

CIPS certification L4M1 the latest exam questions and answers

CIPS L4M1 2024 Questions With All Correct Answers.

Innovation, sustainability, meeting KPI's and market development are all examples of added ____? - ANSWERS:Value

____ costs are not directly attributable to the end product or service - ANSWERS:Indirect

Which of the following are recognised categories of expenditure within procurement: Direct, Indirect, Capital, Operational, Fixed, Variable - ANSWERS:Direct, Indirect, Capital and Operational

The correct management style according to Mendelow for High Interest Low Power stakeholders is ____ - ANSWERS:Keep informed

The correct management style according to Mendelow for High Interest High Power stakeholders is ____ - ANSWERS:Manage Closely

True or False: Total lifecycle costs and total cost of ownership are broadly the same - ANSWERS:True

True or False: Organisational costs can be classified as Direct, Indirect, Fixed and Variable - ANSWERS:True

True or False: There are eight rights procurement and supply - ANSWERS:False, There are 5

True or False: Sustainability does not contribute towards added value - ANSWERS:False

True or False: Overheads are stock procurements - ANSWERS:False, overheads are usually intangible such as heating and mobile data

True or False: Procurement and purchasing are not the same thing - ANSWERS:True

Value for money is only about price - ANSWERS:False

True or False: Fixed assets to an organisation are usually capital purchases - ANSWERS:True

True or False: Added value includes innovation from suppliers - ANSWERS:True

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CIPS L4M1 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">Procedures, strategies, manuals, and internal function involvement.
Topic 2	<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 3	<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.
Topic 4	<ul style="list-style-type: none"> Understand and analyse the key steps when procuring goods or services: This section measures the skills of purchasing managers and procurement officers in identifying and evaluating stages in the sourcing process, planning, supplier selection, and contract management.
Topic 5	<ul style="list-style-type: none"> Understand and analyse the need for compliance: This section measures the skills of compliance officers and sector-specific procurement managers in understanding different economic and industrial sectors such as

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CIPS Scope and Influence of Procurement and Supply Sample Questions (Q30-Q35):

NEW QUESTION # 30

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 # 31

Describe regulation that govern the Public Sectors and explain how this may impact upon procurement activities (25 marks).

Answer:

Explanation:

See the solution inExplanation partbelow.

Explanation:

How to approach this question

- You do need to know some legislation for public sector here. This may be difficult if you don't work in the Public Sector. If you're struggling with this, you could also talk about general legislation that governs all types of organisations such as the Equalities Act and Modern Slavery Act.

- This is also a tough question if you're not British. CIPS is a UK based organisation and the syllabus therefore only talks about British legislation. If you're in a different country you could talk about the legislation in your own country, providing the question doesn't specifically mention UK Law.

- Either way I would recommend knowing a couple of pieces of British Legislation. You don't need to be an expert but just state what they are and what the purpose is should be enough to get you a pass.

Example essay

The public sector, which encompasses various governmental and state-owned enterprises, plays a pivotal role in the governance and provision of essential services. This sector operates under a strict framework of regulations and policies, ensuring that its operations are fair, transparent, and accountable. Among the most critical aspects of these operations is procurement, the process through which the public sector acquires goods, services, and works. This essay will explain key regulations governing the public sector, focusing on the Public Contracts Regulations (PCR) 2015, Late Payment Regulations 2016, Equalities Act 2010, and Public Services (Social Value) Act 2012, and explores how these regulations impact procurement activities.

The Public Contracts Regulations (PCR) 2015

The PCR 2015 plays a foundational role in public sector procurement in the UK. It sets out the procedures for procuring contracts, aiming to ensure fairness and transparency in the process. The regulations mandate that all procurement processes must be conducted in a manner that prevents discrimination and allows equal access to potential contractors, regardless of their size or location. For example, the open tendering process under PCR

2015 has enabled a more diverse range of companies, including small and medium-sized enterprises, to participate in government contracts, enhancing competition and innovation. The four 'pillars' of the PCR are derived from EU Procurement Directives and are: non-discrimination, free movement of goods, equality of treatment and transparency.

Late Payment Regulations 2013

The Late Payment Regulations 2013 address a critical aspect of procurement: the timely payment for goods and services. This regulation ensures that public sector organizations pay their suppliers within a stipulated time frame, significantly impacting the financial stability of these suppliers. For instance, the regulation has been particularly beneficial for small businesses that rely on prompt payments to maintain cash flow. The introduction of these regulations has improved the trust between public sector entities and their suppliers, leading to more efficient procurement processes.

Equalities Act 2010

The Equalities Act 2010 is another crucial piece of legislation impacting public sector procurement. This Act prohibits discrimination in the workplace and in the provision of services, extending its influence to the procurement process. Public sector entities must ensure that their procurement decisions do not discriminate against any group and that they promote equality. For instance, when a public sector organization issues a tender, it must ensure that the selection criteria do not unfairly disadvantage any potential supplier based on irrelevant characteristics. This approach not only fosters a more inclusive procurement environment but also helps to tap into a wider talent and supplier pool, enhancing the quality and effectiveness of public services.

Public Services (Social Value) Act 2012

The Public Services (Social Value) Act 2012 marks a significant shift in how procurement is approached in the public sector. This Act requires public sector organizations to consider how the services they procure can improve the economic, social, and environmental well-being of their area. This means that when a public sector entity procures goods or services, it must consider factors beyond just the price and quality. For example, a local government might prioritize suppliers who can demonstrate a commitment to environmental sustainability or who offer employment opportunities to local residents. This approach to procurement

encourages a more holistic view of value for money, factoring in the wider impact of procurement decisions on society.

Public Accountability and Freedom of Information Requests

In addition to these specific regulations, the concept of public accountability and the mechanism of Freedom of Information requests play a crucial role in the public sector, especially in procurement activities. Public accountability ensures that entities are answerable to the public and their actions are transparent. Freedom of Information requests enable individuals and organizations to access information held by public authorities, which includes details of procurement decisions and contracts. This transparency is critical in ensuring that procurement activities are conducted ethically and responsibly, deterring corruption and mismanagement.

In conclusion, the regulation of the public sector, particularly in the realm of procurement, are complex.

Regulations such as the PCR 2015, Late Payment Regulations 2016, Equalities Act 2010, and the Public Services (Social Value) Act 2012, along with the principles of public accountability and transparency, ensure that procurement activities are conducted in a fair, transparent, and socially responsible manner. These regulations not only safeguard the interests of suppliers, especially smaller businesses, but also ensure that the public sector remains a model of integrity and efficiency and that taxpayers' money is well spent.

Tutor Notes

- Okay this is important: The PCR 2015 regulations are being rescinded in 2024. They're based on EU Law and the UK has left the EU. I know we left a while ago now but it's taken us a long time to address the issue and figure out what we want to do about it.

There was also a pandemic that got in the way of people making any decisions in parliament that weren't to do with Covid. The PCR 2015 will be replaced in late 2024 with new 'British' rather than European rules.

- At the time of writing this (December 2023) we don't 100% know what the new rules are going to look like and if you're taking this exam from November 2024 onwards, I recommend doing a bit of research into the new regulations.

- Now the complicated bit- the CIPS syllabus is valid from 2024-2028 and doesn't address that legislation is changing. I therefore don't really know what they're going to expect when students are taking this exam and the study guide information is out of date. If you're not working in the Public Sector, how are you to know the legislation has changed?

- My advice is this- briefly learn PCR 2015- the four pillars in particular, and when the new legislation comes out, have a quick google and see if these pillars are still the same. The regs aren't going to change THAT much - things like transparency and equal treatment are still going to be really important, but there may be some slight language changes. Plus, if you're able to mention in an essay that there's new legislation, it's going to make you sound super clever.

- LO 4.2 p.211

NEW QUESTION # 32

What is a Code of Ethics? What should an Ethical Policy Contain? What measures can an organisation take if there is a breach of their Ethical Policy? (25 points)

Answer:

Explanation:

See the solution inExplanation partbelow.

Explanation:

- Firstly give a short definition of Code of Ethics: a document that sets out moral principles or values about what is right and wrong.

- What an Ethical Policy should contain: Condition of workers, Environment, H+S, Discrimination, Gift / Bribery Policy,

Whistleblowing, Confidentiality, Fair Dealings, Declaration of Conflict of Interests. You won't have time to go into depth on all of these, so pick a few where you want to give an example.

- Measures to take if there is a breach: depending on what the breach is and who breached it this could include:

education/ training, sanctions, blacklisting, reporting to authorities, publicise the issue, use a performance improvement plan, issue warnings, dismissal.

Example Essay:

A code of ethics is a formal document or set of principles that outlines the values, ethical standards, and expected conduct for individuals within an organization. It serves as a guide for employees and stakeholders, shaping their behaviour and decision-making to align with the organization's ethical framework. It may take the form of a Mission Statement, Core Values, Specific Guidelines or established reporting mechanisms. The purpose of the Code is to establish standards, promote integrity, mitigate risks and build trust- with both internal and external stakeholders.

A Code of Ethics may contain the following:

- Condition of workers - stating what the company will provide to the employees to make sure the environment is safe. This could include the physical environment but also hours worked, opportunities for breaks etc. Depending on the sector it could detail shift patterns, expectations regarding overtime and compensation.

- Environment - this section would discuss compliance with legislation regarding pollution, disposal of waste materials etc. Depending on the company's goals- they may have higher commitments to the environment than those imposed by the government. Additional commitments may include NetZero targets or the use of renewable sources of energy.

- H+S- Health and Safety. Ensuring that the working environment is free of hazards and that workers have the training and equipment they need to complete the work safely. E.g. PPE

- Discrimination- a promise not to discriminate based on any characteristic. Aligns with the Equalities Act. Policy should include how the company would handle situations, for example if an employee reports an issue of discrimination or harassment. This may involve the use of a whistleblowing hotline or details on how to contact HR.
- Gift / Bribery Policy - this area of the code of conduct would explain whether the company allows staff members to receive gifts (e.g. from suppliers) and the processes to complete if they do (e.g. return the item, complete an internal document, donate the gift to charity). Different companies and industries will have different rules surrounding this, the Public Sector is much more likely to reject gifts from suppliers for example.
- Declaration of conflict of interests- this explains what staff should do if there is a conflict. For example if they are running a tender and their father owns one of the suppliers who is bidding for the work. The conflict of interest policy will explain what the person should do, how to report it and have mechanisms in place to ensure that nothing untoward could come of the situation. This may be having another member of staff mark the tender to ensure unbiasedness.

Measures to take in case of a breach

A response to a breach will depend on who breached the policy - whether this is an employee or a supplier. It will also depend on the severity of the breach.

Remedies for a supplier breach could include: education / training if the breach is minor. Supplier development if the relationship with the supplier is very important (for example if there are no other suppliers the buyer could turn to) and the breach is minor. If the breach is major such as fraud or misappropriation of funds, a buyer could look to issue sanctions, claim damages and dismiss the supplier. There could be options to claim liquidated damages if this is included in the contract. For very serious offenses the buyer may blacklist the supplier- never use them ever again and could also report the issue to the police if the breach is also criminal (e.g. modern slavery or fraud).

Remedies for an employee breach could include: for minor breaches training may be required, particularly if it was a junior member of the team and it was an innocent mistake like forgetting to fill out a form when they received a Gift. The employee could be carefully monitored and put on an Improvement Plan. If internal issues are found, such as several staff are breaching the Code of Ethics, senior management could look to review policies to make sure issues are being flagged and responded to in the best way. Employees who fail to follow the Ethical Policy, either through routinely failing to adhere to it or through a major breach could be dismissed from the organisation. There would need to be strong evidence of this.

In conclusion it is important for all organisations regardless of size of industry to have an Ethics Policy.

Sharing the code of ethics with staff is a fundamental step in embedding ethical principles into the organizational culture. Regular communication and training reinforce these principles, fostering a shared commitment to ethical behaviour across all levels of the organization.

Tutor Notes

- In an essay like this it's always a good example to use examples. They can be hypothetical - you don't have to know any company's Ethics policy off by heart. E.g. If a supplier breached a buyer's Ethical Policy by employing Child Labour in their factories, an appropriate measure for the buyer to take would be to cancel the contract and find another supplier. This is because not only is Child Labour illegal, the buyer will not want to be associated with this supplier as it will have negative repercussions on their image. The best response would therefore be to distance themselves from the supplier.
- Code of Ethics and an Ethics Policy are the same thing. Just different language. The terms can be used interchangeably
- Study guide p. 128

NEW QUESTION # 33

Sarah has recently been hired as the new Head of Procurement at Alpha Ltd, a manufacturer of small electronics such as hairdryers and alarm clocks. Alpha Ltd has a large factory based in Birmingham where many of the products are manufactured. One of the large pieces of machinery in the factory has recently broken and Sarah has been charged with replacing it as quickly as possible. Sarah is considering using the Whole Life Costing approach to this procurement. What is meant by Whole Life Costing? (5 points). Discuss

5 factors that Sarah should consider when buying new machinery (20 points).

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question

- I'd use clear headings with numbers for this one. It asks you for a definition and 5 factors. Number them

Makes it easy for you to write and easy for the examiner to mark.

- Don't go over 5 - you won't get any extra points for this. So spend your time giving examples and explaining the 5 well, rather than naming more than 5.

Example Essay

As the new Head of Procurement at Alpha Ltd, Sarah faces the urgent task of replacing a critical piece of machinery in the company's Birmingham factory. Recognizing the complexity of the decision, Sarah contemplates utilizing the Whole Life Costing

approach to ensure a comprehensive evaluation that goes beyond initial expenses. This essay explores the concept of Whole Life Costing and delves into five essential factors Sarah should consider when procuring new machinery.

Definition:

Whole Life Costing (WLC) is a procurement approach that considers the total cost associated with an asset throughout its entire lifecycle. Unlike traditional procurement methods that focus primarily on the initial purchase price, WLC evaluates all costs incurred from acquisition to disposal. This includes operational, maintenance, and disposal costs, providing a holistic perspective on the true financial impact of an asset over time.

Factors to Consider in Machinery Procurement

1) Initial Purchase Price:

While WLC looks beyond the initial cost, the purchase price remains a critical factor. Sarah should balance the upfront expense with the long-term costs to ensure the initial investment aligns with the overall financial strategy.

2) Operational Costs:

Sarah needs to analyze the ongoing operational costs associated with the new machinery. This includes energy consumption, routine maintenance, and potential repair expenses. Opting for energy-efficient and reliable equipment can contribute to substantial operational savings over the machine's lifespan, even though this may result in a higher up-front purchase price.

3) Training and Integration:

The cost of training employees to operate and maintain the new machinery is a significant consideration.

Sarah should assess how easily the equipment integrates into existing workflows and whether additional training programs are required, impacting both immediate and long-term costs.

4) Downtime and Productivity:

Evaluating the potential downtime and its impact on productivity is crucial. Sarah should assess the reliability and historical performance of the machinery to gauge its potential contribution to sustained production levels and minimized disruptions, impacting the overall operational efficiency.

5) Technology Upgrades and Adaptability:

Sarah should consider the machinery's adaptability to technological advancements and potential upgrades.

Investing in equipment that allows for seamless integration with future technologies ensures that Alpha Ltd remains competitive and resilient in a rapidly evolving industry landscape.

In conclusion, adopting a Whole Life Costing approach empowers Sarah to make informed decisions that align with Alpha Ltd's strategic goals. By considering factors beyond the initial purchase price, such as operational costs, training, downtime, and technology adaptability, Sarah ensures that the replacement machinery not only meets immediate production needs but proves to be a cost-effective and efficient asset throughout its entire lifecycle. The WLC approach safeguards against unforeseen financial burdens, fostering sustainable and informed procurement practices in the dynamic manufacturing environment.

Tutor Notes

- Whole Life Costing is on p.28

- Total Life Cycle Costs, Total Cost of Ownership and Life Cycle Costs are all practically the same thing. The book says they're slightly different, but don't get yourself bogged down in trying to remember the differences.

Honestly, in the real world, people use this language interchangeably.

- Other factors you could have chosen to talk about include commissioning costs and disposal costs

- Don't worry if you feel CIPS breezed through this as a topic, they did. It's explained much better in L4M7.

You can read more about it here: Whole Life Costing - What is Whole Life Costing | CIPS and here Whole- Life Cost: What it Means, How it Works (investopedia.com)

NEW QUESTION # 34

Describe 3 stages of the sourcing cycle that occur in the post-contract award stage (25 marks) See the solution in Explanation part below.

Answer:

Explanation:

How to approach the question

Your answer should provide details on 3 of the following:

- Contract Award and Implementation
- Warehouse Logistics
- Contract performance and Improvement
- Supplier Relationship Management
- Asset Management

Because the question is only asking for 3 stages, you're going to have to go much more into detail for each stage, giving lots of information about why each stage is important and examples. You could consider thinking of an example procurement you have done recently and explaining the stages for that. Or you could take a hypothetical procurement too. Either will get you the same

marks. Pick the three that you can write the most about.

Essay Plan

Introduction - explain that sourcing of goods and the role of Procurement doesn't end once a contract is signed. There is ongoing management and processes which must be carried out to ensure success.

Paragraph 1 - Contract Performance and Improvement

This is about ensuring contract obligations are fulfilled. Contract administration includes P2P procedures, database management, budgeting / costs monitoring, reporting and dispute resolution

Procurement's role may be in managing contract performance through the use of SLAs and / or KPIs. This can be done via reporting, using a Supplier Scorecard and meeting regularly to discuss.

It's important KPIs are measured and that there are consequences for failing to meet them. An example of consequences could be using a Performance Improvement Plan.

Contract Management also includes updating the contract where required - e.g. issuing variations to contract and updating the change control log

Another important aspect of this is ensuring the costs remain within scope of the budget

Contract performance can be compared if you have several suppliers delivering the same goods- could use a Factor Rating Method.

Performance could be measured against several criteria such as on time deliveries, response time of supplier, number of complaints.

Paragraph 2 - Supplier Relationship Management

There is a difference between managing the contract and managing the supplier relationship. It's possible to have excellent contract performance and a terrible relationship. However, the two are generally linked- where there is a good relationship, the contract often performs well.

The supplier management approach depends on where the relationship falls on the relationship spectrum (e.g. transactional or collaborative)

This involves; maintaining regular contact with the supplier, motivating the supplier, working collaboratively with them (e.g. on performance issues or resolving any disputes)

Incentivising the supplier leads to collaboration and mutual support

To assess or rank suppliers you could use a vendor rating method or supplier evaluation forms

Supplier relationship management may involve investing in the supplier- e.g. through training or technology sharing Paragraph 3 - Asset Management

Includes creating a post contract 'lessons-learned'

Assessments should be carried out to determine if business requirements have changed, whether the agreement is still required and fit for purpose, what can be learnt from the process and how improvements can be incorporated next time.

This is the final stage of the Procurement Cycle and takes us back to the start of cycle, which begins again when the item needs to be reprocured

Whole life costing should be considered at this stage: this is the total cost of ownership over the life of an asset. The concept is also known as life-cycle cost (LCC) or lifetime cost, and is commonly referred to as

"cradle to grave" or "womb to tomb" costs.

Generally used on large purchases such as machinery and vehicles. Full Asset Management may not necessary for direct cost items such as raw materials incorporated into final goods.

Considerations may include; costs of running the asset, how long it will perform, insurance, maintenance, opportunity costs, disposing of the asset.

Also consider environmental and social impacts of the procurement.

Conclusion - it is important that procurement are involved at every stage of the cycle, not just in the pre- award stages. Procurement can add value at every stage.

Tutor Notes

- Depending on the examples you choose to use, you could talk about how the type of item procured could impact on the different stages. For example, high risk purchases may require more contract management than low risk purchases, and capital expenditure items such as new machinery may require more attention to the Asset Management stage.

- You could also think about how procurement adds value at each of the stages.

- Study guide p. 79

NEW QUESTION # 35

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