

Lab L4M1 Questions, L4M1 Original Questions



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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 the need for compliance: This section measures skills of compliance officers and sector-specific procurement managers in understanding different economic and industrial sectors such as
Topic 3	<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 4	<ul style="list-style-type: none"> Public, private, charity, not-for-profit, manufacturing, retail, construction, financial, agriculture, and service sectors. It also covers analyzing the impact of the public sector on procurement and supply chain activities public sector objectives, regulations, competition, accountability, and value for money. It finally covers the impact of the private sector on procurement or supply chain activities.
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CIPS Scope and Influence of Procurement and Supply Sample Questions (Q37-Q42):

NEW QUESTION # 37

Describe the CIPS Code of Conduct providing examples of how an organisation can ensure compliance with the standard (25 points)

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question:

- This is the type of question you either know or you don't. You can't really guess it. So do memorise it.

There's not really a shortcut here.

- The CIPS Code of Conduct is an ethical standard and framework which is used profession-wise. The purpose is to standardise ethics across the profession.

- There are 5 aspects to the Code of Conduct: enhance and protect the standing of the profession, promote the eradication of unethical business practices, maintain integrity in all business relationships, enhance proficiency and stature of the profession and ensure full compliance with law and regulations.

Example Essay:

The Chartered Institute of Procurement & Supply (CIPS) Code of Conduct is a comprehensive set of principles and standards that guide the ethical conduct of procurement and supply professionals. Adhering to this code is crucial for maintaining integrity, transparency, and responsible behaviour within the procurement profession. Here's an overview of the CIPS Code of Conduct along with examples of how organizations can ensure compliance with these standards:

1 - Enhance and protect the standing of the profession.

This means don't bring the profession into disrepute by your actions, don't accept gifts or offers of hospitality and to be aware that behaviour outside work reflects one's reputation as a professional. An organisation can implement training programs to educate procurement professionals about the importance of maintaining high standards of professionalism and integrity in their interactions with suppliers and stakeholders.

2 - Promote the eradication of unethical business practices.

This means fostering awareness of human rights, fraud and corruption issues in business relationships, responsibly managing business relationships if unethical practices come to light, undertaking due diligence (in respect to forced labour, fraud, corruption) and continually develop one's own personal knowledge of ethical issues. Promoting the eradication of unethical business practices requires a comprehensive and proactive approach from organizations. This involves having a strong CSR policy, having whistleblowing protection and reporting mechanisms, and conducting due diligence on the supply chain.

3 - Maintain integrity in all business relationships.

An organisation can show compliance with this by, rejecting improper business practices, never using authority for personal gain, declaring conflicts of interest, giving accurate information, not breaching confidentiality, striving for genuine, fair and transparent competition and being truthful about skills and experience. An example of this is for an organisation to sever ties with unethical businesses. One notable example of a retailer terminating a relationship with a supplier due to ethical reasons is the case of H&M

and its decision to cut ties with a Chinese yarn producer in Xinjiang province. H&M, a global fashion retailer, announced in early 2021 that it would no longer source cotton from Xinjiang due to concerns over forced labour and human rights abuses associated with cotton production in the region.

4 - Enhance proficiency and stature of the profession.

Activities which would demonstrate compliance with this includes: Continual development of knowledge and skills, fostering the highest standards of competence in staff members at the organisation and optimising the responsible use of resources. For procurement staff, this could involve becoming MCIPS qualified, and even once qualified, completing routine CPD (Continued Professional Development) to ensure their knowledge and skills remain updated and relevant. They should also strive to share their knowledge with the wider organisation.

5 - Ensure full compliance with law and regulations.

An organisation can demonstrate compliance with the standard by proving they: follow the law in all countries they do business in, fulfilling all contractual obligations and following the CIPS guidance on professional practice. Compliance can include aspects of fiduciary responsibility such as paying the correct level of tax and filing returns on time, as well as compliance to legislation such as the Health and Safety at Work Act 1974 and the Equalities Act 2000.

In conclusion, the CIPS Code of Conduct is a voluntary standard for organisations to follow but it sets a high standard for the industry. By following the CIPS Code of Conduct organisations can enhance their reputation and levels of trust among stakeholders, as well as being reassured that following these clear ethical guidelines contribute to a positive workplace culture, boosting employee morale and commitment by fostering a sense of shared values.

Tutor Notes:

- Under the previous syllabus CIPS asked this question a lot. If you memorise one thing from the study guide I'd recommend it be this. Even if it doesn't come up as a stand-alone question, you can work it into more general essays about ethics- so it is useful to know.

- For a top score, try to give deep examples. So where you have said 'responsibly managing business relationships' you could explain what this means in practice- by ensuring fair contract terms are put in place, holding suppliers to account when they do something wrong and not exploiting smaller suppliers. Where you have said 'complete Due Diligence' you could mention that this would be completed before awarding a contract to a supplier and would involve looking at a supplier's history and supply chain to ensure that they have not been involved in any crimes (fraud etc) or unethical behaviour (such as polluting the environment).

The more in depth you go, the more you show the examiner your understanding, and the higher you'll score.

- p. 137 or here: Cips Code of Conduct | CIPS Note the study guide talks on p. 132 about the CIPS Code of Ethics, which is slightly different. The Code of Conduct is the main one to learn.

NEW QUESTION # 38

Explain each of the following FIVE electronic systems and how they can contribute to an effective procurement process. (25 marks)

- (i) e-requisitioning
- (ii) e-catalogues
- (iii) e.ordering
- (iv) e-sourcing
- (v) e-payment

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

Electronic procurement systems leverage technology to improve efficiency, transparency, and control in procurement processes. Each system has distinct functionalities that contribute to effective procurement.

Below is an explanation of each system and its contribution:

(i) E-Requisitioning

* Explanation:E-requisitioning is the electronic process of submitting purchase requests within an organization, replacing traditional paper-based requisition forms. Users can raise requisitions online, detailing the goods or services needed.

* Contribution to Procurement Effectiveness:E-requisitioning accelerates the request process, reduces errors, and ensures standardization of data. It enables automatic routing for approvals, enforcing procurement policies and budget controls. This reduces processing time and improves transparency, allowing better tracking and auditability of requests.

* Example:An employee submits an electronic requisition which is automatically routed to managers for approval, ensuring compliance and faster processing.

(ii) E-Catalogues

* Explanation:E-catalogues are digital product listings maintained by suppliers or procurement departments. They provide a searchable and standardized database of goods and services available for purchase, often with pricing and technical details.

* Contribution to Procurement Effectiveness:E-catalogues simplify ordering by giving users easy access to approved products, reducing the need for manual sourcing. They help control spending by limiting choices to pre-approved items and negotiated prices, supporting compliance and reducing maverick spending. The electronic format improves accuracy in ordering and reduces processing time.

* Example:Procurement users select products directly from a supplier's e-catalogue integrated into the procurement system, ensuring correct specifications and pricing.

(iii) E-Ordering

* Explanation:E-ordering refers to the electronic placement of purchase orders via procurement software or online platforms. It replaces manual order creation and transmission methods.

* Contribution to Procurement Effectiveness:E-ordering increases speed and accuracy of orders, reduces administrative costs, and provides real-time order status tracking. It minimizes errors caused by manual entry, improves communication with suppliers, and supports automatic matching of orders with invoices for smoother payment processes.

* Example:Once a requisition is approved, the system generates an electronic purchase order sent directly to the supplier, reducing lead times.

(iv) E-Sourcing

* Explanation:E-sourcing is the electronic process of identifying, evaluating, and selecting suppliers using online tools such as auctions, tendering portals, and supplier databases.

* Contribution to Procurement Effectiveness:E-sourcing enhances transparency, widens supplier competition, and accelerates the tendering process. It reduces paperwork and streamlines supplier evaluation through standardized online submissions. Electronic auctions can drive competitive pricing and better contract terms. It also enables better documentation and audit trails.

* Example:An organization uses an e-sourcing platform to conduct a reverse auction, encouraging suppliers to offer their best prices in real time.

(v) E-Payment

* Explanation:E-payment systems facilitate electronic transfer of funds to suppliers, including methods such as electronic funds transfer (EFT), automated clearing house (ACH) payments, or procurement card payments.

* Contribution to Procurement Effectiveness:E-payment increases the efficiency and security of supplier payments, reduces errors, and speeds up transaction processing. It strengthens supplier relationships through timely payments and reduces administrative overhead and costs associated with manual cheque processing. Automated payments also support better cash flow management and financial control.

* Example:Invoices matched and approved in the procurement system are paid automatically through an integrated e-payment platform, ensuring prompt settlement.

Conclusion:

The integration of these five electronic procurement systems - e-requisitioning, e-catalogues, e-ordering, e-sourcing, and e-payment - delivers significant improvements in procurement efficiency, control, and transparency. Together, they streamline processes, reduce costs, enhance compliance, and improve supplier collaboration, making the procurement function more strategic and value-driven.

NEW QUESTION # 39

Provide a definition of a stakeholder (5 points) and describe 3 categories of stakeholders (20 points).

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

Essay Plan:

Definition of Stakeholder- someone who has a 'stake' or interest in the company. A person or organisation who influences and can be influenced by the company.

Categories of stakeholders:

1) Internal Stakeholders- these people work inside the company e.g. employees, managers etc

2) Connected- these people work with the company e.g. suppliers, mortgage lenders

3) External Stakeholders - these people are outside of the company e.g. the government, professional bodies, the local community.

Example Essay:

A stakeholder is an individual, group, or entity that has a vested interest or concern in the activities, decisions, or outcomes of an organization or project. Stakeholders are those who can be affected by or can affect the organization, and they play a crucial role in influencing its success, sustainability, and reputation.

Understanding and managing stakeholder relationships is a fundamental aspect of effective organizational governance and decision-making and there are several different types of stakeholders.

Firstly, internal stakeholders are those individuals or groups directly connected to the daily operations and management of the organization. Internal stakeholders are key to success and are arguably more vested in the company succeeding. They may depend

on the company for their income / livelihood. Anyone who contributes to the company's internal functions can be considered an internal stakeholder for example:

This category includes

- 1) Employees: With a direct influence on the organization's success, employees are critical internal stakeholders. Their engagement, satisfaction, and productivity impact the overall performance.
- 2) Management and Executives: The leadership team has a significant influence on the organization's strategic direction and decision-making. Their decisions can shape the company's future.

Secondly, connected stakeholders are those individuals or groups whose interests are tied to the organization but may not be directly involved in its day-to-day operations. Connected stakeholders work alongside the organisation and often have a contractual relationship with the organisation. For example, banks, mortgage lenders, and suppliers. These stakeholders have an interest in the business succeeding, but not as much as internal stakeholders. It is important to keep these stakeholders satisfied as the organisation does depend on them to some extent. For example, it is important that the organisation has a good relationship with their bank / mortgage provider/ supplier as failing to pay what they owe may result in the stakeholders taking legal action against the organisation. This category includes:

- 1) Shareholders/Investors: Holding financial stakes in the organization, shareholders seek a return on their investment and have a vested interest in the company's financial performance.
- 2) Suppliers and Partners: External entities providing goods, services, or collaboration. Their relationship with the organization impacts the quality and efficiency of its operations.

Lastly external stakeholders are entities outside the organization that can influence or be influenced by its actions. This category includes anyone who is affected by the company but who does not contribute to internal operations. They have less power to influence decisions than internal and connected stakeholders. External stakeholders include the government, professional bodies, pressure groups and the local community. They have quite diverse objectives and have varying ability to influence the organisation. For example, the government may be able to influence the organisation by passing legislation that regulates the industry but they do not have the power to get involved in the day-to-day affairs of the company. Pressure groups may have varying degrees of success in influencing the organisation depending on the subject matter. This category includes:

- 1) Customers: With a direct impact on the organization's revenue, customers are vital external stakeholders. Their satisfaction and loyalty are crucial for the company's success.
- 2) Government and Regulatory Bodies: External entities overseeing industry regulations. Compliance with these regulations is crucial for the organization's reputation and legal standing.

In conclusion, stakeholders are diverse entities with a vested interest in an organization's activities. The three categories-internal, connected and external -encompass various groups that significantly influence and are influenced by the organization. Recognizing and addressing the needs and concerns of stakeholders are vital for sustainable and responsible business practices.

Tutor Notes

- The above essay is pretty short and to the point and would pass. If you want to beef out the essay you can include some of the following information for a higher score:
- Stakeholders can be harmed by, or benefit from the organisation (can affect and be affected by the organisation). For example a stakeholder can be harmed if the organisation becomes involved in illegal or immoral practices- e.g. the local community can suffer if the organisation begins to pollute the local rivers.
- The local community can also benefit from the organisation through increased employment levels.
- CSR argues organisations should respect the rights of stakeholder groups
- Stakeholders are important because they may have direct or indirect influence on decisions
- The public sector has a wider and more complex range of stakeholders as they're managed on behalf of society as a whole. They're more likely to take a range of stakeholder views into account when making decisions. However, these stakeholders are less powerful - i.e. they can't threaten market sanctions, to withdraw funding, or to quit the business etc.
- The essay doesn't specifically ask you to Map Stakeholders, but you could throw in a cheeky mention of Mendelow's Stakeholder Matrix, perhaps in the conclusion. Don't spend time describing it though- you won't get more than 1 point for mentioning it. You'd be better off spending your time giving lots and lots of examples of different types of stakeholders.
- Study guide p. 58

NEW QUESTION # 40

Explain FIVE differences between capital expenditure and operational expenditure categories of spend for an organisation. (25 marks)

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

When discussing capital expenditure (CapEx) and operational expenditure (OpEx) in the context of procurement and supply, it is essential to understand how they impact an organization's financial planning, decision-making, and procurement strategy. Below are

five key differences between CapEx and OpEx:

1. Definition and Nature of Spend

* Capital Expenditure (CapEx): Refers to investments made by a company to acquire, upgrade, or maintain physical assets such as property, machinery, or equipment. These are typically large, one-time purchases that provide long-term benefits.

* Operational Expenditure (OpEx): Involves day-to-day expenses required to run the business, such as salaries, rent, utilities, and consumables. These costs are necessary for ongoing operations.

2. Accounting Treatment

* CapEx: Considered a long-term investment, it is capitalized and recorded as an asset on the balance sheet. Depreciation or amortization is applied over the useful life of the asset.

* OpEx: Fully expensed in the profit and loss statement in the accounting period in which it is incurred.

It directly impacts the organization's profitability in the short term.

3. Budgeting and Approval Process

* CapEx: Requires substantial financial planning, detailed justification, and approval from senior management due to its high-cost implications. It often involves long-term financial commitment.

* OpEx: Generally included in the organization's operating budget and does not require extensive approval processes, as it consists of routine expenses necessary for daily business functions.

4. Impact on Cash Flow and Financial Planning

* CapEx: Affects cash flow significantly as it requires large upfront payments. Organizations often finance CapEx through loans, leasing, or long-term financial strategies.

* OpEx: Represents smaller, recurring costs that are easier to manage and predict within the financial year, allowing for more flexibility in cash flow management.

5. Examples of Procurement and Supply Considerations

* CapEx Examples: Purchasing manufacturing equipment, acquiring new office buildings, upgrading IT infrastructure (e.g., servers, data centers).

* OpEx Examples: Office supplies, utility bills, employee salaries, maintenance and repair costs, software subscriptions.

Conclusion

Understanding the distinction between capital expenditure and operational expenditure is essential for procurement and supply professionals to make informed financial decisions, align with corporate strategy, and ensure efficient resource allocation.

Procurement teams must consider factors such as cost-benefit analysis, funding sources, and long-term value when determining the best approach for an organization's spending strategy.

NEW QUESTION # 41

Explain what is meant by the term Inventory Management System? Describe MRP and ERP systems explaining when they are used and the advantages and disadvantages of using them (25 points)

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question:

- Definition of Inventory Management System - a system, usually a piece of digital software, that helps an organisation manage their inventory. It oversees the process of ordering stock, receiving it, storing it and converting it into finished goods. Used predominantly in manufacturing organisations. MRP and ERP are types of IMS.

- MRP - Material Requirements Planning- this is a planning, scheduling, and inventory control system used to manage manufacturing processes. Most MRP systems are software-based. The aim is to automate and improve the efficiency of ordering and processing raw materials.

- ERP - Enterprise Resource Planning - this system uses MRP but also includes other operations such as finance, so allows for budgeting and forecasting, and customer relations. ERP gives an organisation a more holistic overview compared to MRP which just focuses on manufacturing.

- When they are used - predominantly in the manufacturing industry for the ordering of goods. Not used for services. Used when there is a lot of maths involved in figuring out how much of something to order and when e.g. a chocolate manufacturer who needs to produce 50,000 chocolate bars a day. MRP / ERP helps the organisation know what to order, how much and when. It helps achieve the 5 Rights of Procurement.

- Advantages - the advantages of MRP and ERP are very similar and in most cases the same: more accurate than manual processes, quicker response times, automated process frees up people to complete more added value tasks, flexibility, has real time information to inform on decision making, improved responsiveness to customers, improved supply chain management, reduction in costs.

- Disadvantages - expensive, complicated, can break down or be hacked (as they're digital systems), only as good as the information put into them. training required to use.

Example Essay:

IMS

An Inventory Management System (IMS) is a software application or set of tools designed to oversee and optimize the management of a company's inventory. The primary goal of an inventory management system is to maintain an accurate record of stock levels, streamline the procurement process, and ensure efficient order fulfillment. This system plays a crucial role in supporting businesses by helping them avoid stockouts, reduce excess inventory, and enhance overall supply chain efficiency.

Inventory Management Systems have the following functions: demand management (which assists with forecasting, and helps the avoidance of overstocking), helps to control stock levels (by stating minimum and maximum levels), replenishment of stock in line with policies, allows automatic reordering when stock levels get low, tracks stock movements (e.g. around a warehouse), allows communication with suppliers and end users, and helps increase safety by ensuring stock isn't damaged or deteriorating.

MRP

MRP stands for Material Requirements Planning, and it is a computer-based inventory management and production planning system used by businesses to optimize the management of materials, components, and finished products in the manufacturing process. MRP is a key component of Enterprise Resource Planning (ERP) systems, focusing specifically on the planning and control of materials and production resources.

MRP systems use 3 main modules: 1. Master Production Schedule- information on customer orders, forecast orders, customer requirements and stock orders 2. Bill of Materials - the recipe / breakdown of components of the finished product and 3. Inventory Status File - tells you the current stock levels.

How MRP works- For example, a customer wants to order a new sofa. 1. input the customer order into MRP

2. Check finished stock and if there's a sofa, give the customer that sofa. If there isn't a sofa in stock, the MRP system will look at the Bill of Materials- looking at individual materials needed to make the sofa and will order these, factoring in lead times 3. confirm to customer what the lead time is on getting their new sofa, based on delivery time of materials and time to make it.

MRP is a simple system - it doesn't take into account other business processes and can go wrong due to inaccurate or outdated information.

Advantages of the MRP process include the assurance that materials and components will be available when needed, minimised inventory levels, reduced customer lead times, optimised inventory management, and improved overall customer satisfaction.

Disadvantages to the MRP process include a heavy reliance on input data accuracy (garbage in, garbage out), the high cost to implement, and a lack of flexibility when it comes to the production schedule.

ERP

This is business management software which is used to collect, store, manage, and interpret data from many business activities. It uses MRP but also includes other operations such as finance, HR and customer services.

Therefore it's more powerful than MRP. Where MRP can tell you how much of something to order and what the lead times are, ERP can also consider how many staff are available each day (by looking at holidays and sickness) and factor this into the manufacturing process. It can also produce accurate financial data, manage customer and supplier relationships.

ERP facilitates information flow between all business functions and manages connections to outside stakeholders. SAP and Oracle are examples of ERP systems. There is also ERP II - this extends the system to include links with suppliers and supply chain stakeholders. One of the primary advantages of implementing an ERP system is the integration of information across various departments. By providing a unified view of an organization's operations, an ERP system ensures that different functions work with synchronized and consistent data, fostering improved decision-making and collaboration.

Operational efficiency is another significant benefit of ERP systems. Through the automation of routine tasks and streamlined processes, organizations can achieve greater efficiency, reduce manual errors, and enhance overall productivity.

However, one of the primary disadvantages is the high initial implementation costs. Organizations must invest in software licenses, training programs, and customization to align the ERP system with their specific needs.

The complexity of ERP systems and potential customization challenges can pose difficulties, requiring expertise and resources for successful implementation.

Resistance to change among employees is a common hurdle when introducing ERP systems. Employees may be hesitant to adopt new processes and technologies, leading to a slower transition period and potential inefficiencies during the learning curve.

Organizations also become dependent on ERP vendors for updates, support, and maintenance, and switching vendors can be disruptive and costly.

In conclusion, while MRP and ERP systems offer numerous advantages in terms of operational efficiency, data integration, and strategic planning, organizations must carefully weigh these benefits against the associated challenges. A well-planned and effectively implemented system can contribute significantly to an organization's success, but the decision to adopt such a system should be approached with a thorough understanding of both its advantages and potential drawbacks.

Tutor Notes

- This is a really hard topic if you don't have a manufacturing background. The way I think about it is this- imagine you're Cadbury's and you're coming up to Easter. How much sugar do you need to buy and when do you need to buy it in order to make all your Easter Eggs? Hard question right? Well MRP / ERP is the clever software that figures that all out for you. It will tell you how much sugar needs to be bought on what day, in order for the delivery time to be right for manufacturing. It will consider storage costs and how quickly Easter Eggs get made in the factory. It's honestly so clever. Feel free to use that example in your essay. Examples like that show the examiner you understand the topic.

- Although they're fabulous systems, using MRP and ERP systems doesn't guarantee success- at the end of the day they're just

software- the key to success is in the accuracy of the data that's inputted into the systems and how the systems are used. That would make a strong conclusion.

NEW QUESTION # 42

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