

**CIPS Level 6 – Professional Diploma in Procurement and Supply**

# **Global Logistics Strategy [L6M10]**

**Sample Exam Questions (Objective Response)**

**The correct answer will be listed below each question**

Q1. A large manufacturing company has been carrying increasing volumes of inventory each year. Initially this raised no concerns within the company. Inventory has now doubled compared to five years ago, whilst revenues have only grown at a rate of 5% per annum. Why should action have been taken earlier to investigate the possible reasons for the increase in inventory holding?

- a. Holding inventory slows down the company's sales
- b. Inventory holding impacts the company's share capital
- c. Carrying unnecessary inventory is a drain on cash
- d. The build-up of inventory probably indicates fraud

LO: 1

AC: 1.1

Correct answer: C

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Q2. Understanding the flow of goods and the flow of ownership in globalised supply chains is important to enable which of the following?

- 1. Identifying an appropriate dispute resolution process
  - 2. Being able to interpret the underlying product specification
  - 3. Verifying when risk transfers to the customer
  - 4. Understanding where jurisdiction arises at any given stage
- a. 1 and 2 only
  - b. 2 and 4 only
  - c. 1 and 3 only
  - d. 3 and 4 only

LO: 2

AC: 2.1

Correct answer: C

Q3. The importance of reverse logistics has gained increased prominence in recent years due directly to which of the following benefits associated with waste reduction?

1. Economic benefits
  2. Competitive benefits
  3. Environmental benefits
  4. End-consumer benefits
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- a. 1 and 2 only
  - b. 2 and 4 only
  - c. 1 and 3 only
  - d. 3 and 4 only

LO: 3

AC: 3.1

Correct answer: C

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Q4. As an importer of goods from an overseas supplier, when arranging insurance to cover the shipment, it is imperative to understand precisely when title will pass from the exporter. Is this **TRUE**?

- a. Yes, although the exporter must always insure the goods for the entire journey
- b. No, title is not relevant until the importer has taken delivery and has stored the goods
- c. Yes, when the point at which title passes is when the importer is responsible for the goods
- d. No, whilst goods are in transit title will reside with the bank that has provided the finance

LO: 2

AC: 2.1

Correct answer: C

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Q5. The triple bottom line concept has influenced reverse logistics because it has encouraged organisations to prioritise use of resources on increasing profit margins whilst satisfying customer needs. Is this **TRUE**?

- a. Yes, it is a balanced scorecard approach focusing on profit, resources and customers
- b. No, it focuses on corporate governance, CSR and responsible procurement
- c. Yes, it influences customers, suppliers and procurement organisations to reduce waste
- d. No, it encourages a focus on achieving financial, environmental and social goals

LO: 3

AC: 3.2

Correct answer: D

Q6. An increase in product returns can be directly caused by which of the following? Select **ALL** that apply.

- a. Competitive rivalry
- b. Interest rate change
- c. Manufacturer recall
- d. Global logistics
- e. Customer dissatisfaction
- f. Greater regionalisation
- g. Security threats

LO: 3

AC: 3.1

Correct answer: C & E

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Q7. Which of the following are potential geopolitical risks which could cause supply chain volatility? Select **ALL** that apply.

- a. Government change of foreign policy
- b. Changing demographic profile of the population
- c. Global adoption of emerging technologies
- d. Civil unrest impacting transport infrastructure
- e. Decline in product quality affecting demand
- f. War in neighbouring countries impacting travel
- g. Supply chain capacity constraints and limitations

LO: 1

AC: 1.3

Correct answer: A, D & F

Q8. Local Manufacturing Company (LMC) has one factory. All of its suppliers and customers are based in the same country, so it has been trading, since formation, in just its domestic currency. LMC has made the decision to launch its products in a new international territory, which has its own (and different) currency. This will generate foreign currency inflows for LMC for the first time.

To support this expansion, LMC is planning to establish an operations infrastructure in the country of its new customers and will need to fund this investment. The LMC board is concerned about minimising the impact of currency exposure. Which of the following would be the most useful for LMC to consider in this respect?

1. Currency account
  2. Currency contract
  3. Currency futures
  4. Currency loan
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- a. 1 and 2 only
  - b. 2 and 3 only
  - c. 3 and 4 only
  - d. 1 and 4 only

LO: 1

AC: 1.1

Correct answer: D

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Q9. With increasing consumer spending online, major retail businesses are finding it difficult to control costs and manage administration in respect of customer returns. Customer satisfaction will be severely impacted if customers are kept waiting too long for replacement items and inconvenienced by the need for them to arrange shipment of the faulty goods. Which of the following is the best solution for customers?

- a. Retailers should combine delivery and pick-up
- b. Customers can dispose of the faulty product
- c. Instruct customers to return to a central depot
- d. Distribution centres should hold more stocks

LO: 3

AC: 3.1

Correct answer: A

Q10. When operating in global markets (compared to sourcing domestically), which of the following are more important contractual considerations?

1. Shipment
  2. Specification
  3. Insurance
  4. Quality
- a. 1 and 2 only
  - b. 1 and 3 only
  - c. 2 and 4 only
  - d. 3 and 4 only

LO: 2

AC: 2.2

Correct answer: B

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Q11. Euro Oil (EO) is concerned about the increasing threat of geopolitical risks in its supply chains. EO is mostly concerned with the impact on its production volumes and costs, and therefore ultimately on pricing to clients. Is EO able to mitigate these risks?

- a. Yes, if it can find a new supply source in a more stable area
- b. Yes, by using recognised hedging tools
- c. No, these risks will impact every single supply chain
- d. No, these are macro environmental risks and cannot be avoided

LO: 1

AC: 1.3

Correct answer: A

Q12. Major Retail Group (MRG) is currently reviewing its global strategy in an attempt to reduce costs. Over the years, it has grown through acquisition and now operates an extensive regionally located logistics network. It is considering a centralised approach. MRG needs to carefully consider which of the following in respect of client service and satisfaction if it makes this change?

1. Delivery times
2. Delivery documentation
3. Communication
4. Delivery frequencies

- a. 1 and 2 only
- b. 2 and 3 only
- c. 3 and 4 only
- d. 1 and 4 only

LO: 1

AC: 1.1

Correct answer: D

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Q13. Which of the following are recognised benefits of using multimodal transportation? Select **ALL** that apply.

- a. Faster total shipment times
- b. Improved efficiencies
- c. Lower environmental impact
- d. Reduced supply chain risk
- e. Better payment terms
- f. Clearer performance measures
- g. Enhanced supplier performance

LO: 1

AC: 1.1

Correct answer: A, B & C

Q14. Achieving the right balance within a major international organisation, to satisfy all stakeholders is always a challenge and sometimes involves trade-offs. Consumer Retail Products International (CRPI) is facing this dilemma. It has a portfolio of products each carrying a different brand. The products are targeted at very different customer segments in different international territories. Each brand manager has identified different priority areas of focus and needs to dedicate resources to analysing key drivers.

**For Brand A** the priority is to drive revenues whilst reducing costs. The brand manager needs to understand fully the people, budgets and equipment necessary to fulfil orders.

**For Brand B** the priority is to recognise the importance of financial performance and the role of staff but focusing on broader issues relating to the preservation of natural resources. The brand manager is aware of changing political appetite and pressure in this respect and new regulations in some territories.

**For Brand C** the priority is to ensure all supply chain staff and the broader populations are considered. For this particular customer segment there is a high level of concern that organisations must meet their current needs (and those of their customers) but without taking actions that will adversely impact on future generations.

**For Brand D** the priority is to ensure the organisation is focused on acting ethically and helping to improve society in some way. The brand manager is aware of demographic changes in this segment which are likely to change the types of products customers will buy.

**For Brand E** the priority is on ensuring that the ecological impact of distribution related activities is minimised. The brand manager is aware that this will fit the organisation’s longer-term goals and aligns with future direction.

You are required, for each CRPI brand, to align the priority area of focus and to recommend the main driver to be analysed by the brand manager.

Choose from these options and drag and drop your answers into the table below. **(10 marks)**

**You can only use each option once.**

CSR area	Legislation
Green logistics area	Planet area
Strategic	People area
Profit area	Resourcing
Consumer demand	Sustainability

Brand	Priority area	Recommended driver
A		
B		
C		
D		
E		

**Q14 Continued ...**

LO: 3  
AC: 3.2

Correct answer:

Brand	Priority area	Recommended driver
A	Profit area	Resourcing
B	Planet area	Legislation
C	People area	Sustainability
D	CSR area	Consumer demand
E	Green logistics area	Strategic

Q15. ConnectAll (CA) is one of the world's leading online retailers. The market is highly competitive. It has 200 million customers worldwide. Its customer and supply markets span more than 70 different countries across all continents. Each territory has its own dedicated online channel with customer pricing denominated in the domestic currency. Products are purchased in either USD or EUR.

CA has thousands of suppliers and applies predefined and widely accepted commercial terms relating to logistics costs, risks and the responsibilities of all parties.

CA outsources distribution for customer orders. From the customer's perspective this is a crucial stage in the service cycle as it represents final fulfilment of the order. However, CA recognises that at peak times there are no alternative distribution options. So for example, a major supplier was unable to meet its contractual obligations, CA would have problems delivering products to customers.

Like most online retailers, CA has a high percentage of returns (generally between 10-20%, but can be higher). Most customers are happy to send their unwanted products back to CA, although the process is unclear and inconsistent and so is not without issues. This is currently the subject of a special project with the aim of resolving the issue. Currently most returns are simply thrown away by CA. Research suggests that the majority of returns are actually just unwanted by the customer and not faulty, but the packaging is damaged.

**Q15 (i)** Which of the following is most likely to be a priority for CA given its operating model?

- a. Currency risk management
- b. New customer acquisition
- c. Product rationalisation
- d. Premium pricing

LO: 1  
AC: 1.1

Correct answer: A

**Q15 (ii)** CA is most likely to be applying which of the following?

- a. Bespoke contract terms
- b. Current incoterms
- c. Documentary terms
- d. Shipping terms

LO: 2

AC: 2.2

Correct answer: B

**Q15 (iii)** Which of the following is a major risk for CA's distribution?

- a. Transparency
- b. Consumption
- c. Contingency planning
- d. Delivery scheduling

LO: 1

AC: 1.3

Correct answer: C

**Q15 (iv)** Which of the following is most likely to be the recommendation of the special project team?

- a. Code of ethics
- b. CSR statement
- c. A 'no returns' policy
- d. Recycling accreditation

LO: 3

AC: 3.1

Correct answer: D

**Q15 (v)** On the basis of the research, which of the following might CA consider as an alternative to disposal?

- a. Incentivisation
- b. Landfill
- c. Resolution
- d. Reuse

LO: 3

AC: 3.2

Correct answer: D