

# L5M6 Pass Guaranteed | High L5M6 Quality

XYZ Ltd - Completed Drag & Drop Answer Key

Supplier	Cost Approach	Item Type
Supplier 1	Price Acceptance	Bottleneck
Supplier 2	Cost Down	Leverage
Supplier 3	Price Management	Non-Critical
Supplier 4	Cost Out	Strategic

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## L5M6 Pass Guaranteed - CIPS Realistic High Category Management Quality Pass Guaranteed

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### CIPS Category Management Sample Questions (Q25-Q30):

#### NEW QUESTION # 25

In a Sourcing Business Model, stakeholders must answer key questions to determine the right model. Which are the most important?

- A. What factors form part of the total cost of ownership?
- **B. What is the most appropriate contractual relationship?**
- **C. What is the most appropriate economic model?**
- D. How much risk does the company wish to take?

**Answer: B,C**

Explanation:

In deciding the correct Sourcing Business Model, stakeholders must clarify two fundamental issues:

\* The most appropriate contractual relationship [C]: This could be transactional [short-term, cost- focused], relational [long-term collaboration], or investment-based [joint ventures, alliances]. The choice defines how risks and rewards are shared with suppliers.

\* The most appropriate economic model [D]: This determines the pricing and performance framework, e.g., transactional [pay-per-unit], output-based, or outcome-based [pay-for-results].

Options A and B are important but secondary considerations. Risk appetite and TCO factors are inputs to decision-making, but the contractual and economic models define the overall sourcing structure.

This reflects the study guide's emphasis that sourcing models should be tailored to category complexity and business objectives. Using the wrong model can undermine supplier relationships and value delivery.  
[Ref: CIPS L5M6 Study Guide, p.32 - Key questions in Sourcing Business Models]

#### NEW QUESTION # 26

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

**Answer: B**

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 # 27

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. Known data e.g. manufacturing capacity
- **D. Data models and predictions e.g. trends for the future**

**Answer: D**

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 # 28

A 'should cost' analysis and value analysis can be completed on items procured by a buyer. Which of the following categories of spend are these tools most applicable for?

- A. Strategic
- B. Bottleneck
- C. Non-critical
- **D. Leverage**

**Answer: D**

Explanation:

These tools are most applicable for leverage items, which typically have high spend but low supply risk.

Buyers can use cost breakdowns and value analysis to reduce prices and improve cost-efficiency.

Reference: CIPS L5M6 Study Guide, p.103

**NEW QUESTION # 29**

Trydo Ltd is an industrial engineering company and is currently assessing its supplier base. Below are descriptions of four of its major suppliers:

- \* Supplier 1: This supplier has a large share of the market and the market in which it operates is growing. However, the supplier's own costs have increased by 36% over the past 12 months due to raw material price increases.
- \* Supplier 2: The market is fast growing but as a new supplier to the marketplace, Supplier 2's market share is still relatively low. Trydo is concerned about this supplier's long-term financial situation as the company has taken out many loans and a large mortgage.
- \* Supplier 3: This supplier operates in a small marketplace, but is a strong player with a sizable market share. Although this isn't of concern to Trydo, having recently run an Acid Test, it is believed that Supplier 3's current liabilities are four times greater than its assets.
- \* Supplier 4: The market Supplier 4 operates in is shrinking and Supplier 4 already has a low market share. The main issue is Capital Management as stock turnover, debtor days and are becoming prolonged. There have been several complaints about performance.

Task:  
Complete the table below. You are required, for each supplier, to determine the product category on the BCG Matrix and to identify the main area of financial concern. Each response should only be used once.

**Trydo Ltd - Drag & Drop Table**

Supplier	BCG Matrix Category	Financial Concern
Supplier 1	—	—
Supplier 2	—	—
Supplier 3	—	—
Supplier 4	—	—



Options to Place

BCG Matrix Categories	Financial Concerns
Dog Category	Profitability Concern
Cash Cow Category	Liquidity Concern
Star Category	Gearing Concern
Question Mark Category	Efficiency Concern

**Answer:**

**Explanation:**

## Trydo Ltd - Drag & Drop Table

Supplier	BCG Matrix Category	Financial Concern
Supplier 1	Star Category	Profitability Concern
Supplier 2	Question Mark Category	Gearing Concern
Supplier 3	Cash Cow Category	Liquidity Concern
Supplier 4	Dog Category	Efficiency Concern

### Options to Place

BCG Matrix Categories	Financial Concerns
Dog Category	Profitability Concern
Cash Cow Category	Liquidity Concern
Star Category	Gearing Concern
Question Mark Category	Efficiency Concern



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Explanation:

Output image

Trydo Ltd - Completed Drag & Drop Answer Key		
Supplier	BCG Matrix Category	Financial Concern
Supplier 1	Star Category	Profitability Concern
Supplier 2	Question Mark Category	Gearing Concern
Supplier 3	Cash Cow Category	Liquidity Concern
Supplier 4	Dog Category	Efficiency Concern

Supplier 1 # Star Category + Profitability Concern

Supplier 1 holds a large market share in a growing market, which places it in the Star category of the BCG Matrix. Stars are typically leaders in expanding markets and require continuous investment to maintain their dominance. The concern here is not competitive weakness but profitability. Although revenue potential is strong, Supplier 1's costs have increased by 36% due to rising raw material prices. This erodes margins and threatens profitability despite growth. Stars often generate high cash inflows, but if costs spiral out of control, their ability to sustain investment weakens. Profitability management (e.g., through cost reduction, supplier negotiations, or efficiency gains) is critical to ensuring Supplier 1 continues its growth trajectory and avoids slipping into the "Cash Cow" or "Dog" quadrants in the future.

(Ref: CIPS L5M6 Study Guide, p.117 - BCG Matrix application)

Supplier 2 # Question Mark Category + Gearing Concern

Supplier 2 operates in a fast-growing market but has only a small share, making it a Question Mark in the BCG Matrix. Question Marks are high-risk: they may grow into Stars or fail and become Dogs, depending on how they perform and whether investment supports expansion. The major financial concern here is gearing- Supplier 2 has taken out significant loans and a large mortgage, meaning it is heavily leveraged. High gearing increases financial risk, as debt repayments must be met regardless of market conditions. In rapidly growing markets, high gearing can restrict reinvestment and leave firms vulnerable to interest rate fluctuations or downturns. For Trydo, this means Supplier 2 could face difficulties sustaining its growth, posing supply chain risk. Monitoring debt levels and financial stability is essential before committing to long-term contracts.

(Ref: CIPS L5M6 Study Guide, pp.117-118 - Question Marks and financial analysis) Supplier 3 # Cash Cow Category + Liquidity Concern  
Supplier 3 operates in a small, stable market but commands a strong market share. This places it firmly as a Cash Cow-a

business that generates consistent revenue without requiring major investment. Cash Cows fund other areas of a portfolio but face limited growth prospects. The concern here is liquidity. An Acid Test reveals that Supplier 3's current liabilities are four times greater than its assets, suggesting it lacks sufficient short-term liquidity to meet obligations. This imbalance can result in cash flow problems, even if long-term profitability remains sound. For Trydo, the risk is that Supplier 3 may fail to pay debts or manage day-to-day operations, creating supply disruption. Procurement managers must ensure financial health checks are conducted regularly and consider diversification strategies if reliance on Supplier 3 is high.

(Ref: CIPS L5M6 Study Guide, p.117 - Cash Cows and liquidity issues)

Supplier 4 # Dog Category + Efficiency Concern

Supplier 4 operates in a shrinking market and already holds a low market share, placing it in the Dog category of the BCG Matrix. Dogs are generally unattractive, offering little growth and limited returns. The key concern here is efficiency. Supplier 4 is struggling with capital management issues, such as poor stock turnover and prolonged debtor days. These inefficiencies damage competitiveness and further weaken financial stability. For Trydo, relying on Supplier 4 poses significant risk because inefficiency can lead to delays, reduced quality, and increased total cost of ownership. Unless Supplier 4 improves performance, it may eventually exit the market, leaving Trydo vulnerable. In procurement terms, buyers should avoid long-term commitments with such suppliers and instead focus on exit strategies or alternatives.

(Ref: CIPS L5M6 Study Guide, pp.117-118 - Dogs and efficiency management)

## NEW QUESTION # 30

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