

L4M5 Exam Questions in PDF Format

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L4M5 Study Set 2024/2025 Exam Questions with Detailed Verified Answers (100% Correct Answers) | Already Graded A+

What is a commercial negotiation? - (ANSWER)A negotiation is the process whereby two or more parties decide what each will give and take in an exchange between them. A commercial negotiation generally is between organisations and can involve negotiating contracts and managing projects for the maximum return, as well identifying and developing new business opportunities

With examples explain where negotiation can occur in the procurement cycle? - (ANSWER)1. Identification of need - internal negotiations with stakeholders

2. Market commodity options - informs the negotiation process and evaluation of bargaining power between buyer and supplier can start at this stage.

3. Develop plan/strategy - the decision regarding whether to negotiate or not, as well as plan objectives, plans, resources and the approach to achieve what you want.

4. Pre-procurement market test & engagement - supplier conditioning can occur when meeting key players

5. Develop documentation - setting out requirements in documentation form that will help support your negotiations

6. Supplier selection - may be limited, but there may be internal negotiation in relation to short-listing or down-selection and evaluation of expressions of interest

7. Issue invitation to tender - this stage may have limited opportunity for negotiation

8. Bid/tender evaluation - internal negotiation may occur in relation to assessment and evaluation of bids received, alternatively this may be the start of

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CIPS L4M5 (Commercial Negotiation) exam is one of the most important exams for procurement and supply chain professionals who want to develop their negotiation skills. L4M5 exam is designed to help professionals gain a comprehensive understanding of the principles and practices involved in commercial negotiation. It covers a wide range of topics that include the negotiation process, strategies, and tactics, as well as the legal and ethical issues involved in negotiation.

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The Chartered Institute of Procurement and Supply (CIPS) is a leading global professional body for procurement and supply chain management professionals. It offers a range of qualifications and certifications to support individuals in their career development and enhance their skills and knowledge. One of the certifications offered by CIPS is the L4M5 Commercial Negotiation Certification Exam.

CIPS Commercial Negotiation Sample Questions (Q273-Q278):

NEW QUESTION # 273

Rose is a senior buyer from a skiing equipment retailer. Rose is concerned about the current ski boot shortage and the number of invoicing problems from a key supplier. She has decided to have a video conference with Victor, CEO of the supplier. Initially, she intends to threaten Victor with contract termination unless he can improve the situation. However, she is a little wary of doing this as the switching costs are high. Eventually, she decides to seek solutions by encouraging the other party to offer their views and ideas. Rose also prepares some ideas to discuss with Victor. Which of the following is the persuasion method that Rose intends to use in the forthcoming conference?

- A. Collaborative (pull)
- B. Visionary (pull)
- C. Directive (push)
- D. Persuasive reasoning (push)

Answer: A

Explanation:

There are two major persuasion methods: 'push' and 'pull'.

Persuasion can be defined as encouraging someone to do something that you want them to do for you.

Persuasion is reasoning with someone so that they will believe or do something they might not otherwise do.

Persuasion can be considered as 'pushing' on TOP so that they can accept the change in attitude or behaviour as a result of your actions.

Influence is the ability to affect the manner of thinking of another. Influence can be considered as pulling on TOP so that you achieve the same result, but TOP feels they have changed their attitude or behaviour as a result of their reflection and thinking, and not your direct actions.

There are multiple variables to consider when choosing between 'push' and 'pull'. Professor Fiona Dent of Ashridge Business School proposes situations when each style might be most appropriate, breaking down push into 'directive' and 'reasoning' and 'pull' into 'collaborative' and 'visionary':

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In the scenario, Rose intends to let both parties exchange their views and ideas so that solutions to current problems can be found.

This is the typical characteristic of collaborative (pull) method.

NEW QUESTION # 274

Which of the following are most likely to be sources of conflict that can emerge from the content of commercial negotiations? Select TWO that apply.

- A. Cultural differences
- B. Requisition
- C. Payment terms
- D. Contract governing law
- E. Framework arrangement

Answer: C,D

Explanation:

Explanation

There are multiple sources of divergent positions that can arise in situations where money is exchanged for goods and services. There are 2 different types of sources. Those that arise from the content or subject matter of the negotiation (what is being negotiated) and those that arise from the process of negotiation (how it is being negotiated).

Sources of divergent position - the content of negotiation:

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Sources of divergent positions/conflict	Typical buyer position (starting point)	Typical supplier position (starting point)
Price	Would like to pay as little as possible for the goods and services.	Would like to charge as much as possible for the goods and services.
Quality	Would like the highest quality/service possible for the price.	Would like to deliver the required quality at the lowest cost.
Payment terms	Would like to pay as slowly/late as possible.	Would like to get paid as quickly as possible.
Risk share	Would like the supplier to take most of the risk.	Would like the buyer to take most of the risk.
Volumes and Commitment	Would like maximum flexibility of supply with minimum commitment to volumes.	Would like minimum flexibility of supply with maximum commitment to volumes.
Contract terms and conditions	Would like the buyer's Ts and Cs to govern the contract.	Would like the supplier's Ts and Cs to govern the contract.
Dispute resolution/ contract governing law	Would like disputes to be resolved in buyer's jurisdiction.	Would like disputes to be resolved in supplier's jurisdiction.

Cultural differences are the source of conflict in the process of negotiation.

Requisition is an internal document raised by user or store to communicate to procurement the need to buy the product or service specified. This is merely a internal document.

Framework arrangement is a rather loose set-up, without any legal standing. It usually occurs when an organisation has decided for itself to limit the number of suppliers it is willing to work with and, through a purely internal process, sets up an approved list of such suppliers.

LO 1, AC 1.1

NEW QUESTION # 275

A competitive win-lose distributive approach to a negotiation is seeking to:

- A. Maximise joint gains for both parties so that resources and benefits are equally shared
- **B. Obtain the largest possible share of resources or benefits at the expense of the other party**
- C. Foster collaboration and trust between the parties to enable joint problem solving
- D. Compromise and split the difference so that both parties do not get what they want

Answer: B

NEW QUESTION # 276

All of the following shift the supply of watches to the right except...?

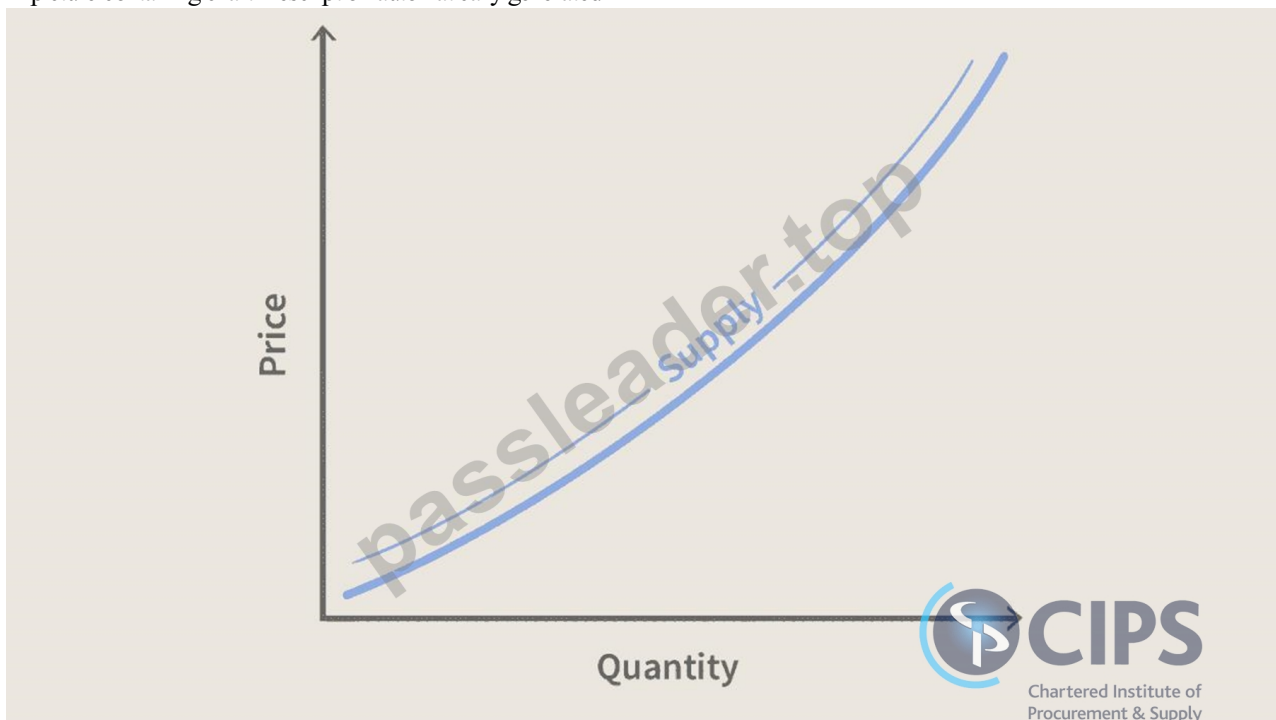
- A. A decrease in the wage of workers employed to manufacture watches
- B. An advance in the technology used to manufacture watches
- C. Manufacturers' expectation of higher watch prices in the future
- **D. An increase in the price of watches**

Answer: D

Explanation:

Explanation

A supply curve will slope upward from left to right showing more supply at higher prices, as illustrated in the graph below:
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A movement along the supply curve will be brought about by a change in price, but a shift of the whole curve will be caused by a determinant other than price:

- The physical feasibility and time and energy required to produce the products
- Technology and innovation
- The objectives of the producers and their future expectations
- Prices of other goods and services
- Government's policies

LO 2, AC 2.2

NEW QUESTION # 277

Sally is negotiating with an overseas supplier on the price and payment period. Her company and the supplying organisation are equal in bargaining power. The supplier says that they are investing in new facilities and machinery so the payment period should not be longer than 30 days. Sally knows that her company often pays the suppliers after 45 days from the delivery, but at the moment the company has positive cash flow and it is able to pay immediately. Which of the following should be Sally's concession plan?

- **A. Shorten payment period but ask for a discount**
- B. Agree with supplier's payment period without any further demand
- C. Contend on the normal payment period
- D. Demand for a discount without any other concessions

Answer: A

Explanation:

Explanation

In the scenario, the length of payment period is particularly important to the supplier as they are investing new facilities. Otherwise, the buyer's company has a positive cash flow position and budget is available for a shorter payment term. So this tradeable (payment period) is important to the supplier but it is not a significant problem with the buyer. This tradeable will fall within 'Easy concession to trade' quadrant in the following matrix:

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