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CPSM Exam 2

Certified Professional in Supply Management (CPSM)
CPSM Exam 2: Effective Supply Management Performance

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Question: 816

A manufacturer in the U.S. is considering entering the Canadian market and is exploring a bilateral trade agreement that eliminates tariffs on certain products. Which of the following agreements would most likely apply?

- A. CAFTA
- B. TPP
- C. USMCA
- D. GATT

Answer: C

Explanation: The USMCA (United States-Mexico-Canada Agreement) is a trade agreement between the U.S., Canada, and Mexico that eliminates tariffs on numerous goods, specifically benefiting manufacturers looking to enter the Canadian market.

Question: 817

A firm with a net income of \$300,000, total assets of \$1.5 million, and total liabilities of \$600,000 has a return on assets (ROA) of what percentage?

- A. 25%
- B. 20%
- C. 18%
- D. 15%

Answer: B

Explanation: $ROA = \text{Net Income} / \text{Total Assets} = \$300,000 / \$1,500,000 = 0.20$ or 20%.

Question: 818

When assessing supplier risk, a company evaluates financial stability on a scale of 1 to 10. If Supplier A scores 8, Supplier B scores 5, and Supplier C scores 3, what is the average financial stability score of these suppliers?

- A. 5.5
- B. 6.0
- C. 4.5
- D. 8.0

Answer: A

Explanation: Average score = $(8 + 5 + 3) / 3 = 16 / 3 = 5.33$, rounded to 5.5.

Question: 819

In conducting a spend analysis, a company discovers that its spend on office supplies has increased by 25% over the last year, resulting in a total spend of \$125,000. What was the spend on office supplies the previous year?

- A. \$100,000
- B. \$90,000
- C. \$80,000
- D. \$75,000

Answer: A

Explanation: Let previous spend be X. Then, $X + 0.25X = \$125,000$. Thus, $1.25X = \$125,000$, and $X = \$125,000 / 1.25 = \$100,000$.

Question: 820

A company utilizes the PDCA cycle to improve its supply chain processes. If the 'Plan' phase involves identifying 3 key areas for improvement and the 'Do' phase implements changes resulting in a 15% reduction in waste, which of the following is the most effective way to measure the impact during the 'Check' phase?

- A. Reviewing historical data
- B. Conducting employee interviews
- C. Analyzing customer satisfaction surveys
- D. Comparing waste levels before and after implementation

Answer: D

Explanation: The 'Check' phase is focused on measuring the effectiveness of changes by comparing relevant metrics, in this case, waste levels before and after the implementation.

Question: 821

A supply chain team is preparing to conduct a benchmarking study against competitors. Which of the following steps should be prioritized to ensure the study yields actionable insights?

- A. Select metrics that are easy to collect data for
- B. Avoid involving external experts
- C. Limit the scope to only financial metrics
- D. Identify key performance indicators (KPIs) relevant to the industry

Answer: D

Explanation: Identifying key performance indicators (KPIs) relevant to the industry is crucial for ensuring that the benchmarking study provides actionable insights that can lead to meaningful improvements.

Question: 822

In a recent supplier scorecard review, a company noticed that one supplier consistently underperformed in terms of quality metrics. What should be the company's immediate action to address this issue?

- A. Terminate the supplier contract
- B. Increase the order volume to incentivize better quality
- C. Conduct a supplier performance meeting to discuss issues
- D. Reduce payment terms to encourage improvement

Answer: C

Explanation: Conducting a performance meeting allows the company to address the underperformance directly, understand the supplier's challenges, and collaboratively develop improvement strategies.

Question: 823

A supply chain analyst is tasked with improving the lead time. If the current lead time is 25 days, and the analyst wants to implement a strategy that reduces lead time by 30%, what will be the target lead time after the reduction?

- A. 18 days
- B. 17.5 days
- C. 20 days
- D. 22 days

Answer: B

Explanation: A 30% reduction in 25 days is 7.5 days ($0.30 \times 25 = 7.5$). Thus, the target lead time is $25 - 7.5 = 17.5$ days.

Question: 824

In a recent risk assessment meeting, a company identified a risk scenario involving potential geopolitical tensions affecting supply routes. What is the most effective response strategy for such a risk?

- A. Establishing dual sourcing strategies for critical materials
- B. Ignoring the risk due to its uncertainty
- C. Focusing solely on domestic suppliers
- D. Increasing inventory levels without a clear strategy

Answer: A

Explanation: Establishing dual sourcing strategies mitigates the impact of geopolitical tensions by ensuring alternative supply routes are available.

Question: 825

As part of a sustainability initiative, a company is considering implementing a zero-waste policy across its supply chain. What should be the initial step in this process?

- A. Set ambitious targets for waste reduction
- B. Revise contracts with suppliers to include sustainability clauses
- C. Establish a communication plan to inform stakeholders
- D. Conduct a waste audit to identify current waste levels

Answer: D

Explanation: Conducting a waste audit provides a baseline understanding of current waste levels and informs subsequent actions toward achieving zero waste.

Question: 826

A company needs to evaluate the cash flows of a project that will require a \$700,000 investment today and is expected to provide cash inflows of \$200,000 in Year 1, \$300,000 in Year 2, and \$400,000 in Year 3. If the required rate of return is 7%, what is the NPV?

- A. \$75,479
- B. \$150,000
- C. \$181,000
- D. \$204,000

Answer: A

Explanation: Calculate the present value of each cash flow and subtract the initial investment.

Question: 827

During a performance review, a company discovers that its supplier quality ratings have declined over the past quarter. Which of the following actions would best align with a data-driven decision-making approach to address this issue?

- A. Analyze defect trends and communicate findings to suppliers
- B. Increase the frequency of supplier audits without data analysis
- C. Replace suppliers based on suspicion of quality issues
- D. Decrease the number of suppliers to focus on fewer sources

Answer: A

Explanation: Analyzing defect trends and communicating findings to suppliers is a data-driven approach that enables targeted improvements and fosters collaboration.

Question: 828

An importer is tasked with classifying a new product for customs clearance. If the product is a combination of a non-functional decorative item and a functional electronic device, which of the following Harmonized System (HS) codes should be prioritized for classification?

- A. The code for the functional electronic device
- B. The code for the non-functional decorative item
- C. The code for the product that contributes more to the value
- D. The code that relates to the most recent international trade agreements

Answer: C

Explanation: Classification usually follows the principle of determining the component that gives the product its essential character, often tied to value.

Question: 829

A company is interested in improving its supplier engagement on sustainability issues. What is the most effective way to facilitate this engagement?

- A. Conducting one-off training sessions
- B. Establishing ongoing communication and collaboration channels
- C. Imposing strict requirements without dialogue
- D. Limiting supplier participation in sustainability initiatives

Answer: B

Explanation: Ongoing communication and collaboration foster a culture of sustainability and encourage suppliers to engage actively in sustainability efforts.

Question: 830

In a Lean transformation, a company emphasizes the importance of 'Kaizen'. Which of the following best describes the concept of Kaizen?

- A. Large-scale changes implemented infrequently
- B. Solely management-driven improvements
- C. A focus on eliminating all waste immediately
- D. Continuous, incremental improvements involving all employees

Answer: D

Explanation: Kaizen emphasizes continuous, incremental improvements involving all employees, fostering a culture of ongoing enhancement within the organization.

Question: 831

In a recent survey, employees reported feeling unrecognized for their contributions. As an emotionally intelligent leader, what is the most appropriate action to take?

- A. Conduct a team meeting to address the issue
- B. Increase employee salaries
- C. Implement a recognition program that highlights achievements
- D. Encourage employees to communicate their needs directly

Answer: C

Explanation: Implementing a recognition program demonstrates appreciation for contributions, positively impacting employee morale and engagement.

Question: 832

In a situation where a supplier is unable to fulfill an order due to a sudden regulatory change affecting their production capabilities, which of the following actions should the supplier take to mitigate potential claims?

- A. Notify the buyer immediately and provide documentation of the change
- B. Ignore the situation until the next order
- C. Continue production at a loss to meet obligations
- D. Seek a third-party mediator

Answer: A

Explanation: The supplier should promptly notify the buyer and provide documentation to demonstrate the regulatory change's impact, which could invoke force majeure protections.

Question: 833

In a scenario where a company relies heavily on a single supplier for critical components, what is the most advisable risk mitigation strategy to implement?

- A. Developing a strong relationship with the supplier
- B. Implementing stringent supplier performance metrics
- C. Increasing the inventory of components from the supplier
- D. Diversifying the supplier base to include multiple sources

Answer: D

Explanation: Diversifying the supplier base to include multiple sources is the most advisable strategy to mitigate risks associated with reliance on a single supplier, reducing vulnerability to disruptions.

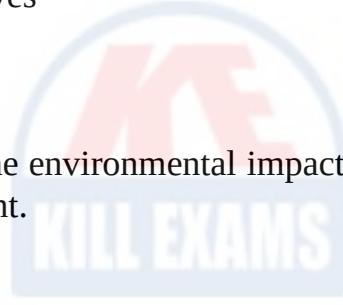
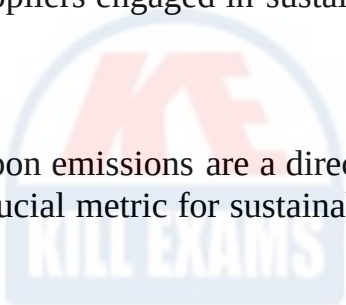
Question: 834

A company is analyzing its global supply chain for sustainability practices. Which metric would be most relevant in assessing the environmental impact of its logistics operations?

- A. Total shipping costs incurred over the year
- B. Carbon emissions produced during transportation
- C. Average delivery time for shipments
- D. Number of suppliers engaged in sustainability initiatives

Answer: B

Explanation: Carbon emissions are a direct measure of the environmental impact of logistics operations, making them a crucial metric for sustainability assessment.



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