



Department of Mechanical Engineering

IE8693 -PRODUCTION PLANNING AND CONTROL

Unit V - INVENTORY CONTROL AND RECENT TRENDS IN PPC MCQ Bank

1. If small orders are placed frequently (rather than placing large orders infrequently), then the total inventory cost
 - a) increases
 - b) reduces
 - c) **either increases or reduces**
 - d) is minimized(Ans:option c)

2. If orders are placed with size determined by the EOQ, then the reorder costs component is
 - a) **equal to the holding cost component**
 - b) greater than the holding cost component
 - c) less than the holding cost component
 - d) either greater than or less than the holding cost component(Ans: option a)

3. If EOQ is calculated, but an order is then placed which is smaller than this, will the variable cost:
 - a) increase
 - b) decrease
 - c) either increase or decrease
 - d) **no change**(Ans: option d)

4. Which costs can vary with order quantity

- a) unit cost only
- b) reorder cost only
- c) holding cost only
- d) **all of these**

(Ans: option d)

5. If we find a minimum on a total cost curve, with discounted unit cost, then the optimal order size is

- a) at this valid minimum
- b) at or to the left of this minimum
- c) **at or to the right of this minimum**
- d) anywhere

(Ans: option c)

6. If we find a valid minimum on a total cost curve with increasing reorder cost, then the optimal order size is

- a) at this valid minimum
- b) **at or to the left of this minimum**
- c) at or to the right of this minimum
- d) anywhere

(Ans: option b)

7. When compared to instantaneous replenishment, does a finite replenishment rate lead to

- a) the same size batches
- b) larger batches
- c) **smaller batches**
- d) either larger or smaller batches

(Ans: option c)

8. If the total investment in stock is limited, then the best order quantity for each item will be

- a) equal to the economic order quantity
- b) greater than the EOQ
- c) **less than the EOQ**
- d) either greater or less than the EOQ

(Ans: option c)

9. If the unit cost rises, then optimal order quantity

- a) increases
- b) decreases**
- c) either increase or decrease
- d) none of these

(Ans: option b)

10. The basic information required for an efficient control of inventory is to do with

- a) What items should be stocked?**
- b) When should an order be placed to replenish inventory?
- c) How much should be ordered in each replenishment?
- d) all of these

(Ans: option a)

11. One of the important basic objective of Inventory management is

- a) to calculate EOQ for all materials in the organization.
- b) to go in person to the market and purchase the materials
- c) to employ the available capital efficiently so as to yield maximum results**
- d) once materials are issued to the departments, personally check how they are used

(Ans: option c)

12. The stock of materials kept in the stores in anticipation of future demand is known as

- a) storage of materials
- b) stock of materials
- c) inventory**
- d) raw materials

(Ans: option c)

13. Materials management bring about increased productivity of capital by

- a) very strict control overuse of materials
- b) increasing the efficiency of workers,
- c) preventing large amounts of capital locked up for long periods in the form of inventory**
- d) to apply the principles of capital management

(Ans: option c)

14. We can reduce the materials cost by

- a) **using systematic inventory control techniques**
- b) ordering the material as and when the need arises
- c) by ordering in bulk quantities
- d) ordering the material at fixed interval irrespective of need

(Ans: option a)

15. The basis for ABC analysis is

- a) interests of Materials manager
- b) interests of the top management
- c) **Pareto's 80-20 rule**
- d) None of these

(Ans: option c)

16. ABC analysis depends on the

- a) Quality of materials
- b) Cost of materials
- c) Quantity of materials used
- d) **Annual consumption value of materials**

(Ans: option d)

17. 'A' class materials consumes

- a) 10 % of the total annual inventory cost
- b) 30% of the total annual inventory cost
- c) **70 to 75% of the total inventory cost,**
- d) 90% of the total annual inventory cost

(Ans: option c)

18. 'B' class of materials consumes -----% of annual inventory cost

- a) 60 to 70%
- b) **20 to 25%**
- c) 90 to 95%
- d) 5 to 8%

(Ans: option b)

19. 'C' class materials consume _____ % of annual inventory cost.

- a) **5 to 10 %**
- b) 20 to 30%
- c) 40 to 50%
- d) 70 to 80%

(Ans: option a)

20. The rent for the stores where materials are stored falls under

- a) **inventory carrying cost**
- b) ordering cost
- c) procurement cost
- d) stocking cost

(Ans: option a)

21. Insurance charges of materials cost fall under

- a) ordering cost
- b) **inventory carrying cost**
- c) stockout cost
- d) procurement cost

(Ans: option b)

22. As the volume of inventory increases, the following cost will increase

- a) Stockout cost
- b) Ordering cost
- c) Procuring cost
- d) **Inventory carrying cost**

(Ans: option d)

23. As the order quantity increases, which cost will reduce?

- a) **Ordering cost**
- b) Insurance cost
- c) Inventory carrying cost
- d) Stock out cost

(Ans: option a)

24. Procurement cost may be clubbed with

- a) Inventory carrying charges
- b) Stock out cost
- c) Loss due to deterioration
- d) **Ordering cost**

(Ans: option d)

25. The penalty for not having materials when needed is

- a) Loss of materials cost
- b) Loss of order cost
- c) **Shortage cost**
- d) General losses

(Ans: option c)

26. At EOQ

- a) Annual purchase cost = Annual ordering cost
- b) **Annual ordering cost = Annual carrying cost**
- c) Annual carrying cost = annual shortage cost
- d) Annual shortage cost = Annual purchase cost

(Ans: option b)

27. If the shortage cost is infinity,

- a) No shortages are allowed
- b) **No inventory carrying cost is allowed**
- c) Ordering cost is zero
- d) Purchase cost = Carrying cost

(Ans: option b)

28. The inventory maintained to meet unknown demand changes is known as

- a) Pipeline inventory
- b) Anticipatory inventory
- c) De coupling inventory
- d) **Fluctuatory inventory**

(Ans: option d)

29. Which of the following inventory is maintained to meet expected demand fluctuations?

- a) Fluctuatory Inventory
- b) Buffer stock
- c) De-coupling inventory
- d) **Anticipatory inventory**

(Ans: option d)

30. Which of the following increases with the quantity ordered per order?

- a) **Carrying cost**
- b) Ordering cost
- c) Purchase cost,
- d) Demand

(Ans: option a)