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CIPS L4M1 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">Understand and analyse the added value through procurement and supply chain management: This section of the exam measures skills of supply chain managers related to identifying added value outcomes in procurement and supply and evaluating cost savings, service improvements, and innovations contributions. It also measures procurement and supply processes that contribute to added value.
Topic 2	<ul style="list-style-type: none">Understand and analyse aspects of organisational infrastructure that shape the scope of procurement and supply chain functions: This section measures that skill of supply chain strategists and organizational analysts in understanding corporate governance, documented policies, accountability, and ethics. It also covers the impact of organisational policies and procedures on procurement and supply
Topic 3	<ul style="list-style-type: none">Understand and analyse the key steps when procuring goods or services: This section measures that skills of purchasing managers and procurement officers in identifying and evaluating stages in the sourcing process, planning, supplier selection, and contract management.

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CIPS Scope and Influence of Procurement and Supply Sample Questions (Q11-Q16):

NEW QUESTION # 11

What is meant by a structured procurement process? (10 marks) Why is this important? (15 marks).

Answer:

Explanation:

See the solution inExplanation partbelow.

Explanation:

- Definition of 'structured procurement process' - when an organisation provides a sequence of actions / steps to take to get the outcome (the procurement of an item). This involves an organisation providing guidelines and instructions of how things should be done. Basically following a step-by-step process.
- Why this is important - Ensures all tasks that need to be done are done, maintains consistency, prevents conflict and suboptimal behaviour, improves efficiency, better managerial control, compliance (with laws and standards), assists with continuous improvement, may result in time/ cost savings, reduces risks such as fraudulent spending.

Example essay:

The first part of the question is worth 10 points, so you could include a few of the following points. It would also be good to include examples:

- Structured procurement involves creating rules on how procurement should be done
- This is in contrast to reactive / maverick spending
- May come about due to company policy, external regulations or through trying to achieve Competitive Advantage
- Examples include an organisation having set procedures for ordering items of different spend- e.g.

Procurement Assistants can purchase items up to £500. Items between £500-£1000 require a manager's approval and anything over £1000 requires a written Business Case in order to procure

- Structures Procurement Processes will usually also include the use of a designated e-procurement tool. E.g. an organisation may insist that all tenders use a certain online system and that invoices are sent via X system within 30 days.

The second part of the question is worth slightly more points, so spend more time on this. You could put each of the reasons why it is important in a separate paragraph. Also use examples where you can;

- Ensures all tasks that need to be done- having structured processes means having a step-by-step guide to how to procure. This means activities are well co-ordinated and there are no gaps, no duplications of effort and no conflicting efforts. It may involve assigning different people in the team different roles e.g. someone makes the requisition and someone else approves it. It also means that nothing is forgotten.

- Maintains consistency- having standardised processes means each procurement exercise follows the same process. This may include using a standard template for a requisition or ITT. Where there is consistency, this results in time being saved and less mistakes being made as everyone (including supply partners) is familiar with the processes.

- Prevents conflict and suboptimal behaviour- in organisations that use structured procurement processes everyone does the same. This means there is no conflict (e.g. one person doing things one way and another person does it differently and arguing which way is best). It also means no one can do procurement 'wrong' - there are written guides and procedures to follow. This is particularly helpful for new starters.

- Efficiency - time and money can be saved where there are standard procedures as people don't have to plan each procurement activity individually. Structured Procurement Processes may also involve completing bulk orders and co-ordinating activity within the organisation which means less orders are placed over the year and efficiency savings can be made. For example, a factory may create an order of cleaning products once a quarter, compared to ordering products just as and when they are required. This will save time of the procurement department overall throughout the year and allows them to focus on other more value-adding tasks.

- Better managerial control - Managers have more oversight when using structured procurement. There are clear rules as to when managers need to be involved and provide sign-off. This visibility makes it easier for managers to make decisions and allows for early intervention where someone needs assistance. It will reduce maverick spending and fraudulent spending. For example, it is much harder to provide kick-backs to suppliers when there are clear processes and audit trails and managers have visibility over all processes.

- Compliance (with laws and standards) - particularly in the Public Sector there are rules and regulations regarding procurement practices. Using standardised processes allows organisations to demonstrate compliance with appropriate legislation. It also protects them from 'challenge'. This is when a bidder who is unsuccessful challenges the decision to award a contract to someone else. Using a structured procurement process allows the organisation to demonstrate that they procured the item correctly and the challenge is unfounded.

Tutor Notes

- This topic isn't as well explained in the new study guide as it used to be. It's all pretty obvious stuff but the language is slightly different. The guide now talks about 'compliance with processes' and the benefits this brings. Which is exactly the same as why do you follow a structured process. This is on p. 114.
- If you're feeling clever, you could mention the difference between Public and Private Sector- e.g. a private organisation may use standardised processes for efficiency and cost savings, whereas a public sector organisation may use it more for compliance purposes.

NEW QUESTION # 12

Describe what is meant by the 5 Rights of Procurement (25 points)

Answer:

Explanation:

See the solution inExplanation partbelow.

Explanation:

How to approach the question

- This question is worth 25 marks so you can imagine what the mark scheme will look like. There are 5 Rights so there will be 5 points for each Right. Naming the Right will be one point, then you have 4 points for a description and example. You should therefore aim to have 4-5 sentences per Right.

- I would recommend using headings for this type of essay- clearly putting your essay into 5 sections for each right. This makes it easy for the examiner to mark.

Proposed Essay structure

- Introduction - what is meant by the 5 Rights
- Price
- Quality
- Quantity
- Time
- Place
- Conclusion - why it's important, all rights are equally as important

Example Essay

Procurement revolves around achieving the delicate balance of acquiring goods and/ or services at the right price, quality, quantity, time, and place. This essay explains why these "Five Rights of Procurement" are important and explains how using this metric can help procurement to make smart choices when they purchase goods or services.

Price:

Firstly, it is important that procurement do not simply seek to find the cheapest option. The First Right is about finding the product/ service at an affordable price that doesn't compromise on quality. Let's say a company is buying office furniture. They might go for a supplier that offers a good balance between cost and quality, ensuring they get good value for their money. Considerations here may include Total Cost of Ownership, the Price Iceberg, and Whole Life Costing. The company therefore may seek to get the best price, but in relation to how long the furniture will last. A cheap chair that will break after one year may not be the best price compared to another chair which will last 10 years.

Quality:

The second right, quality, looks at legal compliance and fitness for purpose. Quality adherence aligns with specifications as well as legislation such as the UK Sale of Goods Act 1979. This helps ensure that items meet their commonly intended purpose and maintains satisfactory condition. Buyers deploy both reactive measures like Quality Control and proactive approaches like Quality Assurance to uphold the stipulated quality. This commitment not only ensures legal compliance but also underpins customer satisfaction, brand reputation, and ethical sourcing policies. An example of quality is an organisation buying a washing machine that conforms to ISO standard 97.060 and has a 2-year warranty.

Quantity:

The third right, quantity, is a strategic consideration about how much of an item to order. It is connected to efficient inventory management. One tool that procurement can use to ensure they order the right quantity of a product is Economic Order Quantity (EOQ) - this serves as a tool for finding the equilibrium between stock-holding costs and avoiding stockouts. Market conditions, supply chain dynamics (e.g. JIT / Lean manufacturing), and organizational policies collectively play a pivotal role in determining the right quantity. For example a confectionary manufacturer will need to order the right number of eggs to make cakes- they will need to consider how many eggs they will need in order to make the cakes, but also take into consideration that they may not need them all at once and that eggs can expire. The use of an MRP system is helpful when determining quantities of products to order.

Time:

Time is about getting things when we need them. In the above example, an egg delivery timing for a confectionary manufacturer will be pivotal to making the cakes on time. Other considerations about time include changing market forces and customer demand. The

use of forecasting is therefore extremely useful; particularly if there are peaks in demand for a product, such as toys at Christmas. Moreover, organizations need to avoid bottlenecks and production stoppages, so time (including lead time and delivery time) is an important consideration when making orders.

Place:

Lastly, place is about getting things to the right location. Minimizing environmental impact, reducing risks during transit, and optimizing warehousing practices contribute to achieving the right place. This is particularly important for perishable items such as food, and for items which require specific storage conditions such as chemicals. This involves good planning in terms of logistics, minimizing any impact on the environment during transport and a consideration for safety.

In conclusion, the Five Rights of Procurement provide a structured framework for organizations to optimize their sourcing practices. All rights are equally as important and it is the relationship between the Rights which is key. While price, quality, quantity, time, and place form the foundation, evolving models acknowledge additional elements like the Right Relationship with the Supplier. Embracing these principles not only ensures operational efficiency but also promotes sustainability and ethical conduct throughout the procurement process, contributing to long-term success in a globalized and dynamic marketplace.

Tutor Notes

- The 5 Rights is a big topic in CIPS so do learn them off by heart. It's p. 20 in the study guide.
- The conclusion mentions that additional 'rights' are starting to be introduced into the matrix, this is true and isn't mentioned in this study guide. I believe this starts to come up in Level 5. Just something to be aware of- some people are now talking about other Rights such as finding the right supplier and the right relationship. It's good to know, but not essential for this essay. Neither is knowing the ISO standard for washing machines - that's certainly not in the book. You can sprinkle in your own knowledge to essays like this, as it demonstrates you're able to apply the theory to real life. Why I remember the ISO for washing machines is a different story....
- You could also have mentioned the following topics:
 - o price - using the right currency and incoterm, aggregation of spend, negotiating prices
 - o quality - conformance and performance specs
 - o quantity - fulfilling retail orders, large order quantities leading to discount
 - o time - additional costs of a stockout, impact on relationships and reputation
 - o place - additional costs if delivery fails
- This is the type of question you can easily over-write. It's a huge topic and you could easily spend too long on it and not have enough time to answer other questions. So be careful with your timings. You don't need to mention everything above.
- Another way this type of question can come up is as a scenario. E.g. XYZ is a manufacturer of cakes and needs to order eggs. Discuss how XYZ can ensure the 5 Rights of Procurement when ordering Eggs.

NEW QUESTION # 13

Explain what is meant by added value (5 points). Describe 4 ways the Procurement Department can add value for their organisation (20 points)

Answer:

Explanation:

See the solution inExplanation partbelow.

Explanation:

What to include in the essay:

- Definition of added value: the economic enhancement given to products or services before offering them to customers. Examples may include a product which has additional features at no additional cost to the customer or the provision of an extended warranty.
- Description of four of the following with examples and Explanations: providing better customer service levels, risk management, cost control and reduction, relationship management, reputation management, innovation, use of technology, streamlining processes, improving specifications, increasing sustainability, improving quality, ordering processes such as bulk ordering, inventory management, improving the product from the customer's perspective (e.g. packaging, exclusivity), sustainability, convenience, market development.

Example essay:

Added value in procurement refers to the enhancement or improvement in the economic worth, quality, or utility of products or services before they are offered to customers or end-users. In the context of procurement, the goal is to go beyond simply obtaining goods or services at the lowest cost. Instead, procurement aims to contribute additional value to the organization through various means. This essay explores the concept of added value and outlines four ways the Procurement Department can contribute to organizational improvement.

Improving Specifications

Procurement can add value firstly by ensuring all critical items are procured against a specification, and secondly by improving and regularly updating those specifications. For example, the procurement department might be responsible for procuring light-bulbs for an office. Having an effective specification for this purchase (lightbulbs must meet X safety standard and Y environmental standard) would result in less maverick buying for the organisation and the procurement of a better-quality product. Furthermore, regularly updating specifications ensures that purchases are made against current safety standards and regulations (e.g. the use of low-energy lightbulbs). If procurement don't update specifications, then there is a risk that items are bought that don't meet the correct standards.

Added value in this regard could also therefore be considered the removal of risks of procuring the wrong item.

Stream-lining Processes

Procurement can add value by stream-lining processes such as requisitions and POs. This reduces the time it takes to procure an item, thus saving the company money. Another process that could be streamlined is the re-ordering process of regularly bought items. This could be automated when the stock levels reach a certain level. For example if an organisation requires its staff to wear PPE, an automatic request could be made once there are only 50 face masks left.

Managing Supplier Relationships

Having strong, positive relationships with suppliers is a source of added value as it means suppliers value you as a buyer and are therefore more likely to help in situations which are adversely affecting business. For example, if a manufacturer puts an order in for 300 items with their supplier but then realises that they have made an error in the amount, if there is a strong relationship, the supplier may allow the buyer to amend the order after the fact. If there is a poor relationship, the supplier may not be as flexible. The flexibility in the supply chain is therefore a source of added value.

Improving Quality / Innovation

This involves adding value from the customer's perspective. E.g. a customer may choose to purchase a phone that has a longer battery life than others. Procurement's role in this may be in completing a Value Engineering exercise or procuring higher quality components or materials at the same price in order to achieve this additional feature.

In conclusion, the Procurement Department plays a crucial role in organizational success by adding value through improved specifications, streamlined processes, strong supplier relationships, and a focus on quality and innovation. These strategies contribute to enhanced efficiency, reduced risks, and increased customer satisfaction, making procurement an essential function for organizational excellence.

Tutor Notes

- The question asks specifically to name 4 ways of adding value. You therefore won't get any additional points if you talk about 5 or 6, even though it may be tempting. Instead, focus your response on providing more information on the 4 you have chosen and bulking out your answer with examples. This demonstrates to the examiner that you fully understand the topic AND that you can apply the theory to real situations.

- You could use real-life examples from your own organisation/ experience or you could give a hypothetical situation such as a cake manufacturer. You could talk through how the procurement department at the cake manufacturer can add value by doing the four things in your essay: by amending the specification so the cakes are more tasty, by streamlining the process for ordering flour, by managing the relationship with the company that fixes the machines when they break down, and by introducing innovation such as using an e-procurement system to source raw materials and the benefits that these will bring to the organisation.

- Added value is part of the syllabus for Learning Outcome 1.2 starting from p.19 but I'm gonna be honest, I think the new study guide is a bit crap on this part of the syllabus. The section starts talking about the 5 rights of procurement and I think that makes things very confusing for students. The 5 rights and added value are linked subjects, but they're not the same. Getting the rights right, CAN lead to sources of added value, but added value is value that is IN ADDITION to what is expected. So, when you have a question on added value, focus on stuff that's listed under 1.1.4 'other sources of added value' on p.35 rather than talking about the 5 rights of procurement. My list at the top is more exhaustive than the one in the study guide.

- If you're looking to be really clever you can quote Michael Porter on 'what is added value?'. Michael Porter looks at this from a customer perspective - 'added value' refers to the addition of greater value (either by reducing the cost to produce it, or by adding something that customers are willing to pay more for). These could be; marketing / design, customer service, maintenance, delivery etc. This comes up at Level 5 / 6.

NEW QUESTION # 14

Bob is a procurement manager at ABC Ltd. He has been asked to ensure all future purchases achieve 'value for money' for the organisation. What is meant by 'value for money'? (5 points). Describe 4 techniques that Bob could use to achieve this (20 points)

Answer:

Explanation:

See the solution inExplanation partbelow.

Explanation:

1) A definition of Value for Money: ensuring a purchase is cost effective. This may be that the purchase achieves the 5 Rights of Procurement or that the purchase achieves the 4Es: Economy, Efficiency, Effectiveness and Equity. - this is only worth 5 points, so don't spend too long on this

2) 4 techniques Bob can use to achieve VFM: this is the bulk of your essay. Each of the 4 will be worth 5 points, so remember to give a thoroughExplanationand example. Pick 4 from the list below: complete a value analysis to eliminate non-essential features, minimise variety/ consolidate demand, avoid over specification, pro-active sourcing, whole life costing methodologies, eliminate / reduce inventory, use electronic systems, international sourcing, sustainability / environmental policies, currency/ exchange rate considerations, negotiating good payment terms, packaging, warranties.

Example Essay:

"Value for money" (VFM) is a concept that refers to obtaining the best possible return on investment or benefits relative to the cost incurred. It involves assessing whether the goods, services, or activities provided offer an optimal balance between their cost and the quality, benefits, or outcomes they deliver.

Value for money is not solely about choosing the cheapest option; instead, it considers the overall efficiency, effectiveness, and long-term value derived from an expenditure. For Bob, the Procurement Manager at ABC Ltd there are four key ways that he can achieve this for all future purchases.

Value Engineering

This is looking at the components of a product and evaluating the value of each component individually.

You can then eliminate any components that do not add value to the end product. To do this Bob would choose a product to review and determine whether any parts of this can be omitted (thus saving the company money) or could be replaced by components that are of a higher quality at the same price (thus providing added value to the customer). For example, Bob could complete a Value Engineering exercise on the new mobile phone prototype ABC plan to release next year. His findings may discover a way to provide a higher quality camera at no additional cost or that some components don't add value and can be eliminated.

Consolidate demand

Bob can achieve value for money by consolidating demand at ABC ltd. This would mean rather than each individual person/department ordering what they want when they need it, Bob creates a centralised process for ordering items in bulk for the departments to share. For example, if each department require stationary to be ordered, Bob can consolidate this demand and create one big order each quarter. This will likely result in cost savings for ABC as suppliers often offer discounts for large orders. Moreover, consolidating demand will allow for saving in time (one person does the task once, rather than lots of people doing the same task and duplicating work).

International sourcing

Bob may find there is value for money in changing suppliers and looking at international sourcing.

Often other countries outside of the UK can offer the same products at a lower cost. An example of this is manufactured goods from China. By looking at international supply chains, Bob may be able to make cost-savings for ABC. He should be sure that when using this technique there is no compromise on quality.

Whole Life Costing methodology

This is a technique Bob can use for procuring capital expenditure items for ABC. This involves looking at the costs of the item throughout its lifecycle and not just the initial purchase price. For example, if Bob needs to buy a new delivery truck he should consider not only the price of the truck, but also the costs of insurance for the truck, how expensive it is to buy replacement parts such as tyres and the cost of disposing of the truck once it reaches the end of its life. By considering these factors Bob will ensure that he buys the truck that represents the best value for money long term.

In conclusion Bob should ensure he uses these four techniques for all items he and his team procures in the future. This will ensure ABC Ltd are always achieving value for money, and thus remain competitive in the marketplace.

Tutor Notes

- This case study is really short, and the ones you'll receive in the exam are often longer and give you more guidance on what they're expecting you to write. With case study questions, you have to make your entire answer about Bob. So don't bring in examples from your own experience, rather, focus on giving examples for Bob.
- A good rule of thumb for case study questions is make sure you reference the case study once per paragraph.
- Value for Money is a really broad topic and you can pretty much argue anything that procurement does is helping to achieve value for money. There's a large table of stuff that's considered VFM on p.38 but that table isn't exhaustive. So feel free to come up with your own ideas for this type of essay.

Some additional tidbits of information on VFM:

- The 'academic' definition of Value for Money is 'the optimum combination of whole life cost and the quality necessary to meet the customer's requirement'
- Value for Money is an important strategic objective for most organisations but particularly in the public sector. This is because the public sector is financed by public money (taxes), so they must demonstrate that the organisation is using this money wisely. This might be an interesting fact to put into an essay on VFM.
- Value can often be hard to quantify, particularly in the service industry. E.g. in customer service it can be difficult to quantify the value of having knowledgeable and polite employees delivering the service.

NEW QUESTION # 15

Sarah is thinking of setting up a charity in the UK which will look after animals that have been abandoned. What regulations and governing bodies should Sarah be aware of when setting up her charity? (25 Points)

Answer:

Explanation:

See the solution inExplanation partbelow.

Explanation:

How to approach this question

- Your essay should mention at least one regulation and one governing body particular to the charity section and I would recommend these be the Charities Act 2011 and the Charities Commission.
- If you don't know a lot about the sector you can bring up more generalised regulations and governing bodies, such as financial conduct and the Equalities Act, but make sure it's relevant to Sarah. Her charity is a small, local one, so things like Modern Slavery Act will not be appropriate to talk about.

Example Essay

When setting up a charity in the UK, particularly one focused on animal welfare, there are several regulations and governing bodies that Sarah should be aware of. These ensure that the charity operates legally, ethically, and effectively.

A charity's purpose involves raising awareness and helping someone or something, in Sarah's case this will be local animals and potentially their owners. A charity has to satisfy two aspects: The benefit aspect and The public aspect. In the UK, both aspects are regulated by the Charities Act 2011.

To satisfy a benefit aspect, a charity must: have a purpose that must be beneficial to the community it works in

- this must be in a way that is identifiable and capable of being proved by evidence. For Sarah this would be showing that her charity helps animals, potentially by taking them in off the street or removing them from dangerous homes and caring for them.

To satisfy a public aspect, a charity must benefit the public in general, or a sufficient section of the public. In Sarah's case the public benefit may be in removing stray dogs and cats from the streets where they can transport diseases and potentially attack people.

Most charities strive to satisfy both aspects but in some cases this is not possible.

All charities are regulated. Because charities are funded by donations from the public, businesses and sometimes from government, their conduct is regulated closely. Key regulatory bodies that Sarah will have to engage with include:

1. Charity Commission for England and Wales:

As the primary regulator for charities in England and Wales, the Charity Commission oversees the registration and regulation of charities. Sarah's organization must meet the legal definition of a charity and apply for registration if its income is over £5,000 per year.

The Commission ensures compliance with the Charities Act, offering guidance on charity governance, financial management, and reporting.

2. HM Revenue and Customs (HMRC):

Charities can apply to HMRC for recognition as a charity for tax purposes. This status allows for tax reliefs and exemptions, including Gift Aid on donations.

HMRC ensures compliance with tax obligations and scrutinizes the use of charity funds.

3. Data Protection:

Under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018, any charity handling personal data must ensure its protection and comply with data privacy laws.

4. Health and Safety Executive (HSE):

The HSE provides guidelines for workplace safety, which are important if the charity has employees or volunteers.

In conclusion there are many regulations and bodies that Sarah should be aware of when setting up her charity.

Sarah should consider seeking legal advice or consulting with charity advisory services to ensure full compliance with all relevant laws and regulations. Additionally, staying informed about changes in charity law and animal welfare legislation would be beneficial to the smooth operation of her charity.

Tutor Notes

- With case study questions you're not expected to know anything about the specific topic, in this case Animal Charities. If it happens to be something you know about, you can bring in some of your own knowledge, but this isn't a requirement to get a good score. You're not expected to know, for example about the Animal Welfare Act 2006, but if you happen to do so, it could be a nice little thing to add in. Just don't focus your essay on it. However you can make some sensible guesses on what Sarah will be doing, for example I talked about removing stray animals from the street.

- Charities comes up in LO 4.4 p.232

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NEW QUESTION # 16

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