

Hot CIPS L4M2 Spot Questions | New L4M2 Study Guide

CIPS L4M2 Exam Questions

Question: 1

The position of a product in its life cycle can affect the price that suppliers set. Is this statement correct? - correct answer A. No, in market economy, the state decides the price of all goods and services

B. Yes, each stage in product life cycle requires different levels of investment in promotion and distribution

C. No, customer's perception of value is the ultimate determinant of the suppliers' price

D. Yes, it is always the only factor determining the price

Question: 2

A CPO is making a business case for acquiring a new computer system. He has set out objective, generated options, cost and benefit of each option and implementation plan. Which of the following elements should be included in the business case? - correct answer A. Risk assessment

B. Operation management

C. Invitation to tender

D. Contract management

Question: 3

What is the document that defines the activities, deliverables and timelines a supplier must carry out during contract performance? - correct answer A. Statement of work

B. Project initial document

C. Framework agreement

D. Work instruction

Question: 4

A procurement manager is writing a conformance specification for a non-core component. She thinks that if the requirements in specification are higher than ISO standards, her company can achieve greater cost-savings. Is the procurement manager's opinion correct? - correct answer A. No, because higher specification may incur additional costs for the buyer

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CIPS Defining Business Needs Sample Questions (Q30-Q35):

NEW QUESTION # 30

Which of the following is a risk to buying organization when using conformance specification?

- A. Time to produce specification is shortened
- B. Buyer may face liquidity risks
- C. Buyer cannot control the inputs
- **D. Buyer is responsible for product failure**

Answer: D

Explanation:

When using conformance specification, the buying organisation is responsible for the performance of the purchase. If the product fails due to poorly designed specification, the buyer is wholly responsible for it. It cannot blame the supplier for the failure because they still provided 'fit for purpose' product.

'Time to produce specification is shortened': Conformance specification requires details on dimension, materials, design, etc. With such requirements, time to produce a complete conformance specification is often longer than producing performance specification.

'Buyer cannot control the inputs': Conformance specification is a list of inputs from buyer, so buyer has control over the inputs that will make the product. It also means that buyer is responsible for any product failure.

'Buyer may face liquidity risks': Liquidity means that how quick a business turns its assets into cash. This is a financial term, it does not link directly with specification failure.

Reference: CIPS study guide page 118-119

LO 3, AC 3.1

NEW QUESTION # 31

A garment manufacturer supplies global retailers with t-shirts, shirts, and linen trousers. Because of currency fluctuations, the manufacturer is aware that they must control their direct costs in order to ensure profits. Which of the following is a direct cost for the garment manufacturer?

- **A. Cotton fabric**
- B. Utilities cost
- C. Facilities rent
- D. Office staff payroll

Answer: A

Explanation:

Detailed Explanation:

Cotton fabric is a direct cost because it is directly attributable to the production of the garments. Costs like rent, utilities, and payroll are indirect costs associated with running the business. Reference: CIPS Level 4, Cost Categorization in Procurement.

NEW QUESTION # 32

To strengthen its market presence, ABC Group decided to develop a new product. A cross-functional team was formed to discuss the scope and the functions of the product. They will also survey the potential customers to see what they like, what they love, and what they dislike. What is this process called?

- A. Value analysis
- B. Product standardisation
- C. Cash flow analysis
- **D. Value engineering**

Answer: D

Explanation:

As you can see from the scenario, ABC Group is developing the new product. It might be using value engineering. The latter sentences confirm this: the cross-functional team in ABC is mapping the functions and surveying the customers. Their method is known as Kano model.

NEW QUESTION # 33

What are the main purposes of a cash flow budget?

1. It is a time-phased income and expenditure budget
2. It projects the future cash position of an organisation
3. It is a statement of a company's financial position

- A. 1 and 2 only
- B. 3 and 4 only
- C. It indicates organisational profitability
- D. 1 and 4 only
- E. 2 and 3 only

Answer: C

NEW QUESTION # 34

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

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

Answer: A,C

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:

$\text{Actual fixed overhead} - \text{Budgeted fixed overhead} = \text{Fixed overhead spending variance}$ 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:

$\text{Standard overhead rate} \times (\text{Actual hours} - \text{Standard hours})$
 $= \text{Variable overhead efficiency variance}$

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:

$\text{Actual hours worked} \times (\text{Actual overhead rate} - \text{standard overhead rate})$
 $= \text{Variable overhead spending variance}$

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 # 35

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