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CPSM Exam 2

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

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 = Net Income / 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 * 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.