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**QUESTION 1**

A company experiences both variable usage rates and variable lead times for its inventory items. The probability distributions for both usage and lead times are known. A technique the company could use for determining the optimal safety stock levels for an inventory item is

- A. Queuing theory.
- B. Linear programming.
- C. Decision tree analysis.
- D. The Monte Carlo method.

Correct Answer: D

Simulation is a technique for experimenting with mathematical models using a computer. The Monte Carlo method is a technique used to generate the individual values for a random variable. This simulates the uncertainty inherent in real-world situations. The model is then run a large number of times, and the variance of the probability distribution of the results and the average performance are determined.

QUESTION 2

Strategic planning, as practiced by most modern organizations, includes all of the following except

- A. Top-level management predication
- B. A long-term focus
- C. Strategies that will help in achieving long-range goals
- D. Analysis of the current month's actual variances from budget

Correct Answer: D

Strategic planning is the process of setting overall organizational objectives and goals. It is a long-term process aimed at charting the future course of the organization. Strategic planning is based on assessing risk levels, evaluating the strengths and weaknesses of the organization, and forecasting the future direction and influences of factors relevant to the organization such as market trends, changes in technology, international competition, and social change. Analysis of the current month's budget variances is not an aspect of strategic planning.

QUESTION 3

Don Adams Breweries is considering an expansion project with an investment of \$1,500,000. The equipment will be depreciated to zero salvage value on a straight-line basis over 5 years. The expansion will produce incremental operating revenue of \$400,000 annually for 5 years. The company's opportunity cost of capital is 12%. Ignore taxes. What is the book (accounting) rate of return of the investment using the average investment method?

- A. 6.67%
- B. 13.33%



C. 16.67%

D. 26.67%

Correct Answer: B

QUESTION 4

Which of the following is accomplished during the process of planning the marketing program and mix?

A. Organizing resources

B. A SWOT analysis

C. Determining when, where, how, and by whom plans will be executed

D. Conducting sales variance analysis

Correct Answer: B

Planning the marketing program and mix is the process of determining how marketing strategies formulated in accordance with a SWOT (strengths, weaknesses, opportunities, and threats) analysis may be implemented. The firm must decide what resources should be devoted to the marketing effort, for example, budgeting outlays as a percentage of sales. Total expenditures may be increased to secure a larger market share. The next step is to locate the budgeted resources to the elements of the marketing mix (the 4Ps of 4 Cs of marketing)

QUESTION 5

American Coat Company estimates that 60,000 special zippers will be used in the manufacture of men's jackets during the next year. Reese Zipper Company has quoted a price of \$.60 per zipper. American would prefer to purchase 5,000 units per month, but Reese is unable to guarantee this delivery schedule. To ensure availability of these zippers, American is considering the purchase of all 60,000 units at the beginning of the year. Assuming American can invest cash at 8% the company's opportunity cost of purchasing the 60,000 units at the beginning of the year is

A. \$1,320

B. \$1,440

C. \$2,640

D. \$2,880

Correct Answer: A

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