

# CIPS L4M2 Exam Objectives Pdf - L4M2 Original Questions

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## CIPS L4M2

Re-buy - correct answer It is not necessary to specify a new specification or to source the market. Call-off or framework agreement. A preferred supplier is in place

Modified Buy - correct answer Review of existing contract requirements and making any necessary amendments such as to build additional benefits, streamline the business or to establish new KPIs/SLAs. Where some of the specification or requirements have changed.

New Buy - correct answer A new purchase outlines requirements that have not been specified before. There is a higher risk involved in procuring a new purchase, demand/supplier/market analysis should be conducted, and new specific KPIs should be included in the specification.

Business Needs - correct answer The mission of the organisation determines its requirements and therefore what procurement needs to source.

R - regulatory (any legal requirements)

A - availability (supply of goods/services when required, risk, financial and capacity)

Q - quality (consistency, repeatability, and fit for purpose)

S - service requirements (flexibility, support, availability)

C - cost (target costs, total cost of ownership, continuous improvement)

I - innovation (improving customer experience) - correct answer A model that can be used to identify business needs.

Kraljic Matrix - correct answer A matrix that allows procurement to prioritise spend in line with business needs.

Leverage - Kraljic Matrix - correct answer Business needs met by using purchasing department buying power to gain the best price and terms e.g. competitive tendering.

Example of Leverage item (Kraljic Matrix) - correct answer Company cars or mobile phones.

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CIPS L4M2 certification exam is an essential qualification for procurement and supply chain professionals who want to improve their skills and knowledge in identifying and defining business needs. L4M2 exam covers a wide range of topics that are critical to the effective identification of business requirements, including stakeholder analysis, market analysis, and risk analysis. Passing the CIPS L4M2 Exam is a demonstration of an individual's competence and expertise in analyzing business requirements and can help professionals achieve a successful career in procurement and supply chain management.

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The Chartered Institute of Procurement and Supply (CIPS) offers a variety of certification exams that are recognized globally as a mark of excellence in the procurement and supply profession. One such certification exam is the CIPS L4M2 (Defining Business Needs) which is designed to help professionals develop a thorough understanding of business needs and how to translate them into effective procurement processes.

CIPS L4M2 (Defining Business Needs) Exam is a globally recognized certification exam offered by the Chartered Institute of Procurement and Supply (CIPS). It is designed to test the knowledge and skills of procurement professionals in identifying and defining business needs in order to develop effective procurement strategies. L4M2 Exam is suitable for procurement professionals who are involved in the procurement process from the initial stages of identifying business needs to the final stages of contract management.

## **CIPS Defining Business Needs Sample Questions (Q29-Q34):**

### **NEW QUESTION # 29**

Apple's CPO is planning a budget for purchasing carbon-free aluminium next year. There are 27.4 tonnes of aluminum in stock, while Apple will need 200 tonnes for production next year and double inventory for production in the following year. How much aluminum will Apple need to purchase in next year?

- A. 172.6 tonnes
- **B. 227.4 tonnes**
- C. 282.2 tonnes
- D. 117.8 tonnes

**Answer: B**

Explanation:

The quantity of aluminium Apple needs to buy is calculated as follows:

Quantity needed for production + the inventory needed at the end of the year - inventory at start of the year That formula is quantified as:  $200 + 54.8 - 27.4 = 227.4$  Reference:

LO 2, AC 2.3

### **NEW QUESTION # 30**

This is the information on an organisation's activities over the past year

\* Sale were \$5,000,000. The value of accounts receivable was \$450,000 at the start of the year and \$525,000 at the end of the year

\* The value of direct costs was \$2,500,000 and 75% of this was bought on credit

\* Indirect costs were \$3,000,000 and 25% of this was bought on credit

\* During the year the organization spent \$1,500,000 on new assets and sold \$150,000 of old assets. \$1,000,000 of the spend on assets was funded by a bank loan

\* The organization declared a dividend of \$200,000 at the end of the year but this was not paid for another two months

\* Opening balance was \$175,000

Which of the following is the bank balance of that organization at the end of the year?

- A. \$1,700,000
- **B. \$1,875,000**
- C. \$1,675,000
- D. \$2,025,000

**Answer: B**

Explanation:

In this question, you should understand the concept of cash flow and formula of cash flow. Cash flow calculates the physical money moving in and out a company's bank balance. The cash flow from sale activity is:

cash flow from sale = account receivable at beginning of the year + revenue - account receivable at the end of the year = \$450,000 + \$5,000,000 - \$525,000 = \$4,925,000

75% of direct costs was bought by credit, therefore, the company spent 25% on direct cost:  $-$2,500,000 * 25/100 = -$625,000$

25% of indirect costs was bought on credit. Cash flow out on indirect costs is:  $-\$3,000,000 * 75/100 = -\$2,250,000$  Company spent \$1,500,000 on new assets funded by a loan of \$1,000,000. Cash flow out from this activity is  $-\$500,000$  Company received \$150,000 from selling old assets Dividends have not been paid for another 2 months, thus, they are not accounted as cash flow out. The bank balance at the end of the year is:  $\$175,000 + \$4,925,000 - \$625,000 - \$2,250,000 - \$500,000 + \$150,000 = \$1,875,000$  LO 1, AC 1.4

### NEW QUESTION # 31

When procuring an IT equipment, at which stage the buyer's expectations are translated into a technical specification?

- A. Installation
- B. In-service support
- **C. Design**
- D. Customer support

**Answer: C**

Explanation:

IT equipment is typically linked with through-life contracts. This type of contract not only deal with the specification and the price of a machinery, but also other stages such as design, manufacture, installation, in-service support, decommission and disposal. Among these stages, the design stage is when buyer's requirements are translated into technically correct specification.

Reference:

LO 3, AC 3.2

### NEW QUESTION # 32

When drafting a business case. Benjamin believes he has power over a supplier and will consider this when detailing budget information. Is adopting a powerful approach with the supplier a reasonable approach?

- A. Yes, particularly for highly critical items
- **B. No, collaborative approaches should always be adopted**
- C. Yes, as long as there are other supply options
- D. No, power should never be used by a buyer on suppliers

**Answer: B**

### NEW QUESTION # 33

Which of the following are the focuses of ISO 14001:2015?

- A. 1. Life cycle  
2. Process  
3. Capacity  
4. Information security  
2 and 4 only
- B. 2 and 3 only
- **C. 1 and 2 only**
- D. 3 and 4 only

**Answer: C**

Explanation:

ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

ISO 14001:2015 helps an organization achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include:

- \* enhancement of environmental performance;
- \* fulfilment of compliance obligations;
- \* achievement of environmental objectives.

ISO 14001:2015 is applicable to any organization, regardless of size, type and nature, and applies to the environmental aspects of its activities, products and services that the organization determines it can either control or influence considering a life cycle perspective. ISO 14001:2015 does not state specific environmental performance criteria.

ISO 14001:2015 can be used in whole or in part to systematically improve environmental management.

Claims of conformity to ISO 14001:2015, however, are not acceptable unless all its requirements are incorporated into an organization's environmental management system and fulfilled without exclusion.

In conclusion, ISO 14001:2015 focuses on: management system (including roles, leadership and processes) and the life cycle of product or service. Life cycle is defined as "consecutive and inter-linked stages of a product (or service) system, from raw material acquisition or generation from natural resources to final disposal. [...] The life cycle stages include acquisition of raw materials, design, production, transportation/ delivery, use, end-of-life treatment and final disposal." The answer is process and life cycle.

## NEW QUESTION # 34

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