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Question 1:

Skipped

XTC is a tile manufacturing company which gained competitive advantage by incurring the lowest production cost within the industry. which strategy was most likely applied by XTC?

- ☐ cost reduction
- ☐ differentiation
- ☐ cost focus
- ☐ cost leadership

Explanation

Cost leadership refers to the cost of production being the lowest. *pg. 63*

A cost focus strategy is when an organization tries to attract potential customers solely based on pricing

Differentiation focus on the uniqueness of the brand or product.

Question 2:

Skipped

What are the sources of information that can be used to create specification?

- ☐ Standards
- ☐ Sketches

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CIPS Defining Business Needs Sample Questions (Q177-Q182):

NEW QUESTION # 177

In Kano model, which of the following types of requirement should be excluded from the product or service?

- A. Reverse requirements
- B. Performance requirements
- C. Must-be requirements
- D. Attractive requirements

Answer: A

Explanation:

Kano model of excitement and basic quality (Kano et al, 1984; Berger et al, 1993; Matzler et al, 1996) brings a different perspective for the analysis of improvement opportunities in products and services because it takes in consideration the asymmetrical and non-linear relationship between performance and satisfaction. The Kano model classifies customers requirements in three categories (figure 3):

a) Basic Requirements (or Must-be requirement). The basic requirements fulfill the basic functions of a product. If they are not present or their performance is insufficient, customers will be extremely dissatisfied.

On the other hand, if they are present or have sufficient performance, they don't bring satisfaction. Customers see them as prerequisites. For instance, for luxury automobiles, "air bags" are considered basic. A customer won't feel satisfied if the automobile has "air bag", however he/she will not buy it if "air bag" is not present.

b) Performance Requirements (or One-dimensional requirements). As for these requirements, satisfaction is proportional to the performance level - the higher the performance, the higher the customer's satisfaction will be and vice-versa. Gas consumption in automobiles is an example of these requirements. Usually customers explicitly demand performance requirements.

c) Excitement Requirements (or Attractive requirements). These requirements are key to customer satisfaction. If they are present or have sufficient performance, they will bring superior satisfaction. On the other hand, if they are not present or their performance is insufficient, customers will not get dissatisfied. For instance, a surprise gift at the end of a dinner in a restaurant will certainly bring satisfaction, but it will not cause dissatisfaction if not offered. These requirements are not demanded nor expected by customers. Two other types of requirements may be identified in the Kano model: neutral and reverse ones. Neutral requirements do not bring either satisfaction or dissatisfaction. Reverse requirements bring more satisfaction if absent than if present.

Diagram Description automatically generated

Reference:

- Integrating Kano model and QFD for Designing New Products
- CIPS study guide page 171-172

NEW QUESTION # 178

A buyer can use sources of information to review indirect costs associated with the manufacture of goods to support supplier negotiations. Is this statement true?

- A. Yes, because the buyer can understand the cost build-up of the goods
- B. No, because the only information available is for direct costs
- C. Yes, because indirect costs are always variable
- D. No, because the supplier's quotation is the only source of information

Answer: A

Explanation:

Detailed Explanation:

Analyzing both direct and indirect costs helps buyers understand cost structures and negotiate effectively.

Indirect costs, like overheads, can be identified through supplier data and market benchmarks, aiding in cost transparency.

Reference: CIPS Level 4, Cost Management and Negotiation.

NEW QUESTION # 179

British Steel needs to source a set of instruments that will improve quality of steel. Without these instruments British Steel will lose control of the temperature. The bucket may freeze up, or if it is too hot it leaks out of the casting process, damaging the machine. There is limited supply on the market and quality varies greatly.

Which of the following will be the most appropriate managing approach to procure these items?

- A. Leverage market competition to drive down cost

- B. Form partnership with supplier
- C. Bundle these instruments into larger contract
- D. Seek continuity of supply

Answer: B

Explanation:

The instrument plays a crucial role in steel manufacturing because it presents in the majority of products, in which case lacking this instrument would have significant impact on the organisation's output (production lines stop or damaging other machine). Otherwise, the risk of supply is high because there is limitation in supply. Therefore, it is considered as a strategic item in term of Kraljic's portfolio matrix. Procurement manager should form partnership with suppliers to maximise the value.

The following graph illustrates Kraljic's portfolio matrix:

NEW QUESTION # 180

What are the typical purposes of specifications in procurement and supply? Select TWO that apply.

- A. To minimise the bargaining strength of the supplier
- B. To provide a means of evaluating the quality or conformance
- C. To provide supplier appraisal and selection
- D. To define the requirements
- E. To define the bargaining strength of the buyer

Answer: B,D

Explanation:

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) CIPS L4M2 explains that specifications in procurement serve several fundamental purposes, including:

- * Defining the requirement clearly - so that all stakeholders (user, buyer, supplier) have a shared understanding of what is needed.
- * Forming the technical basis for contracts and orders - what is being purchased.
- * Providing measurable criteria to assess quality and conformance - what will be inspected and tested.

Therefore:

- * A. To define the requirements - correct. This is one of the primary roles of a specification.
- * D. To provide a means of evaluating the quality or conformance - correct. Specifications set the criteria against which delivered goods/services are checked.

The other options do not reflect the core role of specifications:

- * B. Supplier appraisal and selection - this uses specifications indirectly but supplier appraisal is a separate process (using financial, capability, and performance criteria).
- * C. Define the bargaining strength of the buyer - bargaining strength is shaped by market structure and spend, not by the specification itself.
- * E. Minimise the bargaining strength of the supplier - not an explicit purpose of specification, and could actually backfire (e.g. over-specification reducing competition).

Relevant CIPS L4M2 areas:

- * Purpose and role of specifications in the procurement cycle
- * Specification as a basis for quality assurance and contract management
- * Links between specification and supplier evaluation

NEW QUESTION # 181

Which of the following methods will enable a company to eliminate waste, lost time and lost material from its processes?

- A. Tendering process for routine items
- B. Agile principles
- C. Over specification
- D. Lean principles

Answer: D

Explanation:

Lean design is about maximising the value that a customer receives and at the same time minimising waste in delivering that value. For an organisation to be 'lean' it must have had all non-essential resources removed (ie. anything that does not add value, see

Organisations which are 'agile' react as quickly as is practicable to provide a cost effective response to customer demand. This is based on flexibility in design, supply, production and distribution. It is most appropriate for products such as fast fashion and foodstuffs which must be on display and available when wanted by the customer.

- CIPS study guide page 153-156

LO 3, AC 3.3

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