DUMPSARENA

Whole Life Asset Management

CIPS L4M7

Version Demo

Total Demo Questions: 31

Total Premium Questions: 316

Buy Premium PDF

https://dumpsarena.co

sales@dumpsarena.co

sales@dumpsarena.co
dumpsarena.co

Topic Break Down

Topic	No. of Questions
Topic 1, Understand the concept of whole life asset management	14
Topic 2, Understand the key components of whole life asset management	154
Topic 3, Understand the processes involved in whole life asset management	103
Topic 4, Understand the role of whole life asset management in the procurement process	31
Topic 5, Mix Questions	14
Total	316

QUESTION NO: 1

A light bulb supplier ' s catalogue shows a list of different products and product codes. Here is an example: 5WBC201, 5WBC202, 5WBC203. This supplier is using which of the following product coding structures?

A. Serial numbering of individual items

B. Symbolic coding with numeric grouping

C. Significant coding with sequential numbering

D. Standard barcode format

ANSWER: C

Explanation:

Significant coding with sequential numbering is correct because the product identifiers combine meaningful characters with a running numerical element. In the examples, “5W” can signify a product characteristic such as five-watt power rating, while “BC” can identify a bulb or cap category. These meaningful segments make the code “significant”: users can obtain useful classification information directly from the identifier rather than treating it as an entirely arbitrary number. The final digits—201, 202 and 203—then progress consecutively, providing a unique sequential reference for individual catalogue lines within that defined product group.

This structure is useful in whole-life asset management because consistent identification supports accurate cataloguing, purchasing, inventory control, maintenance records and analysis of asset-related spend. Meaningful item codes can help procurement and stores staff distinguish compatible product categories quickly, while sequential suffixes prevent duplication as additional items are introduced. Effective product identification and data standards are central to traceability and efficient supply-chain information management; GS1 explains the importance of unique product identification in its identification-key standards. The question also aligns with the asset-management focus of CIPS’s Level 4 Diploma in Procurement and Supply.

QUESTION NO: 2

Hi-Tech Products Inc. (HTP) has just opened a new state-of-the-art distribution centre. It has invested heavily in new technology that will help manage, store, and identify stock items and their locations quickly and continuously. Its investment uses wireless technology. HTP will be using which of the following?

A. Radio Frequency Identification (RFID)

B. ABC classification management

C. Handheld scanning devices

D. Barcodes

ANSWER: A

Explanation:

Radio Frequency Identification (RFID) is correct because it uses radio waves to communicate wirelessly between a reader and RFID tags attached to individual items, cases, pallets, or reusable assets. The tag holds a unique identifier and, depending on the design, can also hold or link to item data. Readers installed at key points in a distribution centre, such as receiving doors, storage zones, conveyors, and dispatch gates, can capture tag information automatically as stock moves through the facility. This supports rapid and continuous visibility of inventory and its location, improving stock accuracy, traceability, and the efficiency of warehouse processes.

RFID is particularly suited to a technology-led distribution centre because tags can generally be read without direct line of sight and multiple tagged objects may be captured in a single read event. That capability enables near-real-time inventory updates in the warehouse-management system and reduces reliance on manual recording. GS1 explains that RFID is an automatic-identification technology using radio-frequency signals to identify objects, while the UK Government’s National Cyber Security Centre describes RFID as a system involving tags and readers that communicate using radio waves. See GS1 EPC/RFID standards and NCSC RFID guidance.

QUESTION NO: 3

Do all types of warehouses require access to daylight to reduce the cost of electricity?

A. No, because only ventilation can help to reduce the humidity in the warehouse

B. No, because some types of stock are sensitive to sunlight

C. Yes, because sunlight sterilises inventories in damp conditions

D. Yes, because organisation's need for artificial lighting and heating will reduce

ANSWER: B

Explanation:

No, because some types of stock are sensitive to sunlight. Warehouse design should consider daylight because it can reduce reliance on artificial lighting and may contribute to a building's environmental performance. However, daylight is not appropriate for every warehouse or every category of inventory. Direct sunlight, including its ultraviolet component, can damage light-sensitive goods, causing fading, deterioration, loss of colour, or reduced product quality. Examples can include fabrics, garments, paper products, artwork, some chemicals, pharmaceuticals, and other materials whose storage requirements specify protection from light. The appropriate design decision must therefore be driven by the characteristics and preservation requirements of the stock, rather than applying natural light universally. Where products require protection from light or tightly controlled environmental conditions, the warehouse may need opaque construction, screened glazing, enclosed storage areas, or artificial lighting designed to meet operational and safety needs. This reflects whole-life asset management: the facility must protect inventory and support reliable operations while balancing energy, maintenance, environmental, and lifecycle cost considerations. CIPS' learning materials for Whole Life Asset Management identify the benefits of natural light but also recognise that certain stock reacts adversely to direct sunlight. Further guidance on managing light exposure for stored products is available from the UK Medicines and Healthcare products Regulatory Agency and the US National Park Service's preventive-conservation guidance.

QUESTION NO: 4

Which of the following are essential aspects that are required for the successful implementation of Just-In-Time (JIT)? Select **TWO** that apply.

A. The purchasing of parts in bulk at lower prices covers the costs of delivery and storage required for JIT

B. Parts must arrive where they are needed, when they are needed, and in the exact quantity needed

C. All parts arriving must be of a quality standard which is usable and free from defects

D. The cost of carrying increased parts inventory to meet customer demand is transferred to the customer

E. Suppliers must hold a buffer stock of components to ensure that they are able to meet JIT demand

ANSWER: B C

Explanation:

Just-in-time is a demand-led approach intended to minimise inventory and waste by ensuring materials flow through the supply chain and production process only as they are required. Therefore, "Parts must arrive where they are needed, when they are needed, and in the exact quantity needed" is fundamental: reliable, frequent and accurately timed deliveries allow operations to avoid holding unnecessary stock while maintaining continuity of production. This requires close coordination between the buying organisation, suppliers and internal production schedules.

"All parts arriving must be of a quality standard which is usable and free from defects" is equally essential. JIT systems operate with little or no inventory buffer, so defective incoming materials can immediately stop production, create rework and disrupt customer service. Suppliers must consequently be capable of consistently meeting agreed specifications, with robust quality assurance and prompt communication of any potential issue. In whole-life asset and supply management, these requirements support efficient use of resources while protecting operational availability. CIPS identifies inventory reduction and dependable supply arrangements as important considerations in supply-chain management, while the Chartered Quality

Institute explains the importance of preventing defects through effective quality management. See CIPS supply chain management guidance and the Chartered Quality Institute's quality-management principles.

QUESTION NO: 5

Which of the following are typical benefits of planned preventive maintenance? Select TWO that apply.

A. Reduced likelihood of unexpected equipment failure

B. Improved ability to plan labour and spare parts

C. Elimination of all equipment failures

D. Removal of the need for maintenance records

E. Permanent reduction of asset purchase price

ANSWER: A B

Explanation:

Reduced likelihood of unexpected equipment failure is correct because planned preventive maintenance involves inspections, servicing, adjustments and replacement of wear items before an avoidable failure occurs. This helps maintain asset condition and reduces the probability of operational disruption.

Improved ability to plan labour and spare parts is also correct. As maintenance work is scheduled in advance, the organisation can coordinate competent technicians, tools, access arrangements and required materials. This can reduce emergency purchasing and unplanned downtime. Preventive maintenance does not eliminate every failure, but it provides a structured means of controlling foreseeable deterioration and maintaining reliable performance. See the UK HSE guidance on work-equipment maintenance.

QUESTION NO: 6

Removal or disposal of assets should depend on an assessment of which of the following? Select**TWO**that apply.

A. Consumer demand for the product

B. The current rate of interest for new equipment

C. Location of the equipment and accessibility

D. The total cost of the equipment

E. Type of equipment and incorporated components

ANSWER: C E

Explanation:

"Location of the equipment and accessibility" is a necessary consideration because it determines how removal can be planned, resourced and carried out safely. Equipment may be in a confined area, at height, in a remote site, or behind infrastructure that must remain operational. These conditions affect the removal method, lifting and transport requirements, site controls, required competence and the practical cost and timescale of disposal. A proportionate assessment must therefore establish access constraints before the asset is moved.

"Type of equipment and incorporated components" is equally essential because an asset may contain materials or parts requiring specific handling, segregation, recovery or disposal routes. For example, electrical equipment can include batteries, refrigerants, hazardous substances or data-bearing components. Identifying the equipment type and its constituent components allows the organisation to select an authorised treatment route, protect people and the environment, maximise reuse or recycling where appropriate, and retain suitable records. The UK regulator's guidance on waste duty of care stresses that organisations must classify waste accurately and ensure it is handled by authorised parties. The Health and

Safety Executive also provides guidance on planning work involving lifting operations and equipment. See GOV.UK: Manage waste duty of care and HSE: Lifting Operations and Lifting Equipment Regulations.

QUESTION NO: 7

Which of the following are most likely the benefits of using unit loads? Select TWO that apply.

Increase transport time of each item

A. Minimise space utilisation

B. Safer handling

C. Unit loads must be placed on pallets

D. Reduce handling cost of one unit

ANSWER: B D

Explanation:

“Safer handling” and “Reduce handling cost of one unit” are benefits of unitisation. A unit load consolidates multiple individual items into one stable load, commonly using a pallet, container, stillage, or similar handling unit. This allows the load to be moved as a single entity by suitable mechanical handling equipment rather than requiring repeated handling of every individual item. Fewer individual lifts, transfers, loading actions, and unloading actions improve control of the goods and can reduce opportunities for manual-handling injury, dropped items, and product damage, provided the load is correctly designed, secured, and within equipment capacity.

Unitisation also lowers handling cost per item because one movement can transfer many items at once. The time, labour, equipment movements, and vehicle-loading activity are spread across all items in the load. Standardised unit loads can support quicker, more consistent warehouse processes and compatible handling equipment, increasing efficiency throughout storage and transport operations. These benefits align with whole-life asset management because efficient handling reduces operating effort and helps protect the assets or stock being moved. CIPS includes logistics and supply-chain management within its Level 4 learning resources: CIPS Level 4 Diploma. Practical safe-load principles are also outlined by the UK Health and Safety Executive: HSE guidance on work equipment.

QUESTION NO: 8

The ABC approach involves classifying inventory items by unit cost, with expensive items classi-fied as ‘A' items and low cost items classified as ‘C' items. Is this statement true?

A. Yes, 'A' items represent approximately 20% of total unit prices

B. Yes, 'C' items with the lowest unit prices are the tail spends

C. No, ABC analysis considers the usage of each inventory item

D. No, ABC analysis considers the supply risks associated with an inventory item

ANSWER: C

Explanation:

“No, ABC analysis considers the usage of each inventory item” is correct because ABC inventory analysis categorises stock according to its annual consumption value, rather than according to unit cost alone. Annual consumption value is normally calculated by multiplying an item’s unit cost by the quantity used, issued, or consumed during a defined period, commonly a year. This identifies the inventory lines that have the greatest financial significance to the organisation.

Items in the highest-value category usually account for a relatively small proportion of stock lines but a substantial proportion of total annual inventory expenditure. They therefore merit closer review, more accurate records, tighter replenishment control, and management attention. At the other end, low annual-consumption-value lines can generally be managed with

simpler, proportionate controls. This reflects the Pareto principle: management effort should be concentrated where the value at risk and potential benefit are greatest.

Unit price can contribute to the calculation of consumption value, but it is not sufficient by itself: a moderately priced item used in very high volumes may be more important than a highly priced item used rarely. Oracle's overview of ABC analysis describes classification based on inventory value and usage, while the CIPS inventory management guidance provides the wider context for applying proportionate stock controls.

QUESTION NO: 9

Which of the following are examples of associated costs resulting from running out of inventory? Select **TWO** that apply.

A. The costs associated with receipting the goods

B. The costs associated with urgent delivery of raw materials

C. The costs associated with product deterioration

D. The costs associated with the IT ordering platform

E. The costs associated with production machine downtime

ANSWER: B E

Explanation:

Running out of inventory creates stockout costs: costs that arise because the required item is unavailable when it is needed. **The costs associated with urgent delivery of raw materials** are a direct example. To restore supply quickly and avoid a prolonged interruption, an organisation may need to use expedited freight, premium courier services, emergency sourcing, or supplier expediting. These unplanned logistics charges are attributable to the inventory shortage rather than to normal replenishment activity.

The costs associated with production machine downtime are also a direct stockout cost. Where raw materials, components, consumables, or spare parts are not available, production equipment and labour may be unable to continue operating. The resulting lost output, idle time, recovery scheduling, and potential failure to meet customer commitments can create substantial financial and operational consequences. In whole-life asset management, maintaining appropriate inventory availability for critical materials and spares helps protect asset availability, reliability, and productive capacity. The Association for Supply Chain Management describes inventory management as balancing availability with cost, while stockouts can lead to lost sales and disruption; see ASCM CPIM. The importance of spare-parts availability to maintenance and operational performance is also reflected in ISO 55000 asset-management guidance.

QUESTION NO: 10

ASI Ltd is known for its commitment to sustainability. ASI builds railroad ties and pilings using recycled plastic bottles and industrial waste instead of standard materials such as wood, steel, and cement. This practice helps the company save 15% in compare with traditional material purchases. Which pillar of sustainability would include the practice of ASI Ltd?

A. People and Planet

B. Profit and Expense

C. Planet and Profit

D. Profit and People

ANSWER: C

Explanation:

Planet and Profit is correct because ASI Ltd's approach delivers both environmental and economic value, matching two elements of the triple-bottom-line sustainability framework. Using recycled plastic bottles and industrial waste as inputs

diverts material from disposal routes and reduces demand for virgin materials such as wood, steel and cement. This supports the Planet dimension by conserving natural resources, reducing waste, and potentially lowering environmental impacts associated with extracting, processing and transporting conventional construction materials.

The stated 15% saving compared with traditional material purchases demonstrates a direct financial benefit. This falls within the Profit (or economic) dimension because the organisation is reducing its input costs and strengthening the commercial viability of its operations. Sustainable procurement and asset decisions should consider whole-life value rather than treating environmental outcomes as separate from business performance; in this example, the recycled-material design creates an environmental benefit while also improving cost efficiency. CIPS describes sustainable procurement as balancing environmental, social and economic considerations in purchasing and supply decisions. The United Nations likewise identifies responsible consumption and production as an important route to reducing waste and improving resource efficiency. See CIPS: Sustainable procurement and UN Sustainable Development Goal 12.

QUESTION NO: 11

Which of the following are main objectives of warehouse operations? Select TWO that apply.

A. To ensure stock available when customers demand

B. To create sufficient space for redundant stock

C. To minimise stock loss and deterioration

D. To generate check digits for a product code

E. To maintain the highest level of buffer stock

ANSWER: A C

Explanation:

Warehouse operations exist to support dependable supply while controlling the physical risks and costs associated with holding inventory. “To ensure stock available when customers demand” is therefore a core objective: warehousing receives, stores, records, picks and despatches goods so that inventory can be accessed and issued at the required time. This supports service levels and continuity of supply for internal users or external customers. Availability does not mean holding unlimited quantities; it means that stock is accurately controlled, located and replenished in accordance with demand and agreed inventory policies.

“To minimise stock loss and deterioration” is also a principal warehouse objective. Goods must be protected against damage, theft, expiry, contamination and avoidable handling losses through secure storage, appropriate environmental conditions, stock rotation, accurate records and safe handling processes. Protecting stock preserves its usable value and reduces waste, write-offs and disruption to supply. These objectives align with the wider warehousing aims of providing ready access to items, efficient goods movement and maximum protection of materials. The UK Health and Safety Executive also stresses the importance of suitable storage arrangements and safe handling in warehouse environments. See HSE guidance on warehousing and CIPS Level 4 Diploma information.

QUESTION NO: 12

Which of the following are preferred options for managing a redundant office-furniture asset in accordance with circular-economy principles? Select TWO that apply.

A. Refurbishing the furniture for continued use

B. Reusing the furniture through resale or donation

C. Sending usable furniture directly to landfill

D. Destroying the furniture to prevent further use

E. Storing the furniture indefinitely without review

ANSWER: A B

Explanation:

Refurbishing the furniture for continued use is correct because refurbishment extends an asset's useful life and preserves much of the value embodied in its materials, manufacture and transport. It may involve repair, cleaning, replacement of worn components or reupholstery so that the furniture can be used safely by the organisation or another user.

Reusing the furniture through resale or donation is also correct. Where the asset remains serviceable, resale, donation or transfer to another department keeps it in use at a higher value than material recovery. Disposal should normally be considered only after opportunities for reuse, repair, refurbishment and recycling have been assessed. The waste hierarchy gives priority to prevention and reuse before recycling and disposal; see GOV.UK guidance on applying the waste hierarchy.

QUESTION NO: 13

A manufacturer aims at increasing the service levels to 99% from 97% through expanding the safety stock. Safety stock can be used to accommodate which of the following?

1. Variability of stock turn

2. Variability of holding costs

3. Variability of demand

4. Variability of lead time

A. 1 and 3 only

B. 1 and 2 only

C. 2 and 4 only

D. 3 and 4 only

ANSWER: D

Explanation:

“3 and 4 only” is correct because safety stock is inventory deliberately held above expected demand during the replenishment period to protect the required customer-service level from uncertainty. Demand can vary from the forecast: customers may order more, less, earlier, or later than anticipated. When actual demand during the replenishment period exceeds the expected amount, the buffer reduces the risk that available inventory will be exhausted before the next receipt arrives.

Safety stock also accommodates variability in lead time. A supplier delivery, production process, transport movement, inspection, or goods-receipt activity may take longer than planned. Since inventory continues to be consumed while replenishment is outstanding, a longer-than-expected lead time increases the quantity needed to avoid a stockout. The safety-stock calculation therefore commonly reflects demand variability, lead-time variability, or both, alongside the target service level. Raising the service target from 97% to 99% generally requires a larger buffer because the organisation is seeking greater protection against these sources of uncertainty.

This is consistent with the inventory-management principle that safety stock mitigates uncertainty in demand and supply/replenishment timing. See Oracle: How safety stock is calculated and IBM: Safety stock.

QUESTION NO: 14

A company has obsolete inventories and it must write off these inventories. How does writing off inventories impact on the company's financial statements?

1. Stock increases

2. Stock decreases

3. Profit increases

4. Profit decreases

A. 2 and 4 only

B. 1 and 3 only

C. 2 and 3 only

D. 1 and 4 only

ANSWER: A

Explanation:

“2 and 4 only” is correct. An inventory write-off recognises that obsolete stock no longer provides the economic benefit at which it is currently recorded. The business therefore reduces the carrying amount of inventory on its statement of financial position. In practical accounting terms, this is commonly recorded by crediting inventory directly, or by increasing an inventory-obsolescence allowance, so stock decreases.

The corresponding entry is an expense, whether shown in cost of sales or as an inventory impairment/write-off expense, depending on the entity’s accounting policy and the nature of the item. Expenses reduce profit for the reporting period. Consequently, a write-off of obsolete inventory decreases both the inventory asset reported in the balance sheet and reported profit in the income statement. The reduction in current-period profit will also ultimately reduce retained earnings within equity.

This treatment reflects the fundamental requirement that inventories must not be carried above the amount expected to be recovered through sale or use. IAS 2 requires inventories to be measured at the lower of cost and net realisable value; where stock is obsolete and has no recoverable value, its amount must be written down, with the write-down recognised as an expense in the relevant period. See IFRS Foundation: IAS 2 Inventories and Deloitte IAS Plus: IAS 2 summary.

QUESTION NO: 15

Which of the following statements represent a definition for ' obsolescence ' in inventory management? Select **TWO** that apply.

A. The previous technology has been replaced

B. The previous supplier has been replaced

C. The usage of the items has decreased

D. The forecasts for the items have exceeded demand

E. The users of the items no longer need them

ANSWER: A E

Explanation:

In inventory management, obsolescence describes stock that has lost its usefulness, saleability, or operational value because it is no longer required or is no longer suitable for use. “The previous technology has been replaced” is a clear example of technological obsolescence: a superseded component, product, or system may no longer be compatible with current equipment or specifications, leaving associated inventory without a viable application. “The users of the items no longer need them” also defines obsolescence because the inventory has lost its intended demand or purpose, even if it remains physically sound and usable in theory. Effective whole-life asset management identifies these risks early through product life-cycle reviews, engineering-change controls, demand monitoring, and planned disposal or redeployment. This helps an organisation avoid carrying items that no longer support service delivery and prevents avoidable write-downs. General definitions of obsolescence similarly emphasise becoming out-of-date or no longer useful; see Merriam-Webster’s

definition of obsolescence. The importance of managing asset life-cycle risks, including changes affecting an asset's continued value and use, is consistent with the principles of ISO 55001 asset management.

QUESTION NO: 16

RFID uses radio frequencies for the purpose of identification and tracking of assets. Which of the following are disadvantages of using RFID? Select **THREE** that apply.

A. RFID can be too expensive for many applications as compared to other tracking and identification methods

B. RFID is a restriction in managing the updates of stocks during the transportation of products

C. Interference has been observed to take place in RFID systems when devices such as hand-held, portable, two-way radios are in use

D. RFID provides a much less robust type of security as compared to other forms of scanning system

E. It is difficult for an RFID reader to read the information where tags are installed in liquid or metal products

ANSWER: A C E

Explanation:

The correct disadvantages are that RFID can be too expensive for many applications as compared to other tracking and identification methods, that interference can occur when hand-held or portable two-way radio equipment is in use, and that it can be difficult for an RFID reader to read information where tags are installed in liquid or metal products. RFID implementations can involve material expenditure on tags, readers, antennas, middleware, systems integration and process change. This means that the business case is not automatically favourable, particularly for low-value assets or where barcode scanning meets the operational requirement at lower cost. RFID also operates through radio-frequency signals, so its reliable performance depends on the radio environment, frequency selected, reader configuration and appropriate electromagnetic compatibility controls. Nearby transmitting equipment can therefore create interference risks that must be assessed during deployment. Finally, metal can reflect and detune RF signals, while liquids can absorb RF energy; both effects can reduce read range and reliability. Tag type, tag placement and specialist on-metal tags can mitigate these effects, but they remain important design and implementation constraints. See the NIST RFID Technology Security and Privacy Guide and GS1 EPC/RFID standards information.

QUESTION NO: 17

An organisation may incur additional costs in stockout events. Which of the following is an exam-ple of costs of inventory stockouts?

A. The costs of storage space owned that cannot be used for other profitable purposes when inventories decrease

B. The lost contribution margin on sales forgone as a result of customer dissatisfaction due to unavailability of goods

C. The costs of obsolescence and costs of insurance that change with the quantity of in-ventory held

D. The return forgone by investing capital in inventory rather than elsewhere

ANSWER: B

Explanation:

The lost contribution margin on sales forgone as a result of customer dissatisfaction due to unavailability of goods is a stockout cost because it arises directly when an item cannot be supplied at the time it is required. A stockout can mean that a customer abandons the purchase, chooses an alternative supplier, or reduces future orders after experiencing poor availability. The immediate financial impact is the contribution that would have been earned from the sale: sales revenue less the variable costs that would have been incurred in fulfilling it. This is the relevant measure because fixed costs generally remain even when the sale is lost. In a business-to-business or production environment, stockouts may also interrupt operations and lead to missed output; in customer-facing supply chains, they can cause lost sales and longer-term loss of

goodwill. Whole-life asset and inventory management therefore requires organisations to balance the cost of holding inventory against the service, continuity, and revenue risks created by insufficient stock. CIPS' learning resources describe inventory management as balancing availability with cost, while stockout effects are an important component of this decision-making. See CIPS: Inventory management and AccountingTools: Contribution margin.

QUESTION NO: 18

Which type of codes can a barcode laser scanner (linear scanner) read?

A. Numerical code

B. QR code

C. Aztec code

D. 1D barcode

ANSWER: D

Explanation:

1D barcode is correct because a conventional barcode laser scanner is specifically designed to read linear, one-dimensional symbols. These barcodes encode information through a sequence of parallel bars and spaces of varying widths. The scanner projects a laser line across the symbol and detects the differing reflected light patterns, converting them into the encoded data. Common linear symbologies include EAN/UPC codes used in retail, Code 128, Code 39 and Interleaved 2 of 5. In an asset-management context, 1D barcodes offer a straightforward, economical way to identify individual assets, link them to asset records, and support processes such as receiving, stock checks, maintenance and disposal tracking. The label must be presented so that the laser can pass across the full width of the bars and spaces for a successful scan. GS1 describes EAN/UPC symbols as linear barcode symbols used to identify trade items, while Zebra explains that laser scanners read traditional one-dimensional barcodes by sweeping a laser across the code. See GS1: EAN/UPC barcodes and Zebra: What is a barcode scanner?.

QUESTION NO: 19

A procurement manager has agreed a contract for the acquisition of a piece of capital equipment and has negotiated a staged payment contract of 30% with order, 30% on delivery, and the remaining 40% on acceptance testing. Was this the right thing to do?

A. No, as it commits the organisation to purchasing the equipment and the supplier to deliver it

B. Yes, as the payments can be linked directly to a specific performance milestone of the contract

C. Yes, as it means the contract warranties are easier to change

D. No, as it is an unfair contract term and places the supplier at a disadvantage in the contract

ANSWER: B

Explanation:

Yes, as the payments can be linked directly to a specific performance milestone of the contract. For capital equipment, staged payments are a sound contract-management mechanism when each payment becomes due only after an objectively verifiable milestone is achieved. In this case, the order payment supports the supplier's initial mobilisation and procurement of materials; the delivery payment is triggered when the asset is supplied; and retaining the largest proportion until acceptance testing gives the buyer meaningful protection that the equipment is installed, operates as specified, and meets the agreed acceptance criteria. This structure aligns cash flow and risk with actual supplier performance rather than paying the full price before the buyer has evidence that the asset is fit for purpose. The milestones should be precisely defined in the contract, supported by an acceptance-test plan, documented sign-off authority, timescales for remedying defects, and a clear process for handling any disputed payment. This reflects CIPS whole-life asset-management practice: contractual arrangements should manage delivery and operational risk and ensure that assets satisfy the required specification before

final payment. Guidance on managing supplier performance and defining measurable contractual outcomes is available from CIPS contract management resources and the UK Government's Sourcing Playbook.

QUESTION NO: 20

Which of the following are recognised as disadvantages of ERP systems? Select TWO that apply.

A. High initial investment

B. Required intensive employee training

C. Only applied to manufacturing

D. Lower factory efficiencies
Excluded inventory records

ANSWER: A B

Explanation:

High initial investment is a recognised disadvantage because ERP implementation commonly requires substantial upfront expenditure beyond the software licence or subscription. Organisations must budget for configuration, data cleansing and migration, systems integration, infrastructure or cloud-transition work, specialist implementation support, testing, and project governance. The scale and cross-functional nature of an ERP deployment mean costs can be significant before operational benefits are realised. Oracle notes that an ERP implementation involves planning, configuration, migration, testing, training, and deployment activities, all of which require organisational resources and investment.

Required intensive employee training is also a recognised disadvantage. ERP systems standardise and connect processes across functions, so users need to understand both the new system workflows and the data disciplines required to use them reliably. Training is necessary for users, process owners, and administrators; it supports adoption, accurate transaction processing, appropriate reporting, and the realisation of expected business benefits. SAP similarly identifies change management and user adoption as important considerations in ERP implementation. These requirements can create time, cost, and temporary productivity pressures, particularly where established working practices change. See Oracle's overview of ERP and SAP's explanation of ERP systems.

QUESTION NO: 21

International Standard Book Number (ISBN) is a unique international identification system for each product form or edition of a monographic publication published or produced by a specific publisher. ISBN is an example of...?

A. Check digit

B. Harmonized system

C. Own product code system

D. Industry standard code

ANSWER: D

Explanation:

The correct answer is **Industry standard code**. An ISBN is a globally recognised identifier used to identify a particular edition and format of a book or other monographic publication. Its structure and allocation are governed by the international ISBN standard, ISO 2108, enabling publishers, booksellers, libraries, distributors, and procurement systems to identify and exchange information about publications consistently across organisational and national boundaries. In an asset and catalogue-management context, this is precisely the purpose of an industry-standard code: it supplies a common, externally recognised reference that supports accurate product identification, ordering, inventory control, cataloguing, and data sharing throughout a supply chain.

Each ISBN identifies a specific publication form or edition rather than simply a title in general. For example, a hardback edition, paperback edition, and e-book edition may each require distinct ISBNs. The ISBN includes elements that identify the registration group, registrant/publisher, publication, and a validation component, but its overall classification is an industry-standard identifier. The International ISBN Agency describes ISBN as the international standard identifier for books and related monographic publications, while ISO confirms that ISO 2108 specifies the ISBN system and its use. See the International ISBN Agency's ISBN overview and ISO 2108:2017.

QUESTION NO: 22

Which of the following should be considered when an organisation plans for disposing obsolescent and redundant stock? Select TWO that apply.

A. Financial costs

B. Economic order quantity

C. ABC analysis

D. Takt time

E. Environmental issues

ANSWER: A E

Explanation:

Financial costs and environmental issues should both be considered when planning the disposal of obsolescent and redundant stock. Disposal decisions require a whole-life perspective: the organisation must identify the direct costs of handling, transport, treatment, resale or recycling, specialist contractors, documentation, and any final disposal charges. These costs should be weighed against potential recovery value and against the cost of retaining stock, such as storage, insurance, deterioration and inventory-management expense.

Environmental issues are equally central because redundant stock may create pollution, waste, hazardous-material, or regulatory risks. The preferred approach is to follow the waste hierarchy, seeking prevention, reuse, refurbishment, recycling or recovery before disposal. Where disposal is necessary, stock must be handled through appropriate routes that protect people and the environment and comply with applicable waste controls. This is especially important for hazardous, damaged, chemical, electrical or otherwise controlled materials, for which inappropriate disposal can create substantial environmental liabilities. Considering financial and environmental impacts together supports responsible asset management and helps an organisation select a disposal method that is both cost-effective and sustainable. The UK waste hierarchy is explained by GOV.UK, while CIPS sets out its commitment to sustainable and ethical procurement in its sustainability guidance.

QUESTION NO: 23

Which of the following materials handling equipment can be used in the warehouse? Select**THREE**that apply.

A. Forklift

B. Electronic data exchange

C. Bar coding

D. Pallet dollies

E. Conveyor system

ANSWER: A D E

Explanation:

“Forklift”, “Pallet dollies”, and “Conveyor system” are all forms of warehouse materials-handling equipment because each physically moves, lifts, carries, or transfers stock within the storage and distribution operation. A forklift is a powered industrial truck used to lift and transport palletised loads, supporting receiving, put-away, replenishment, and dispatch activities. Its use requires suitable operator training, inspection, and traffic-management controls, but it is a core item of warehouse handling plant.

Pallet dollies provide a simple, manoeuvrable means of moving palletised goods over short distances, particularly where a powered vehicle is unnecessary or impractical. They support internal movement while reducing manual carrying. A conveyor system moves materials along a fixed route, allowing a continuous and controlled flow of cartons, totes, components, or other unit loads between warehouse processes such as picking, packing, sorting, and despatch. Selection of these items should be based on load characteristics, required throughput, warehouse layout, travel distances, and safe systems of work. OSHA provides guidance on powered industrial trucks at https://www.osha.gov/powered-industrial-trucks, while the UK Health and Safety Executive discusses safe workplace transport arrangements at https://www.hse.gov.uk/workplacetransport/.

QUESTION NO: 24

A warehouse manager is evaluating the use of Automated Guided Vehicles (AGVs) within a non-repetitive task environment. After reviewing their use, the manager decided to invest in a number of AGVs. Was this decision correct?

A. Yes, as it will reduce the costs of labor by replacing a human worker

B. Yes, as it will increase stock picking accuracy and productivity

C. No, as they are best suited for use in repetitive, predictable task environments

D. No, as it commits the organization to a large capital cost

ANSWER: C

Explanation:

No, as they are best suited for use in repetitive, predictable task environments is correct because conventional AGVs deliver their strongest whole-life value where material movements follow stable, defined routes and repeatable workflows. They typically operate using pre-established guidance methods, such as wires, magnetic tape, markers, or mapped paths. This makes them effective for consistently moving goods between known locations, for example from receiving to storage or from production to dispatch. In these conditions, utilisation can be high, travel patterns can be engineered efficiently, and the benefits of reduced manual movement, improved consistency, and safer transport can be assessed against acquisition, integration, maintenance, and infrastructure costs over the asset life cycle.

A non-repetitive environment introduces changing destinations, variable workflows, and less predictable task allocation. Before committing capital, the manager should evaluate whether the operational profile provides enough regularity for AGVs to achieve the required utilisation and return on investment. More adaptive mobile-robot technologies may sometimes be appropriate, but they require a separate assessment of capability, systems integration, safety, support, and total cost of ownership. The relevant principle is matching the asset specification to the operating requirement throughout its useful life. See the MHI overview of automated guided vehicles and ISO 3691-4 on driverless industrial trucks and their systems.

QUESTION NO: 25

Which of the following is the formula for calculating the re-order level?

A. Average usage in a lead-time / Required level of safety stock

B. Required level of safety stock x Average usage in a lead-time.

C. Required level of safety stock – Average usage in a lead-time

D. Average usage in a lead-time + Required level of safety stock

ANSWER: D

Explanation:

The correct formula is **Average usage in a lead-time + Required level of safety stock**. The re-order level, also called the re-order point, is the stock position that triggers a replenishment order. Its purpose is to ensure that sufficient inventory is available to cover expected demand while the supplier's order is being processed, delivered and received into stock. "Average usage in a lead-time" represents the quantity expected to be consumed during that replenishment period. The required safety-stock level is then added as a protective buffer against uncertainty, such as demand being higher than forecast or a delivery arriving later than planned. Expressed conventionally, the calculation is: re-order level = average demand during lead time + safety stock. This supports the whole-life asset-management objective of maintaining availability while controlling unnecessary inventory holding. The formula is consistent with standard inventory-control practice and the CIPS Level 4 focus on selecting and applying appropriate stock-control methods. Further information on CIPS Level 4 procurement and supply learning is available from CIPS Level 4 Diploma, while a practical explanation of the reorder-point calculation is available from AccountingCoach's inventory guidance.

QUESTION NO: 26

Which costs in the following list are categorised as operation costs in the total cost of ownership model? Select TWO that apply.

A. Decommissioning costs

B. Costs of any person who operates the equipment

C. Installation and configuration costs

D. Delivery costs

E. Costs of consumables

ANSWER: B E

Explanation:

"Costs of any person who operates the equipment" and "Costs of consumables" are operation costs because they arise repeatedly while an asset is being used to deliver its intended service. Total cost of ownership assesses expenditure across the asset lifecycle rather than focusing only on its purchase price. The operation phase captures the resources needed for day-to-day use, including the labour required to run, monitor, or supervise equipment, as well as consumable materials such as fuel, energy inputs, cartridges, lubricants, cleaning materials, or other supplies depleted through normal operation. These costs can be substantial over an asset's useful life and should therefore be estimated when comparing alternatives, budgeting for an asset, and identifying the most economically advantageous whole-life solution. Considering operator labour and consumables supports a realistic forecast of the ongoing financial commitment associated with owning and using the asset. This lifecycle perspective is consistent with public-sector total cost of ownership guidance, which treats operational expenditure as a distinct element of whole-of-life cost. See the New Zealand Government Guide to Total Cost of Ownership and the CIPS Level 4 Diploma qualification information.

QUESTION NO: 27

Is it correct to state that the accuracy of demand forecasts depends on the accuracy of the available information?

A. Yes, and that information can only be verified and approved by the suppliers

B. Yes, including other considerations such as the validity and reliability of the information

C. No, considerations such as the skill and objectivity of the forecasters are always more important

D. No, the only information determining the accuracy of demand forecasts is extracted from stock issue notes

ANSWER: B

Explanation:

“Yes, including other considerations such as the validity and reliability of the information” is correct. A demand forecast is an evidence-based estimate of future requirements, so its usefulness is fundamentally affected by the quality of the information on which it is based. Information must be accurate, but it must also be valid for the decision being made, reliable over time, sufficiently complete, current, and drawn from appropriate sources. For whole-life asset management, relevant inputs can include historical usage and failure data, maintenance records, asset condition, lead times, operational plans, demand changes, and known supply risks. Sound data enables an organisation to forecast requirements for spares, maintenance capacity, replacement assets, and budgets with greater confidence throughout the asset life cycle. CIPS emphasises that procurement and supply decisions should be based on robust information and analysis, with data quality and its fitness for purpose considered before it is used. This recognises that forecast accuracy is not determined by numerical accuracy alone: information that is outdated, biased, incomplete, or irrelevant can produce an unreliable forecast even where calculations are correctly performed. Appropriate validation and review of data therefore support better planning, availability, cost control, and risk management. See CIPS’ overview of professional qualifications and the UK government’s Aqua Book guidance on quality analysis.

QUESTION NO: 28

Which of the following information should be recorded in an asset register? Select TWO that apply.

A. Asset identification number

B. Asset location

C. Employees' annual leave entitlement

D. Competitors' selling prices

E. Customer marketing preferences

ANSWER: A B

Explanation:

Asset identification number is correct because each asset requires a unique identifier to distinguish it from similar assets and to link physical equipment with maintenance records, financial data, warranties and operational information. The identifier may be shown on an asset tag, barcode or RFID label.

Asset location is also correct. Recording the location enables an organisation to find, inspect, maintain, secure and verify the asset. It also supports stocktaking, audit activity, asset utilisation analysis and the reassignment of equipment between sites. An effective asset register provides controlled information about what assets exist, where they are, and their relevant lifecycle status. See ISO 55001 asset management information and Managing Public Money.

QUESTION NO: 29

Which of the following statements is true of just-in-time (JIT) purchasing?

A. In JIT purchasing, raw materials (or goods) are purchased so that products are delivered just as needed for production or sales

B. Only disadvantage of JIT purchasing is the higher level carrying and inspection costs

C. JIT purchasing is guided solely by the EOQ model because that model emphasizes the tradeoff between relevant carrying and ordering costs

D. In JIT purchasing, the optimal safety-stock level is the quantity of safety stock that minimizes the sum of annual relevant stockout and carrying costs

ANSWER: A

Explanation:

In JIT purchasing, raw materials (or goods) are purchased so that products are delivered just as needed for production or sales. This correctly captures the central principle of JIT: materials flow in response to actual downstream demand, rather than being bought and held in substantial inventory in anticipation of possible future requirements. Purchasing therefore works closely with suppliers, production planning and logistics to arrange frequent, reliable deliveries in the required quantities, at the required point in time and to the required quality standard. This approach supports the wider objective of eliminating non-value-adding activity and waste, particularly excess inventory, storage, handling and delays. For JIT to work effectively, the buying organisation needs dependable suppliers, consistent quality, accurate demand information and short, predictable lead times. It is not simply an inventory formula; it is an integrated supply and operational-management approach that aligns supply with consumption. CIPS describes whole-life asset management and related procurement practices as requiring consideration of supply arrangements and operational performance throughout the asset life cycle. Further background on JIT principles and its focus on producing only what is needed, when it is needed, is available from Lean Enterprise Institute and Encyclopaedia Britannica.

QUESTION NO: 30

In addition to the cost of interest on capital tied up in inventory, and losses through deterioration and obsolescence, there are other holding costs. Which of the following are holding costs? Select TWO that apply.

A. Production costs

B. Cost of idle time

C. Storage costs

D. Selling costs

E. Administrative costs

ANSWER: C E

Explanation:

Storage costs are holding costs because inventory requires physical space throughout the period it is retained. This includes warehouse or store space, utilities, security, equipment used to keep stock safely, and associated stock-handling activities. These costs increase as stock is held for longer or in greater quantities, so they are a core component of inventory carrying cost.

Administrative costs are also holding costs where they arise from maintaining and controlling inventory while it is held. Examples include maintaining inventory records, stock checks and counts, inventory-control activities, warehouse administration, and systems used to monitor stock. They are incurred to manage the stockholding and support its availability, rather than to manufacture the goods or sell them to a customer. CIPS whole-life asset management requires buyers to recognise the full cost consequences of holding assets or inventory, rather than focusing only on purchase price or the finance cost of capital. Sound inventory decisions therefore include the operational resources required to store and administer stock. Inventory carrying-cost guidance similarly identifies storage and inventory-management costs as costs attributable to holding stock; see AccountingTools: Carrying Costs of Inventory and CIPS Knowledge.

QUESTION NO: 31

In just in time production system, when is an upstream production triggered?

A. When the inventory level reaches the reorder point

B. After the management team forecasts the future demands

C. When downstream operations summon the upstream production

D. When the production workers are idle

ANSWER: C

Explanation:

“When downstream operations summon the upstream production” is correct because just-in-time production operates as a pull system. In a pull system, each process produces only what the next process needs, in the quantity needed, and at the time it is needed. The downstream operation therefore communicates a replenishment requirement to its supplying, upstream operation—commonly using a kanban signal or an equivalent electronic control signal. That request triggers upstream production or movement of parts.

This sequencing links production directly to actual consumption rather than to a centrally imposed schedule alone. As a downstream process uses components, it creates the demand signal for replacement; the upstream process responds by making or supplying the required items. The same principle can extend through several stages of the value stream, ultimately aligning internal production with real customer demand. Used with reliable processes, suitable supplier arrangements and disciplined inventory control, this approach helps reduce excess work in progress, inventory holding and obsolescence risk while maintaining flow. Toyota identifies just-in-time as producing only what is needed, when it is needed, and in the amount needed; its production system is founded on this pull-oriented logic. See Toyota Production System and CIPS Level 4 Diploma in Procurement and Supply.