



**Vendor:** ISM

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**Exam Name:** C.P.M. Module 3: Value Enhancement  
Strategies

**Version:** DEMO

**QUESTION 1**

When would a purchasing manager generally use a third-party lease as a financing instrument?

- A. When purchasing equipment from the manufacturer with someone else's money.
- B. When acquiring equipment from one party and maintenance from another.
- C. When arranging an assignment agreement with a bank.
- D. When transferring the asset to the internal customer.

**Answer: A**

**QUESTION 2**

Which of the following statements is FALSE?

- A. An operational lease has a non-cancelable term varying from hours to years.
- B. An operational lease is a total financial commitment by the lessor.
- C. In operational leases, payments are fixed payments per period.
- D. Operational leases stress service.

**Answer: B**

**QUESTION 3**

Which of the following is the FIRST step in standardization?

- A. Collecting data.
- B. Simplifying standards.
- C. Establishing objectives.
- D. Publicizing the program.

**Answer: A**

**QUESTION 4**

Which of the following are the two basic categories of costs associated with inventories from a management point of view?

- A. Supplies and services costs.
- B. Storage and incremental costs.
- C. Carrying costs and acquisition costs.
- D. Obsolescence and deterioration costs.

**Answer: C**

**QUESTION 5**

Which of the following is the MOST commonly sought-after piece of inventory information?

- A. The date the inventory is taken.
- B. The current price of the items.
- C. Inventory I.D. numbers.
- D. Quantities.

**Answer: D**

**QUESTION 6**

Which of the following should a purchaser utilize when there is a need to minimize financial risk in a sensitive market?

- A. Cash flow management.
- B. Long-term relationships.
- C. Market demand analysis.
- D. Hedging using futures contracts.

**Answer: D**

**QUESTION 7**

Which of the following represents the MOST common reason for a public or nonprofit corporation to use lease/purchase agreements to obtain equipment?

- A. To gain tax advantages.
- B. To avoid capital expenditures.
- C. To reduce maintenance needs.
- D. To gain depreciation advantages.

**Answer: B**

**QUESTION 8**

Which of the following represents the BEST strategy for minimizing price risk in a falling market?

- A. Hedging.
- B. Forward buying.
- C. Hand-to-mouth buying.
- D. Buying to requirements.

**Answer: C**

**QUESTION 9**

Which of the following should generally make a "make-or-buy" decision?

- A. Engineering Management.
- B. Purchasing Management.
- C. Production Management.
- D. General Management.

**Answer: D**

**QUESTION 10**

Passleader has been experiencing numerous stockouts on a production item. Which of the following is LEAST likely to cause this problem?

- A. Faulty sales forecasts.
- B. Incorrect order points.
- C. Increased supplier prices.
- D. Problems with incoming shipments.

**Answer: C**

**QUESTION 11**

You work as a purchaser at Passleader. You are negotiating a contract for which production and delivery will be stretched out over a 24-month period. You want to get the best price. Which of the following should you include in the contract?

- A. A provision to accept all material produced under the contract.
- B. A provision to cover changes in rates for material and labor.
- C. A provision to eliminate penalties for late deliveries.
- D. A provision to cover unforeseen production delays.

**Answer: B**

**QUESTION 12**

Which of the following do NOT provide economic forecasts?

- A. ISM Report On Business(r).
- B. Bureau of Labor Statistics.
- C. Department of Commerce.
- D. Thomas Register.

**Answer: D**

**QUESTION 13**

Which of the following is NOT an appropriate consideration when seeking to mitigate seasonal capacity issues?

- A. Safety stock levels.
- B. Transportation costs.
- C. Forecasting accuracy.
- D. Seasonal sales forecasts.

**Answer: B**

**QUESTION 14**

Which of the following favors making the part in a "make-or-buy" decision?

- A. When design secrecy is required.
- B. When volume requirements are small.
- C. When production facilities are limited.
- D. When there is a desire to maintain a multiple-source policy.

**Answer: A**

**QUESTION 15**

What is generally the PRIMARY motivation for outsourcing in the health care sector?

- A. To reduce technological risk.
- B. To shift patient liability.
- C. To reduce labor costs.
- D. To implement JIT.

**Answer: C**

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