

L5M6 Latest Test Simulator - Reliable L5M6 Test Topics

L5M6 - Revision Test 2 - July 2023

Q1. The CFO of 2007 Electronics Group (2007G) has instigated a study into the organization's repeat purchases of hardware. Most of these are off-the-shelf components and in very random quantities, and are sourced from different suppliers around the world.

Product 1 – 2007G achieves a good price and high levels of service from its supplier of this product. There are numerous suppliers of this product and it would be easy for 2007G to switch. The supplier has a good reputation and predictability over the years. Suppliers have had to invest heavily in new equipment and supporting hardware, and therefore to keep pace with these changes.

Product 2 – 2007G achieves a good price for 2007G, but English here and an easy to learn on this product, relative to other organizations, is very low. 2007G's annual spend on the product is so low it often finds it difficult to receive any quotes at all when it issues an RFIQ. It is a high-risk product because it after a vital role in reducing emissions.

Product 3 – The CFO of 2007G has been nervous about the product for a while. It is a high-risk product, and the internal client reduces its due to the low demand for it. It is a high-risk product because it is a vital part for any system that goes to the market are very high. Furthermore, the supplier is based overseas, and service, assistance can take a

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CIPS L5M6 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">Understand the Concepts, Tools, and Techniques Associated with Managing Expenditure: This section of the exam measures the analytical abilities of a Category Analyst and focuses on expenditure management techniques within category management. It explores how organizations identify, classify, and analyze different types of spend to enhance procurement efficiency and value creation.
Topic 2	<ul style="list-style-type: none">Understand Approaches that Can Be Used to Develop Category Management Strategies: This section of the exam measures the skills of Procurement Managers and focuses on understanding how category management strategies are formulated within procurement functions. Candidates are expected to differentiate between strategic and conventional sourcing, evaluate how these approaches support long-term supplier relationships, and align them with organizational goals. The section also emphasizes the role of category management in enhancing sourcing efficiency and achieving cost optimization.
Topic 3	<ul style="list-style-type: none">Understand the Strategic Impact of a Category Management Process: This section evaluates the strategic insight of a Procurement Manager into how category management influences organizational performance. It explores the use of data-driven decision-making and market intelligence to shape sourcing strategies and drive sustainable procurement outcomes.

CIPS Category Management Sample Questions (Q22-Q27):

NEW QUESTION # 22

Callie is a Category Manager at a car parts manufacturer. She discovers through a SWOT analysis that many other customers are increasing short-term demand for raw materials. Which category does this fall under?

- A. Weaknesses
- B. Strengths
- C. Threats
- D. Opportunities

Answer: C

Explanation:

This situation represents a Threat within SWOT analysis. SWOT distinguishes between internal and external factors. Strengths and weaknesses are internal to the organisation, while opportunities and threats are external.

Here, the short-term spike in demand is external to Callie's business. It is also potentially harmful because increased competition for raw materials [rubber, metal, etc.] can lead to higher prices, longer lead times, and supply shortages. Therefore, this is categorised as a threat.

It cannot be an opportunity, as the increase in demand benefits suppliers rather than Callie's firm. Nor is it a strength or weakness, as those describe factors within the company such as production capabilities or financial resources.

Using SWOT in category management allows managers to anticipate and mitigate external risks while leveraging internal strengths. Recognising this threat means Callie may develop strategies such as dual sourcing, supplier collaboration, or forward buying to reduce exposure.

[Ref: CIPS L5M6 Study Guide, p.122 - SWOT analysis in category management]

NEW QUESTION # 23

Which of the following approaches to cost is the least transparent?

- A. Cost down
- B. Cost out
- C. Price management
- D. Price acceptance

Answer: D

Explanation:

Price acceptance is the least transparent approach because the buyer simply accepts the supplier's quoted price without investigating its basis or fairness. There is no visibility into the supplier's cost structure, margins, or pricing methodology.

By contrast:

- * Price management involves actively managing pricing discussions.
- * Cost down involves collaborative efforts to reduce costs after production.
- * Cost out involves eliminating costs before production through design.

[Ref: CIPS L5M6 Study Guide, p.81 - Costing methods]

NEW QUESTION # 24

Analytics data can be used in Category Management forecasting. Which of the following would be a form of Analytics Data?

- A. Data from the past e.g. historical trends
- B. Expertise data e.g. estimated lead times
- **C. Data models and predictions e.g. trends for the future**
- D. Known data e.g. manufacturing capacity

Answer: C

Explanation:

Analytics data refers to data models and predictions, often generated through statistical methods or advanced software, that provide insights into future trends. Unlike historical data, which looks at past performance, or known data, which describes current realities, analytics projects what is likely to happen in the future. For example, predictive analytics can identify demand spikes based on past seasonal behaviour, consumer sentiment, or economic indicators. In category management, such predictive models are invaluable for anticipating supply shortages, managing risks, and planning procurement strategies. Analytics data allows procurement professionals to move from reactive decision-making to proactive and strategic management.

The integration of analytics into forecasting also supports better negotiation with suppliers, as buyers can demonstrate awareness of future trends and cost drivers. In today's fast-changing markets, reliance solely on historical data is insufficient - analytics data gives procurement a competitive edge.

Reference: CIPS L5M6 Study Guide, p.140

NEW QUESTION # 25

Polygon Ltd is a buyer of components. Jeff, a Category Manager at Polygon, is analysing buyer strength in this marketplace to determine his procurement strategy. Which of the following would increase buyer strength?

- **A. Placing larger order quantities**
- B. High level of inflation
- C. Fewer suppliers in the marketplace
- D. Low levels of substitute

Answer: A

Explanation:

Buyer strength increases when order volumes are large, as this gives leverage in negotiations and can improve pricing and terms. The other options do not necessarily strengthen buyer power.

Reference: CIPS L5M6 Study Guide, p.112

NEW QUESTION # 26

Workshops, safety facilities, and design engineers are indirect costs associated with which industry?

- A. Retail
- **B. Construction**
- C. Agriculture
- D. Services

Answer: B

Explanation:

In construction, indirect costs include items like workshops, safety facilities, and design engineers. These are necessary for

operations but not directly tied to a single output.

[Ref CIPS L5M6 Study Guide, p.90 - Indirect cost examples by industry]

NEW QUESTION # 27

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