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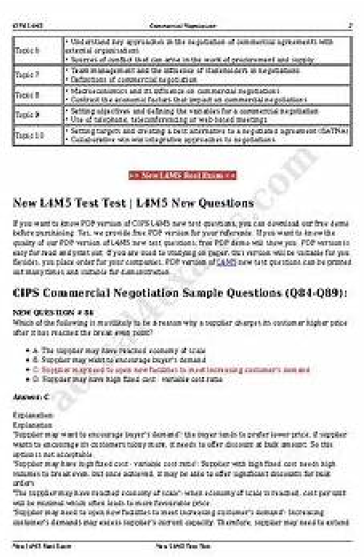

New L4M5 Test Test | L4M5 New Questions

CIPS Commercial Negotiation Sample Questions (Q84-Q89):

Answer: C

Explanation

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The CIPS L4M5 exam format comprises multiple-choice questions and a case study that requires the candidate to apply their knowledge of negotiation skills in a practical scenario. The case study is designed to test the candidate's ability to identify the key issues and stakeholders involved, develop a negotiation strategy, and apply appropriate tactics to achieve a positive outcome. L4M5 Exam Duration is two hours, and the candidate must achieve a minimum of 50% to pass.

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CIPS Commercial Negotiation Sample Questions (Q154-Q159):

NEW QUESTION # 154
When engaging in commercial negotiations, it is important to bear in mind that the suppliers need to make a reasonable profit to maintain continuity of supply. It is therefore necessary for the buyer to have a clear understanding of the break-even analysis concept which relates to cost, volume, and profit.
What is 'contribution' in relation to break-even analysis?

- A. The gains from sales revenue which the supplier retains as reserves to contribute to future development projects
- B. The gains that the supplier receives when the sales revenue exceeds fixed costs
- C. The gains that the supplier receives when the sales revenue exceeds variable costs
- D. The gains from sales revenue that the supplier is willing to contribute in a profit-sharing contractual arrangement

Answer: C

Explanation:
Inbreak-even analysis,contributionrefers to the amount from sales revenue that exceedsvariable costs, which then contributes to coveringfixed costsand ultimately generating profit. Understanding this concept enables buyers to better analyze supplier pricing and negotiate more effectively. For example, if a product is priced significantly above its variable cost, there may be room fordiscounts or added value, as the supplier is still contributing toward fixed costs.
Reference: L4M5 Commercial Negotiation 2nd edition (CORE), Section 2.1 - Cost Analysis and Pricing Decisions

NEW QUESTION # 155
When is the best time for buyer to propose the negotiation agenda to potential supplier?

- A. At opening stage
- B. At testing stage
- C. Atconclusion stage
- D. At preparation stage

Answer: D

Explanation:
A business negotiation agenda is a formal agreed upon list of goals to be achieved or items to be discussed in a particular order during a meeting or negotiation. Agendascan be formal and obvious, or informal and subtle in negotiations.
The agenda is one of the main structural elements of negotiation, in addition to such questions as site, identification of participants, and elements of timing. Together, they answer the who, what, when, and where questions. As with other aspects of negotiation, the agenda can be used either manipulatively to enhance leverage or to improve the prospects for agreement and the possibilities for mutual gain. In most cases, it will be used bothways, reflecting the nature of negotiation as a "mixed-motive" situation.
Although it can be instrumental to [research] volunteer as a sole source to write the agenda, in most cases it becomes a joint activity to construct a consensual basis for subsequent negotiation. In these situations, agenda-building becomes one of the pre-negotiation activities that set the tone for the relationship (Saunders,
1985). In other situations, the parties may engage in actual negotiation without a formal or written agenda.When this occurs, the risks and uncertainties may be high but the party who appreciates the importance of the informal agenda has a tremendous advantage. Whether one plans it or not, during the course of negotiation the parties will discuss a finite set of issues in some sequence and from a particular perceptual framework. Consciousness of the universality and centrality of the agenda is prerequisite to guiding negotiation to a successful conclusion.

NEW QUESTION # 156
JCB is a large manufacturer of heavy machinery. The CPO is going to a negotiation with a Chinese supplier about procuring some major components. He is wondering about balance of power in the negotiation. Which of the following micro factors are most likely to shift the balance of power towards the buying organisation in this commercial negotiation? Select TWO that apply

- A. Suppliers are more concentrated than buyer
- B. Eruption of epidemic in supply market
- C. JCB's switching costs are low

- D. Buyers purchase in small volumes
- E. These components are highly standardised

Answer: C,E

Explanation:
There are many factors that can influence the balance of power in a negotiation. These factors are classified into 3 levels:
- Macro level: STEEPLE framework: social, technological, economic, environment, political, legal and ethical
- Micro level: Porter's five forces:
Diagram Description automatically generated
- One-to-one buyer-supplier dynamics.
The question asks about the micro factors that increases buyer's bargaining power. Among 5 answers, only 2 are likely to increase buyer's power:
- JCB's switching costs are low: Buyer may easily switch its suppliers anytime
- These components are highly standardised: The products are not different any more, buyer may choose to buy from any supplier available.
Other answers cannot be correct because:
- Suppliers are more concentrated than buyer: Suppliers are forming oligopoly market, their bargaining power tend to be greater.
- Eruption of epidemic in supply market: this is a macro factor. Eruption of epidemic may cause factories closed and disruptions on supply chain.
- Buyers purchase in small volumes: Buyer will be seen as less potential to suppliers. Buying organisation may have difficulties to deal better price with suppliers.
LO 1, AC 1.3

NEW QUESTION # 157
Ma Bell was the sole provider of landline telephoneservice to most of the US in 1980s. This is an example of...?

- A. Perfect competition
- B. Monopsony
- C. Monopoly
- D. Monopolistic competition

Answer: C

Explanation:
Explanation
A monopoly exists when only one company can supply an essential product or service in a givenregion because of significant barriers to entry for any competitor. The barriers can be legal, regulatory, economic, or geographic. Ma Bell case is an example of monopoly. The company was broken up in 1982.
A monopsony is a market structure in which a single buyer substantially controls the market as the major purchaser of goods and services offered by many would-be sellers.
Pure or perfect competition is a theoretical market structure in which the following criteria are met:
- All firms sell an identical product (the product is a "commodity" or "homogeneous").
- All firms are price takers (they cannot influence the market price of their product).
- Market share has no influence on prices.
- Buyers have complete or "perfect" information-in the past, presentand future-about the product being sold and the prices charged by each firm.
- Resources for such a labor are perfectly mobile.
- Firms can enter or exit the market without cost.
Monopolistic competition characterizes an industry in which many firms offerproducts or services that are similar, but not perfect substitutes. Barriers to entry and exit in a monopolistic competitive industry are low, and the decisions of any one firm do not directly affect those of its competitors. Monopolistic competition is closely related to the business strategy of brand differentiation

NEW QUESTION # 158
Commercial negotiations on price cover various aspects, including pricing arrangements. A buyer may negotiate a fixed-price agreement. Why is a fixed-price agreement advantageous to the buyer?

- A. The buyer will not need to monitor the supplier's costs relating to the contract
- B. Suppliers calculate prices using fixed costs, which the buyer must counteract by pushing for a fixed- price agreement

- C. Suppliers always seek price agreements that include cost-sharing incentives
- D. The buyer will benefit from any savings the supplier makes from efficient cost management of the contract

Answer: A

Explanation:
In fixed-price agreements, cost-overrun risk is transferred to the supplier, giving the buyer price certainty and reducing the need for ongoing cost scrutiny. Monitoring focuses on delivery to specification and timing, not on the supplier's internal cost build-up (unlike cost-plus).
Reference: CIPS L4M5 (2nd ed.), LO 2.2 - Pricing arrangements and risk allocation (fixed-price vs cost-plus).

NEW QUESTION # 159
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