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What is more difficult is not only passing the Financials in Scope and Influence of Procurement and Supply (L4M1) certification exam, but the acute anxiety and the excessive burden also make the candidate nervous to qualify for the Scope and Influence of Procurement and Supply (L4M1) certification. If you are going through the same tough challenge, do not worry because DumpsMaterials is here to assist you.

## CIPS L4M1 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none"> <li>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.</li> </ul>
Topic 2	<ul style="list-style-type: none"> <li>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.</li> </ul>

Topic 3	<ul style="list-style-type: none"> <li>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.</li> </ul>
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## CIPS Scope and Influence of Procurement and Supply Sample Questions (Q38-Q43):

### NEW QUESTION # 38

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 fulfilment. 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.

- This is a good simple video that explains the topic: What is Materials Requirement Planning (MRP)?

(youtube.com) I also like watching How Its Made - a documentary series about factory life. You can find it on BBC Iplayer. If you don't have a manufacturing background it helps give context to some of these dry subjects like MRP and Just-in-Time manufacturing.

- LO 3.4 p. 175

Explain the main differences between the Public Sector and the Private Sector (25 marks)

**Answer:**

Explanation:

See the solution in Explanation part below.

Explanation:

Bottom of Form

Top of Form

- This is an open question. You could really talk about anything. Here's some ideas of content:

Public Sector	Private Sector
Driver - achieve defined service levels	Driver - profitability
Diverse Stakeholders	Less Stakeholders
Strict Regulation and Public Accountability	Less regulation and public accountability
Procurement is driven by achieving value for money - three EEs	Procurement is driven by Brand Values (e.g., quality, CSR, innovation)
Suppliers kept at arm's length	Suppliers seen as essential collaborators
Strategy is always open competition	Strategy can include ESI, partnerships

Example Essay

The public and private sectors, while both essential to a nation's economy, operate under different paradigms, primarily due to their distinct drivers, stakeholders, regulations, procurement aims, and supplier relationships.

**Drivers**

The most fundamental difference lies in their drivers. Private sector organizations are primarily profit-driven; their existence hinges on their ability to generate profits. This profit influences their strategies, operations, and overall objectives. Conversely, public sector organizations are not driven by profit. Funded by taxpayer money, their primary objective is to deliver services effectively and efficiently to the public. Their success is measured not in financial terms, but in how well they meet the service levels required by the citizens who finance them through taxes.

**Stakeholders**

The range and influence of stakeholders in the two sectors also differ markedly. In the public sector, the stakeholder base is much broader, encompassing every member of society who interacts with or benefits from public services like healthcare, policing, and road maintenance. However, these stakeholders typically have less power to influence policy or practices. In contrast, stakeholders in the private sector, such as shareholders and customers, often have a more significant influence on company policies and practices. The private sector's narrower stakeholder base allows for more direct impact and influence from these groups.

**Regulations**

Regulations in the public sector are generally more stringent than in the private sector. Public sector entities, governed by regulations like PCR 2015, must demonstrate sound procurement practices and are accountable to society at large. This contrasts with the private sector, where companies have more latitude in choosing suppliers and are not obliged to justify their decisions publicly. The private sector faces fewer regulatory constraints, allowing for more flexibility in business decisions.

**Procurement Aims**

Procurement in the public sector is guided by the principles of efficiency, economy, and effectiveness, often summarized as the '3 Es'. The focus is on achieving value for money, considering both quality and price. In contrast, private sector procurement is more diverse in its aims, reflecting the organization's specific goals, which could range from profit maximization to innovation or sustainability. The private sector's procurement decisions are more closely aligned with the organization's unique values and objectives.

**Supplier Relationships**

Finally, the nature of supplier relationships differs significantly between the two sectors. The public sector is mandated to maintain a certain distance from its suppliers, ensuring equal treatment and open competition, as dictated by regulations like the PCR. This contrasts with the private sector, where companies are free to develop closer, more strategic relationships with preferred suppliers. The private sector can engage in practices like partnerships and Early Supplier Involvement, which are typically not permissible in the public sector due to the need for impartiality and fairness.

In summary, while both sectors aim to deliver services or products effectively, the public sector's focus on service delivery for the public good, stringent regulations, broad stakeholder base, and specific procurement principles, sets it apart from the private sector's profit-driven, flexible, and more narrowly focused approach.

**Tutor Notes**

- At Level 4 the questions are usually explain or describe, so don't worry too much about doing an in depth

'compare and contrast' style of answer. They don't expect that level of detail here. Simply saying Public Sector does X and Private Sector does Y is all you need.

- I have mentioned PCR 2015 - if you're taking this exam in 2025 you may need to update this reference with the new regulations.

- LO 4.3 p.220 / p. 226

#### NEW QUESTION # 40

Explain the impact that having a Corporate Governance Framework can have on the policies and processes of the procurement department (25 points)

#### Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

A basic response would include:

- What a Corporate Governance Framework is - the system of rules, practices and processes which directs and controls a company. Corporate Governance refers to the way in which companies are governed and to what purpose.
- Impact this has on policies and processes - means the procurement department follows regulatory mechanisms (e.g. financial regulations, Codes of Practices), has a checks and balances system (such as auditing), uses e-procurement technologies, vets staff and suppliers, has a clear segregation of duties etc.

This is a very open question and there are so many correct answers. In fact, it's quite hard to give a wrong answer to this question - as long as your response explains a policy or process that a procurement department can have that ensures they're following Corporate Governance - that's right!

A good response may mention:

- Corporate governance is in essence a 'toolkit' that allows an organisation to effectively manage itself, ensuring that its policies and procedures are compliant with legislation and are ethical. It also ensures that the company meets its objectives.
- The impact Corporate Governance has on the procurement department will be in mandating the ways in which goods and services are procured and in the general ways of working of the procurement department.
- In your response you should mention 5 (ish) different ways Corporate Governance would impact on how procurement do their job. Examples include:

- Ethical Conduct - corporate governance ensures that the company is operating in a legal and ethical way.

This influences the processes Procurement will do and the type of suppliers they will engage with. This may also be in their approach to relationships and negotiations- seeking out collaborative relationships with suppliers rather than looking to exploit them. For example, an organisation that does not have a Corporate Governance structure may look to take advantage of suppliers and achieve the lowest cost possible at the expense of the supply chain and local community. An organisation that has strong Corporate Governance would work with suppliers, developing the relationships and thinking long-term about the impact on the local community. The organisation may therefore prioritise standards such as Fair Trade over price, and this would be reflected in the way tenders are evaluated by the procurement department.

- Use of Checks and Balance system- Corporate Governance ensures strong financial controls are implemented throughout the organisation. For the procurement department this may result in purchases being made to strict budgets (rather than just spending whatever they want), and business cases being written up and approved before the organisation spends a large amount of money on a single item. Another impact may be in the use of audits. For example, peer reviewing tenders and contract awards to ensure all members of the Procurement Team are following internal processes correctly.

- Anti-fraud prevention mechanisms. An important area of Corporate Governance is ensuring the organisation is free from fraud and corruption. This impacts on Procurement's policies and processes as it will mean scrutinising tenders and who is being awarded contracts. It may result in high levels of Due Diligence being completed on suppliers before entering into contracts and providing a whistle-blowing service for staff to report issues.

- Security measures- this will be to protect the organisation from risk. It may include the procurement department vetting new staff by completing background checks. It may also involve the segregation of procurement duties so that no individual has too much power. E.g. one person raises the requisition and another person approves the purchase. Security may also be in ways of working such as password protecting documentation and limiting access to confidential information.

- Use of a Purchasing Policy Manual - this provides operational guidance on procurement policies and procedures to all staff members. It may detail things like who has permission to order what, who the Delegated Purchasing Authority (DPA) is and the roles and responsibilities of the team.

An excellent response may also include

- Reasons why Corporate Governance Frameworks impact on procurement policies and practices. This could include reasons of accountability, reputation and risk management, procurement's links with other departments.
- You could also look at what processes would look like with Corporate Governance compared to without it (with CG = rule driven, autocratic but organisation is protected from risk. Without CG = laissez-faire, everyone does whatever they like, very risky)
- You could also provide further examples, either real life or hypothetical. Investopedia has some great information and examples you could use: Corporate Governance Definition: How It Works ([investopedia.com](https://www.investopedia.com/terms/c/corporate-governance-definition.asp))

#### NEW QUESTION # 41

What is a Public Sector organisation and what are the main objectives of organisations in the Public Sector?  
(25 points)

**Answer:**

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question

- For the first part of the question you should look to give a definition of the public sector, think about its characteristics and give some examples e.g. local government, hospitals, libraries.
- For the second part try to explain 4-5 objectives. Try to remain as broad as you can - think about objectives that all public sector organisations have in common rather than anything very specific to one organisation, what the question is looking for is the higher level, more broad aims.

Example Essay

A public sector organization, is a branch of government responsible for providing a wide range of services and functions to citizens and communities. It is funded by taxpayers' money and operates under governmental authority at various levels, including federal, state, and local governments. Public sector organizations can encompass government departments, agencies, authorities, and public enterprises. The main objectives of these organizations are multifaceted, aimed at serving the public interest and ensuring the efficient functioning of society. Examples include hospitals, schools and libraries. In this essay, we will explore the primary objectives of public sector organizations: improving services, achieving value for money, supporting communities and social value, and promoting equality, diversity, and inclusion (EDI).

Improving Services:

One of the central objectives of public sector organizations is to enhance the quality and accessibility of services provided to the public. These services can range from healthcare and education to transportation and public safety. The focus is on improving the well-being of citizens by ensuring that essential services are accessible, efficient, and responsive to evolving societal needs. For example, public healthcare systems aim to deliver high-quality medical services to all citizens, striving to reduce health disparities and provide equitable care.

Value for Money:

Public sector organizations are entrusted with the responsible and efficient use of public funds. Achieving value for money is a critical objective, ensuring that taxpayer money is spent wisely and that resources are allocated efficiently. Government agencies are tasked with optimizing budgets, reducing waste, and delivering services in a cost-effective manner. For instance, public infrastructure projects must be designed and executed to maximize benefits while minimizing costs and delays.

Supporting Communities and Social Value:

Public sector organizations play a pivotal role in supporting communities and generating social value. This objective involves initiatives and policies aimed at fostering community well-being, economic development, and social cohesion. It includes activities such as urban planning, affordable housing initiatives, and community development programs. By focusing on supporting communities, public sector organizations contribute to the overall betterment of society, creating opportunities and improving the quality of life for residents. In the UK it is a legal requirement for all large public sector contracts to consider Social Value, in line with the Social Value Act 2012.

Equality, Diversity, and Inclusion (EDI):

Promoting equality, diversity, and inclusion is another fundamental objective of public sector organizations.

These organizations are tasked with ensuring that all citizens are treated fairly and have equal access to opportunities and services.

This objective encompasses anti-discrimination policies, diversity hiring practices, and programs that address societal inequalities.

Public sector entities strive to create environments where individuals of diverse backgrounds can thrive and participate fully in public life, regardless of race, gender, age, disability, or other characteristics.

In conclusion, public sector organizations serve as key agents in addressing societal needs and promoting the common good. Their objectives encompass improving services, achieving value for money, supporting communities and social value, and promoting equality, diversity, and inclusion (EDI). By pursuing these objectives, public sector organizations contribute to the welfare and development of society, ensuring that public resources are utilized efficiently and equitably. They play a vital role in shaping the overall well-being and progress of their respective communities and nations.

Tutor Notes

- The study guide talks about the main objective of the public sector as being 'to improve services'. This is true, but in reality, the public sector may be the only people providing that service. They may be providing a service that the private sector can't or won't because it's simply not profitable. An example is the Forestry Commission which looks at protecting forests and conducting research on forests. No private sector organisation is going to do that because there's simply no money in it.
- With a lot of public sector organisations there are competing private sector organisations, just look at medical care and the rise of private health insurance. Same with transport. This essay doesn't ask you to talk about this, and it is outside of the scope of the study guide but it's an interesting observation: traditionally the aim of the public sector was to serve the public, nowadays it's actually competing with private sector organisations to do this!
- Social Value Act for anyone who's not familiar: Social Value Act: information and resources - GOV.UK ([www.gov.uk](http://www.gov.uk))

## NEW QUESTION # 42

Discuss 3 areas of regulation relating to competition that a procurement professional should be aware of (25 points)

### Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question

- This question is very vague. Sometimes CIPS do this. It allows for you to be a bit more free in your response, but can also be quite stressful because you don't 100% know what they're after.
- For this question we're looking at competitions, so full tenders where lots of suppliers are invited to bid for an opportunity. This means the type of things we could be discussing include; IP, cartels, merger controls and monopolies.

Example Essay

Procurement professionals operate within a legal framework that regulates competition, aiming to ensure fair business practices and prevent anti-competitive behaviour. Three critical areas of regulation related to competition that procurement professionals should be aware of include intellectual property, cartels, and merger controls.

Intellectual Property (IP):

Intellectual property encompasses creations of the mind, such as inventions, designs, and brand names, protected by law. In the context of procurement, understanding intellectual property is essential when dealing with suppliers' products, technologies, or services that may involve intellectual property rights.

Procurement professionals must be aware of the intellectual property rights associated with the goods or services they are procuring. This includes respecting patents, trademarks, copyrights, and trade secrets owned by suppliers. Due diligence is crucial to ensure that the products or services being procured do not infringe on the intellectual property rights of others, requiring verification of legal ownership and legitimacy. An example of something procurement should look out for include ensuring goods are authentic and not counterfeit.

Cartels:

Cartels involve agreements between competitors to control prices, manipulate markets, or restrict competition.

For procurement professionals, it is imperative to be vigilant and avoid engaging in or unintentionally supporting cartel activities.

Procurement professionals should refrain from participating in anti-competitive behaviour, such as bid-rigging or price-fixing, which are common cartel activities. This involves not colluding with suppliers or competitors to manipulate procurement processes.

Maintaining open and fair competition is essential, ensuring that procurement processes remain transparent, competitive, and free from attempts to distort market dynamics, thereby preventing the formation of cartels and promoting a level playing field.

One notable example involved the construction industry in the UK. In 2019, the Competition and Markets Authority (CMA) fined three major suppliers to the construction industry for participating in a cartel. The companies, which supplied concrete drainage products, were found to have coordinated their behaviour to share markets, fix prices, and rig bids. The investigation revealed that these companies had breached competition law by engaging in anti-competitive practices that limited competition and negatively impacted customers. The fines imposed were part of the CMA's efforts to deter and penalize such cartel behaviour, emphasizing the importance of fair competition in procurement. The Directors of the companies have also been banned from undertaking the role of Director of any company for 12 years.

Merger Controls:

Merger controls are regulations overseeing the consolidation of companies, mergers, and acquisitions to prevent monopolistic practices and protect fair competition. Procurement professionals need to be aware of these regulations, especially when dealing with suppliers undergoing mergers or acquisitions.

Staying informed about mergers and acquisitions within the supplier base is crucial. If a key supplier undergoes such changes, it may impact the stability of the supply chain or alter market dynamics.

Procurement professionals need to be aware of potential changes in supplier relationships, pricing structures, or product/service availability resulting from mergers. Engaging in proactive risk management and contingency planning is necessary to mitigate any negative impacts on procurement operations.

Mergers are actively watched in the UK by the Competition and Markets Authority, and where rules are broken, the CMA can intervene and even prevent mergers from happening. A notable example of this was the attempted merger between JD Sports and Footasylum - the companies were fined millions of pounds for exchanging information and attempting to collude and distort the marketplace.

In conclusion, procurement professionals play a crucial role in navigating these regulatory landscapes effectively. Understanding intellectual property, avoiding cartel activities, and staying informed about merger controls contribute to fostering fair and transparent competition within the marketplace.

Tutor Notes

- The construction example of a cartel can be found here Supply of precast concrete drainage products: civil investigation - GOV.UK ([www.gov.uk](http://www.gov.uk)) but feel free to use your own!

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