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PRACTICE QUESTIONS

Excellence Learning

KPIP

Key Performance Indicator Professional

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Excellence Learning `KPIP`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `KPIP`
- the question number
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QUESTION 1 MULTIPLE CHOICE

Which of the following characteristics are essential for a well-defined Key Performance Indicator (KPI)? (Choose two.)

- A **It is measured using a clearly defined metric with a specific unit and frequency.**
- B **It is aligned with a strategic objective and has an owner responsible for its outcome.**
- C It is reported only at the end of each fiscal year to provide an annual performance review.
- D It is set once during strategy formulation and never adjusted to preserve strategic continuity.

ANSWER A · B

WHY A well-defined KPI must be measurable (specific metric, unit, and frequency) and strategically aligned with a named owner who is accountable for the result. Annual-only reporting and a rigid, never-adjusted target are not characteristics of an effective KPI; KPIs should be reviewed periodically and adjusted as conditions change.

QUESTION 2 MULTIPLE CHOICE

Which statements correctly distinguish leading indicators from lagging indicators? (Choose two.)

- A **Leading indicators predict future performance and are useful for early corrective action.**
- B **Lagging indicators confirm outcomes that have already occurred and are useful for verifying results.**
- C Lagging indicators are always preferable because they directly measure final business outcomes.
- D Leading indicators are only valid when they have a direct causal relationship with a financial result.

ANSWER A · B

WHY Leading indicators are predictive and provide early signals so that corrective action can be taken, while lagging indicators confirm outcomes that have already happened and are used to verify results. Lagging indicators are not inherently preferable; a balanced set is usually best. Leading indicators do not require a strictly proven direct causal relationship to financial outcomes to be valid.

QUESTION 3 SINGLE CHOICE

Which statement best describes the relationship between a metric and a KPI?

A Every metric is a KPI; the terms are interchangeable in performance management.

B **A KPI is a strategically important metric that is tied to a critical success factor and a target.**

C Metrics are used only at operational level, while KPIs are used only at board level.

D KPIs are a subset of metrics that are reported externally to regulators and shareholders.

ANSWER **B**

WHY All KPIs are metrics, but not every metric is a KPI. A KPI is a metric that has been selected because it reflects performance against a critical success factor or strategic objective, and it carries a defined target and owner. The two terms are not interchangeable, KPIs can be used at any organizational level, and external reporting is not a defining feature.

QUESTION 4 SINGLE CHOICE

During KPI data validation, the analyst notices that the monthly values for 'On-time Delivery %' differ by more than two percentage points from the values reported by the source system. What is the most appropriate first action?

A Publish the KPI value as reported by the analyst and update the dashboard immediately.

B Replace the analyst's figures with the source-system figures without further investigation.

C **Reconcile the discrepancy by tracing the calculation logic, data sources, and transformation rules to identify the root cause.**

D Discard the month's data and omit the KPI from the current reporting cycle to avoid confusion.

ANSWER **C**

WHY When reported KPI values differ materially from source-system values, the analyst must reconcile the discrepancy by examining the calculation logic, data sources, and transformations to identify the root cause before publishing. Publishing unverified figures, silently overwriting data, or omitting the data point are all inappropriate responses that undermine data integrity.

QUESTION 5 SINGLE CHOICE

According to the Balanced Scorecard framework, which four perspectives are used to translate strategy into a coherent set of performance measures?

- A **Financial, Customer, Internal Business Process, Learning and Growth**
- B Sales, Marketing, Operations, Human Resources
- C Revenue, Cost, Profit, Cash Flow
- D Input, Process, Output, Outcome

ANSWER **A**

WHY Kaplan and Norton's Balanced Scorecard frames strategy from four perspectives: Financial, Customer, Internal Business Process, and Learning and Growth. The other lists are common groupings but are not the four Balanced Scorecard perspectives.

QUESTION 6 SINGLE CHOICE

When setting a KPI target for the next period, which approach is most consistent with sound performance management practice?

- A Set the target slightly above last year's actual to guarantee it is exceeded.
- B **Set the target by referencing historical performance, current capacity, realistic stretch, and relevant external benchmarks.**
- C Set the target at the industry leader's level regardless of internal capability gaps.
- D Set the target using only the most recent quarter's result to keep the goal current.

ANSWER **B**

WHY Sound targets are grounded in multiple inputs: historical performance, current capacity, a realistic stretch, and relevant benchmarks. Setting a target only to be easily exceeded, copying the leader blindly, or anchoring on a single quarter's data leads to targets that are not credible or useful for managing performance.

QUESTION 7 SINGLE CHOICE

A KPI shows a stable value for six months, then a sudden single-month drop of 25% followed by a return to the prior level. Which type of variation does this most likely represent?

A. A common-cause variation that requires redesigning the underlying process.

B. A special-cause variation that warrants investigation of the specific event in that month.

C. A seasonal variation that should be smoothed using a 12-month moving average.

D. A trend variation that signals a long-term directional change in performance.

ANSWER **B**

WHY A short, isolated deviation from an otherwise stable process is the classic signature of special-cause variation. It points to a specific, identifiable event in that period and should be investigated rather than treated as process noise (common-cause) or as a long-term trend. Seasonal variation requires a full seasonal cycle of data, which a single month is not.

QUESTION 8 SINGLE CHOICE

Which sequence best illustrates effective KPI cascading from corporate strategy to operational activities?

A. Operational activity -> Departmental KPI -> Team measure -> Strategic objective

B. Strategic objective -> Departmental KPI -> Team measure -> Operational activity

C. Team measure -> Strategic objective -> Operational activity -> Departmental KPI

D. Departmental KPI -> Strategic objective -> Operational activity -> Team measure

ANSWER **B**

WHY Effective cascading flows from the top down: a strategic objective is decomposed into departmental KPIs, which are then translated into team-level measures, which finally guide operational activities. Cascading from operational activity upward or starting at the team level leaves strategy disconnected from execution.

QUESTION 9 SINGLE CHOICE

Which design choice is most appropriate for an executive KPI dashboard that is reviewed monthly to monitor strategic performance?

A A dense grid of all operational metrics with daily granularity and no visual cues.

B A small set of strategically aligned KPIs with targets, current values, trend indicators, and clear exception highlighting.

C An interactive drill-down tree exposing every underlying transaction-level record.

D A single chart showing one KPI with no target or comparison context.

ANSWER **B**

WHY Executive dashboards work best when they show a curated, strategy-aligned set of KPIs with targets, current values, trend direction, and visual highlighting of exceptions so decision-makers can quickly identify where attention is needed. Dense operational grids, raw transaction drill-downs, and a single-context KPI do not serve executive-level decision-making.