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CIPS L4M2 Exam Syllabus Topics:

Section

Weight

Objectives

Topic 1: Devise a business case for requirements sourced externally 20-25%	- Influence of business needs on procurement decisions • 1. Types of purchase: new, modified rebuy, straight rebuy • 2. Impact of business needs on purchase types • 3. Procurement's role in developing business cases - Criteria for creating business cases • 1. Costs, benefits, options, alignment, timescales • 2. Benchmarking requirements - Estimate costs and prices for procurement activities • 1. Total cost of ownership / whole life costing • 2. Direct and indirect costs • 3. Market data sources for cost/price information • 4. Cost estimation and budgeting methods - Interpret financial budgets for purchase control • 1. Purpose and structure of budgets • 2. Cash flow and cost entries • 3. Budget performance and variance management - Legislation affecting requirements definition • 1. Procurement regulations, competition law, standards
Topic 2: Legal and regulatory considerations 10-15%	- Sustainability and ethical requirements • 1. Environmental, social, ethical criteria - Identify and classify stakeholders • 1. Internal vs external stakeholders • 2. Power/interest matrix and engagement strategies
Topic 3: Stakeholder management in defining needs 15-20%	- Align needs with organisational objectives • 1. Strategic alignment and value contribution - Communicate and consult with stakeholders • 1. Resolving conflicting requirements • 2. Methods for gathering requirements

Topic 4: Use specifications in procurement and supply	20-25%	- Advantages and limitations of specification types • 1. Risk, cost, flexibility, supplier innovation impact - Sources for developing specifications • 1. Internal stakeholders, technical experts, standards bodies • 2. Suppliers, industry benchmarks, regulatory requirements - Types of specifications • 1. Output/outcome-based specifications • 2. Conformance vs performance specifications • 3. Drawings, samples, brands, technical standards - Assess market forces and trends • 1. Global vs local market conditions • 2. Technological, legal, economic, social factors • 3. Supply and demand dynamics
Topic 5: Market management in procurement and supply	20-25%	- Analyse market structures and competition • 1. Impact of market structure on procurement strategies • 2. Perfect competition, monopoly, oligopoly, monopolistic competition - Evaluate market information sources • 1. Industry reports, government data, trade journals • 2. Supplier intelligence and market research

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New New L4M2 Exam Pdf | Professional L4M2 Actual Dumps: Defining Business Needs 100% Pass

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CIPS Defining Business Needs Sample Questions (Q181-Q186):

NEW QUESTION # 181

Which type of specification is less time-consuming to develop?

- A. Design specification
- B. Outcome-based specification
- C. Technical drawings
- D. Conformance specification

Answer: B

Explanation:

There are two major types of specification: conformance and performance specifications. They have the following characteristics:

Table Description automatically generated

Performance specification	Conformance specification
- Focus on outputs - Sets out result to be achieved - Supplier produces using its own technology and knowhow - When issue arises, supplier is legally liable	- Focus on inputs - Buyer proves specific methods, processes, material properties, brand etc - Supplier produces strictly according to the specification prescribed by the buyer - When issue arises, buyer is legally liable

Since performance specification is often a list of outputs or outcomes, it usually takes less time to develop than conformance specification.

NEW QUESTION # 182

Which of the following can cause overhead variance? Select TWO that apply:

- A. Rising production worker's wage rate per hour
- B. Spike in material price
- C. Decreasing packaging costs
- D. Spike in monthly leasing fee
- E. Decrease in production volume

Answer: D,E

Explanation:

Overhead variances arise when the actual overhead costs incurred differ from the expected amounts.

Managers want to understand the reasons for these differences, and so should consider computing one or more of the overhead variances described below. Each of these variances applies to a different aspect of overhead expenditures. It is not necessary to calculate these variances when a manager cannot influence their outcome.

Fixed Overhead Spending Variance

The fixed overhead spending variance is the difference between the actual fixed overhead expense incurred and the budgeted fixed overhead expense. An unfavorable variance means that actual fixed overhead expenses were greater than anticipated. The formula for this variance is:

Actual fixed overhead - Budgeted fixed overhead = Fixed overhead spending variance
The amount of expense related to fixed overhead should (as the name implies) be relatively fixed, and so the fixed overhead spending variance should not theoretically vary much from the budget.

Fixed Overhead Volume Variance

The fixed overhead volume variance is the difference between the amount of fixed overhead actually applied to produced goods based on production volume, and the amount that was budgeted to be applied to produced goods. For example, a company budgets for the allocation of \$25,000 of fixed overhead costs to produced goods at the rate of \$50 per unit produced, with the expectation that 500 units will be produced. However, the actual number of units produced is 600, so a total of \$30,000 of fixed overhead costs are allocated. This creates a fixed overhead volume variance of \$5,000.

Variable Overhead Efficiency Variance

The variable overhead efficiency variance is the difference between the actual and budgeted hours worked, which are then applied to the standard variable overhead rate per hour. The formula is:

Standard overhead rate x (Actual hours - Standard hours)

= Variable overhead efficiency variance

A favorable variance means that the actual hours worked were less than the budgeted hours, resulting in the application of the standard overhead rate across fewer hours, resulting in less expense being incurred.

However, a favorable variance does not necessarily mean that a company has incurred less actual overhead, it simply means that there was an improvement in the allocation base what was used to apply overhead.

Variable Overhead Spending Variance

The variable overhead spending variance is the difference between the actual and budgeted rates of spending on variable overhead.

The variance is used to focus attention on those overhead costs that vary from expectations. The formula is:

Actual hours worked x (Actual overhead rate - standard overhead rate)

= Variable overhead spending variance

A favorable variance means that the actual variable overhead expenses incurred per labor hour were less than expected.

In the study guide, CIPS splits overhead variance into volume and expenditure variance. They can be understood as variable and fixed overhead variance respectively.

Reference:

- CIPS study guide page 59

- What are overhead variances? - AccountingTools

LO 1, AC 1.4

NEW QUESTION # 183

Which of the following activities are considered as primary activities of an organization according to Porter's value chain? Select TWO that apply:

- A. Sourcing transportation services
- **B. Picking and delivery components**
- **C. Maintenance**
- D. Assembly design
- E. Trainees recruitment

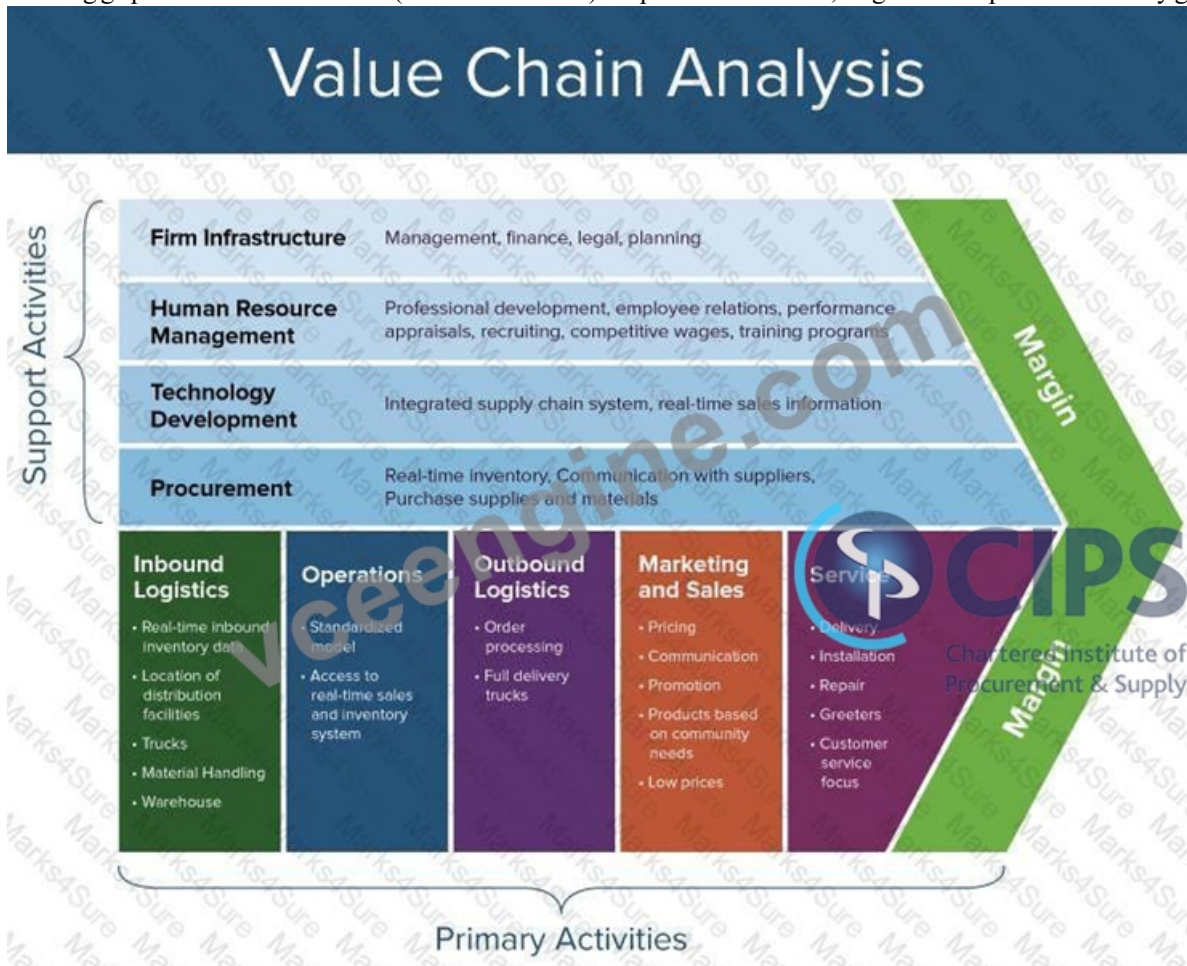
Answer: B,C

Explanation:

Primary activities consist of inbound logistics, operations, outbound logistics, sales & marketing, service.

Second activities consist of firm infrastructure, human resource management, technology development and procurement

The following graph illustrates the value chain (Source: Smartsheet) Graphical user interface, diagram Description automatically generated



Picking and delivery components is inbound logistics.

Maintenance is an example of operations activity.

Sourcing transportation services is an activity of procurement

Assembly design is an activity in research and development (Technology) Recruiting is an activity of human resource management

Reference: CIPS study guide page 71 LO 2, AC 2.1

NEW QUESTION # 184

Dana is an automobile manufacturer. It has a new electrification strategy that aims at making eco-friendly electric pick-up trucks. To implement this strategy, the procurement department must source new categories of parts that make motors, sensors, solenoids and stators. He starts to analyse the market by identifying specific supply market segments for those parts and finding suppliers who have the best capabilities in those segment. He intends to segment the market based on specific features of the products. Which variable is used by Dana procurement manager to shape and manage supply market?

- A. Product segments
- B. Channel segments
- C. Buyer segments
- D. Geographical segments

Answer: A

Explanation:

In sales and marketing, market segmentation is the process of trying to understand clusters of customers in terms of their buying behavior and their buying characteristics. There are some traditional segmentation approaches: geography, demography, types of industry and the benefits. Then there are newer segmentation approaches: behavioral, situational, and psychographic.

Procurement professionals can learn market segmentation from sales and marketing. Segmenting the market can help them to shape and manage the supply market effectively. According to Michael Porter, a market can be segment with array of products and buyers.

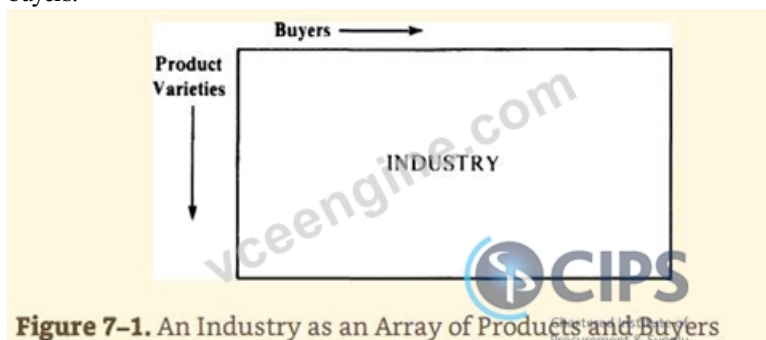


Figure 7-1. An Industry as an Array of Products and Buyers

Source: Porter, Michael E.. Competitive Advantage: Creating and Sustaining Superior Performance (p. 234). Free Press. Kindle Edition.

In the scenario, the products that Dana needs to source is distinct in their features. The best way is to segment the market by product varieties.

Reference:

LO 2, AC 2.1

NEW QUESTION # 185

Which of these causes variances in budgets?

- * Quantity discounts
- * Substitute goods
- * Loan repayments
- * Corporation tax

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

Answer: C

Explanation:

Detailed Explanation:

* Quantity discounts: Changes in order quantities can lead to cost savings, impacting budget forecasts.

* Substitute goods: Using alternative products can alter planned expenses, causing budget deviations.

Loan repayments and taxes are fixed financial obligations and do not directly impact procurement budgeting. Reference: CIPS Level 4, Cost Management.

NEW QUESTION # 186

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