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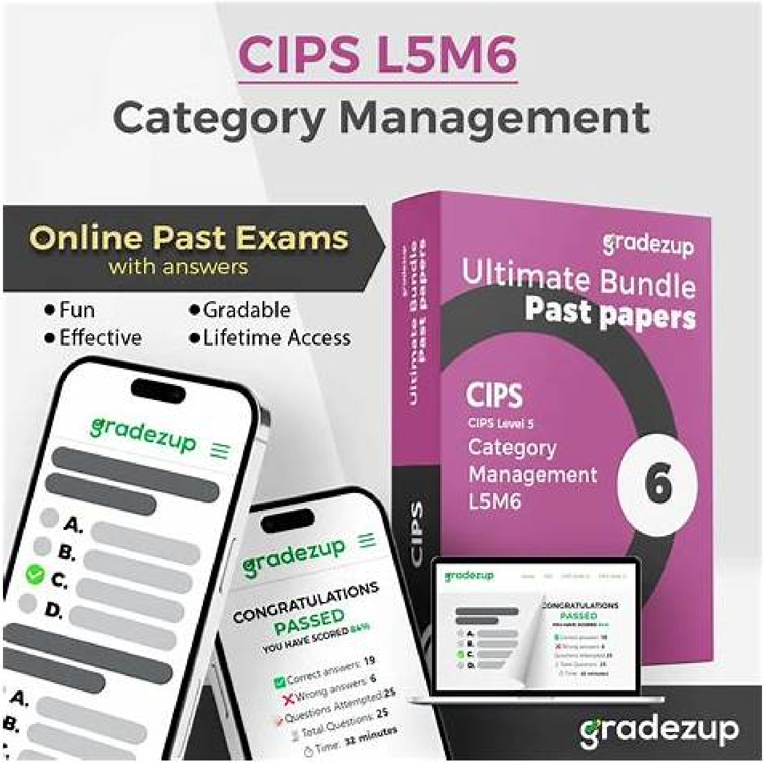

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CIPS L5M6 Exam Syllabus Topics:

Topic	Details
Topic 1	• Understand the Strategic Impact of a Category Management Process: This section evaluates the strategic insight of a Procurement Manager into how category management influences organizational performance. It explores the use of data-driven decision-making and market intelligence to shape sourcing strategies and drive sustainable procurement outcomes.
Topic 2	• Understand Approaches that Can Be Used to Develop Category Management Strategies: This section of the exam measures the skills of Procurement Managers and focuses on understanding how category management strategies are formulated within procurement functions. Candidates are expected to differentiate between strategic and conventional sourcing, evaluate how these approaches support long-term supplier relationships, and align them with organizational goals. The section also emphasizes the role of category management in enhancing sourcing efficiency and achieving cost optimization.
Topic 3	• Understand the Concepts, Tools, and Techniques Associated with Managing Expenditure: This section of the exam measures the analytical abilities of a Category Analyst and focuses on expenditure management techniques within category management. It explores how organizations identify, classify, and analyze different types of spend to enhance procurement efficiency and value creation.

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CIPS Category Management Sample Questions (Q20-Q25):

NEW QUESTION # 20
Which of the following forms of historical data can be used to inform Category Management expenditure?
Select THREE.

- A. Spend Forecast
- B. Inflation Rate
- C. Spend Analytics
- D. Line Item Details
- E. Ledger Code

Answer: C,D,E

Explanation:
In category management, reliable decision-making depends heavily on the analysis of historical spend data.
According to CIPS, the key forms of usable historical data include:
* Spend analytics: consolidated information showing how much has been spent, on what items, and with which suppliers.
* Line item details: transaction-level data that provides specific insight into products or services purchased.
* Ledger codes: financial classifications that group expenditure for reporting and control purposes.
These data sets allow category managers to identify trends, supplier dependency, opportunities for consolidation, and potential cost savings. In contrast, inflation rates and spend forecasts are forward-looking metrics, not historical data. Using accurate historical information is critical for preparing budgets, supporting negotiations, and identifying anomalies in expenditure. Organisations that fail to utilise this data often struggle to align their category strategies with financial realities, leading to overspending or missed opportunities.
Reference: CIPS L5M6 Study Guide, p.133

NEW QUESTION # 21
Salim is using the CIPS Procurement and Supply Cycle to run a tender for a new item. He needs to complete a Make vs Buy assessment. Under which stage of the cycle should this be done?

- A. Market engagement
- B. Develop a high-level specification
- C. Develop strategy/plan
- D. Market/commodity and options

Answer: D

Explanation:
The correct stage is Market/commodity and options [including make vs buy assessment], which is Stage 2 of the CIPS Procurement and Supply Cycle. This stage focuses on analysing the external market, internal requirements, and identifying whether to make a product in-house or source it externally.
A Make vs Buy assessment helps determine whether the organisation has the capacity, skills, and resources to produce the item internally, or whether outsourcing would deliver greater value. Factors such as cost, risk, quality, lead time, and strategic alignment are evaluated.
Other stages differ:
* High-level specification [Stage 1]: Focuses on defining what is needed, not sourcing decisions.
* Develop strategy/plan [Stage 3]: Comes after options are analysed, where the sourcing path is chosen.

* Market engagement [Stage 4]: Involves engaging suppliers, which cannot happen until the Make vs Buy decision is made.
This makes Stage 2 the most accurate point for such an assessment.
[Ref: CIPS L5M6 Study Guide, pp.35-36 - Procurement Cycle, Make vs Buy analysis]

NEW QUESTION # 22

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

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 # 23
What is contract leakage?

- A. When spend with a supplier is more than was stated in the contract
- B. When spend with a supplier is less than was forecast
- C. The gap between benefits identified in the pre-award stage of the contract and those actually achieved
- D. The gap between proposed KPI levels and those actually achieved by the supplier

Answer: C

Explanation:
Contract leakage refers to the difference between the benefits forecasted before awarding a contract and the actual benefits realised during its execution. For example, savings predicted during tendering may not materialise due to supplier underperformance, scope creep, or poor contract management. This phenomenon highlights the importance of post-contract management and continuous monitoring of supplier performance.
Category managers must ensure that expectations set during procurement are followed through by tracking delivery, compliance with terms, and value creation. Tools such as KPIs, SLAs, and audits help minimise leakage by ensuring accountability. Ultimately, failure to address leakage can lead to financial loss, reduced trust, and missed opportunities for improvement. By focusing on contract outcomes as well as initial savings, procurement ensures that strategic objectives are consistently met.
Reference: CIPS L5M6 Study Guide, p.145

NEW QUESTION # 24
What name is given to an item or business which has both low market share and low growth?

- A. Dog
- B. Question mark
- C. Cash cow
- D. Star

Answer: A

Explanation:
In the BCG Growth-Share Matrix, a dog is a business unit or product that has both a low relative market share and a low growth rate. Such items typically generate low or no profits and are often seen as candidates for divestment or discontinuation. Unlike cash cows which generate strong cash flow despite slow growth, or stars which dominate high-growth markets, dogs occupy a weak position in the portfolio. Managing these categories strategically is critical because maintaining them often consumes more resources than the value they return. Organisations need to assess whether retaining these products provides any strategic advantage, such as complementing other offerings, or whether resources should be reallocated. This is why category managers use tools like the BCG Matrix to evaluate the positioning of spend categories and align them with organisational strategy.
Reference: CIPS L5M6 Study Guide, p.117

NEW QUESTION # 25
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