

## E217 – Inventory Management

### Quiz for Problem 01: A smarter way to order

1. What are the reasons for holding inventory?

- a. To act as a buffer between production and sales
- b. To reduce the inventory ordering cost
- c. To prevent the obsolescence
- d. To take advantage of price discounts on large orders
- e. Better customer service level

a, b, d, e

2. What are the reasons for not holding too much inventory?

- a. Ordering Cost incurred
- b. Obsolescence of goods
- c. Backorder Cost incurred
- d. Better customer service level

b

3. “The goods have finished all steps of production and now awaiting final testing and packaging. They will be ready for shipment in 4 days”. Which is the type of inventory that best describes the current state of the specified goods?

- a. Raw materials
- b. Work-in-process (WIP)
- c. Finished goods (FG)
- d. Independent demand item

b

4. Which of the below statements is NOT TRUE about the independent demand items?

- a. Independent demand items usually faces customer demands that are uncertain or seasonal
- b. Independent demand items refer to raw materials that are supplied by the suppliers
- c. Forecasting plays a critical role for independent demand items
- d. Extra units (known as safety stock) must be carried for independent demand items

b

5. Which of the below items is NOT a dependent demand item?

- a. The battery packs that come with a laptop

- b. The installation guide that comes with a laptop
- c. The USB cable that comes with a laptop
- d. The newly purchased laptop

d