer: C

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