

Test Bank for Purchasing and Supply Management 17th Johnson

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

- 1) Supply managers should be able to provide information to identify risks to the organization and be capable of developing strategies to mitigate those risks.
 - ☐ true
 - ☐ false
- 2) Supply chain risks can be classified as operational, financial, and reputational.
 - ☐ true
 - ☐ false
- 3) By identifying and eliminating the causes of variability and risk in the supply chain, the supply manager may be able to reduce supply chain inventories.
 - ☐ true
 - ☐ false
- 4) Maybe the most fundamental question facing an organization is whether to make or buy.
 - ☐ true
 - ☐ false
- 5) Most operational risks in a supply chain are within the control of the purchaser or supplier.
 - ☐ true
 - ☐ false
- 6) Macroeconomic issues can expose purchasers to financial risks from foreign exchange fluctuations and inflation.
 - ☐ true
 - ☐ false
- 7) The key decisions and plans in corporate strategy address: What business are we in and how will we allocate resources among these businesses?
 - ☐ true
 - ☐ false
- 8) Supply chain support strategies can include processes and information systems to support communication between buyers and suppliers.
 - ☐ true
 - ☐ false

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- 9) The trend is to centralize risk management through a corporate risk management group.
- ☐ true
 - ☐ false
- 10) The four levels of strategic planning are corporate, business unit, functional, and departmental.
- ☐ true
 - ☐ false
- 11) Inappropriate supplier social and environmental practices represent a potential reputational risk.
- ☐ true
 - ☐ false
- 12) Competitive environment strategies are designed to anticipate and recognize shifts in the economy, the organization, people, laws, governmental regulations, and systems availability.
- ☐ true
 - ☐ false
- 13) Globalization of supply chains has increased the complexity of purchasing responsibilities and made identification of risks more difficult.
- ☐ true
 - ☐ false
- 14) Supply chain sustainability performance must comply with legal obligations *and* meet the values and standards of the organization's stakeholders, including employees, shareholders, and customers.
- ☐ true
 - ☐ false
- 15) Specialized third-party risk management service providers can be used to supplement internal risk management capabilities.
- ☐ true
 - ☐ false

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MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

- 16) Linking current and future needs with current and future markets is the primary focus of
- A) internal users of purchased goods and services.
 - B) each individual buyer.
 - C) an effective organizational strategy.
 - D) an effective supply strategy.
 - E) an effective marketing strategy.
- 17) If organizational objectives and supply objectives are congruent
- A) it will be difficult to translate organizational objectives into supply objectives.
 - B) it will be easy to translate organizational objectives into supply objectives.
 - C) it is likely that many organizational resources will be made available to supply.
 - D) it will be easy to define quality, quantity, price, delivery, and service goals.
 - E) it will be easy to convey objectives to suppliers.
- 18) Strategies designed to make available the knowledge and capabilities of supply chain members to others in the buying organization are called
- A) competitive environment strategies.
 - B) assurance-of-supply strategies.
 - C) supply-chain-support strategies.
 - D) risk-management strategies.
 - E) supply chain capabilities strategies.
- 19) The answer to the question, "How much to buy?" is influenced by
- A) the level of variability throughout the supply chain.
 - B) the relative power of each supply chain member.
 - C) supplier capacity.
 - D) the number of suppliers for the product or service.
 - E) trends in inventory management.
- 20) Supply strategies that are designed to exploit market opportunities and organizational strengths to give the buying organization an advantage in the marketplace are known as
- A) risk-management strategies.
 - B) assurance-of-supply strategies.
 - C) competitive advantage strategies.
 - D) cost-reduction strategies.
 - E) supply chain support strategies.

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- 21) Strategic planning can be defined as
- A) an action plan to achieve specific long-term goals and objectives.
 - B) how each functional area will achieve its specific goals and objectives.
 - C) an action plan to achieve specific operational and tactical goals.
 - D) a procedure for allocating resources to appropriate functions in the organization.
 - E) taking big risks to maximize current period benefits.
- 22) To effectively manage supply risks, the supply manager must
- A) inform the corporate risk officer of a potential risk, await instructions, and implement the directive.
 - B) identify and classify risks, assess and monitor the potential impact, and develop a risk mitigation strategy.
 - C) seek input from senior executives in other functional areas, propose a risk mitigation plan, and await instructions from senior management.
 - D) review the commodity strategy, revise it as needed, and implement the strategy revision.
 - E) confer with the chief financial officer (CFO), provide all requested data, and implement the CFO's plan.
- 23) Linking supply strategy to corporate strategy is
- A) nonessential in most types of organizations.
 - B) essential in all organizations, and most have the mechanisms to link them.
 - C) essential in all organizations, and many lack the mechanisms to link them.
 - D) essential only in manufacturing, and most have the mechanisms to link them.
 - E) essential only in the service sector, and most lack the mechanisms to link them.
- 24) Normally, most organizational objectives can be summarized under four categories
- A) marketing, management, financial, and operations.
 - B) survival, market share, earnings per share, and return on investment.
 - C) survival, growth, financial, and sustainability.
 - D) profitability, return on investment, liquidity, and earnings per share.
 - E) growth, maintenance, new product development, and asset management.

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- 25) Three major challenges exist when setting supply objectives and strategies. They are
- A) Identifying internal stakeholders, building consensus among these stakeholders, and selling top management on the results
 - B) Adopting efficient e-procurement systems, designing effective strategic supply processes, and increasing internal compliance with both
 - C) Effectively interpreting corporate and supply objectives, selecting appropriate actions to achieve objectives, and integrating supply information into organizational strategies
 - D) Hiring professionals educated specifically in supply management, providing them with technical expertise, and developing leadership skills for the long-term
 - E) Emphasizing strategic cost management, involving key suppliers early in the process, and measuring the reduction in total cost of ownership
- 26) When developing supply strategies, the supply manager must determine
- A) what to make or buy, what to insource or outsource, and what standard items or what customized items will be acquired.
 - B) what to make or buy and what to insource or outsource.
 - C) what standard items and what customized items will be acquired.
 - D) what to make or buy.
 - E) what to insource or outsource.
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- 27) Organizational objectives and supply objectives typically are expressed
- A) differently, providing the supply manager multiple opportunities to tap into organizational resources.
 - B) differently, making it difficult to translate organizational objectives into supply objectives.
 - C) the same (survival, growth, financial, and environmental), making it easy to translate organizational objectives into supply objectives.
 - D) the same factors (quality, quantity, price, delivery, and service), but long-term at the organizational level and short-term at the supply level.
 - E) in ways that are very specific to the organization, making it difficult to convey objectives to suppliers.
- 28) Which one of the following is NOT one of the six major supply strategy areas?
- A) Competitive-advantage strategies
 - B) Competitive environment strategies
 - C) Risk-management strategies
 - D) New-product development strategies
 - E) Cost-reduction strategies

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- 29) The key question in strategic supply management is
- A) How can supply and supply chains contribute effectively to organizational objectives and strategy?
 - B) How can the supply manager develop a network of suppliers that contribute to the supply department's goals?
 - C) How can first-tier suppliers contribute to the buying organization's objectives and strategy?
 - D) How can key suppliers contribute to the buying organization's objectives and strategy?
 - E) How can supply strategy be kept separate from, but equal to, organizational strategy?
- 30) Assurance-of-supply strategies consider
- A) risk of supply shortages.
 - B) supplier quality issues.
 - C) supplier capacity constraints.
 - D) changes in both supply and demand.
 - E) cost-reduction strategies.

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Answer Key

Test name: Chapter 02

- 1) TRUE
- 2) TRUE
- 3) TRUE
- 4) TRUE
- 5) FALSE
- 6) TRUE
- 7) TRUE
- 8) TRUE
- 9) TRUE
- 10) FALSE
- 11) TRUE
- 12) TRUE
- 13) TRUE
- 14) TRUE
- 15) TRUE
- 16) D
- 17) B
- 18) C
- 19) A
- 20) C
- 21) A
- 22) B
- 23) C
- 24) C
- 25) C
- 26) A
- 27) B
- 28) D
- 29) A
- 30) D

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