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IIA

IIA-CIA-Part3

Certified Internal Auditor - Part 3, Business Analysis and Information Technology



QUESTION: 414

The bullwhip, or whiplash, effect on inventories begins when retailers face uncertain demand from consumers caused by randomness in buying habits. It can be avoided by:

- A. The need to purchase or manufacture goods in cost-efficient batches.
- B. Changes in price that may encourage purchases in anticipation of future increases.
- C. Shortages that may lead to rationing by suppliers or manufacturers and hoarding by manufacturers or retailers.
- D. Sharing of information and coordination among the organizations in the supply chain.

Answer: D

Explanation:

Sharing information about sales, inventory, pricing, advertising campaigns, and sales forecasts by all functions and organizations in the supply chain moderates demand uncertainty for all parties. The desired results are (1) minimization of inventories held by suppliers, manufacturers, and retailers; (2) avoidance of stockouts; (3) fewer rush orders; and (4) production as needed by retailers.

QUESTION: 415

A desired result of the sharing of information by all functions and organizations in the supply chain is:

- A. Fewer rush orders.
- B. Maximization of inventories held by suppliers, manufacturers, and retailers.
- C. Stockouts.
- D. Incompatibility of the information systems of the parties.

Answer: A

Explanation:

Sharing information about sales, inventory, pricing, advertising campaigns, and sales forecasts by all functions and organizations in the supply chain moderates demand uncertainty for all parties. The desired results are (1) minimization of inventories held by suppliers, manufacturers, and retailers; (2) avoidance of stockouts; (3) fewer rush orders; and (4) production as needed by retailers.

QUESTION: 416

Which of the following are intermediaries between sellers and buyers?

- I. Agent

II. Broker
III. Consignee
IV. Consumer

- A. I and II only.
- B. I and III only.
- C. I, II, and III only.
- D. I, II, III, and IV.

Answer: C

Explanation:

A distribution channel is a series of interdependent marketing institutions that facilitate the transfer of a product from producer (seller) to consumer (buyer). Intermediaries include merchant middlemen, agents, brokers, consignees, and facilitating intermediaries.

QUESTION: 417

The channel structure in which producers, wholesalers, and retailers act as a unified system is a:

- A. Horizontal distribution system.
- B. Vertical distribution system.
- C. Unilateral distribution system.
- D. Multichannel system.

Answer: B

Explanation:

In vertical distribution systems, producers, wholesalers, and retailers act as a unified system. Channel conflict is managed through common ownership, contractual relationships, or administration by one or a few dominant channel members. Horizontal distribution systems consist of two or more companies at one level of the channel working together to exploit new opportunities, such as the introduction of ATMs in supermarkets. The joint nature of horizontal distribution efforts is the tool for managing channel conflict. In a multichannel system, a single firm sets up two or more channels to reach one or more customer segments. Because such a system is managed by a single firm, channel conflicts can be evaluated and managed internally.

QUESTION: 418

Which of the following channel structures have the best means of managing channel conflict?

- I. Conventional
- II. Vertical
- III. Horizontal
- IV. Multichannel

- A. I and II.
- B. II, III, and IV.
- C. I, III, and IV.
- D. II and III.

Answer: B

Explanation:

In vertical distribution systems, channel conflict is managed through common ownership, contractual relationships, or administration by one or a few dominant channel members. The joint nature of horizontal distribution efforts is the tool for managing channel conflict. In a multichannel system, because such a system is managed by a single entity, channel conflicts can be evaluated and managed internally. Conventional distribution systems consist of one or more independent producers, wholesalers, and retailers, each of which is a separate profit-maximizing business. The profit objective of each independent channel member may result in actions that are not profitmaximizing for the system as a whole, and the conventional distribution system offers no means for controlling channel conflict.

QUESTION: 419

The airlines have been leaders in the use of technology. Customers can make reservations either with an airline or through a travel agency. In this situation, a travel agency is classified as which type of distribution channel?

- A. An intermediary
- B. A jobber
- C. A distributor
- D. A facilitating agent

Answer: A

Explanation:

Marketing intermediaries assist companies in promoting, selling, and distributing

their goods and services to ultimate consumers. For example, travel agents access an airline's computerized reservation system and make reservations for their customers without ever taking title to the ticket.

QUESTION: 420

On January 1, an entity issued a 10-year US \$500,000 bond at 96% of its face amount. The bond bears interest at 12%, payable on January 1 and July 1. The entry to record the issuance of the bond on January 1 is:

A. Cash	US \$480,000	
Bonds payable		US \$480,000
B. Cash	US \$500,000	
Bonds payable		US \$500,000
C. Cash	US \$480,000	
Discount on bonds payable	20,000	
Bonds payable		US \$500,000
D. Cash	US \$500,000	
Premium on bonds payable		US \$20,000
Bonds payable		480,000

- A. Option A
- B. Option B
- C. Option C
- D. Option D

Answer: C

Explanation:

The entity received US \$480,000 cash on the issuance of the bond. Its face amount is US\$500,000, the amount to be paid at maturity. Hence, the credit to bonds payable is US\$500,000. The US\$20,000 difference is recorded as a discount on bonds payable and is amortized over the life of the issue.

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