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L5M6 - Progress Test 2

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CIPS L5M6 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">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.
Topic 2	<ul style="list-style-type: none">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 3	<ul style="list-style-type: none"> • 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.
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CIPS Category Management Sample Questions (Q83-Q88):

NEW QUESTION # 83

In a Sourcing Business Model, stakeholders must answer key questions to determine the right model. Which are the most important?

- A. What factors form part of the total cost of ownership?
- B. How much risk does the company wish to take?
- C. What is the most appropriate contractual relationship?
- D. What is the most appropriate economic model?

Answer: C,D

Explanation:

In deciding the correct Sourcing Business Model, stakeholders must clarify two fundamental issues:

- * The most appropriate contractual relationship [C]: This could be transactional [short-term, cost- focused], relational [long-term collaboration], or investment-based [joint ventures, alliances]. The choice defines how risks and rewards are shared with suppliers.
- * The most appropriate economic model [D]: This determines the pricing and performance framework, e.g., transactional [pay-per-unit], output-based, or outcome-based [pay-for-results].

Options A and B are important but secondary considerations. Risk appetite and TCO factors are inputs to decision-making, but the contractual and economic models define the overall sourcing structure.

This reflects the study guide's emphasis that sourcing models should be tailored to category complexity and business objectives.

Using the wrong model can undermine supplier relationships and value delivery.

[Ref: CIPS L5M6 Study Guide, p.32 - Key questions in Sourcing Business Models]

NEW QUESTION # 84

Category Management and Strategic Sourcing are terms which are interchangeable. Is this statement TRUE?

- A. No - Category Management is a process most effectively applied when using a recognised framework and supporting tools
- B. No - Category Management is a tactical form of sourcing
- C. Yes - Strategic Sourcing is a type of Category Management
- D. Yes - they are synonyms and used interchangeably within most organisations

Answer: A

Explanation:

Although some organisations mistakenly use Category Management and Strategic Sourcing interchangeably, they are not the same. Strategic Sourcing is a philosophy or approach to procurement, while Category Management is a structured process, applied most effectively through recognised frameworks like Kraljic or Kearney's 7-step model. Category Management is strategic, not tactical,

and focuses on long- term value creation, supply market management, and alignment with organisational objectives. A direct quote from L5M6 states: "Category Management is a process and is applied most effectively when using a recognised framework and supporting tools." This clarity ensures that organisations do not reduce Category Management to short-term sourcing exercises. Instead, it emphasises cross-functional collaboration, innovation, and market analysis to achieve sustainable value.
Reference: CIPS L5M6 Study Guide, p.49

NEW QUESTION # 85

Of the following 4 types of industries, which has the lowest barriers to entry?

- A. Airline
- B. Soft drink manufacturing
- C. Pharmaceuticals
- **D. Restaurant**

Answer: D

Explanation:

Industries differ in terms of barriers to entry, which are obstacles that make it difficult for new competitors to enter a market. The restaurant industry has relatively low barriers-it requires less upfront capital, fewer regulatory approvals, and allows easier entry compared to industries such as airlines or pharmaceuticals. In contrast, pharmaceuticals involve stringent legal regulations, high R&D costs, and patents, while airlines require massive capital investment and regulatory compliance. The soft drinks industry, while not as capital- intensive, has strong barriers due to brand loyalty, global supply chains, and marketing costs. For procurement, recognising barriers to entry is important because it affects supply market competitiveness. In industries with low barriers like restaurants, buyer power is generally higher because new suppliers can enter easily. In high-barrier industries, suppliers hold greater power due to limited alternatives. This ties directly into Porter's Five Forces, which procurement professionals use to evaluate market attractiveness and develop category strategies.

Reference: CIPS L5M6 Study Guide, p.179

NEW QUESTION # 86

What is a General Ledger?

- A. An IT system that conducts tenders electronically
- **B. An IT system that prepares information for financial reporting**
- C. A catalogue of products to buy and/or sell
- D. A list of approved suppliers

Answer: B

Explanation:

A General Ledger [GL] is the central accounting record used by businesses to prepare financial reports. It categorises all financial transactions into cost codes, allowing managers to track expenditure, revenue, assets, and liabilities.

For category managers, the General Ledger provides visibility into spend categories. This information supports spend analysis and helps in mapping organisational costs against suppliers, categories, and business functions. It differs from line item detail by offering a higher-level financial view.

Other options are misleading:

* Option A [tenders] relates to e-procurement platforms, not financial records.

* Option C [catalogue] refers to item listings, not ledgers.

* Option D [supplier lists] relates to approved supplier databases.

By using GL data, procurement can ensure alignment with finance, strengthening compliance, budgeting, and strategic sourcing decisions.

[Ref: CIPS L5M6 Study Guide, p.135 - Use of General Ledger in procurement analysis]

NEW QUESTION # 87

Which of the following is NOT one of Cialdini's principles of persuasion?

- **A. Inducement**
- B. Reciprocity

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