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DSCI 434
Quiz 15 Solutions

Multiple Choice: (1 point each) - Please select the *best* answer for each question. Record your answers on a separate file (Word or Excel).

1. The three tactics companies have been using to reduce the number of suppliers are
   A. consolidating similar suppliers, purchasing families of parts, modular production.
   B. modular production, purchasing families of parts, reshoring.
   C. modular production, lean production, reshoring.
   D. consolidating similar suppliers, modular production, lean production.

2. Purchasing activities include
   A. choosing suppliers.
   B. negotiating contracts.
   C. managing buyer–supplier relationships.
   D. all of the above.

3. A company has sales of \$150 million, cost of goods sold of \$100 million, and a before-tax profit of 8%. If purchasing was able to reduce the cost of goods sold by \$5 million, how much additional sales would be required to achieve the same impact on profit?
   A. \$5 million.
   B. \$10 million.
   C. \$55 million.
   D. \$62.5 million.

4. Which of the following is NOT a disadvantage of outsourcing?
   A. The risk of a supplier underbidding and later charging more.
   B. The possibility of forgetting how to do the work.
   C. The possibility of a supplier able to deliver faster than needed.
   D. The risk of a breakdown in the supplier's supply chain.

5. A purchasing executive concerned about a perceived lack of control over purchasing activities should
   A. determine the profit leverage level.
   B. create a supplier scorecard.
   C. conduct a spend analysis.
   D. conduct a preferred supplier analysis.

6. Which of the following would typically carry the most weight in supplier selection decisions?
   A. Quality and delivery.
   B. Technical capability.
   C. Price.
   D. Financial stability.

7. When the majority of the company's business is given to one supplier and other suppliers are treated as backup suppliers, this is called
   A. a preferred supplier strategy.
   B. a dual sourcing strategy.
   C. a cross-sourcing strategy.
   D. a spend consolidation strategy.

8. A U.S. hospital system is considering outsourcing a portion of its diagnostic workload to a medical consulting firm based in India. In the United States these diagnostic services, done internally by the hospital system, cost $700,000 per year. The consulting firm would charge $400,000 per year for the same workload. In addition, the hospital system expects to spend $50,000 per year in managerial oversight, $8,000 per year administering the contract, and $125,000 to initially train the consulting firm's staff (amortized over five years). What is the total annual outsourcing cost during the first five years?
   A. $400,000.
   B. $483,000.
   C. $578,000.
   D. None of the above.

9. Which of the following indicates an item to be a good candidate for outsourcing?
   A. The item is important to the company's competitive advantage.
   B. The item is a standard product also sold to many other companies.
   C. The item technologically advanced and will require close control.
   D. All of the above

10. When purchasing finds savings in the cost of goods sold,
   A. this is called the purchasing effect.
   B. such savings fall directly to the bottom line.
   C. both of the above are true.
   D. neither of the above is true.


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