

Construction and Industry

*CPIM-DSP
CPIM Detailed Scheduling and Planning Certification Exam*



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Question: 1

The description that best explains the "weighted moving average" of inventory evaluation is:

- A.The weighted moving average method of inventory evaluation averages the cost of all purchased inventory components and materials over a one-year period
- B.The weighted moving average method of inventory evaluation measures the average cost of all materials purchases over a three-year period
- C.The weighted moving average method of inventory evaluation averages the cost of all purchased inventory components and materials
- D.The weighted moving average method of inventory evaluation measures the amount of inventory purchased at intervals in different time periods and averages them

Answer: C

Explanation:

In the weighted moving average method of inventory valuation, value is assigned to inventory based on the average value of all stock purchased and held. Inflation, deflation, and other price changes are spread out through all of the current inventory stock.

Weighted moving average methodology can't be applied to one or three-year time periods because it must be paired with production schedules, not calendar time. The weighted moving average is recalculated with each new batch of inventory by adding the cost of the new items to the total value of the items already in stock, and then dividing by the total number of items (old and new).

Question: 2

The method of inventory valuation that is theoretical and based on inventory planning targets is called:

- A.The LIFO method
- B.The FIFO method
- C.The weighted moving average method
- D.The standard costing method

Answer: D

Explanation:

The standard costing method of inventory valuation is based on the target or theoretical cost of materials, labor, and overhead. The standard cost is calculated by determining the current actual cost at the beginning of a predetermined time period (usually a year or a quarter), estimating what the actual cost will be at the end of the time period (accounting for inflation and other price changes), and averaging the time period starting cost and estimated ending cost. This average is the standard cost. Each time the standard cost is recalculated, current inventory is revalued to the new standard cost.

Question: 3

Which of the following methods of costing would be more likely used by a business oriented more toward providing customer services than the manufacture of large quantities of products?

- A. Project costing
- B. Actual costing
- C. Process costing
- D. Standard costing

Answer: A

Explanation:

Project costing is a method of inventory valuation in which actual costs are tracked for an overall project, and not for individual products or processes. Project costing is the right choice for businesses that do not have a manufactured product but instead provide services. The project costing method is used in industries oriented toward customer service, where projects are highly specific, not repeated, and geared toward individual customers. The project cost includes all actual or standard costs incurred while executing the project. In the execution of some projects or services, project costing may be combined with actual costing, tracked and documented as they occur.

Question: 4

The equivalent unit of production is best described as:

- A. Value derived from tracking the individual cost of manufacturing single items and multiplying that by the number of items produced
- B. Value added to the cost of manufactured items by summing the cost of the total process and dividing the sum by the number of items processed
- C. The average cost per unit
- D. Half the average cost per unit multiplied by the number of units in a batch

Answer: B

Explanation:

Equivalent unit of production is a concept used in process costing.

It refers to the total cost of manufacturing products, obtained by averaging or summing the total cost of a process and dividing that by the number of items processed. Until a product is completed and held in finished inventory, the WIP is sometimes arbitrarily assigned a value equal to 50% of an equivalent unit of production.

Question: 5

The primary human factors that have the most impact on inventory accuracy are:

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- A.Necessary counting tools and equipment such as RFID
 - B.Adequate containers and storage space for materials and products
 - C.Employees who must bear responsibility for inventory accuracy and who are sufficiently trained to manage the tools and physical components of inventory accuracy
 - D.All of the above

Answer: C

Explanation:

The hiring and implementation of personnel can have a great impact on inventory accuracy. Personnel must be properly trained in how to execute the job; they must be willing to assume responsibility for inventory accuracy, and must be entrusted with appropriate authority to access and tabulate locked stores, and to manage modern systems of documentation control. Modern systems of documentation control may involve training in the use of complex data collection tools and the transmission of data by electronic means to various nodes in the manufacturing structure. In addition, suitable personnel must be familiar with methods of storing dangerous or nonconforming materials.

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