Test Bank for Purchasing and Supply Chain Management 6th Monczka

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Chapter 2 -- The Purchasing Process

True / False

1. Enterprises are relying increasingly on external suppliers to provide only materials and products, not information technology, services, and design activities.

a. True
b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 1

2. The objectives of a world-class purchasing organization do not need to evolve beyond the traditional mantra of ensuring we "get a good price!"

a. True
b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 1

3. Organizations are constantly looking for people who have developed the skills necessary to deal with the narrow variety of tasks faced by purchasing.

a. True
b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 1

4. If a supplier's components are defective and causing problems for manufacturing, then purchasing must find ways to improve supplier quality.

a. True
b. False

ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 1

5. Purchasing can directly affect (positively or negatively) the long-term growth, revenue, and operating outcomes and plans of stakeholders and business units.

a. True
b. False

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ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 1

6. The authority to review and challenge specifications (for products or for services) is within purchasing's span of control in managing demand, although internal stakeholders sometimes dispute this right.
   a. True
   b. False

ANSWER: True
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 2

7. Purchasing's right to evaluate and select suppliers means that sales representatives are not allowed to talk with non-purchasing personnel.
   a. True
   b. False

ANSWER: False
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 2

8. Contract management should be used to trigger proactive sourcing events only after a contract expires.
   a. True
   b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 2

9. When creating a forecast for a needed product or service, internal customers may not always be able to express exactly what it is they will need at a future point in time.
   a. True
   b. False

ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 2

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10. For routine, off-the-shelf items, the purchase requisition may contain all the information that purchasing requires.
    a. True
    b. False

ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 2

11. When purchasing works directly with internal stakeholders to anticipate future requirements, such as during new-product development, or with physician councils in a health care provider, purchasing is acting reactively.
    a. True
    b. False

ANSWER: False
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 2

12. The process that buyers use to select suppliers does not vary widely depending on the required item and the relationship that a buyer has with its suppliers.
    a. True
    b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

13. Buyers use competitive bidding when price is a minor criteria and the required item (or service) has complex material specifications.
    a. True
    b. False

ANSWER: False
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

14. For standard items, the negotiation process is an efficient method to purchase relatively straightforward requirements.
    a. True
    b. False

ANSWER: False
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Remembering

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OTHER: Analytic
NOTES: 3

15. If the requested item is complex or requires an untested or new production process, purchasing can include additional information or attachments on its RFQ to assist the supplier, which might include detailed blueprints, samples, or technical drawings.

a. True
b. False

ANSWER: True
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

16. In drafting a purchase order, purchasing must include a large number of details regarding policies because it is a legally binding document.

a. True
b. False

ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

17. Almost all firms establish blanket purchase orders with their suppliers.

a. True
b. False

ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

18. Buyers use material purchase releases to order items covered by blanket purchase orders.

a. True
b. False

ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

19. Responsibility for concealed damage is often simple and easy to detect.

a. True
b. False

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ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

20. Material discrepancies usually result from incorrect quantity shipments.
    a. True
    b. False
ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

21. The buyer should assume that the purchasing cycle ends with the receipt of an ordered item or the selection of a supplier.
    a. True
    b. False
ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

22. Managing the purchase of semifinished components is not a critical purchasing responsibility because components rarely affect product quality and cost.
    a. True
    b. False
ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 4

23. Historically, most organizations have paid minimal attention to MRO items.
    a. True
    b. False
ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 4

24. The way MRO items are typically dispersed throughout an organization makes monitoring MRO inventory relatively

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simple.

a. True

b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 4

25. Capital equipment purchasing involves buying assets intended for use less than one year.

a. True

b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 4

26. It is a common and preferred current practice for suppliers to arrange shipment to a purchaser and simply include the transportation cost as part of the purchase cost.

a. True

b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 4

27. Most companies spend too much time and too many resources managing the ordering of goods and services, particularly lower-value items.

a. True

b. False

ANSWER: True
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 5

28. The dollar value of the items covered by procurement cards is relatively high.

a. True

b. False

ANSWER: False
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic

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NOTES: 5

Multiple Choice

29. The _____ is used to identify user requirements, evaluate the user needs effectively and efficiently, identify suppliers who can meet that need, develop agreements with those suppliers, develop the ordering mechanism, ensure payment occurs promptly, ascertain that the need was effectively met, and drive continuous improvement.

a. demand management process
b. backdoor buying process
c. materials budgeting process
d. forecasting process
e. purchasing process

ANSWER: e
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 1

30. All of the following are objectives of a world-class purchasing organization *except* _____.

a. ensure that all hard copies of purchase orders and other paper documents are filed correctly in a secure area
b. develop integrated supply strategies that support business goals and objectives
c. manage the sourcing process efficiently and effectively
d. supplier performance management
e. supply assurance

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 1

31. Failing to respond to the needs of internal customers will diminish the confidence these users have in purchasing, and they may try to negotiate contracts themselves (a practice known as _____).

a. strategic sourcing
b. spend management
c. maverick buying
d. outsourcing
e. internal sourcing

ANSWER: c
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 1

32. One of the most important objectives of the purchasing function is the selection, development, and maintenance of suppliers, a process that is sometimes described as _____.

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a. supplier performance management
b. category management
c. customer service
d. procure-to-pay
e. maverick buying

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 1

33. Which of the following is *not* one of the objectives in supplier performance management?
a. Selecting suppliers that are competitive.
b. Identifying new suppliers that have the potential for excellent performance and developing closer relationships with these suppliers.
c. Improving existing suppliers.
d. Developing new suppliers that are not competitive with current suppliers.
e. Ensuring timely and accurate payment of supplier invoices.

ANSWER: e
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 1

34. Effective supply market intelligence involves all of the following *except* _____.
a. updating supply markets and trends and translating their impacts on key business outcomes
b. ensuring that purchasing does not exceed its annual operating budget
c. identifying emerging materials and service technologies to support company strategies in key performance areas
d. developing supply options and contingency plans to reduce risk
e. supporting the organization's requirements for a diverse and globally competitive supply base

ANSWER: b
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 1

35. _____ is the process of collecting historical data by commodity, relative to demand from the lines of business, with the exception of personnel expenses, occupancy, and corporate spend.
a. Demand management
b. Supply analysis
c. Category management
d. Contract management
e. Spend analysis

ANSWER: e

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DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 2

36. _____ is the process of using unit and rate consumption levels to forecast and estimate future consumption in an internal functional customer and providing guidance and input on how to optimize usage and educating the user on the tradeoffs.

a. Specification management
b. Demand management
c. Category management
d. Supply market intelligence
e. Cost management

ANSWER: b
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 2

37. _____ is the process of developing insights into stakeholder requirements, comparing these to external industry intelligence, supply base capabilities and operational risks, and developing a strategy to align internal requirements with external supply market conditions.

a. Spend analysis
b. Cost management
c. Contract management
d. Category management
e. Procure-to-pay

ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 2

38. _____ is a situation that occurs when sellers seek to "go around" purchasing and instead directly contact and attempt to sell directly to end users (stakeholders).

a. Insourcing
b. Bidding
c. Maverick buying and selling
d. Negotiating
e. Outsourcing

ANSWER: c
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 2

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39. _____ is a process associated with defining the contract, defining roles and responsibilities of both parties, and advising when to modify and ensure appropriate escalation.

a. Spend analysis
b. Contract management
c. Cost management
d. Supplier selection
e. Category management

ANSWER: b
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 2

40. _____ involves unbundling the price paid and understanding the total cost of ownership over the life cycle of a product or service to deliver a target cost and a unit rate to determine if it is priced competitively in the marketplace.

a. Cost management
b. Procure-to-pay
c. Supplier relationship management
d. Category management
e. Spend management

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 2

41. _____ is the end-to-end process of managing a supplier through the entire sourcing life cycle, which includes first identifying the abilities of a particular company with regard to performing a service for the internal customer, completing a sourcing event, negotiating a contract, executing an order, and determining payment.

a. P2P
b. CRM
c. Outsourcing
d. Competitive bidding
e. SRM

ANSWER: e
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 2

42. Which of the following is *not* one of the characteristics of a mature, well-developed supply strategy?

a. A repeatable and well-defined process for building strategy and governance around defining, planning, managing, and receiving products and services for a business.
b. Clear alignment with executive vision and internal user-specific business goals.

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c. Established goals and metrics for short-term project plans, as well as a definite five-year plan that provides year over year performance improvements.
d. Established communication plan to inform senior management and all lines of business updated and reviewed quarterly against defined goals and objectives.
e. Required use of an online catalog.

ANSWER: e
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 2

43. All of the following are benefits of electronically generating and transmitting purchasing-related documents *except* _____.
a. a reduction in the need to ensure higher levels of quality from suppliers
b. a virtual elimination of paperwork and paperwork handling
c. improved communication both within the company and with suppliers
d. a reduction in errors
e. a reduction in the time spent in by purchasing personnel on processing purchase orders and invoices and more time spent on strategic value-adding purchasing activities

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

44. The purchasing cycle begins with the _____.
a. selection of an appropriate supplier
b. issuance of a purchase order
c. receipt of a supplier's acknowledgement
d. identification of a need (a requirement)
e. determination of who can authorize the purchase

ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

45. When a situation arises when an internal customer has a need that comes up suddenly, which is not planned for and for which there is no preexisting supplier identified to provide the product or service required, purchasing should use a/an _____ approach.
a. spot buy
b. long term agreement
c. P2P
d. e-procurement
e. None of the above.

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ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

46. Which of the following is *not* one of the common ways that internal customers should communicate their needs to purchasing?
    a. Purchase requisitions from internal users.
    b. Chance meeting in the company cafeteria.
    c. Forecasts and customer orders.
    d. Material requirements identified during new-product development.
    e. Routine reordering systems.

ANSWER: b
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

47. All of the following are required elements in a purchase requisition *except* _____.
    a. quantity and date required
    b. estimated unit cost
    c. operating account to be charged
    d. authorized signature
    e. identification and approval of a supplier by the end user

ANSWER: e
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

48. When marketing wants to purchase an advertising media campaign, the _____ should specify the work that is to be completed, when it is needed, and what type of service provider is required.
    a. reorder point
    b. acknowledgement
    c. traveling purchase requisition
    d. statement of work
    e. sales forecast

ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

49. In a _____, when inventory is depleted to a given level, the system notifies the materials control department (or the

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buyer in some organizations) to issue a request to a supplier for inventory replenishment.

a. reorder point system
b. traveling purchase requisition system
c. customer service system
d. forecasting system
e. just-in-time system

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

50. A _____ involves the physical checking of inventory to verify that system records match actual on-hand inventory levels.

a. reorder point system
b. stock check
c. just-in-time system
d. forecasting system
e. p-card system

ANSWER: b
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

51. _____ is used when a product or service is proprietary or when there is a perceived advantage to using a particular supplier's products or services.

a. Description by market grade
b. Description by industry standard
c. Description by specification
d. Description by performance characteristics
e. Description by brand

ANSWER: e
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

52. _____ is might be the best choice for standard items, where the requirements are well understood and there is common agreement between supply chain partners about what certain terms mean.

a. Description by market grade
b. Description by brand
c. Description by performance characteristics
d. Use of prototypes
e. Description by specification

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ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

53. _____ can cover such characteristics as the materials used, the manufacturing or service steps required, and even the physical dimensions of the product.
a. Description by market grade
b. Description by specification
c. Description by brand
d. Description by industry standard
e. Description by performance characteristics
ANSWER: b
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

54. _____ focuses attention on the outcomes the customer wants, not on the precise configuration of the product or service.
a. Description by industry standard
b. Description by brand
c. Description by specification
d. Description by performance characteristics
e. Description by market grade
ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

55. A/An _____ has demonstrated its performance capabilities through previous purchase contracts and therefore receives preference during the supplier selection process.
a. internal supplier
b. new supplier
c. capable supplier
d. final supplier
e. preferred supplier
ANSWER: e
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

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56. All of the following are conditions under which competitive bidding is effective *except* _____.
    a. the buyer has a preferred supplier for the item
    b. volume is high enough to justify this method
    c. the marketplace is competitive
    d. the specifications or requirements are clear to the seller
    e. adequate time is available for suppliers to evaluate the RFQs

ANSWER: a
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

57. Which of the following is *not* one of the conditions under which negotiation is effective?
    a. When the purchase requires agreement about a wide range of performance factors, such as price, quality, delivery, risk sharing, and product support.
    b. When the buyer requires early supplier involvement.
    c. When the specifications or requirements are clear to the seller.
    d. When the supplier cannot determine risks and costs.
    e. When the supplier requires a long period of time to develop and produce the items purchased.

ANSWER: c
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

58. Which of the following is *not* an appropriate performance criterion to be used when evaluating suppliers?
    a. Ability to develop process and product technology.
    b. Commitment to quality.
    c. Management capability and commitment.
    d. Cost performance.
    e. Commitment to effective marketing and promotion.

ANSWER: e
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

59. Good reasons for allowing other departments to view purchase orders and incoming receipts does *not* include which of the following?
    a. The accounting department gains visibility to future accounts payable obligations.
    b. The requestor can refer to the purchase order number when inquiring into the status of an order.
    c. Receiving has a record of the order to match against the receipt of the material.
    d. Traffic becomes aware of inbound delivery requirements and can make arrangements with carriers or use the company's own vehicles to schedule material delivery.
    e. There is never a good reason for purchasing to allow other departments access to purchase orders and

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incoming receipts due to the confidential nature of the price and delivery terms.

ANSWER: e
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

60. A/An _____ is an open order, usually effective for one year, covering repeated purchases of an item or family of items.

a. outstanding order
b. pending order
c. blanket purchase order
d. completed order
e. order acceptance

ANSWER: c
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

61. When using negotiating a/an _____, it is necessary to include a/an _____ that allows a buyer to terminate the contract in the event of persistently poor quality, delivery problems, and so on.

a. spot buy contract….evergreen clause
b. RFP….RFQ
c. purchase order….purchase agreement
d. blanket purchase order….escape clause
e. online catalog….RFP

ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

62. In a _____, the price stated in the agreement does not change, regardless of fluctuations in general overall economic conditions, industry competition, levels of supply, market prices, or other environmental changes.

a. blanket purchase order
b. RFQ
c. cost-based contract
d. material purchase release
e. fixed-price contract

ANSWER: e
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

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63. In a _____, the supplier is reimbursed all of their actual costs plus some agreed on operational margin and overhead amount.

a. RFP
b. cost-based contract
c. material purchase release
d. fixed-price contract
e. reverse auction

ANSWER: b
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

64. The _____, which the supplier provides, details the contents of a shipment and contains the description and quantity of the items in a shipment.

a. material packing slip
b. purchase requisition
c. bill of lading
d. electronic funds transfer
e. request for quotation

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

65. Transportation carriers use a/an _____ to record the quantity of goods delivered to a facility.

a. electronic transfer of funds
b. material packing slip
c. receiving discrepancy report
d. bill of lading
e. purchase order

ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

66. The _____ helps protect the carrier against wrongful allegations that the carrier somehow damaged, lost, or otherwise tampered with a shipment.

a. bill of lading
b. material packing slip
c. invoice
d. material purchase release

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e. blanket purchase order

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

67. Which of the following is *false* regarding concealed damage?
a. A user may discover concealed damages after opening a shipping container.
b. Responsibility for concealed damage is often difficult to establish.
c. The carrier may blame the supplier or maintain that the damage occurred after delivery of the material.
d. The supplier may maintain total innocence and implicate the carrier.
e. The bill of lading protects the carrier against charges of concealed damage.

ANSWER: e
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 3

68. A _____ details any shipping or receiving discrepancies noted by the receiving department.
a. receiving discrepancy report
b. bill of lading
c. material packing slip
d. change notice
e. RFP

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

69. The _____ purchase category includes such items are petroleum, coal, lumber, and metals such as copper and zinc.
a. semifinished products and components
b. finished products
c. MRO items
d. raw materials
e. capital equipment

ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 4

70. A key characteristic of a/an _____ is a lack of processing by the supplier into a newly formed product.

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a. component
b. semifinished product
c. finished good
d. MRO item
e. raw material

ANSWER: e
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 4

71. Suppliers are more often being paid through _____, which is the automatic transfer of payment from the buyer's bank account to the supplier's bank account.

a. RFQ
b. EFT
c. MRO
d. PO
e. None of the above.

ANSWER: b
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 3

72. _____ include anything that does not go directly into an organization's product.

a. MRO items
b. Raw materials
c. Production support items
d. Services
e. Semifinished products and components

ANSWER: a
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 4

73. _____ include(s) the materials required to pack and ship final products, such as pallets, boxes, master shipping containers, tape, bags, wrapping, inserts, and other packaging material.

a. Raw materials
b. Production support items
c. Semifinished products
d. Components
e. Work-in-process inventory

ANSWER: b

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DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 4

74. Which of the following is *not* a feature that separates capital equipment purchases from other purchases?
    a. Capital equipment purchases do not occur with regular frequency.
    b. Capital equipment investment requires large sums of money.
    c. For accounting purposes, most capital equipment is not depreciable over the life of the item.
    d. Buyers can rarely switch suppliers in the middle of a large-scale project or dispose of capital equipment after delivery because of dissatisfaction.
    e. Capital equipment is highly sensitive to general economic conditions.

ANSWER: c
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 4

75. All the following are expected growth areas in e-commerce *except* _____.
    a. transmitting purchase orders to suppliers
    b. submitting requests for quotes to suppliers
    c. placing orders with suppliers
    d. making electronic funds transfer payments
    e. submitting written check requests to accounts payable

ANSWER: e
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 5

76. Once a purchaser and a supplier reach agreement on a longer-term purchase contract, material releasing responsibility should shift to _____.
    a. marketing
    b. purchasing
    c. the supplier
    d. user groups
    e. accounts payable

ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 5

77. While similar in concept, blanket purchase orders are typically used more often for _____ purchases.
    a. unique

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b. lower-value
c. complex
d. spot buy
e. There are no differences in the types of products or amounts purchased in either method.

ANSWER: b
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 5

78. Which of the following is *not* an advantage of online ordering systems?
a. Immediate visibility to back-ordered items.
b. Longer order cycle time from input to delivery.
c. Faster order input time.
d. Reduced ordering errors.
e. Ability to batch multiple items from multiple users on a single order.

ANSWER: b
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Understanding
OTHER: Analytic
NOTES: 5

79. [A/An] _____ involves a communications standard that supports inter-organizational electronic exchange of common business documents and information.
a. electronic catalog
b. cloud-based ordering system
c. Procure-to-pay
d. Electronic data interchange
e. blanket purchase order

ANSWER: d
DIFFICULTY: Easy
KEYWORDS: Bloom's: Remembering
OTHER: Analytic
NOTES: 5

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