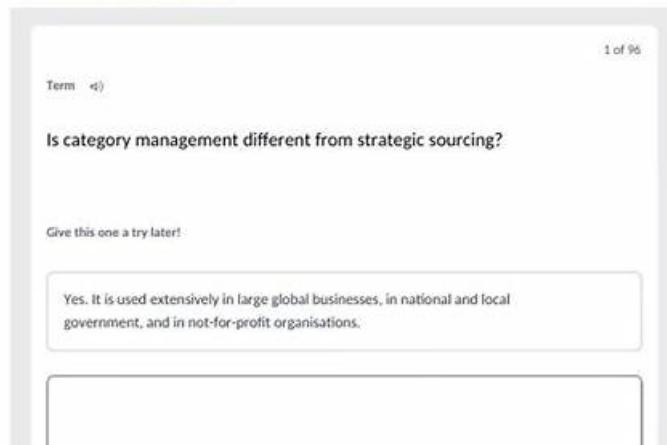


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## **L5M6 CATEGORY MANAGEMENT -** **LEARNING OUTCOME 1** **(APPROACHES THAT CAN BE USED** **TO DEVELOP CATEGORY** **MANAGEMENT STRATEGIES) EXAM** **QUESTIONS WITH 100% CORRECT** **ANSWERS!!**



1 of 96

Term: 40

Is category management different from strategic sourcing?

Give this one a try later!

Yes. It is used extensively in large global businesses, in national and local government, and in not-for-profit organisations.

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## **CIPS L5M6 Exam Syllabus Topics:**

Topic	Details
Topic 1	<ul style="list-style-type: none"><li>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.</li></ul>

Topic 2	<ul style="list-style-type: none"> <li>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.</li> </ul>
Topic 3	<ul style="list-style-type: none"> <li>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.</li> </ul>

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## CIPS Category Management Sample Questions (Q51-Q56):

### NEW QUESTION # 51

ABC Ltd wishes to ensure compliance across its supply chain.

Which of the following are steps that can be taken to ensure compliance with regulations and standards including CSR?

- A. Only work with large suppliers who have a CSR policy
- B. Do not work with suppliers in low-cost countries
- C. Make ethics and compliance a priority when qualifying new suppliers**
- D. Communicate the company's values across the supply chain**

**Answer: C,D**

Explanation:

- \* Making ethics and compliance a priority [B] ensures supplier selection considers regulatory and social responsibility aspects.
- \* Communicating values across the supply chain [C] builds alignment and accountability.

A and D are incorrect because having a CSR policy doesn't guarantee practice, and low-cost country sourcing does not automatically mean non-compliance.

[Ref: CIPS L5M6 Study Guide, p.107 - Ensuring compliance in supply chains]

### NEW QUESTION # 52

What is a General Ledger?

- A. A list of approved suppliers
- B. An IT system that prepares information for financial reporting**
- C. A catalogue of products to buy and/or sell
- D. An IT system that conducts tenders electronically

**Answer: B**

Explanation:

A General Ledger [GL] is the central accounting record used by businesses to prepare financial reports. It categorises all financial transactions into cost codes, allowing managers to track expenditure, revenue, assets, and liabilities.

For category managers, the General Ledger provides visibility into spend categories. This information supports spend analysis and helps in mapping organisational costs against suppliers, categories, and business functions. It differs from line item detail by offering a higher-level financial view.

Other options are misleading:

- \* Option A [tenders] relates to e-procurement platforms, not financial records.
- \* Option C [catalogue] refers to item listings, not ledgers.
- \* Option D [supplier lists] relates to approved supplier databases.

By using GL data, procurement can ensure alignment with finance, strengthening compliance, budgeting, and strategic sourcing decisions.

[Ref: CIPS L5M6 Study Guide, p.135 - Use of General Ledger in procurement analysis]

### NEW QUESTION # 53

In which section of a balance sheet would you find the term "goodwill"?

- A. Current assets
- B. Current liabilities
- C. Non-current liabilities
- D. Non-current assets

**Answer: D**

Explanation:

Goodwill is found under Non-current assets in a balance sheet. Goodwill arises when one company acquires another for a value greater than its tangible assets, reflecting intangible benefits such as brand reputation, customer loyalty, patents, or strong supplier relationships.

For example, if a company is valued at £10 million based on tangible assets but is purchased for £15 million, the £5 million difference is recorded as goodwill. This asset remains on the balance sheet until impaired [e.g., if the acquired brand loses value].

It is not a current asset because it cannot be quickly liquidated within one year. Nor is it a liability [current or non-current] since it represents value, not debt.

For procurement and category managers, goodwill can signal a supplier's market position, brand strength, and long-term stability. It highlights how intangible assets, though harder to measure, play a role in supplier evaluation and business acquisitions.

[Ref: CIPS L5M6 Study Guide, p.183 - Financial terms and balance sheet analysis]

### NEW QUESTION # 54

In Category Management, which is the best way to group materials and/or services?

- A. Spend category
- B. Geography of supply
- C. Supplier relationship
- D. Usage characteristic

**Answer: D**

Explanation:

In category management, grouping is most effective when based on similar usage characteristics. This means materials or services are categorised by how they are used within the organisation, rather than simply by spend or supplier. For example, in healthcare, personal protective equipment (PPE) forms one category, while surgical instruments or bedding may be separate categories. This approach ensures that category managers have a clear understanding of functional requirements, demand patterns, and value drivers. Grouping only by spend might overlook strategic importance, while grouping by supplier or geography can miss opportunities for cross-functional efficiencies. Usage-based categorisation allows for tailored procurement strategies that align with business objectives and ensure effective stakeholder engagement. It also enables organisations to identify synergies across business units and improve supplier management. By aligning categories to organisational needs rather than just financial or structural dimensions, procurement creates more value and achieves better alignment with corporate strategy.

Reference: CIPS L5M6 Study Guide, p.48

### NEW QUESTION # 55

There are three types of forecasting used in category management that require data. Which from the list below is not a type of forecasting used in category management?

- A. Supply

- B. Quantity
- C. Price
- D. Demand

#### Answer: B

Explanation:

In category management, forecasting is a critical tool for anticipating future requirements and managing supply markets. The three types of recognised forecasting are: demand forecasting (predicting organisational needs), supply forecasting (assessing availability and supplier capabilities), and price forecasting (estimating future price movements based on trends and market conditions).

"Quantity forecasting" is not recognised as a distinct type, because quantity requirements are inherently part of demand forecasting. By separating demand, supply, and price forecasts, procurement professionals gain a holistic view of market conditions, ensuring they can secure the right goods at the right time and price. Effective forecasting also reduces risk by ensuring that category strategies account for volatility, seasonality, and inflation.

Organisations that fail to forecast accurately may face supply shortages, overstocking, or missed opportunities for cost savings.

Reference: CIPS L5M6 Study Guide, p.139

#### NEW QUESTION # 56

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