

Verified and Updated CIPS L4M5 Exam Questions and Answers

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.

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CIPS Commercial Negotiation Sample Questions (Q251-Q256):

NEW QUESTION # 251

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

Answer: A,D

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:

Table Description automatically generated

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 # 252

A buyer is approaching a negotiation where the company is in a low-power negotiating position in relation to the supplier. How can the buyer improve leverage and power with the supplier?

- A. 1 and 4 (Consolidate expenditure and limit communication)
- B. 1 and 2 (Consolidate expenditure and understand supplier costs)
- C. 3 and 4 (Take a distributive approach and limit communication)
- D. 2 and 3 (Understand supplier costs and take a distributive approach)

Answer: B

Explanation:

Reference: CIPS L4M5 Study Guide, Section 1.3 - Sources of Power in Negotiation

NEW QUESTION # 253

Absorption costing is when the total cost per each unit of output:

- A. Includes an allocation towards indirect costs used in its creation
- B. Includes an allocation of producing an additional unit
- C. Includes an allocation towards the activity cost of its creation
- D. Includes an allocation for a proportion of total production costs

Answer: A

Explanation:

NEW QUESTION # 254

A negotiation meeting between a buyer and supplier has taken several hours. Both parties believe the negotiation is starting to reach a close. Before the supplier takes steps to make their closing statements, they are most likely to be doing which of the following?

- A. Gathering information and data
- B. Establishing connections and building rapport
- **C. Watching for verbal and visual buying signals**
- D. Raising last-minute objections

Answer: C

Explanation:

As a negotiation nears the closure stage, experienced negotiators look for buying signals- both verbal (e.g., positive affirmations) and non-verbal (e.g., nodding, leaning in). These cues indicate readiness to agree and allow the negotiator to move confidently into closing the deal.

"At the closing stage, negotiators should observe both verbal and non-verbal buying signals. These cues can indicate readiness to commit, helping to time the final proposal or acceptance effectively." (L4M5 Commercial Negotiation, 2nd edition, Section 3.2 - Closing the Negotiation)

NEW QUESTION # 255

Which of the following is NOT a barrier to entry in a monopolized market?

- A. A key resource is owned by a single firm
- B. The costs of production make a single producer more efficient than a large number of producers
- **C. A single firm is very large**
- D. The government gives a single firm the exclusive right to produce some good

Answer: C

Explanation:

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Monopolies exist in many markets in real life for very different reasons:

Ownership of a Key Resource: When one company exerts sole control over a resource that is necessary for the production of a specific product, the market may become a monopoly. For example, the only medication deemed acceptable to treat a disease comes from a particular ingredient X, and knowledge of this ingredient X is owned by a single family owned company. The company can, therefore, be said to have a monopoly over ingredient X that is needed to cure the disease because it is the only company that can produce a product deemed acceptable.

Government Franchise: In certain instances, a monopoly may be explicitly created by the government if it grants a single company, whether private or government-owned, the right to conduct business in a particular market. For example, when a national railways transportation service is created by the government, in most cases they are granted a monopoly on the operation of passenger trains in the country. As a result, other firms are only able to offer passenger train services with the cooperation and/or permission of the government- owned provider.

Intellectual Property Protection: Extending intellectual property protection to a company in the form of patents and copyrights is yet another way in which monopolies are created. When a government does this, it is in fact giving a single company an exclusive right to provide a particular product / service to the market.

Patents and copyrights work in providing owners of intellectual property with the right to act as an exclusive provider of a new product for a specific length of time. This creates a temporary monopoly in the market with regards to new products and services.

Natural Monopoly: A market may also become a monopoly simply because it may be more cost-effective for one company to serve the whole market than to have several smaller firms in competition with one another. A company with virtually unlimited economies of scale is referred to as a natural monopoly. Such firms become monopolies due to their position and size, which makes it impossible for new entrants in the market to compete price-wise. Natural monopolies are common in industries with high fixed costs and low marginal costs of operation such as providers of television, telephone, and internet services.

In this question, 'A single firm is very large' is not enough to tell whether this market is monopolistic.

NEW QUESTION # 256

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