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Whole Life Asset Management

CIPS L4M7

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QUESTION NO: 1

What is the different between gross material requirements plan (gross MRP) and a net material requirements plan (net MRP)?

- A. The gross requirement doesn't take taxes into account, whereas the net requirement includes the tax considerations
- B. The gross MRP includes consideration of available inventory, whereas the net MRP does not
- C. The net MRP includes the amount of inventory on hand, whereas the gross MRP does not
- D. The gross MRP is mostly paper-based, but the net MRP must be computerised

ANSWER: B

Explanation:

Explanation

Material requirement planning (MRP) is a production planning and material (inventory) control system used in manufacturing. Objectives of MRP are to ensure materials are available for production while minimising inventory and to plan production and procurement activities.

MRP software combines the master production schedule, the bill of materials and the inventory information to work out the net requirements (net MRP) of what to purchase or produce and when.

These net requirements are worked out using the following equation:

Net requirements = Total requirements - Available inventory

Where:

Total requirement = Gross requirements (gross MRP)

Available inventory = Inventory on hand + Units on order

In the other words, Gross MRP = Net MRP + Available inventory, so the answer should be "The gross MRP includes consideration of available inventory, whereas the net MRP does not"

LO 2, AC 2.3

QUESTION NO: 2

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:

Explanation

The concept of a unit load is to create a stable and secure, easy-to-move group of stock that is fast to load and unload from vehicles.

The advantages of unit load concepts are as the following:

- More items can be handled at the same time, thereby reducing the number of trips required and, potentially, reducing handling costs, loading and unloading times, and product damage.
- Enables the use of standardized material handling equipment.

Reference: CIPS study guide page 60-61

LO 1, AC 1.3

QUESTION NO: 3

Which of the following are most likely to be direct benefits of applying RFID technology? Select TWO that apply

- A. Multiple items tracking
- B. Being able to work in harsh conditions without any supports
- C. Identifying product defects
- D. Being able to work in 1km range or above
- E. Large information capacity

ANSWER: A E

Explanation:

Explanation

RFID tags are the small devices that can be embedded in labels or attached to tags which work with radio transmitters and/or receivers to identify themselves.

RFID tags can be used to do the following:

- Track individual items
- Track boxes of products, cages of products and pallets
- Track containers with multiple loads
- Locate equipment within a building

- Trigger alarms should equipment or stock be removed without authorisation.

RFID devices have a very small integrated circuit incorporating a small memory capability - many are smaller than 2mm square and 2mm thick. Despite its size, many can hold 2000 characters of data.

RFID operating range depends on the radio frequency used, receiver capability and the environment. Some tags are only readable from under 1m, others can have a 100m range.

RFID tags and labels are very specific to the type of material and size of your assets. For example, metal will deactivate the RFID antenna and the tag will not transmit at all. Using RFID on metal requires a special type of tag with an RFID block to prevent interference with the antenna. Liquid products can also affect the reliability of the RFID signal. To use RFID tags in specific environments, some technologies are needed to support them.

Reference: CIPS study guide page 49-50

LO 1, AC 1.2

QUESTION NO: 4

To improve the security of a warehouse, alarm systems are commonly used. Which of the following is an important part of these systems?

- A. Sensors
- B. Fencing
- C. CCTV
- D. Lighting

ANSWER: A

Explanation:

Explanation

The most basic alarm consists of one or more sensors to detect intruders, and an alerting device to indicate the intrusion. However, a typical premises security alarm employs the following components:

- Premises control unit (PCU), Alarm Control Panel (ACP), or simply panel: The "brain" of the system, it reads sensor inputs, tracks arm/disarm status, and signals intrusions. In modern system, this is typically one or more computer circuit boards inside a metal enclosure, along with a power supply.
- Sensors: Devices which detect intrusions. Sensors may be placed at the perimeter of the protected area, within it, or both. Sensors can detect intruders by a variety of methods, such as monitoring doors and windows for opening, or by monitoring unoccupied interiors for motions, sound, vibration, or other disturbances.
- Alerting devices: These indicate an alarm condition. Most commonly, these are bells, sirens, and/or flashing lights. Alerting devices serve the dual purposes of warning occupants of intrusion, and potentially scaring off burglars. These devices may also be used to warn occupants of a fire or smoke condition.
- Keypads: Small devices, typically wall-mounted, which function as the human-machine interface to the system. In addition to buttons, keypads typically feature indicator lights, a small multi-character display, or both.etc.

- Interconnections between components. This may consist of direct wiring to the control unit, or wireless links with local power supplies.

In addition to the system itself, security alarms are often coupled with a monitoring service. In the event of an alarm, the premises control unit contacts a central monitoring station. Operators at the station see the signal and take appropriate action, such as contacting property owners, notifying police, or dispatching private security forces. Such signals may be transmitted via dedicated alarm circuits, telephone lines, or the internet.

Reference:

Security alarm - Wikipedia

LO 1, AC 1.1

QUESTION NO: 5

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:

Explanation

Implementing a full ERP system is not an easy option. They are complex systems and the disadvantages include the following:

- The installation of the ERP system is costly. ERP consultants are very expensive take approximately 60% of the budget.
- The success depends on the skills and experience of the workforce, including education and how to make the system work properly.
- Resistance in sharing internal information between departments can reduce the efficiency of the software.
- The systems can be difficult to use.
- Change of staff, companies can employ administrators who are not trained to manage the ERP system of the employing company, proposing changes in business practices that are not synchronized with the system.
- Having an ERP system has many advantages, but does not guarantee the total success of the company. Organizational culture, know how to involve staff and anticipate changes that will suffer the organization using this system of administration, are important elements for the completion of the implementation.
- The effectiveness of the ERP system may decrease if there is resistance to share information between business units or departments. Due to strong changes that implementation of the ERP system brings in the culture of work, there may be poorly trained or disinterested in making use of the same staff...

- The benefits of having an ERP system are not presented immediately with the implementation of the software, they will be evident long after the system is running.

- The culmination of the implementation depends on the ability and skill of the workforce, also involves education and training, to make the system is correctly applied.

Reference:

- What are the Advantages and Disadvantages of ERP System

- CIPS study guide page 119-122

LO 2, AC 2.3

QUESTION NO: 6

XYZ Ltd is a retailer in the US. Their customers' demand for Thanksgiving and Christmas decorations usually rises in the end of the year. This irregular demand results in more required storage space for finished goods during peak seasons. Which of the following are possible solutions for dealing with required additional space?

1. Maximising aisle width
2. Keeping high buffer stock throughout the year
3. Maximising flexibility in warehouse layout
4. Installing mezzanine floor

- A.** 1 and 3 only
- B.** 2 and 4 only
- C.** 1 and 2 only
- D.** 3 and 4 only

ANSWER: D

Explanation:

Explanation

Possible solutions to the high irregular or seasonal demand problems are listed below:

- Take advantage of the height of the warehouse
- Mezzanine floor
- High racking system (increase storage capacity but require high-reach material handling equipment)
- Eliminate dead stock or inventory
- Improve material flow
- Improve storage location method

- Consider using aisle space during demand peak
- Narrow aisles between racks (require narrow handling equipment)
- Carousel-type storage system
- Auto-storage and retrievals system (ASRS)

Reference: CIPS study guide page 22

LO 1, AC 1.1

QUESTION NO: 7

Which of the following allow an organisation to have more flexible space for storage by leveraging the facilities of other parties? Select TWO that apply.

- A. Eliminating dead stock or inventory
- B. Temporary warehousing
- C. Installing double-deep pallet racking
- D. Consignment stocking
- E. Adopting carousel-type storage

ANSWER: B D

Explanation:

Explanation

Temporary warehousing (or 'Very short-term warehousing') is offered in the market where organ-isation makes their requirements for space open online to offers or bids for available space. This appears to be an emerging market and service providers in the UK and USA typically quote a price per pallet per week with some also requiring a 'transaction fee' for movements of each pallet in and out.

Consignment stocking is a facility offered by a supplier to a buyer to allow a delivery of stock to the buyer with payment only after it is used or sold to a customer.

Double-deep pallet racking and carousel-style storage are two tools that leverage space within a warehouse:

Double-deep pallet rack



Carousel style storage

Reference: CIPS study guide page 31

LO 1, AC 1.1

QUESTION NO: 8

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:

Explanation

The purposes of stores and warehouses are:

1. Maximum use of space.
2. Ready access to all items.

3. Efficient movement of goods.
4. Effective utilization of labour & equipment's
5. Maximum protection of items
6. Good-house-keeping.

Reference:

- Warehousing: Meaning, Objectives and Functions
- CIPS study guide page 3

LO 1, AC 1.1

QUESTION NO: 9

Which of the following best describes available inventory (also known as inventory position)?

- A. The amount of inventory on hand
- B. The amount of inventory on hand plus the amount of inventory on order
- C. The amount of inventory on order only
- D. The amount of inventory on hand in excess of expected demand

ANSWER: B

Explanation:

Explanation

Available inventory (or Inventory position - IP) is equal to inventory on-hand plus quantity on order minus backorder (if any)

Reference: CIPS study guide page 117

LO 2, AC 2.3

QUESTION NO: 10

Which of the following is the Japanese word for 'billboard' or 'signboard'?

- A. Muda
- B. Kaizen
- C. Poka-Yoke
- D. Kanban

ANSWER: D

Explanation:

Explanation

Kanban (看板) (signboard or billboard in Japanese) is a scheduling system for lean manufacturing and just-in-time manufacturing (JIT).

Poka-yoke (ポカヨケ, [poka yoke]) is a Japanese term that means "mistake-proofing" or "inadvertent error prevention". A poka-yoke is any mechanism in any process that helps an equipment operator avoid (yokeru) mistakes (poka). Its purpose is to eliminate product defects by preventing, correcting, or drawing attention to human errors as they occur.

Kaizen is a concept referring to business activities that continuously improve all functions and involve all employees from the CEO to the assembly line workers. Kaizen (改善) is the Sino-Japanese word for "improvement". Kaizen also applies to processes, such as purchasing and logistics, that cross organizational boundaries into the supply chain.

Muda (無駄, on'yomi reading) is a Japanese word meaning "futility; uselessness; wastefulness", and is a key concept in lean process thinking, like the Toyota Production System (TPS) as one of the three types of deviation from optimal allocation of resources (the others being mura and muri). Waste reduction is an effective way to increase profitability.

Reference: CIPS study guide page 124

LO 2, AC 2.3