# 11 Lecture - MGT401

# **Important Mcqs**

- 1. Which inventory costing method assumes that the first items purchased are the first ones sold?
  - a) First-In-First-Out (FIFO)
  - b) Last-In-First-Out (LIFO)
  - c) Weighted Average
  - d) Specific Identification

## Answer: a) First-In-First-Out (FIFO)

#### 2. What is the cost of goods sold formula?

- a) Beginning Inventory + Purchases Ending Inventory
- b) Beginning Inventory Purchases + Ending Inventory
- c) Beginning Inventory Cost of Goods Sold + Ending Inventory
- d) Beginning Inventory + Cost of Goods Sold Ending Inventory

Answer: d) Beginning Inventory + Cost of Goods Sold - Ending Inventory

- 3. Which inventory valuation method results in the highest inventory valuation during inflationary periods?
  - a) FIFO
  - b) LIFO
  - c) Weighted Average
  - d) Specific Identification

## Answer: a) FIFO

- 4. Which of the following statements about the Economic Order Quantity (EOQ) model is true?
  - a) It assumes that inventory ordering and holding costs are constant.
  - b) It is a push-based inventory control system.
  - c) It does not consider the impact of stockouts.
  - d) It is only applicable to large organizations.

Answer: a) It assumes that inventory ordering and holding costs are constant.

#### 5. What is the reorder point formula?

- a) Safety Stock + Lead Time
- b) Safety Stock Lead Time
- c) Safety Stock x Lead Time
- d) Safety Stock / Lead Time

Answer: a) Safety Stock + Lead Time

- 6. Which inventory control system is based on the premise that inventory should arrive just when it is needed for production?
  - a) Economic Order Quantity (EOQ)
  - b) Just-In-Time (JIT)
  - c) Material Requirements Planning (MRP)
  - d) Capacity Requirements Planning (CRP)

# Answer: b) Just-In-Time (JIT)

- 7. Which inventory classification method uses the 80/20 rule to identify the most important inventory items?
  - a) ABC analysis
  - b) XYZ analysis
  - c) VED analysis
  - d) FSN analysis

## Answer: a) ABC analysis

## 8. Which of the following is a disadvantage of holding too much inventory?

- a) Increased storage costs
- b) Increased stockouts
- c) Decreased customer satisfaction
- d) Increased production downtime

#### Answer: a) Increased storage costs

#### 9. What is the primary objective of inventory management?

- a) Maximize inventory turnover
- b) Minimize inventory costs
- c) Maximize customer satisfaction
- d) Maximize inventory accuracy

#### Answer: b) Minimize inventory costs

## 10. Which of the following is an example of a demand-based inventory control system?

- a) Economic Order Quantity (EOQ)
- b) Material Requirements Planning (MRP)
- c) Just-In-Time (JIT)
- d) Kanban

Answer: d) Kanban