Concepts in Enterprise Resource Planning 4th Edition Monk Test Bank

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Chapter 2: The Development of Enterprise Resource Planning Systems

TRUE/FALSE

- 1. Individual information systems for each functional area in a company are known as silos.
 - ANS: T PTS: 1 REF: 20
- 2. Silos of information are also known as stovepipes.
 - ANS: T PTS: 1 REF: 20
- 3. The complex hardware and software that goes into an ERP system was not available until the 1970s.

ANS: F PTS: 1 REF: 21

4. The capabilities of computer hardware doubling every 18 months is known as Gates' Law.

ANS: F PTS: 1 REF: 21

5. Scalability means that the capacity of a piece of equipment can be increased by adding new hardware.

ANS: T PTS: 1 REF: 22

6. The software that holds data in an organized fashion is known as a database management system, or a DBMS.

ANS: T PTS: 1 REF: 22

7. Materials requirements prediction (MRP) software allows a plant manager to plan production and raw materials requirements by guess-timation.

ANS: F PTS: 1 REF: 23

8. The direct computer-to-computer exchange of standard business documents is known as EDI, or electronic data interchange.

ANS: T PTS: 1 REF: 23

9. The functional model of business and management was useful for decades and is still the current school of thought.

ANS: F PTS: 1 REF: 24

10. SAP expanded into international markets but kept the software in a single language, German, and a single currency, the Euro.

ANS: F PTS: 1 REF: 26

11. SAP's R/3 can only run on mainframe computers.

ANS: F PTS: 1 REF: 27

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12. SAP's goal was to develop a standard software product that could be configured to meet the needs of each company.

ANS: T PTS: 1 REF: 26

13. Old systems are known as legacy systems.

ANS: T PTS: 1 REF: 27

14. Open architecture encourages software companies are encouraged to develop add-on software products that can be integrated with existing software, such as SAP's R/3.

ANS: T PTS: 1 REF: 27

15. In the accompanying figure, data is entered into the system once and then used throughout the organization.



Figure 2-4 Data flow within an integrated information system

ANS: T PTS: 1 REF: 29

16. An ERP system allows data to be entered once, and then used throughout the organization.

ANS: T PTS: 1 REF: 29

17. An ERP module is a module that automates a specific business function.

ANS: F PTS: 1 REF: 31

18. A company's level of data integration is highest when the company uses one vendor to supply all of its ERP modules.

ANS: T PTS: 1 REF: 31

19. An important consideration in minimizing the risk of fraud and abuse is defining limits on the dollar value of business transactions that certain employees can process.

ANS: T PTS: 1 REF: 32

20. A best practice is the best, most efficient way of handling a certain business process.

ANS: T PTS: 1 REF: 34

21. One benefit of ERP systems is that ERP integrates people and data while eliminating the need to update and repair many separate computer systems.

ANS: T PTS: 1 REF: 36

22. A large company will likely spent \$1 million on ERP implementation, which includes software and training.

ANS: F PTS: 1 REF: 37

23. Not every company is a good match with the constraints inherent in ERP.

ANS: T PTS: 1 REF: 37

24. SAP's internal programming language is Visual Basic.

ANS: F PTS: 1 REF: 38

25. A return on investment (ROI) is an assessment of an investment project's value, calculated by dividing the value of the project's benefits by the project's cost.

ANS: T PTS: 1 REF: 39

MULTIPLE CHOICE

1. Individual information systems for each functional area in a company are known as:

a. silos		с.	tubers
b. bagpipes		d.	separated systems
ANS: A	PTS: 1	REF:	20

2. The complex software and hardware required for ERP systems was not available until the a. 1960s
b. 1970s
c. 1980s
d. 1990s
ANS: D
PTS: 1
REF: 21

3. The observation that the number of transistors built onto a computer chip doubles every 18 months is known as:

a. Moore's Law			с.	Doubletake
b. Gate's Prophesy			d.	Acceleration
ANS: A	PTS:	1	REF:	21

4.	When a piece of equivare. This is a adaptability b. middleware	uipment' common	s capacity is e ly known as:	xceeded c. d.	, its capacity can be increased by adding new scalability computability
	ANS: C	PTS:	1	REF:	22
5.	In the 1980s,, development. a. spreadsheets b. DBMS	the techr	nology that ho	lds data : c. d.	in an organized fashion, existed for ERP client/server architecture word-processors
	ANS: B	PTS:	1	REF:	22
б.	software allow backward from the a. DBMS b. EDI	vs a plant sales fore	t manager to p ecast.	lan prod c. d.	uction and raw materials requirements by working MRP EFT
	ANS: C	PTS:	1	REF:	23
7.	The direct compute a. MRP b. e-mail	r-to-com	puter exchang	e of stan c. d.	dard business documents is known as: EDI DDS
	ANS: C	PTS:	1	REF:	23
8.	In a process-oriente with the flow of ma a. horizontal acros b. vertical from to c. vertical through d. horizontal from	d compa terials ar ss function p level m function marketin	ny, the flow of ad products. ons nanagement do ns ng and sales to	f information f information f invento	ation and management activity is, in line ugh the hierarchical management structure ry and production
	ANS: A	PTS:	1	REF:	24
9.	Software are i data from the comm a. nodes b. chunks	ndividua 10n datab	l programs tha pase.	at can be c. d.	purchased, installed, and run separately, but extract modules tidbits
	ANS: C	PTS:	1	REF:	26
10.	In, third-pa can be integrated w a. open architectu b. clip-ons	rty softw ith existi re	are companies ng software.	are enco c. d.	ouraged to develop add-on software products that integrated pieces piecemeal nodes
	ANS: A	PTS:	1	REF:	27
11.	is SAP's bigg a. J.D. Edwards b. PeopleSoft	est comp	etitor.	c. d.	Microsoft Oracle
	ANS: D	PTS:	1	REF:	28

12.	Old information and a. dinosaurs b. passe systems	comput	er systems are	known c. d.	as legacy systems relics
	ANS: C	PTS:	1	REF:	27
13.	Which ERP package activities at universit a. SAP	is a poj ies?	oular software	choice f	For managing human resources and financial Microsoft Dynamics
	b. PeopleSoft	DTC	1	d. DEE:	J.D. Edwards
	ANS. D	F15.	1	KEF.	27-28
14.	Which R/3 module ra. SDb. MM	ecords s	ales orders?	с. d.	PP QM
	ANS: A	PTS:	1	REF:	29
15.	Which of the followi a. SD b. MM	ng mod	ules in SAP El	RP main c. d.	ntains production information? PP QM
	ANS: C	PTS:	1	REF:	29
16.	The module related depreciation. a. Plant Maintenan b. Asset Manageme	helps th ce ent	e company ma	nage fix c. d.	xed-asset purchases (plant and machinery) and Materials Management Product Planning
	ANS: B	PTS:	1	REF:	30
17.	Which of the followi a. Workflow b. Controlling	ng mod	ule in SAP is a	a set of t c. d.	ools that can automate the activities in SAP ERP? Financial Accounting Project System
	ANS: A	PTS:	1	REF:	31
18.	When top manageme answer is a. cost saving b. control	ent is qu	eried on the re	asons fo c. d.	or implementing ERP systems, the overriding increased profitability inventory management
	ANS: B	PTS:	1	REF:	31
19.	Which R/3 module r a. CO b. WF	ecords t	ransactions in	the gene c. d.	eral ledger? FI PS
	ANS: C	PTS:	1	REF:	31
20.	After a company cho which allow the cust a. settings b. configuration	ooses the omer to	e modules they customize the	want to module c. d.	o implement, they must decide on options, es to fit their business to some extent. flexible tandem

ANS: B PTS: 1 REF: 32

21. As part of the _____ process, a company can define any number of tolerance groups with a range of limits, and can then assign employees to these tolerance groups.

ট Iable View Edit Goto Selection Utilities System Help
V
Change View "FI Tolerance Groups For Users": Details
🎾 New Entries 🖻 📴 🖒 🙆 🛃
Group Company code FS Fitter Snacker Kalamazoo Currency USD
Upper limits for posting procedures
Amount per document
Amount per open item account item 10,000.00
Cash discount per line item 5.000 %
Permitted payment differences
Amount Percent Cash discnt adj.to
Revenue 100.00 5.0 % 100.00
Expense 100.00 5.0 % 100.00

Figure 2-6 A customization example: tolerance groups to set transaction limits

a.	manufacturing	с.	configuration
b.	development	d.	programming

ANS: C PTS: 1 REF: 32

- 22. Which of the following is a benefit to running an ERP system?
 - a. Global integration
 - b. Elimination of updating and repairing multiple systems
 - c. Capability to manage operations, not just monitor them
 - d. All of the above are benefits

ANS: D PTS: 1 REF: 36

23. An ERP system for a large company will cost _____, including software, training, and implementation. a. \$100-500 million c. \$1-5 billion

b. \$1-5 million d. \$50,000-\$500,000

ANS: A PTS: 1 REF: 37

24. SAP's internal programming language is called: a R/3 c Vit

		<u> </u>	-	~ ~		
a.	R/3				c.	Visual Basic
b.	C++				d.	ABAP

ANS: D PTS: 1 REF: 38

25. One assessment of a project's value is calculated by the:
a. DVT
b. PMT
c. ROI
b. PPT
ANS: C
PTS: 1
REF: 39

26. Bumpy rollouts of ERP systems are usually caused by:

	a. software problemb. people problems	ns	c. d.	hardware problems configuration problems
	ANS: B	PTS: 1	REF:	40
СОМ	PLETION			
1.	months.	states that the nun	nber of	transistors on a computer chip doubles every 24
	ANS: Moore's Law			
	PTS: 1	REF: 21		
2.	A central-local comp	outer arrangement is cal	lled	architecture.
	ANS: client server client/server client-server			
	PTS: 1	REF: 22		
3.	new hardware.	means that the ca	apacity	of a piece of equipment can be increased by adding
	ANS: Scalable Scalability			
	PTS: 1	REF: 22		
4.	The software that hold is the	lds that data in an orga 	nized fa	ashion, and that allows for the easy retrieval of data,
	ANS: database managemen DBMS database managemen DBMS (database ma	nt system nt system (DBMS) nagement system)		
	PTS: 1	REF: 22		
5.	requirements by wor	software allows a king backward from th	plant n e sales	nanager to plan production and raw materials forecast.
	ANS: MRP material requirement material requirement MRP (material requirement	ts planning ts planning (MRP) rements planning)		
	PTS: 1	REF: 23		

6.	The pr	ediction of fut	ure sale	s is the
	ANS:	sales forecast		
	PTS:	1	REF:	23
7.	docum	nents.	is t	he direct computer-to-computer exchange of standard business
	ANS: Electro EDI Electro	onic data interc	change	(EDI)
	EDI (e	electronic data	intercha	ange)
	PTS:	1	REF:	23
8.	Origin	ially, in Englis	h, SAP	was an acronym for
	ANS:	Systems Anal	ysis and	d Program Development
	PTS:	1	REF:	25
9.	In softwa	re products that	, at can b	third-party software companies are encouraged to develop add-on e integrated with existing software.
	ANS:	open architect	ture	
	PTS:	1	REF:	27
10.	Old sy	stems are know	vn as _	·
	ANS:	legacy system	IS	
	PTS:	1	REF:	27
11.	SAP's	biggest compe	etitor is	·
	ANS:	Oracle		
	PTS:	1	REF:	28
12.	The custon access	ner (pricing, ad ed from this m	ldress a odule.	_ records sales orders and scheduled deliveries. Information about the nd shipping instructions, billing details, and so on) is maintained and

ANS: Sales and Distribution SD Sales and Distribution (SD) SD (Sales and Distribution)

PTS: 1 REF: 29

13.	When data are entered into the system, data in all related files in the are automatically updated.	
	ANS: central database	
	PTS: 1 REF: 33	
14.	R/3's design incorporates, which means that R/3 designers choose the be most efficient ways in which business processes should be handled.	st,
	ANS: best practices	
	PTS: 1 REF: 34	
15.	SAP's internal programming language is	
	ANS: ABAP Advanced Business Application Programming Advanced Business Application Programming (ABAP) ABAP (Advanced Business Application Programming)	
	PTS: 1 REF: 38	
16.	help businesses customize the software to fit their unique needs.	
	ANS: configuration	
	PTS: 1 REF: 38	
17.	An assessment of an investment's project value that is calculated by dividing the value of the project benefits by the value of the project's cost is known as a(n)	ct's
	ANS: ROI return on investment return on investment (ROI) ROI (return on investment)	
	PTS: 1 REF: 39	

SHORT ANSWER

1. The accompanying figure depicts Moore's Law. What significance does this law have with regard to the development of ERP systems?



Figure 2-1 The actual increase in transistors on a chip approximates Moore's Law

ANS:

Computers had to be powerful enough to provide integrated, real time data for decision making

PTS: 1 REF: 21

2. Describe how information is exchanged between lower operating levels in the functional organization shown in the accompanying figure.



Figure 2-2 Information and material flows in the functional business model

ANS:

No exchange of information occurs between lower operating groups. Instead, exchange of information between operating groups is handled by top management which might not be knowledgeable about the functional area.

PTS: 1 REF: 24

3. Describe how information is exchanged between lower operating levels in the business process model shown in the accompanying figure:



Figure 2-3 Information and material flow in a process business model

ANS:

Information can flow between operating levels without top management's involvement.

PTS: 1 REF: 25

ESSAY

1. Besides the fact that ERP systems are integrated information systems and lead to more efficient business processes, there are other benefits. Outline them.

ANS:

The significance of ERP lies in its many benefits. Recall that integrated information systems can lead to more efficient business processes that cost less than those in unintegrated systems. In addition, ERP systems offer the following benefits:

- ERP allows easier global integration. Barriers of currency exchange rates, language, and culture can be bridged automatically, so data can be integrated across international borders.
- ERP integrates people and data while eliminating the need to update and repair many separate computer systems. For example, at one point, Boeing had 450 data systems that fed data into its production process; the company now has a single system for recording production data.
- ERP allows management to actually manage operations, not just monitor them. For example, without ERP, getting an answer to "How are we doing?" requires getting data from each business unit and then analyzing that data for a comprehensive, integrated picture. The ERP system already has all the data, allowing the manager to focus on improving processes. This focus enhances management of the company as a whole, and makes the organization more adaptable when change is required.

PTS: 1 REF: 36

2. Discuss the various costs associated with the implementation of an ERP system for a large company and for a midsize company. How long does implementation take?

ANS:

The total cost of an ERP system implementation includes several factors, including the following:

- The scale of the ERP software, which corresponds to the size of the company it serves
- The need for new hardware capable of running complex ERP software

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- · Consultants' and analysts' fees
- · Length of time required for implementation (which causes disruption of business)
- Training (which costs both time and money)

A large company, one with well over 1,000 employees, will likely spend \$100 million to \$500 million for an ERP system with operations involving multiple countries, currencies, languages, and tax laws. Such an installation might cost as much as \$30 million in software license fees, \$200 million in consulting fees, additional millions to purchase new hardware, and even more millions to train managers and employees—and full implementation of the new system could take four to six years. A midsize company (one with fewer than 1,000 employees) might spend \$10 million to \$20 million in total implementation costs and have its ERP system up and running in about two years.

PTS: 1 REF: 36-37

3. Discuss the reasons behind a bumpy rollout of an ERP system. Cite some real examples.

ANS:

You can find numerous cases of implementation woes in the news. W. L. Gore, the maker of GoreTex fabric, had problems implementing its PeopleSoft system for personnel, payroll, and benefits. The manufacturer sued PeopleSoft, Deloitte & Touche LLP, and Deloitte Consulting for incompetence. W. L. Gore blamed the consultants for not understanding the system and leaving its Personnel department in a mess. PeopleSoft consultants were brought in to resolve the problems after implementation, but the fix cost W. L. Gore additional hundreds of thousands of dollars.

Hershey Foods (now The Hershey Company) had a rough rollout of its ERP system in 1999, due to its use of what experts call the "Big Bang" approach to implementation, in which huge pieces of the system are implemented all at once. Companies rarely use this approach because it is so risky. Hershey's order-processing and shipping departments had glitches that were being fixed as late as September. Because of that, Hershey lost a large share of the Halloween candy market that year. Usually, a bumpy rollout and low ROI are caused by *people* problems and misguided expectations, not computer malfunctions:

- Some executives blindly hope that new software will cure fundamental business problems that are not curable by any software. The root of a problem may lie in flawed core business processes. Unless the company changes its business processes, it will just be computerizing an ineffective way of doing business.
- Some executives and IT managers don't take enough time for a proper analysis during the planning and implementation phase.
- · Some executives and IT managers skimp on employee education and training.
- Some companies do not place the ownership or accountability for the implementation project on the personnel who will operate the system. This lack of ownership can lead to a situation in which the implementation becomes an IT project rather than a company-wide project.
- Unless a large project such as an ERP installation is promoted from the top down, it is doomed to fail; top executives must be behind a project 100 percent if it is going to be successful.
- A recent academic study attempting to identify the critical success factors of ERP implementations showed that a good project manager was critical and central to success of a project. In addition, training was crucial—along with a project champion, that is, someone who might not be in the CEO role but who brings enthusiasm and leadership to a project.
- ERP implementation brings a tremendous amount of change for users of the system. Managers need to effectively manage that change in order to ensure a smooth implementation.

Many ERP implementation experts emphasize the importance of proper education and training for both employees and managers. Most people will naturally resist changing the way they do their jobs. Many analysts have noted that active top management support is crucial for successful acceptance and implementation of such company-wide changes.

PTS: 1 REF: 40-41