

## E217: Inventory Management

### Quiz for Problem P06 – Stock is Available?

1. SKU stands for stock keeping unit. For example, the SKU for a vitamin C pills being sold at a retail store are capsules, not bottles.  
True / False  
**False, the SKU for a vitamin C pills being sold at a retail store will be bottles, not capsules**
2. When inventory levels are inaccurate, more stock needs to be purchased and this will increase the inventory holding costs and increase the risk of product obsolescence.  
True / False  
**True**
3. One of the advantages of ABC classification is that there is strict control of low dollar volume items, leading to improved customer service levels  
True / False  
**False, should be strict control of high dollar volume items.**
4. The Pareto Principle provides a measure of how closely official inventory records match the physical inventory. Also called “90/10 Rule”  
True / False  
**False, 80/20 rule.**
5. The objective of using Pareto Principle is to focus resources on the critical few and not on the trivial many.  
True / False  
**True**
6. One of the disadvantages of the cycle counting process is that operations typically must be shut down for the process to take place.  
True / False  
**False, should be the physical inventory process**
7. The cycle counting process utilizes employees that are familiar with inventory and warehouse locations and can uncover processes that produce inventory inaccuracies.  
True / False  
**True**
8. Some of the KPIs of an airline company are its safety record and its aircraft utilization.  
True / False  
**True**
9. The higher the inventory turns, the faster the inventory is being moved out and the company gets the cash back faster  
True / False  
**True**

10. Which of the below is not used to calculate a company's "Inventory Turnover"?
- a) Inventory level of Finished Goods (FG)
  - b) Cost of Goods Sold (COGS)
  - c) **Customer Service Level**
  - d) Inventory level of the Raw Materials
11. Which of these strategies is least effective to improve the inventory performance of a company?
- a) Tight review of the safety stock
  - b) Enhance the cycle counting practice
  - c) Implement Vendor-Managed-Inventory (VMI)
  - d) **Implement continuous review policy on Class C items**
12. If the COGS for a company is \$100,000 and the "average inventory value" is \$2,500, which of the following is the "inventory turnover"?
- a) 4
  - b) 25
  - c) **40**
  - d) 50