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問題集

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Exam : **L5M2**

Title : Managing Supply Chain Risk

Version : DEMO

1.Which of the following will you put into box 1?
A. transfer
B. treat
C. tolerate
D. terminate
Answer: A
Explanation:
The correct answers are as follows:

	Action	Remedy
Risk 1	Transfer	Force Majeure
Risk 2	Treat	Standardised Payment Terms
Risk 3	Terminate	CSR Policy
Risk 4	Tolerate	Quote in Buyer's Currency

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Nothing can be done to change this risk (you can't stop an earthquake from happening), so you therefore need to transfer the risk to another party, or include for this within a contract.

2.Zara is a procurement manager who is thinking about working with a new supplier to source buttons for her clothes manufacturing business. Her manager has asked her to do some due diligence on the supplier's financial stability.
What should she do?
A. use an outsourced third-party credit rating agency
B. use an outsources third-party risk management consultant
C. conduct a credit check on the supplier based on the information provided by them in the tender
D. conduct a risk assessment based on the information provided by the supplier in the tender
Answer: A
Explanation:
She should use a credit rating agency for this. She should not do this herself as she won't have access to accurate information like an agency will. The supplier may not have been truthful in their tender. For information on Credit Rating Agencies see p.79

3.Which of the following will you put into box 8?
A. new technology
B. forward contract
C. outsource
D. insurance
Answer: B
Explanation:

	Type of Risk	Possible Solution
Risk 1	Operational	New Technology
Risk 2	Hazard	Insurance
Risk 3	Strategic	Outsource
Risk 4	Financial	Forward Contract

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A forward contract would fix the exchange rate at a certain level, allowing for cost certainty.
This mitigates the risk of the currency getting any weaker.

4.Petra Ltd is a manufacturer of upmarket baked goods and they have a range which is gluten free and therefore suitable for customers who have an intolerance of wheat. For this reason Petra Ltd is very strict about the ingredients that it sources. It's main supplier has provided written agreement that they will test all ingredients in their processing factory to ensure that they are suitable for the gluten free diet before delivery is made, and once delivery is made the materials will be deemed accepted by the buyer.
Is Petra right to accept this arrangement?
A. yes- this reduces the risk of unsuitable materials entering Petra's factory
B. yes- this arrangement places the risk on the supplier rather than Petra
C. no- Petra should arrange for additional tests to be conducted on the deliveries and only accept them once these tests have been completed
D. no - this arrangement is unacceptable and Petra should void the contract
Answer: C
Explanation:
Petra should arrange for additional tests to be conducted. This question is based on a real example in the exam. In this scenario there is still significant risk for Petra even if the supplier is testing the materials. The supplier could miss something, or forge the results with disastrous consequences for Petra's customers. Moreover it would severely damage Petra's reputation. Therefore the wise thing would be for Petra to conduct additional tests in-house to ensure they are happy with the products and only then accept them. This could be an audit of 10% of deliveries to ensure compliance. Acceptance Testing is discussed in the textbook on p.70

5.Which of the following will you put into box 6?
A. new technology
B. forward contract
C. outsource
D. insurance
Answer: D
Explanation:

	Type of Risk	Possible Solution
Risk 1	Operational	New Technology
Risk 2	Hazard	Insurance
Risk 3	Strategic	Outsource
Risk 4	Financial	Forward Contract

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The company should ensure they have the correct levels of Employer's Liability insurance as staff are getting injured. This transfers the risk to the insurance company. (I mean they should probably do something to stop the staff getting hurt too... but this is just an imaginary example question....)