

Student name: _____

Supply decisions can affect _____.

the balance sheet

the income statement

neither the income statement nor the balance sheet

the income statement and the balance sheet

none of the financial metrics

On average, the dollars spent with suppliers as a percent of revenues _____.

is about equal in service and manufacturing organizations

is greater in manufacturing organizations than in service organizations

is greater in service organizations than in manufacturing organizations

depends on the type of manufacturing process

depends on the type of service delivery system

The role of supply management is best captured by the following question:

How can supply and suppliers help decrease costs and increase revenues?

How can supply help suppliers decrease costs?

How can supply and suppliers help decrease costs?

How can supply help decrease costs and increase revenues?

How can supply help decrease costs?

To contribute to organizational strategy, the supply department should _____.

seek opportunities to provide competitive advantage

set realistic expectations for internal customers

execute tasks as designed

standardize and automate transactions

streamline business processes

The impact of supply management actions on the balance sheet is measured by the _____.

return on investment effect

return on inventory effect

inventory turnover effect

profit-leverage effect

return-on-assets effect

Evaluation of the supply function's contribution to organizational goals and strategies can be viewed in the context of _____.

operational and strategic

direct and indirect

strategic and transactional

both operational and strategic and direct and indirect

both operational and strategic and strategic and transactional

The profit-leverage effect of supply savings means that _____.

the buyer gains leverage over suppliers when purchases are increased

effective price negotiations with a supplier will lower the supplier's profits

a reduction in purchase spend increases profit more than an equivalent increase in sales

efficient supply management processes will increase profits

a reduction in money tied up in inventory improves profits

As supply chains have become more global, the risk of supply disruptions has _____.
increased because emerging economies lack the business ethics of developed nations
increased because of financial and exchange rate fluctuations
stayed the same because the issues are similar wherever suppliers are located
decreased because risk is spread among suppliers all over the world
decreased because there are global standards for labor and safety

Supply management may *indirectly* contribute to the organization's competitive advantage by _____.

reducing prices paid to suppliers
reducing annual spend
improving customer satisfaction
improving supplier lead times
process standardization

For an organization with annual sales of \$500 million, purchases of \$300 million, and profit of \$50 million, a 5 percent reduction in the cost of purchases would result in a profit-leverage effect of _____.

10 percent (sales increase of 10 percent would be required to achieve the same percentage increase in profit)

15 percent (sales increase of 15 percent would be required to achieve the same percentage increase in profit)

30 percent (sales increase of 30 percent would be required to achieve the same percentage increase in profit)

60 percent (sales increase of 60 percent would be required to achieve the same percentage increase in profit)

75 percent (sales increase of 75 percent would be required to achieve the same percentage increase in profit)

The supply function in public sector organizations can differ from those in private sector organizations in the following area _____.

Size of total spend

Percentage of total spend

Regulatory requirements regarding the acquisition process and policies

Supplier lead times

There are no differences

A systems approach to managing the flow of information, materials, and services from tiers of suppliers through the buying organization to tiers of customers is _____.

strategic sourcing

materials management

procurement management

supply chain management

inventory management

The use of purchasing, procurement, supply, and supply chain management concepts will vary from organization to organization depending on _____.

the organization's stage of development and/or sophistication

the industry in which they operate

the organization's competitive position

the organization's stage of development and/or sophistication, the industry in which they operate, and the organization's competitive position

the organization's stage of development and/or sophistication and the industry in which they operate

Evidence of supply function growth and influence in an organization includes _____.

activities under the management or span of control of supply

number of purchase orders issued annually

involvement in corporate activities

both activities under the management or span of control of supply and number of purchase orders issued annually

both activities under the management or span of control of supply and involvement in corporate activities

Lean supply management principles can be applied to organizations in the _____.

manufacturing sector only

services sector only

manufacturing and services sectors only

manufacturing, services, and public sectors

none of the choices are correct

Supply is of great consequence in most manufacturing organizations since the costs of purchased materials and services can greatly exceed labor and other costs.

true

false

Public institutions' supply policies and processes are similar to private sector organizations.

true

false

The ability of the supply to secure requirements of better quality, faster, and at a better price than competitors will improve customer satisfaction.

true

false

Supply management has evolved from a transaction-based, tactical function to a process-oriented, strategic function.

true

false

Since labor and other costs can greatly exceed outlays for purchased materials and services in service organizations, supply is of little consequence in most service organizations.

true

false

Sustainability performance focuses exclusively on the impact of the organization's supply chain and suppliers on the natural environment.

true

false

There is one best way for all organizations to organize and manage the supply function, conduct activities, and effectively integrate suppliers.

true

false

Getting users to reduce their demand for inventoried items is the best method to reduce investments in inventory.

true

false

Supply makes a significant contribution to organizational risk management since many supply decisions have downside risks that might impact the organization's strategy.

true

false

The ratio of total purchases to sales (the percentage of dollars paid out to suppliers as a percentage of sales) can vary significantly from industry to industry.

true

false

The true test of supply's contribution is when the chief executive officer and the senior management team recognize that supply and suppliers are critical to organizational success and competitive advantage.

true

false

Terms such as purchasing, procurement, supply, and supply chain management are terms that are used almost interchangeably.

true

false

Strategic supply focuses on executing current tasks as designed.

true

false

Standing as a preferred customer may provide the advantages favored pricing and service arrangements.

true

false

Senior management in most organizations expects the supply function to play a significant role in corporate sustainability initiatives.

true

false

Answer Key

Test name: Ch1_Purchasing and Supply Management_17e

D

B

A

A

E

D

C

B

C

C

C

D

D

E

D

TRUE

FALSE

TRUE

TRUE

FALSE

FALSE

FALSE

FALSE

TRUE

TRUE

TRUE

TRUE

FALSE

TRUE

TRUE