

Quiz CIPS - L4M2 - Defining Business Needs High Hit-Rate Hottest Certification



CIPS Level 4 – Diploma in Procurement and Supply

Defining Business Needs [L4M2]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question

L4M2 Sample Questions V4 Sept 2020

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CIPS Defining Business Needs Sample Questions (Q189-Q194):

NEW QUESTION # 189

As the lead procurement manager, you have been asked to compile a business case for a large project. Which of the following should you include in the business case?

- * Costs and risks
- * List of large suppliers
- * Business benefits
- * Informal recommendation

- A. 2 and 3 only
- B. 1 and 4 only
- C. 1 and 3 only
- D. 2 and 4 only

Answer: C

NEW QUESTION # 190

When analysing a market, the availability of substitute products or suppliers is the only competitive force to consider. Is this statement correct?

- A. No, other forces include the threat of new entrants and bargaining strength of buyers and suppliers
- B. Yes, it is the only competitive force relevant to procurement
- C. No, availability of substitutes is not a competitive market force
- D. Yes, substitute products and therefore cost is the source of all competition

Answer: A

Explanation:

Detailed Explanation:

While substitute products are an important factor, other forces such as new entrants, buyer and supplier bargaining power, and industry rivalry also significantly influence market dynamics. These forces are part of frameworks like Porter's Five Forces used in market analysis. Reference: CIPS Level 4, Market Environment Analysis.

NEW QUESTION # 191

Which of the following provides in-depth detail for both functional and non-functional requirements and covers assumptions, constraints, performance, dimensions, weights and reliability of a product?

- A. Tolerance
- B. Performance specification
- C. Design specification
- D. Statement of work

Answer: C

Explanation:

Design specification is a detailed document providing a list of points regarding a product or process. For example, the design specification could include required dimensions, environmental factors, ergonomic factors, aesthetic factors, maintenance that will be needed, etc. It may also give specific examples of how the design should be executed, helping others work properly (a guideline for what the person should do).

Performance specification is written requirement that describes the functional performance criteria required for a particular equipment, material, or product.

Tolerance is the permissible limit of a variable used to define a product. Statement of work is the document that captures and defines all aspects of a project, including the activities, deliverables and the timetable for the project.

Reference: CIPS study guide page 118

LO 3, AC 3.1

NEW QUESTION # 192

A procurement team is categorising their purchased items into four quadrants of Kraljic's supply chain portfolio matrix. They realise that there are some low-value items which come from very few suppliers in the market. The organisation is critically dependent on these suppliers. The team plans to reduce the dependence by finding alternative sources. Is this a right course of action?

- A. No, the organisation should run competitive biddings to exploit the competition
- B. No, there is no way to escape this dependency
- C. Yes, this action will dramatically increase the supplier's bargaining power
- **D. Yes, the organisation needs to reduce the supply risks**

Answer: D

Explanation:

According to Kraljic portfolio matrix, the low-value items with high supply risk are bottleneck items.

The purchasing strategy that is commonly recommended for these products is primarily based on acceptance of the dependence and reduction of the negative effects of the unfavourable position. An alternative strategy suggested by purchasing practitioners is to find other suppliers and move towards the non-critical quadrant.

- Accept dependence, reduce negative consequences: The main focus of this strategy is to assure supply, if necessary even at additional cost. Examples of this strategy are keeping extra stocks of the materials concerned or developing consigned stock agreements with suppliers. By performing a risk analysis firms can identify the most important bottleneck products and consider the implications. A possible action for dealing with unexpected bad dependence positions for certain products is to employ contingency planning.

- Reduce dependence and risk, find other solutions: This strategy is geared towards reducing the dependence on the supplier. The most common way to achieve this is to broaden the specifications of the product or to search for new suppliers.

The procurement team in the scenario has selected reducing dependency by finding alternatives. This is a right strategy for bottleneck item.

NEW QUESTION # 193

What is the contribution of marketing function to the development of specification?

- A. Marketing ensures that conformance specification will never be used
- B. Marketing consults on technical requirements of the product
- **C. Marketing provides ideas on customer's taste and market trends**
- D. Marketing ensures that procurement function doesn't involve in developing specification

Answer: C

Explanation:

Marketing plays a critical role in sales. The marketing department introduces products to the consumer, and creates strategic messaging that elevates appeal and ultimately drives sales. The feed-back and response from consumers is measured by the marketing team on a variety of levels. Advertising is one means of seeing what performs and what does not perform. Marketers will note trends and demand in their specific markets. This plays into new product development, because the marketing team can work with product developers to create products based on that demand.

In development of specification, the role of marketing is largely the same. They provide the market insight so that right specification is developed and it matches the demands from customers.

Reference:

- CIPS study guide page 173-175

- Role of Marketing Management in New Product Development (chron.com)

LO 3, AC 3.4

NEW QUESTION # 194

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