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CIPS L4M2

Re-buy - correct answer It is not necessary to specify a new specification or to source the market. Call-off or framework agreement. A preferred supplier is in place

Modified Buy - correct answer Review of existing contract requirements and making any necessary amendments such as to build additional benefits, streamline the business or to establish new KPIs/SLAs. Where some of the specification or requirements have changed.

New Buy - correct answer A new purchase outlines requirements that have not been specified before. There is a higher risk involved in procuring a new purchase, demand/supplier/market analysis should be conducted, and new specific KPIs should be included in the specification.

Business Needs - correct answer The mission of the organisation determines its requirements and therefore what procurement needs to source.

R - regulatory (any legal requirements)

A - availability (supply of goods/services when required, risk, financial and capacity)

Q - quality (consistency, repeatability, and fit for purpose)

S - service requirements (flexibility, support, availability)

C - cost (target costs, total cost of ownership, continuous improvement)

I - innovation (improving customer experience) - correct answer A model that can be used to identify business needs.

Kraljic Matrix - correct answer A matrix that allows procurement to prioritise spend in line with business needs.

Leverage - Kraljic Matrix - correct answer Business needs met by using purchasing department buying power to gain the best price and terms e.g. competitive tendering.

Example of Leverage item (Kraljic Matrix) - correct answer Company cars or mobile phones.

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Defining Business Needs is a crucial module in the Level 4 Diploma in Procurement and Supply. This module focuses on the importance of identifying and analyzing business needs to ensure that procurement and supply chain activities are aligned with organizational goals. The module covers topics such as stakeholder analysis, requirements gathering, and market analysis. The goal of this module is to equip procurement and supply chain professionals with the skills and knowledge needed to effectively identify and analyze business needs.

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CIPS Defining Business Needs Sample Questions (Q19-Q24):

NEW QUESTION # 19

Company A sells a product for \$100. The total unit variable costs are \$60. Fixed costs as in its ac-count are \$20,000. How many products does the company have to sell to achieve break-even point?

- A. 0
- B. 1
- C. 2
- D. 3

Answer: B

Explanation:

Break even point = Fixed costs/(Price-variable cost). In this case, break even point = $20,000/(100-60) = 500$ Reference: LO 1, AC 1.2

NEW QUESTION # 20

Which of the following are considered as direct costs in a construction company? Select TWO op-tions

- A. Raw materials
- B. Clerical assistants who maintain the office
- C. The materials and supplies needed for the company's day-to-day operations.
- D. Advertising and marketing communication
- E. An employee is hired to work on a project, either exclusively or for an assigned number of hours

Answer: A,E

Explanation:

Direct costs are directly associated with the production of a good or service. In this question, 'An employee is hired to work on a project, either exclusively or for an assigned number of hours' and 'Raw materials' are directly related to producing the product. Indirect costs are the general costs of the organisation - these costs cannot easily be attributed to specific products or services (also known as overheads). 'The materials and supplies needed for the company's day-to- day operations' or 'Clerical assistants who maintain the office' or 'Advertising and marketing communication' is example of indirect cost.

NEW QUESTION # 21

Is ISO 14000 a series of environmental standards?

- A. Yes, it is a series of information security standards including financial information
- B. Yes, it is a series of environmental standards including life cycle analysis
- C. No, it is a series of quality standards including continuous improvement
- D. No, it is a series of risk management standards including achieving objectives

Answer: B

Explanation:

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) CIPS L4M2 describes key international standards that can be used in specifications.

* ISO 14000 series - focuses on environmental management systems. It includes frameworks and guidance to help organisations reduce negative environmental impacts, comply with regulations, and continually improve environmental performance. Typical concepts include:

- * Environmental policy and planning
- * Environmental performance monitoring
- * Life cycle thinking / analysis

By contrast:

- * ISO 9000 series - quality management and continuous improvement.
- * ISO 27000 series - information security.
- * ISO 31000 - risk management.

So:

* Option B is correct: ISO 14000 is about environmental standards and explicitly includes life cycle analysis / life cycle considerations.

* The other options incorrectly associate ISO 14000 with quality, information security, or risk management.

Specifications in procurement can reference ISO 14000 requirements to embed environmental sustainability criteria into supplier requirements.

Relevant CIPS L4M2 areas:

- * Use of standards (ISO 9000, ISO 14000 etc.) in specifications
- * Environmental management and sustainability requirements
- * Life cycle and environmental performance in defining business needs

NEW QUESTION # 22

Which of the following specific markets engage in creation, liquidation and change of ownership of stock?

- A. Manufacturing
- B. Retail
- **C. Financial**
- D. Agriculture
- E. Construction

Answer: C

Explanation:

According to Investopedia, the financial services sector provides financial services to people and corporations. This segment of the economy is made up of a variety of financial firms including banks, investment houses, lenders, finance companies, real estate brokers, and insurance companies. As noted above, the financial services industry is probably the most important sector of the economy, leading the world in terms of earnings and equity market capitalization. Large conglomerates dominate this sector, but it also includes a diverse range of smaller companies.

According to the finance and development department of the International Monetary Fund (IMF), financial services are the processes by which consumers or businesses acquire financial goods. For example, a payment system provider offers a financial service when it accepts and transfers funds between payers and recipients.

This includes accounts settled through credit and debit cards, checks, and electronic funds transfers.

Companies in the financial services industry manage money. For instance, a financial advisor manages assets and offers advice on behalf of a client. The advisor does not directly provide investments or any other product, rather, they facilitate the movement of funds between savers and the issuers of securities and other instruments. This service is a temporary task rather than a tangible asset. Financial goods, on the other hand, are not tasks. They are things. A mortgage loan may seem like a service, but it's actually a product that lasts beyond the initial provision. Stocks, bonds, loans, commodity assets, real estate, and insurance policies are examples of financial goods.

NEW QUESTION # 23

Which of the following specific markets is most likely to have the lowest entry barrier?

- A. Manufacturing
- B. Retail
- **C. Services**
- D. Agriculture
- E. Financial

Answer: C

Explanation:

Start-up costs are generally low in service industries, and the main requirement is a level of knowledge and skill in that particular service.

LO 2, AC 2.1

NEW QUESTION # 24

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