

Purchasing and Inventory Control Self-Assessment Questions

1. Which of the following describes the relationship between purchasing and inventory control objectives?
 - A. The two objectives are mutually exclusive. One cannot maximize both purchasing objectives and inventory control objectives. You must maximize one or the other.
 - B. The two objectives are mutually exclusive. One cannot maximize both sets of objectives unless you decrease the quality of products purchased.
 - C. These two objectives are not mutually exclusive. One can maximize both sets of objectives by maximizing carrying costs and procurement costs by increasing quality.
 - D. These two objectives are not mutually exclusive. One can maximize both sets of objectives by purchasing items that will sell the fastest.

2. What of the following is not a goal of inventory management?
 - A. To maximize the investment in inventory
 - B. To carry the right mix of products
 - C. To minimize carrying and procurement costs
 - D. To maintain balance between supply and demand

3. Which of the following sources can be used to help identify patient and prescriber needs and wants?
 - A. Questionnaires completed by pharmacy patrons
 - B. Published lists of the Top 100 drugs prescribed
 - C. Third-party formularies
 - D. All of the above

4. The purpose of an open-to-buy purchasing budget is to
 - A. Help determine the needs of the patients and prescribers.
 - B. Control the total dollar investment in inventory.
 - C. Determine what supplier should be used.
 - D. Calculate lead time and review time.

5. When selecting a supplier, the primary consideration should be the price of the products offered by the supplier because all suppliers have similar services and policies.
 - A. True
 - B. False

6. The purpose of _____ is to pool the buying power of independent pharmacies together in order to obtain better prices and discounts from suppliers.
 - A. Wholesalers
 - B. Central purchasing groups
 - C. Rack jobbers
 - D. Pharmacy benefit managers

7. When a pharmacy elects to participate in a buying group, which of the following is true?
- A. It is a stockholder in the buying group company and is therefore financially liable.
 - B. It usually pays a monthly or annual fee to participate in the group.
 - C. It buys all drug products from one manufacturer.
 - D. It has less collective buying power.
8. Selecting the proper merchandise is more important than getting a price concession from a supplier on the wrong merchandise.
- A. True
 - B. False
9. A pharmacy buys \$1500 worth of merchandise and is offered credit terms of 3/10 net 30. If the pharmacy pays within 10 days of the date on the invoice, what amount is due?
- A. \$1500
 - B. \$1470
 - C. \$1455
 - D. \$1510
10. A wholesaler offers a 6% generic rebate to a pharmacy. This is an example of a
- A. Cash discount
 - B. Volume discount
 - C. Serial discount
 - D. Term discount
11. Today, it is common for pharmacies to
- A. Hire returned goods service companies to handle returned goods.
 - B. Use a visual inventory control system because the computer hardware is too expensive.
 - C. Decrease their inventory turnover rate.
 - D. Buy from manufacturers.
12. Consider the following information about ABC Pharmacy and calculate the inventory return on investment.
- Total sales=\$1,250,555
Cost of goods sold= \$1,000,000
Net profit=\$43,000
Average inventory=\$165,000
- A. 6%
 - B. 26%
 - C. 56%
 - D. 96%
13. When new merchandise is moved to a display space or put on the shelf, the person in charge of stocking should
- A. Make sure the price is not easily seen.
 - B. Move all expensive products to the bottom shelf.
 - C. Rotate the stock so that the new merchandise is at the rear and the old merchandise is near the front of each shelf.
 - D. All of the above.

14. _____ is the practice of planning, organizing, and controlling inventory so that it contributes to the business' profitability.
- A. Inventory management
 - B. Purchasing management
 - C. Computerized logistics
 - D. Economic ordering
15. Costs of obsolescence, storage, deterioration, and other costs of having capital invested in inventory are known as
- A. Procurements costs
 - B. Terms of sale costs
 - C. Carrying costs
 - D. Stockout costs
16. Controlling the inventory can help the pharmacy manager accomplish which of the following?
- A. Keep costs down
 - B. Improve patron service
 - C. Increase cash flow
 - D. All of the above
17. Inventory turnover rate (ITOR) is expressed as a ratio. Which of the following is the correct ratio?
- A. Profit/Average inventory
 - B. Average inventory/Total sales
 - C. Cost of goods sold/Average inventory
 - D. None of the above
18. Higher inventory turnover minimizes
- A. Carrying costs
 - B. Procurement costs
 - C. Stockout costs
 - D. Sellout costs
19. Inventory turnover has not increased in independent retail pharmacies in the past 5 years.
- A. True
 - B. False
20. When the pharmacist decides to order 5 bottles of fluoxetine to have on hand just in case, the pharmacist is
- A. Increasing cash flow and increasing inventory.
 - B. Increasing inventory but decreasing cash available for other needs.
 - C. Increasing inventory but decreasing carrying costs.
 - D. Decreasing inventory but increasing procurement costs.
21. Anticipatory stock is inventory that is kept on hand because of expected future demand.
- A. True
 - B. False

22. You have noticed that you sell 4 bottles of 60 tablets of generic ranitidine 250mg every week. A bottle of 60 tablets cost \$24 while a bottle of 500 tablets costs \$140. You should...

- A. Buy drug in bottles of 60 tablets.
- B. Buy drug in bottles of 500 tablets.
- C. Buy brand name only.
- D. Stop purchasing the drug because it is expensive.

23. Ordering direct from manufacturers should generally cause pharmacies to carry greater safety stock

- A. True
- B. False

24. The total costs of inventory include only the acquisition costs and stock-out costs.

- A. True
- B. False

25. Trade, cash, and volume discounts are all taken directly from the suppliers selling price of the item.

- A. True
- B. False

26. Items with more erratic demand require:

- A. Larger safety stocks
- B. Smaller safety stocks
- C. Pattern of demand has no effect on safety stock
- D. Smaller speculative stock

27. Which of the following is false?

- A. Most wholesalers will provide the hardware and software for the inventory system.
- B. Web-based inventory systems are becoming more common therefore making e-procurement easier.
- C. Pharmacies are not using point-of-sale devices.
- D. Computer ordering systems can be interfaced with pharmacy dispensing systems.

28. Which type of inventory control system enables the inventory to be monitored at all times?

- A. Cyclic
- B. Periodic
- C. Perpetual
- D. Visual

29. When a pharmacy has a perpetual inventory system, it is not necessary for the pharmacy manager to monitor the inventory and make corrections of variances due to medications not received, outdated products, or fluctuations in supply and demand.

- A. True
- B. False

30. To maintain a perpetual inventory system, all purchases and sales must be entered into the computer system.

- A. True
- B. False