Lesson 3-1 Practice Quiz

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5/5 points earned (100%)

Excellent!

*Correct 1/1 points*

1. The greater the number of days of supply, the greater the rate of inventory turnover.

True

**False**

Correct Response :  
These two metrics for inventory management performance are inverse, or reciprocal, of each other. For example, 30 days of supply reflects an inventory turnover ratio of (365/30)=12.17. And, 60 days of supply (doubled) results in an inventory turnover ratio of 6.08 (halved). Thus, the greater the number of days of supply, the lower the rate of inventory turnover.

*Correct 1/1 points*

1. Following an ABC inventory classification, Class A items require loose inventory control because of their high value.

True

**False**

Correct Response :  
Following an ABC inventory classification, Class A items require tight inventory control and close monitoring because of their high value. The ABC inventory classification is based on the Pareto 80-20 rule that states that a few (20 percent) items that account for a large proportion (80 percent) of the monetary value are critical for inventory management.

*Correct 1/1 points*

1. Reducing setup time helps support the reduction of order quantities.

**True**

Correct Response :  
Reducing setup time can result in reducing setup cost, which in turn supports increasing the frequency of setups and making products in smaller batch sizes. Similarly, reducing the cost of ordering supports the use of smaller order quantities.

False

*Correct 1/1 points*

1. Cycle service level is the complement to the probability of a stock-out; i.e., the two probabilities add up to 100%.

**True**

Correct Response :  
The cycle service level is the expected probability of not having a stock-out. Thus, it is complementary to the probability of having a stock-out. For example, a 90% service level reflects a 10% probability of stock-out.

False

*Correct 1/1 points*

1. Wheels for bicycles would generally be considered an independent demand item from a bicycle manufacturer's perspective.

True

**False**

Correct Response :  
The demand for wheels would be fixed based on the planned production quantity of bicycles. Wheels would thus be classified as a dependent demand item. On the other hand, bicycles, the demand for which would be external and estimated based on forecasts, would be classified as an independent demand item for the manufacturer.