Supply Chain Management A Logistics Perspective 11th edition Langle Test Bank

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TRUE/FALSE

1 : The underlying logic of Adam Smith's theory was used to advance the rationalization that he called specialization of labor.
A : true
B : false

Correct Answer : A

2 : The central theme behind the theory of comparative advantage is that if one country has an advantage (lower cost) in the production of two products, they should focus on the production of both so that they gain the greatest advantage in trade when compared to other countries that may have a lesser advantage.
A : true
B : false

Correct Answer : B

3 : One could argue that the external role of technology in recent years has moved ahead of globalization as an agent or driver of change.
A : true
B : false

Correct Answer : A

4 : From a customer service perspective, one of the four important characteristics for global market and strategy is that technology companies counteract short product lifecycle with continual upgrades and new products.
A : true
B : false

Correct Answer : A

5 : The Regional Trade Agreements (RTAs), the establishment of the General Agreement on Tariffs and Trade (GATT), and its 1995 successor, the World Trade Organization (WTO), have together led to multilateral trade promotion and lowered barriers to international business transactions.
A : true
B : false

Correct Answer : B

6 : According to the Factor Endowment Theory, a country that lacks one or more of the four major production factors—land, labor, capital, and entrepreneurship—will not be able to successfully participate in global trade.
A : true
B : false

Correct Answer : B

7 : Water desalinization and fracking for oil and gas production are examples of technologies that can unleash resources and contribute to economic advantage.
A : true
B : false

Correct Answer : A

8 : Operating globally has become easier to accomplish for even individuals and small companies, because of the advances in information/communications technology.
A : true
B : false

Correct Answer : A

9 : From a customer service perspective, one of the four important characteristics for global markets and strategy is that companies need to attempt to standardize to reduce complexity, but they have to recognize that global markets need some customization.
A : true
B : false

Correct Answer : A

10 : Given the importance of global trade to the United States, a delicate balance exists between security and the efficient flow of global commerce.
A : true
B : false

Correct Answer : A

11 : The Trade Act of 2002 requires exporters to electronically submit shipping documents to U.S. Customs 24 hours before delivery to a port or 24 hours before vessel departure.
A : true
B : false

Correct Answer : B

12 : The Customs Trade Partnership Against Terrorism (C-TPAT) was put in place to assess the vulnerability of U.S. ports and to deny entry to ships from countries that do not meet U.S. security standards.
A : true
B : false

Correct Answer : B

13 : Advancements in technology and the growth of transportation services have prevented many smaller, less developed countries from participating in global supply chains.
A : true
B : false

Correct Answer : B

14 : Reduced order cycle time has become an important part of supply chain management since it can lead to lower inventory levels for customers, improved cash flow, lower current assets, and accounts receivable.
A : true
B : false

Correct Answer : A

15 : Strategies such as compression and lean supply chains take the same amount of work to achieve in the global environment as in the domestic environment.
A : true

B : false

Correct Answer : B

16 : In terms of volume of exports, the United States is the world's leader in global trade flow.
A : true
B : false

Correct Answer : B

17 : Many countries hope to improve trade by engaging in Regional Trade Agreements (RTAs), the best-known example of an RTA is the European Union (EU).
A : true
B : false

Correct Answer : A

18 : U.S. ports play a major role in global supply chains since over 50 percent of global trade passes through them.
A : true
B : false

Correct Answer : B

MULTIPLE CHOICE

19 : Adam Smith in his renowned treatise, The Wealth of Nations, provided not only a rationale for a market economy based upon competition, but also advanced a rationale for trade among nations called the:
A : Theory of Comparative Advantage
B : Theory of Absolute Advantage
C : Theory of Temporary Advantage
D : Theory of Competitive Advantage

Correct Answer : B

20 : Which of the following is not one of the essential factors for economic growth and increased development of global trade flows?
A : Population growth and age distribution
B : Urbanization
C : Knowledge dissemination
D : Geo-political standing

Correct Answer : D

21 : The top ten countries account for almost _____ of the total world population.
A : 75%
B : 55%
C : 60%
D : 45%

Correct Answer : C

22 : As suggested, the aging populations in more developed countries will result in _____ health care costs and/but

_____ in the size of the working population or labor pool.
A : increased; a reduction
B : increased; stagnation
C : steady; a decrease
D : nominal raises in; an increase

Correct Answer : A

23 : According to prediction, _____, _____, and _____ will all house so called “Megacities”, whereas _____ will not have any cities of this size.
A : Asia; Europe; Latin America; North America
B : Asia; Latin America; North America; Africa
C : Africa; Europe; North America; Asia
D : Asia; Latin America; North America; Europe

Correct Answer : D

24 : _____, _____, and _____ are the top three recipients of exports from the United States, in that order.
A : China; Mexico; Canada
B : Canada; China; India
C : China; Canada; Mexico
D : Mexico; Canada; Australia

Correct Answer : C

25 : Which one of the countries below is not part of NAFTA?
A : United States
B : Canada
C : Argentina
D : Mexico

Correct Answer : C

26 : Which of the following is an important issue for economic development and vitality of the economy?
A : Migration
B : Agriculture
C : Entrepreneurship
D : Healthcare

Correct Answer : A

27 : Where is a megacity most likely to develop?
A : Asia
B : Canada
C : Europe
D : Australia

Correct Answer : A

28 : Which of the following is a significant intended outcome of the United States–Mexico–Canada Agreement (USMCA), which recently replaced the older North American Free Trade Agreement (NAFTA)?
A : An unimpeded flow of goods among the three nations
B : Enhancements in the cross-border movement of goods and services

C : A reduction in duties and customs fees for the trading partners
D : All of these answers

Correct Answer : D

29 : The Trade Act of 2002 requires exporters to electronically submit shipping documents to U.S. Customs _____ hours after delivery to a port.
A : 5
B : 48
C : 12
D : 24

Correct Answer : D

30 : Which two countries account for approximately 36% of the total world population?
A : China and United States
B : United States and India
C : India and Russia
D : China and India

Correct Answer : D

ESSAY

31 : Explain the underlying rationale for global trade and explain the difference between comparative and absolute advantage.

Correct Answer : Adam Smith in his renowned treatise, The Wealth of Nations, provided not only a rationale for a market economy based upon competition, but also advanced a rationale for trade among nations called the Theory of Absolute Advantage. Smith argued that countries would be better off if they would trade commodities where each country had an economic or cost advantage for one or more of the products that they produced. In other words, sell or trade products where they had a cost advantage and buy or trade for products where they did not have an advantage. Smith concluded that all participants in such transactions would be better off than trying to be self-sufficient. While the analysis was relatively simplistic, it was valuable advice, especially for that time period. The underlying logic of absolute advantage was also used by Adam Smith to advance the rationalization of what he called the "division of labor" or “specialization of labor.” The latter concept led to mass production or assembly lines in manufacturing plants. The underlying logic was that the specialization led to increased aggregate output and lower unit cost, and provided an opportunity for regional specialization and inter-region commerce for an overall economic benefit. The theory of comparative advantage was advanced about 40 years later by several economists. They maintained that even if one country had a comparative advantage (lower cost) in the production of two products, they should focus on the production of the one that they had the greatest advantage and trade for the other. The analyses were also somewhat simplistic because not all of the relevant costs were considered. However, the logic was sound as long as total landed costs were considered. The importance of both absolute and comparative advantage is they demonstrate that global trade and related global supply chain flows can be based not only upon scarcity of items among countries but also differences in the cost of production with implicit benefit to all parties involved. As one would expect, later economists explored more fully the rational of global trade and specialization. For example, the Factor Endowment Theory postulates that when a country has more of one of the four factors of production (land, labor, capital, and entrepreneurship), they

may have a comparative advantage in producing one or more products. For example, a country with an abundance of capital and an educated workforce may produce high tech products and import labor intensive products and agriculture products.

32 : What are the essential factors for economic growth and increased development of global trade flows? Why are they so important in today's global economy?

Correct Answer : Essential factors for economic growth and increased development of global trade flows include population growth and age distribution, urbanization, land and resources, economic integration, knowledge dissemination, labor mobility, financial flows and investment in infrastructure by public and/or private sources, faster communication systems, and improved financial services for the effective flow of goods and services. These factors are the driving forces for globalization around the world, impacting the future course of global trade and development.

33 : In recent years, due to political unrest in various parts of the world, large numbers of people have migrated to other countries, particularly in Europe. How would the influx of a large group of people impact the economy of a developed nation with an aging population, such as Germany or Italy?

Correct Answer : Migration can be disruptive and dysfunctional when it occurs in large numbers under conditions of political upheaval. Absorbing that crush of humanity strains a country’s existing economic and social systems, which, in the case of a country like Germany or Italy, is already strained due to supporting the aging population. However, the size of the potential workforce could also become a resource by attracting new industries that are labor intensive.

34 : What contributions do successful supply chains make to companies?

Correct Answer : A supply chain is boundary spanning, that is, encompassing a group of interrelated firms focused on delivering the best price or value products and services to the ultimate customer at the end of the supply chain. It was also noted that a supply chain can manage four important flows, namely, materials/products, information, financials, and demand. An important characteristic of today's world economy is the increasing regional economic integration. The globalized economy has led to multilateral trade promotion and lowered barriers to international business transactions. The best supply chains allow organizations to compete very successfully on a national, regional, and global basis.

35 : Global trade clearly has a significant impact on the economies of various countries. Explain how global interdependence impacts countries overall (a macro basis), as well as how it impacts individual organizations doing business within various countries (a micro basis).

Correct Answer : Global supply chain flows reflect the world economy and the trade patterns between and among the countries of the world. There is an underlying economic rationale for global trade that can bring benefits to the various trading partners. That said, the “economic pie” is not evenly divided. The economic strength of the various countries is based upon their inherent “factors of production” and some related economic, social, and political factors. Overall, global economic progress is dependent upon a united effort from the more developed economies to aid in the development of the lesser developed countries. Global interdependence can be good news or bad news on a macro basis. On the positive side, it can result in lower prices, wider availability of goods and services, land and resource development, and new employment opportunities for countries and regions of the world, both developed and developing regions. On the negative side, the interdependence can lead to global economic downturns or recessions, as was the case from 2008 to 2009, requiring government intervention to mitigate the problems. The recovery process was slow in some countries, causing some

economic turbulence. The micro level examines how individual firms respond to the increased complexity and competitiveness of a global economy. These changes have resulted in shorter product life cycles, new forms of competition, and new business models. Outsourcing, off-shoring, and insourcing have become part of the lexicon of twenty-first century businesses. Information technology has allowed supply chains to be redesigned for more efficiency and effectiveness as well as better execution. Supply chain management has become an important, and for some organizations, even critical ingredient for their competitive strategy and success in this global environment. These companies have transformed themselves by changing their supply chains to take advantage of global opportunities.

36 : Why are customer service and its related strategy so important for companies operating global supply chains? Do you think that customer service is more important than lower cost to the customers?

Correct Answer : From a customer service perspective, global markets and strategy have four important characteristics. First, companies attempt to standardize to reduce complexity, but they have to recognize that global markets need some customization. For example, in contrast to the U.S. market where large retail stores buy in volume quantities for delivery to their large warehouses, less-developed countries may have tiny retail stores that are only 80 to 100 square feet. This means deliveries of small quantities, more frequent deliveries, different packaging, etc. Customer service levels have to be adjusted for these markets in terms of delivery schedules, volumes, order fulfillment, and other areas. Second, global competition often reduces the product life cycle, as previously mentioned, since products can be copied or reengineered quickly by competitors. Technology companies are faced with this phenomenon even in the U.S. market, but globally other products are faced with similar experiences. Technology companies counteract with continual upgrades and new products. Apple, for example, had great success with its iPod, but it quickly followed this with the iPhone, and now the iPad, to maintain financial momentum. Shorter product life cycles present challenges for inventory management with respect to obsolete items. Customer service levels are also impacted because changes have to be made as the product matures in terms of sales volume and then declines, which reduces product profitability. Usually, companies cannot afford to provide the same level of customer service when the product volume declines. Third, traditional organizational structures and related business models frequently change since companies get more involved in outsourced manufacturing and some logistical activities such as transportation, warehousing, and order fulfillment. All of this impacts the supply chain and its related customer service activities. The collaboration indicated requires effective coordination among the various parties to ensure that customer service levels (on-time delivery, complete orders, reliability, etc.) are maintained. There are many challenges for supply chain managers. The soft side of global supply chain management presents significant challenges. The social and cultural elements come into play when dealing with foreign business partners and require daily effort to ensure smooth supply chain execution. This is because "soft" issues and physical problems are, in many cases, not mutually exclusive. Misunderstanding the culture and miscommunicating can cause havoc on the physical side of global supply chain planning and execution. Cross-cultural communication is made complicated by not only different languages and time zones, but also other culturally-rooted practices such as communication styles, different approaches to completing tasks, different attitudes toward conflict, and different decision-making styles, among other factors. Fourth, globalization introduces more volatility and complexity. It is much more likely that global supply chains will experience challenges with weather, terrorism, strikes, and other disruptions. The need for flexibility and responsiveness is a requisite for customer service throughout the supply chain. The expanded networks cover long distances and many are complex. Trade policy, regulations, tariffs, and currency exchange rates exacerbate the level of complexity for global supply chains. Furthermore, the number of intermediaries that can be involved adds another additional layer of complexity. When considering which is more important, customer service or lowered cost, one must take into consideration not only physical,

but "soft," cultural factors as well. Some, more affluent sectors may be willing to pay an increased price for goods so long as those goods are backed by a good and robust customer service "tail"—think customer loyalty. However, more developing nations and countries, whose population may be more defined by "fickle" youth and rapid change of taste, customer service becomes less important when compared to price point. These phenomena must then be weighed against the physical cost of providing either prime customer service, competitive cost, or a delicate balancing of both.