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CIPS L4M5 exam is a challenging but rewarding qualification that can help procurement and supply chain professionals advance their careers and enhance their negotiation capabilities. By passing L4M5 Exam, candidates demonstrate their expertise in commercial negotiation and their commitment to professional development in this critical field.

## **CIPS Commercial Negotiation Sample Questions (Q121-Q126):**

### **NEW QUESTION # 121**

A buyer has lost trust in a supplier but wishes to repair the relationship. What is the appropriate first step?

- A. Reduction in prices for the remainder of the contract
- B. An offer of a hospitality package for the buyer
- **C. Acknowledgement by the supplier of the need to improve**
- D. Amending KPIs so the supplier can achieve them

**Answer: C**

Explanation:

Rebuilding trust requires acknowledgement of the issue and supplier commitment to improvement. Cosmetic gestures such as hospitality or price reductions do not address the core problem. Nor should KPIs be artificially lowered, as this masks underperformance. Trust is restored when accountability is accepted and corrective actions are implemented transparently. This aligns with CIPS' emphasis on trust-building behaviours: honesty, responsibility, and consistent performance.

Reference: CIPS L4M5 (2nd ed.), LO 3.1 - Managing trust and repairing damaged supplier relationships.

### **NEW QUESTION # 122**

In preparation for holding negotiation meetings with existing suppliers, category manager Stephen would like to appraise the bargaining strength of his organisation. Which of the following are examples of buyer power?

Select TWO that apply:

- **A. Buyer is large in size relative to suppliers**
- **B. Ability to easily switch suppliers**
- C. High barriers of entry exist for new suppliers
- D. Collusion between competitor suppliers
- E. Suppliers are limited in number

**Answer: A,B**

### **NEW QUESTION # 123**

When engaging in commercial negotiations, it is important to bear in mind that the suppliers need to make a reasonable profit to maintain continuity of supply. It is therefore necessary for the buyer to have a clear understanding of the break-even analysis concept which relates to cost, volume, and profit.

What is 'contribution' in relation to break-even analysis?

- **A. The gains that the supplier receives when the sales revenue exceeds variable costs**
- B. The gains from sales revenue that the supplier is willing to contribute in a profit-sharing contractual arrangement
- C. The gains that the supplier receives when the sales revenue exceeds fixed costs
- D. The gains from sales revenue which the supplier retains as reserves to contribute to future development projects

**Answer: A**

Explanation:

In break-even analysis, contribution refers to the amount from sales revenue that exceeds variable costs, which then contributes to covering fixed costs and ultimately generating profit. Understanding this concept enables buyers to better analyze supplier pricing and negotiate more effectively. For example, if a product is priced significantly above its variable cost, there may be room for discounts or added value, as the supplier is still contributing toward fixed costs.

Reference: L4M5 Commercial Negotiation 2nd edition (CORE), Section 2.1 - Cost Analysis and Pricing Decisions

### NEW QUESTION # 124

It may be more difficult to buy on a credit from supplier who locates in a country with a hyperinflation? Is this assumption true?

- A. No, because the higher the inflation rate, the stronger the supplier's currency
- **B. Yes, because the supplier's currency will lose its value overtime**
- C. Yes, because buyer has more advantage if they make payment in their own currency
- D. No, because supplier's bank will take risks from currency fluctuation

**Answer: B**

Explanation:

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If the inflation rate is running high, then obtaining credit as a buyer is normally more difficult or expensive as money in the future will be worth less than money today.

### NEW QUESTION # 125

When prices of input materials increase, supply curve shifts to the left while demand remains stable. The shift of supply will tend to cause which of the following?

- **A. An increase in the equilibrium price and a decrease in the equilibrium quantity**
- B. A decrease in the equilibrium price and an increase in the equilibrium quantity
- C. An increase in the equilibrium price and quantity
- D. A decrease in the equilibrium price and quantity

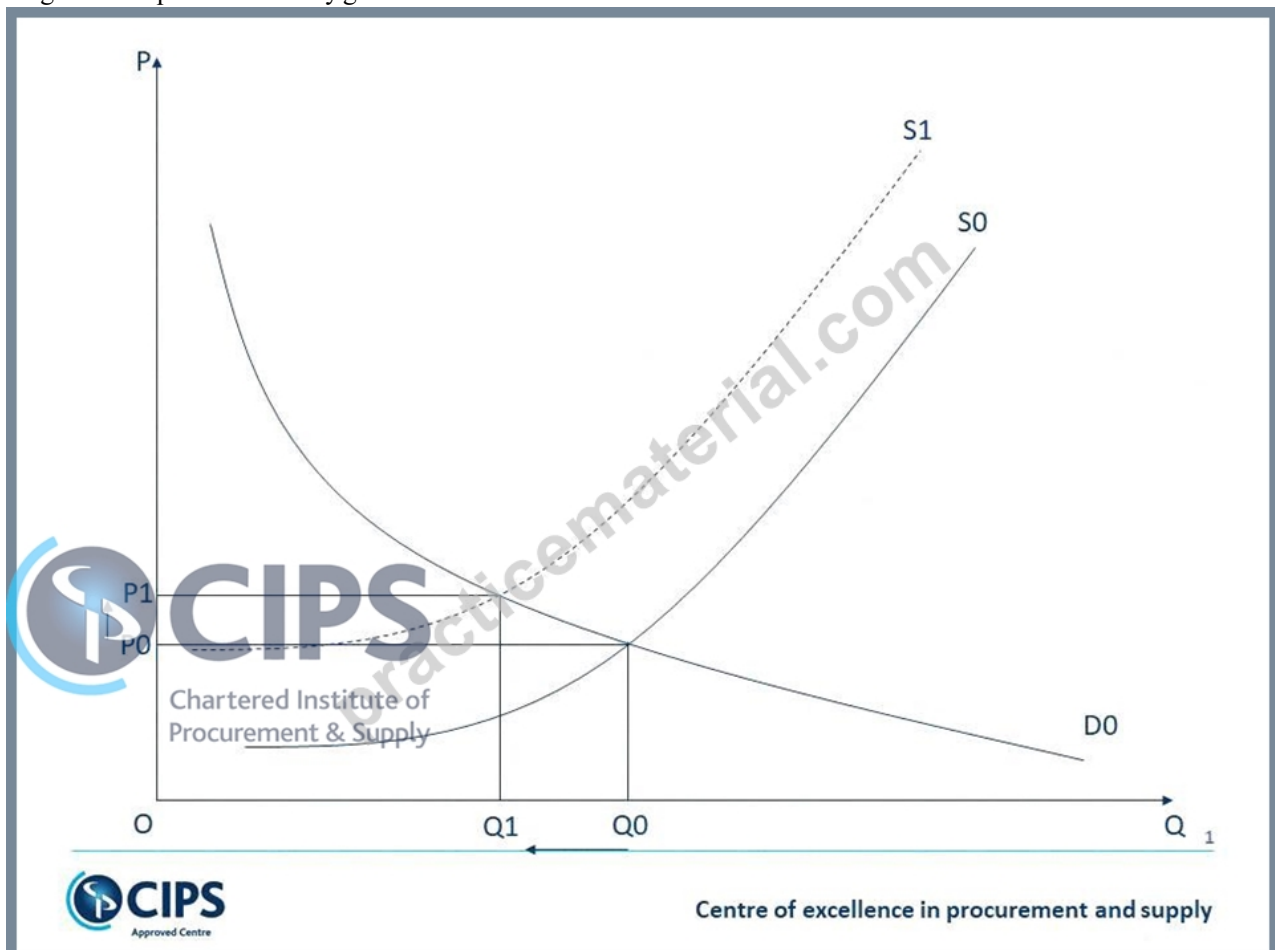
**Answer: A**

Explanation:

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The case in the question is illustrated as below:

Diagram Description automatically generated



The equilibrium price initially at P0 with quantity Q0, when supply curve shifts to the left, it will converge with demand curve at new

