# *Procurement and Supply Chain Management 8th edition Weele Test Bank*

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Name:_____ Class:_____ Date:_____

# Chapter 1 Introducing procurement

1. Which of the following is a definition of ‘components’?
   a. Components are manufactured goods which will not undergo additional physical changes, but which will be incorporated into a system with which there is a functional relationship by joining it with other components.
   b. Components are finished goods which will not undergo additional physical changes before being purchased by consumers
   c. Components are manufactured goods which will undergo additional physical changes and which will be incorporated into a system.
   d. Components are finished goods which will undergo additional physical changes and will be incorporated into a system with which there is a functional relationship by joining it with other components.

*ANSWER:* a

2. Which of the following is not a definition of ‘components’?
   a. Components are manufactured goods which will not undergo additional physical changes.
   b. Components are finished goods which will not undergo additional physical changes before being purchased by consumers
   c. Components are manufactured goods which will not undergo additional physical changes and which will be incorporated into a system.
   d. Components are manufactured goods which will not undergo additional physical changes and will be incorporated into a system with which there is a functional relationship by joining it with other components.

*ANSWER:* b

3. Which of the following is not an explanation of ‘corporate social responsibility’?
   a. Developing business solutions which do not harm the needs of future generations.
   b. Focusing on profit maximisation regardless of its consequences.
   c. Balancing the interests of customers, employees, the environment and its shareholders, i.e. serving the needs of ‘people, planet, profit'.
   d. Contributing to a better world, a better environment and better labour conditions.

*ANSWER:* b

4. Which of the following is a definition of cross-functional buying teams?
   a. Generalists from user departments and buyers are put together in teams to develop specific sourcing and commodity strategies and plans.
   b. Specialists from user departments and buyers are put together in teams to develop specific sourcing and commodity strategies and plans.
   c. Generalists from user departments only are put together in teams to develop specific sourcing and commodity strategies and plans.
   d. Specialists from buyers only are put together in teams to develop specific sourcing and commodity strategies and plans.

*ANSWER:* b

5. Which of the following is not a definition of cross-functional buying teams?
   a. Generalists from user departments and buyers are put together in teams to develop specific sourcing and commodity strategies and plans.
   b. Specialists from user departments and buyers are put together in teams to develop specific sourcing and commodity strategies and plans.
   c. Specialists from user departments and buyers are put together in teams.

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d. Specialists from user departments and buyers develop specific sourcing strategies and plans.

*ANSWER:* a

6. Which of the following explain a situation where the contractor designs and provides, in accordance with the client's requirements, plant and/or other Works?

a. Plan and Purchase
b. Construct Only
c. Design and Construct
d. Design Only

*ANSWER:* c

7. What is direct purchasing?

a. Purchasing of all materials and products that are used for manufacturing companies' end products.
b. Purchasing directly from a retailer.
c. Purchasing with cash.
d. Outsourcing purchasing.

*ANSWER:* a

8. What is the DuPont analysis?

a. A case study of the DuPont organization.
b. A cosmetic testing process.
c. A financial diagnostic tool to calculate the company's return on investment based upon sales margin and capital turnover ratio.
d. A tool used by the Boston consulting Group to identify market opportunities.

*ANSWER:* c

9. What is the DuPont analysis used for?

a. It is used to assess the effect of a % purchasing saving on the company's return on investment (ROI).
b. Predicting sales growth.
c. Analysing stock market trends
d. Outsourcing purchasing.

*ANSWER:* a

10. What is Early Supplier Involvement (ESI)?

a. A situation where the supplier is involved by the buyer in an early stage of the new product development process.
b. A situation where a new supplier is involved by the buyer in a later stage of the new product development process.
c. A situation where the customer is involved in an early stage of the new product development process.
d. A situation where the supplier is involved by the buyer in an early stage of a situation where the product will no longer be manufactured.

*ANSWER:* a

11. What is expediting?

a. Following up on a purchase order to cancel it.

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b. Following up on a purchase order to change the delivery date.
c. Following up on a purchase order to make sure that the supplier is being paid.
d. Following up on a purchase order to make sure that the supplier is going to perform as it has confirmed through the purchase order confirmation.

*ANSWER:* d

12. Which of the following is not a form of expediting?
a. A routine status check.
b. An advanced status check.
c. Field analysis.
d. A credit check.

*ANSWER:* d

13. Which of the following is a characteristic of a finished product?
a. A component for the manufacturing process.
b. Products which are purchased to be sold, after negligible added value.
c. Raw materials for the production process.
d. Purchased for storage.

*ANSWER:* b

14. Which of the following explains global sourcing?
a. Products are sourced from anywhere in the world.
b. Products which are purchased to be sold locally.
c. Products that are sold outside of the European Community.
d. Products sourced from local suppliers.

*ANSWER:* a

15. Which of the following are not forms of global sourcing?
a. Low-cost country sourcing
b. Products which are sold outside of the European Community
c. Regional sourcing
d. Offshoring

*ANSWER:* b

16. Which of the following are indirect materials?
a. Transport
b. Raw materials
c. Services
d. Components

*ANSWER:* c

17. Which term describes the purchasing of all materials, components and services that are used to support the company's infrastructure and back-office activities?
a. Components acquisition

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b. Raw materials acquisition
c. Direct purchasing
d. Indirect purchasing

*ANSWER:* d

18. Which term describes products which are not consumed immediately, but whose purchasing value is depreciated during its economic life cycle?
a. Just -in-Time supplies
b. Raw materials acquisition
c. Equipment
d. Investment goods

*ANSWER:* d

19. Which of the following terms refers to products, indirect materials or consumable items which are necessary for keeping the organization running in general, and for the support activities in particular?
a. Maintenance, repair and operating materials.
b. Supplies
c. Consumables
d. Tangible goods

*ANSWER:* a

20. Which of the following situations explains the 'make to order (MTO)' process?
a. Maintenance repair and operating materials are kept in stock.
b. Only raw materials and components are kept in stock.
c. Finished products are stockpiled.
d. No raw materials or components are kept in stock.

*ANSWER:* b

21. Which of the following situations explains 'ordering'?
a. Ordering refers to the placing of purchase orders at a supplier against previously arranged conditions.
b. Ordering is when orders are placed directly at the supplier, without questioning the supplier's conditions.
c. Ordering refers to the placing of purchase orders at a supplier without previously arranged conditions.
d. Ordering is when orders are placed directly at the supplier and there is questioning of the supplier's conditions.

*ANSWER:* a

22. Which of the following situations explains a 'supplier partner' relationship?
a. A supplier partner is defined as a firm with whom a company has an ongoing buyer/seller relationship.
b. A supplier partner is defined as a firm with whom a company orders places directly at the supplier, without questioning the supplier's conditions.
c. A supplier partner is defined as a firm with whom a company has not yet completed a contractual agreement to supply.
d. A supplier partner is defined as a firm with whom a company supplies raw materials only.

*ANSWER:* a

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## Chapter 1 Introducing procurement

23. Which of the following situations does not apply to a ‘supplier partner’ relationship?
    a. A situation where a company has an ongoing buyer/seller relationship.
    b. A situation involving a commitment over an extended period,
    c. A situation involving the placing of purchase orders at a supplier without previously arranged conditions.
    d. A situation involving a mutual sharing of information and a sharing of risks and rewards resulting from the relationship.

*ANSWER:* c

24. Which of the following situations explains ‘payment terms’?
    a. Payment terms relate to what, how and when the buyer will pay for the products and services delivered by the supplier.
    b. Payment terms relate to a 12 week period allowed before payment is due for the products and services delivered by the supplier.
    c. Payment terms relate to when the buyer will pay for the products and services delivered by the supplier.
    d. Payment terms relate to what and how the buyer will pay for the products and services delivered by the supplier.

*ANSWER:* a

25. Which of the following situations explains ‘primary activities’?
    a. Primary activities are those activities that are required to offer the company's value proposition to its customers.
    b. Inbound logistics, operations and outbound logistics,
    c. Marketing and sales and customer service activities.
    d. All of the above.

*ANSWER:* d

26. Which of the following are ‘primary activities’?
    a. Human Resources Management
    b. Inbound logistics.
    c. Public relations
    d. Payroll

*ANSWER:* b

27. Which of the following is a definition of procurement?
    a. Procurement is all activities required in order to get the product from the supplier to its final destination.
    b. Procurement is all activities required in order to get the product from the manufacturer to its final destination.
    c. Procurement is all activities required in order to get the product from the supplier to the distributer
    d. Procurement is all activities required in order to get the product from the distributor to its final destination.

*ANSWER:* a

28. Which of the following are not procurement activities?
    a. Traffic and transportation
    b. Inventory control
    c. Incoming inspection

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d. Quality control and quality assurance.

*ANSWER:* b

29. Which of the following explains ‘purchasing?
    a. The management of the company's indirect activities in such a way that the supply of all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company's primary and support activities is secured under the most favourable conditions.
    b. The management of the company's internal resources in such a way that the supply of all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company's primary and support activities is secured under the most favourable conditions.
    c. The management of the company's distribution channels in such a way that the distribution of good and services is secured under the most favourable conditions.
    d. The management of the company's external resources in such a way that the supply of all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company's primary and support activities is secured under the most favourable conditions.

*ANSWER:* d

30. Which of the following are activities of the purchasing function?
    a. Selecting the best possible supplier
    b. Recruiting staff
    c. Distributing goods and services
    d. Financial control

*ANSWER:* a

31. Which of the following are activities of the purchasing function?
    a. Representing the company in legal matters.
    b. Monitoring and controlling orders to secure supply.
    c. Public relations.
    d. Developing strategic corporate plans.

*ANSWER:* b

32. Which of the following are activities of the purchasing function?
    a. Property maintenance
    b. Production control
    c. Market research
    d. Preparing and conducting negotiations with suppliers.

*ANSWER:* d

33. Which of the following statements explains ‘purchasing management’?
    a. All activities necessary to manage supplier relationships in such a way that their activities are aligned with the company's overall business strategies and interests.
    b. Relates to all activities necessary to manage customer relationships in such a way that their activities are aligned with the company's overall business strategies and interests.
    c. Relates to all activities necessary to manage staff relationships in such a way that their activities are aligned with the company's overall business strategies and interests.

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d. Relates to all activities necessary to manage financial relationships in such a way that their activities are aligned with the company's overall business strategies and interests.

*ANSWER:* a

34. Which of the following is a definition of 'quality'?
    a. Quality is meeting (internal or external) customer's requirements that have not been formally agreed between a customer and a supplier.
    b. Quality is meeting (internal customer's requirements that have been formally agreed between an internal customer and a supplier.
    c. Quality is meeting (internal or external) customer's requirements that have been formally agreed between a customer and a supplier.
    d. Quality is meeting (internal or external) customer's requirements that have been informally agreed between a customer and a supplier.

*ANSWER:* c

35. Which of the following is a definition of 'raw materials'?
    a. Materials which have undergone no transformation or a minimal transformation, and they serve as the basis materials for a production process.
    b. Materials which have undergone transformation and they serve as the basis materials for a production process.
    c. Materials which have undergone no transformation or a minimal transformation, and they serve as the end product of a production process.
    d. Materials which have undergone transformation or a minimal transformation, and they serve as the end product of a production process.

*ANSWER:* a

36. Which of the following explains 'semi-manufactured goods'?
    a. These products have already been processed and are ready for sale and distribution.
    b. These products have already been processed once or more, and they will be processed further at a later stage.
    c. These products have already been processed once or more, and they will not be processed further at a later stage.
    d. These products have not yet been processed.

*ANSWER:* b

37. Which of the following explains 'sourcing'?
    a. Finding and selecting the best possible source of supply on a worldwide basis.
    b. Contracting and managing the best possible source of supply on a worldwide basis.
    c. Finding, selecting, contracting and managing the best possible source of supply on a worldwide basis.
    d. Finding, selecting, contracting and managing possible source of local supply.

*ANSWER:* c

38. Which of the following activities is not part of sourcing strategy?
    a. Identifies for a certain category from how many suppliers to buy, what type of relationship to pursue, and type of contract to negotiate for.
    b. Identifies for a certain category whether to source locally, regionally or globally.
    c. Competitor analysis.

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d. Identifies for a certain category from how many suppliers to buy, what type of relationship to pursue, and contract duration

*ANSWER:* c

39. Which of the following activities is part of sourcing strategy?
    a. Identifies for a certain category from how many suppliers to buy, what type of relationship to pursue, contract duration, type of contract to negotiate for, and whether to source locally, regionally or globally.
    b. Environmental scanning
    c. Portfolio analysis
    d. Competitor analysis

*ANSWER:* a

40. Which of the following explains 'supply'?
    a. Includes at least purchasing, materials management, incoming inspection and receiving. Supply is used when relating to buying based upon total cost of ownership in a manufacturing environment.
    b. Purchasing
    c. Includes at least incoming inspection and receiving.
    d. Includes at least purchasing and materials management.

*ANSWER:* a

41. What is 'supply chain management'?
    a. The management of all suppliers in such a way that the expectations of the end users of the company are met or surpassed.
    b. The management of all of goods and services up from the raw materials suppliers, component suppliers and other suppliers in such a way that the expectations of the end users of the company are met or surpassed. Purchasing
    c. The management of all activities, information, knowledge and financial resources associated with the flow and transformation of goods and services.
    d. The management of all activities, information, knowledge and financial resources associated with the flow and transformation of goods and services up from the raw materials suppliers, component suppliers and other suppliers in such a way that the expectations of the end users of the company are met or surpassed.

*ANSWER:* d

42. Which of the following explains 'support activity'?
    a. Those value activities that are required to support the company's primary activities.
    b. Those value activities that are required to support the company's after sales service activities.
    c. Those value activities that are required to support the company's manufacturing.
    d. Those value activities that are required to support the company's distribution activities.

*ANSWER:* a

43. Which of the following is not a 'support activity'?
    a. Procurement
    b. Human Resources Management.
    c. Facilities Management
    d. Production Management

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*ANSWER:* d

44. Which of the following explains 'Total Cost of Ownership (TCO)'?
    a. Relates to the initial costs of the product that is purchased.
    b. Relates to the total costs that the company will incur over the lifetime of the product that is purchased.
    c. Relates to the marginal costs that the company will incur over the lifetime of the product that is purchased Facilities Management
    d. Relates to the total costs that the company will incur over the first year of the product that is purchased.

*ANSWER:* b

45. Which of the following explains the 'Value Chain margin'?
    a. Composed of value activities and a margin which is achieved by these activities. The margin represents the value that customers want to pay extra for the company's efforts compared with the costs that were required for these.
    b. Composed of value activities which can be divided into primary activities and support activities.
    c. Composed of value activities and a margin which is achieved by these activities. Value activities can be divided into primary activities and support activities
    d. Composed of value activities and a margin which is achieved by these activities.

*ANSWER:* a

46. Which of the following explains the 'Value Chain management'?
    a. All stakeholders belonging to the same value chain are challenged to improve the (buying) company's value proposition to staff.
    b. All stakeholders belonging to the same value chain are challenged to improve efficiency.
    c. All stakeholders belonging to the same value chain are challenged to reduce costs.
    d. All stakeholders belonging to the same value chain are challenged to improve the (buying) company's value proposition to its final end customers i.e. consumers.

*ANSWER:* d

47. Procurement and supply chain management can contribute to improving the company's bottom line in which of the following ways?
    a. Quantitative only.
    b. Qualitative only.
    c. Both quantitative and qualitative.
    d. Neither quantitative nor qualitative.

*ANSWER:* c

48. Which of the following better explains 'Procurement'?
    a. A focus on price versus functionality.
    b. A focus on the total cost of ownership (TCO).
    c. Its orientation is commercial.
    d. its scope is the purchasing process.

*ANSWER:* b

49. Which of the following is a product of using the DuPont model?

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a. This enables the procurement manager to demonstrate the sensitivity of the company's financial results to procurement savings.
b. A sectoral focus on project and process-based activities.
c. A more commercial orientation.
d. Efficiency gains.

*ANSWER:* a

50. Which of the following influences the leverage effect of procurement?
a. The procurement to sales ratio.
b. The capital turnover ratio.
c. The procurement to sales ratio and the capital turnover ratio.
d. Neither the procurement to sales ratio nor the capital turnover ratio.

*ANSWER:* c

51. Which of the following best describes the objective of 'global sourcing'?
a. The global exploitation of efficiencies in the delivery of a product or service.
b. Always purchasing from within the EU.
c. Identification of the cheapest supplier regardless of country of origin.
d. Utilization of cheap labour countries to supply.

*ANSWER:* a

52. Which of the following best explains 'leveraging world class supply base management'?
a. by adopting a process orientation procurement function Increase business with historical suppliers.
b. Increase business with local suppliers.
c. Increase business with the cheapest suppliers.
d. Increase business with suppliers who perform best.

*ANSWER:* d

53. Which of the following best explains 'commodity strategies'?
a. A clear and detailed picture of a company's future purchasing spending supplier selection for each commodity(category).
b. A plan of action to reduce purchasing spending.
c. A plan of action to address past supplier difficulties.
d. A plan of action to reduce dependency on suppliers.

*ANSWER:* a

54. Which of the following is not a support activity element in the Value Chain?
a. Human Resource Management
b. Outbound logistics
c. Technology development
d. Procurement

*ANSWER:* b

55. Which of the following is not a primary activity element in the Value Chain?

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a. Human Resource Management
b. Outbound logistics
c. Operations management
d. Marketing

*ANSWER:* a

56. Which of the following is not an element in the Value Chain?
a. Inbound logistics
b. Outbound logistics
c. Product performance
d. Marketing

*ANSWER:* c

57. Which of the following explains 'Supply Management'?
a. All activities necessary to manage suppliers.
b. All activities necessary to manage supplier relationships.
c. All activities necessary to manage supplier relationships in such a way that their activities are aligned with the company's overall business strategies.
d. All activities necessary to manage supplier relationships in such a way that their activities first tier suppliers are aligned with the company's overall business strategies and interests.

*ANSWER:* d

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