

# Inventory Management Essentials

Business Management · Practice Test · 20 Questions

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## 1. What is the primary goal of inventory management?

- A) To maximize storage space
- B) To ensure items are available at the right time and place at the lowest cost
- C) To increase the variety of products
- D) To eliminate all inventory

## 2. Which inventory management technique issues or sells the oldest stock first?

- A) LIFO
- B) JIT
- C) FIFO
- D) ABC Analysis

## 3. What does JIT (Just-In-Time) inventory management involve?

- A) Ordering large quantities in advance
- B) Ordering inventory only when it is needed
- C) Storing inventory for extended periods
- D) Using the oldest stock first

## 4. ABC Analysis classifies inventory based on what?

- A) Storage location
- B) Purchase date
- C) Value and importance
- D) Supplier reliability

## 5. What is 'Safety Stock' in inventory management?

- A) The minimum required inventory level
- B) Inventory that is close to expiring
- C) Extra inventory kept as a buffer
- D) Inventory that has been damaged

## 6. Which of the following is a key process in inventory management?

- A) Marketing campaigns
- B) Forecasting demand
- C) Employee training
- D) Product development

**7. Preventing overstocking and understocking is an objective of:**

- A) Purchasing
- B) Inventory management
- C) Warehousing
- D) Sales

**8. Which inventory method is often used for food and medicine?**

- A) LIFO
- B) JIT
- C) FIFO
- D) EOQ

**9. What does 'overstocking' typically lead to?**

- A) Stockouts
- B) Lost sales
- C) High storage costs
- D) Improved cash flow

**10. Inventory recording and monitoring is a key process that supports:**

- A) Product design
- B) Customer complaints
- C) Accurate decision-making
- D) Supplier negotiations

**11. What is a common problem related to inaccurate inventory records?**

- A) Reduced storage costs
- B) Improved efficiency
- C) Poor monitoring
- D) Increased customer satisfaction

**12. LIFO (Last In, First Out) is a method where:**

- A) The oldest stock is used first
- B) The most recent stock is used first
- C) Inventory is ordered only when needed
- D) Inventory is classified by value

**13. Effective inventory management helps to reduce:**

- A) Customer satisfaction
- B) Operational efficiency
- C) Waste and operational losses
- D) Cash flow

**14. Which of these is NOT an objective of inventory management?**

- A) Ensure continuous availability of materials
- B) Minimize inventory holding costs
- C) Increase the number of stockouts
- D) Reduce losses due to damage

**15. EOQ stands for:**

- A) Estimated Order Quantity
- B) Economic Order Quantity
- C) Everyday Order Quantity
- D) Essential Order Quantity

**16. Storage and warehousing is a key process in:**

- A) Sales forecasting
- B) Inventory management
- C) Product marketing
- D) Financial accounting

**17. What can cause stockouts?**

- A) Overstocking
- B) Accurate inventory records
- C) Understocking
- D) Efficient receiving

**18. Periodic stocktaking and auditing are part of:**

- A) Purchasing
- B) Issuance
- C) Inventory management
- D) Demand forecasting

**19. Which of the following is a benefit of good inventory management?**

- A) Increased waste
- B) Decreased cash flow
- C) Improved operational efficiency
- D) Higher ordering costs

**20. Obsolescence is a common inventory problem that refers to:**

- A) Damage to products
- B) Theft of products
- C) Products becoming outdated or unusable
- D) Overstocking of products