

**Exam : ISM 630-005**

**Title : C.P.M. Module 1: Purchasing  
Process**

**Version : Demo**

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1. TestInside.com has a 10% profit margin before taxes and spends 50% of its sales dollar on materials. What percentage reduction in material costs for TestInside.com to achieve an increase of 5% in sales?

- A. 1%
- B. 2.5%
- C. 5%
- D. 7.5%
- E. 10%

**Answer: A**

2. Which of the following statements regarding the process of reviewing supplier samples and/or demonstrations with user departments and functional departments such as quality, engineering, research, and administration, are FALSE?

- A. It increases the amount of time involved in making a buying decision.
- B. It is an example of purchasing's role as a service function within the organization.
- C. It reduces purchased prices by allowing purchasing to make the final buying decision.
- D. It leads to improved quality because the supplier will have a better understanding of user requirements.

**Answer: C**

3. In which of the following countries outside of the United States do U.S. patentees enjoy protection against infringement?

- A. In countries that have full diplomatic relations with the United States.
- B. In countries that are signatories to patent conventions only.
- C. In European Union member countries only.
- D. In GATT member countries only.
- E. None of the above.

**Answer: B**

4. TestInside.com has a contract with Road Haulers, Ltd. to dispose of toxic material at a site in New Orleans. However, Road Haulers, Ltd. decides to use a site in Dallas instead. The site at Dallas is a cheaper but disreputable source. Who has primary liability in this situation?

- A. TestInside.com.
- B. Road Haulers, Ltd.
- C. The site at New Orleans.
- D. The site at Dallas.

**Answer: A**

5. Which of the following is the MOST important aspect of service contract administration?

- A. Aggressive management of the contract.
- B. Selection of the right source.
- C. A fair and reasonable price.
- D. A sound statement of work.

**Answer: D**

6. You work as a purchaser at TestInside.com. Your brother works as an engineer for a major supplier for TestInside.com. Your brother asks you for input on a new product line that his company is developing. The product is quite similar to one that TestInside.com currently buys from another company. Which of the following is the PRIMARY ethical issue that arises in this situation?

- A. Fraud
- B. Bribery
- C. Nepotism
- D. Conflict of interest

**Answer: D**

7. From which of the following are prices requested from in the second step of two-step bidding?

- A. All suppliers submitting acceptable technical proposals in the first step.
- B. The three suppliers submitting the best proposals in the first step.
- C. All suppliers qualified to submit proposals in the first step.
- D. All suppliers submitting proposals in the first step.

**Answer: A**

8. Which of the following is generally NOT included in the cost analysis process?

- A. Semi-variable costs.
- B. Overhead costs.
- C. Indirect costs.
- D. Sunk costs.

**Answer: D**

9. Which of the following is MOST likely to assure receipt of materials against the invoice from the supplier?

- A. The Receiving Department.
- B. The Production Department.
- C. The Purchasing Department.
- D. The Accounts Payable Department.

**Answer: D**

10. You work as a buyer at TestInside.com. You place an online order containing only price, quantity, and description. You do NOT have a written contract with the supplier. The parts fail inspection, and the supplier claims it is under no obligation for the parts. What would be your FIRST line of action in this situation?

- A. Accept the parts and write a contract covering the supplier's obligations in future online transactions.
- B. State that an implied warranty for merchantability is applicable to the parts.
- C. Use a manual order system for all future orders with the supplier.
- D. Accept the parts with no further comment.

**Answer: B**

11. Which of the following should the buyer FIRST do when a using department requests that the buyer purchase a specific brand-name product?

- A. Attempt to negotiate a lower price with the supplier of the brand-name product.
- B. Attempt to persuade the user to furnish performance specifications.
- C. Search for competitive suppliers that furnish similar products.
- D. Appeal the request to higher purchasing management.

**Answer: B**

12. At which of the following times does the purchased raw material physically enters purchased goods inventory in a manufacturing stockless inventory program?

- A. Never, since it becomes work in progress or goods shipped.
- B. Five days before it is needed.
- C. One day before it is needed.
- D. At the time of delivery.

**Answer: A**

13. Which of the following would NOT be included in a commodity record?

- A. Supplier financial performance.
- B. A list of sources.
- C. Price history.
- D. Quantities.

**Answer: A**

14. In which of the following payment methods used in global sourcing, does the seller present only its draft on the buyer to its bank for collection, while the shipping and other documents are sent directly to the buyer?

- A. Open account.
- B. Sight draft collection.
- C. Clean draft collection.
- D. Confirmed letters of credit.

**Answer: C**

15. For its impact on which of the following should price variances of purchased materials be forecasted?

- A. Cost of goods sold.
- B. Inventory levels.
- C. Supplier ratings.
- D. Carrying costs.

**Answer: B**

16. Which of the following is NOT a goal of direct release systems?

- A. Improved usage forecasting.
- B. Reduced paperwork for purchasing.
- C. Lower purchase order transaction costs.
- D. Increased accountability of the selected supplier.

**Answer: A**

17. Which of the following is of LEAST consideration in the classification of needs when establishing procurement plans for the purchase of products or services?

- A. Specifications
- B. Monetary value
- C. Strategic or operational need
- D. Repetitive or non-repetitive need

**Answer: A**

18. Which of the following is the first consideration in developing an advanced purchasing plan?

- A. The designation of the office to be responsible for payments.
- B. A discussion of the level of competition expected.
- C. The criteria to be used to evaluate the selection.
- D. The development of a negotiation strategy.

**Answer: B**

19. What should the purchasing department do when MIS requests a full use copy of a piece of software for evaluation?

- A. Have return shipping costs paid by the supplier
- B. Execute an evaluation license.
- C. Issue a purchase order.
- D. Confirm receipt.

**Answer: B**

20. Suppose TestInside.com has a 5% profit margin, one dollar of savings in purchases will equal what amount of additional sales for TestInside.com?

- A. \$ 5
- B. \$ 10
- C. \$ 15
- D. \$ 20
- E. \$ 25

**Answer: D**

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