Exam : **CORE**

Title : Supply Management Core Exam

Version : DEMO

1.Which of the following is a key element in the development of an auditable supply chain management process?
A. Dedicated internal audit employees
B. Strong management oversight
C. Effective internal controls
D. Supplier surveys
Answer: C
Explanation:
Define Internal Controls: Internal controls are essential in ensuring that all supply chain activities are conducted as per the established policies and procedures.
Create Documentation: Effective internal controls include thorough documentation of all processes, ensuring traceability and accountability.
Implement Monitoring Mechanisms: Regular monitoring and audits of the supply chain activities are part of effective internal controls. This helps in identifying discrepancies and taking corrective actions.
Enhance Transparency: By having effective internal controls, the supply chain becomes more transparent, making it easier to conduct audits and ensure compliance with regulatory requirements.
References:
Institute of Internal Auditors (IIA): "Standards for Internal Control in the Federal Government"
APICS: "Supply Chain Management: A Comprehensive Guide"

2.A machine that costs $200,000 is expected to realize an annual savings of $35,000.
What is the simple ROI for this piece of equipment?
A. 57.5%
B. 31.5%
C. 20.0%
D. 17.5%
Answer: D
Explanation:
To calculate the simple Return on Investment (ROI), we use the formula:
ROI = \left(\frac{\text{Net Return on Investment}}{\text{Cost of Investment}} \right) \times 100\%
ROI=(Cost of InvestmentNet Return on Investment)×100%
Given that the cost of the machine is $200,000 and the expected annual savings (which can be considered as the net return) is $35,000, we can plug these values into the formula:
ROI = \left(\frac{35,000}{200,000} \right) \times 100\% = 17.5\%
ROI=(200,00035,000)×100%=17.5%
Therefore, the simple ROI for this piece of equipment is 17.5%1.

3.A director of supply management is tasked with determining where savings can be found in indirect cost categories. If needed, the company will consider hiring additional staff to negotiate and administer contracts.
Which of the following is the FIRST step the supply manager should take?
A. Assess skills already available in supply management
B. Identify a cross-functional team to brainstorm solutions
C. Develop a new supplier relationship model

D. Establish a baseline using current spend data

Answer: D

Explanation:

The first step the supply manager should take in determining where savings can be found in indirect cost categories is to establish a baseline using current spend data. Understanding the current spending patterns provides a foundation for identifying opportunities for cost savings. It allows the supply manager to analyze spending trends, categorize expenses, and pinpoint areas where efficiencies can be improved or costs can be reduced. This data-driven approach ensures that any subsequent actions are based on accurate and comprehensive information.

References:

Monczka, R. M., Handfield, R. B., Giunipero, L. C., & Patterson, J. L. (2015). Purchasing and Supply Chain Management.

Institute for Supply Management (ISM). (2020). ISM Glossary of Key Supply Management Terms.

4.When developing a sourcing strategy, which of the following is the BEST source of data on the spend profile of a category?

A. A sales representative from the supplier

B. An internal stakeholder

C. Information from an internal database

D. The Internet

Answer: C

Spend Profile Analysis: This involves examining how much money is being spent, on what, and with whom.

Internal Database: The company's internal database will have historical data on past expenditures, contracts, purchase orders, and supplier performance.

Comprehensive Data: This data is likely to be accurate, detailed, and tailored to the company's specific context.

Internal Stakeholders: While they can provide insights, their information may not be as comprehensive or reliable as the data from an internal database.

External Sources: External sources like sales representatives or the internet may not have access to all necessary internal details. References

CIPS (Chartered Institute of Procurement & Supply) guidelines on spend analysis.

5.Which of the following is the PRIMARY reason an organization's executive team and internal stakeholders should be aligned on the definitions of cost savings reporting?

A. To ensure financial professionals can audit the cost savings reporting process

B. To ensure price baselines can be adjusted for comparison purposes overtime

C. To ensure appropriate risk management strategies are being adopted

D. To ensure supply management is adding value

Answer: D

Explanation:

Cost Savings Reporting: Accurate cost savings reporting is essential for demonstrating the value that supply management brings to the organization.

Alignment on Definitions: When the executive team and internal stakeholders are aligned on the

definitions of cost savings, it ensures that the reported savings are understood and accepted across the organization.
Value Demonstration: This alignment shows that supply management is effectively contributing to the company’s financial performance and strategic goals.
Other Considerations: While auditability, baseline adjustments, and risk management are important, the primary reason for alignment is to clearly demonstrate the value added by supply management.
References
ISM Professional Series: Cost Management
CIPS Knowledge on Financial Management in Procurement