

L5M6 Simulation Questions, L5M6 Test Prep



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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 (Q47-Q52):

NEW QUESTION # 47

Which of the following approaches to managing cost, common in Category Management, results in the most reduced costs from suppliers and increased value?

- A. Price management
- B. Price acceptance
- C. Cost-out
- D. Cost-down

Answer: C

Explanation:

Cost-out is the most effective approach for reducing supplier costs while increasing value. It involves redesigning products or services collaboratively with suppliers to eliminate costs before they occur. For example, altering product design to use fewer materials can reduce overall costs without compromising quality. This differs from price acceptance (simply accepting a supplier's offer), price management (controlling or negotiating pricing), or cost-down (gradual cost reduction). Cost-out is proactive and strategic, focusing on long-term value creation rather than short-term savings. For category managers, adopting cost-out strategies requires close supplier collaboration, innovation, and joint investment in process improvements.

Reference: CIPS L5M6 Study Guide, p.79

NEW QUESTION # 48

Which of the following industries is the only one that does not have a specific SIC code?

- A. Services
- B. Retail
- C. Finance
- D. Agriculture

Answer: A

Explanation:

The services industry does not have a specific SIC code because it is highly diverse, spanning multiple activities that do not fit neatly into a single classification.

[Ref: CIPS L5M6 Study Guide, p.88 - SIC classification limitations]

NEW QUESTION # 49

Bellatricks Ltd has four main categories of spend, each headed by a Category Manager. Below is a brief outline of each:

* Category Manager 1: Has a PhD and 15 years' experience. Very competent in developing specifications. Persuasion style built on knowledge, facts, and science.

* Category Manager 2: Meets deadlines, identifies actions, achieves goals. Assertive, self-assured, articulate.

* Category Manager 3: Strong soft skills, relates well to people, builds supplier relationships.

Motivates others by being passionate and creating shared purpose.

* Category Manager 4: Creative thinker, anticipates market changes, produces quick solutions. In negotiations, they see problems from multiple perspectives.

Task:

Complete the table by identifying each Category Manager's competency and style of persuasion when negotiating with suppliers. Each response should only be used once.

Bellatricks Ltd - Drag & Drop Table

Category Manager	Competency	Style of Persuasion
Category Manager 1	—	—
Category Manager 2	—	—
Category Manager 3	—	—
Category Manager 4	—	—

Options to Place

Chartered Institute of
Procurement & Supply

Competencies	Styles of Persuasion
Functional Expert	Confidence
Influencer	Empathy
Innovator	Inspire
Results Seeker	Logic

Answer:

Explanation:

Bellatricks Ltd - Drag & Drop Table



Chartered Institute of
Procurement & Supply

Category Manager	Competency	Style of Persuasion
Category Manager 1	Functional Expert	Logic
Category Manager 2	Results Seeker	Confidence
Category Manager 3	Influencer	Inspire
Category Manager 4	Innovator	Empathy

Options to Place

Competencies	Styles of Persuasion
Functional Expert	Confidence
Influencer	Empathy
Innovator	Inspire
Results Seeker	Logic

Explanation:

Bellatricks Ltd - Completed Drag & Drop Answer Key

Chartered Institute of
Procurement & Supply

Category Manager	Competency	Style of Persuasion
Manager 1	Functional Expert	Logic
Manager 2	Results Seeker	Confidence
Manager 3	Influencer	Inspire
Manager 4	Innovator	Empathy

Category Manager 1 # Competency: Functional Expert | Persuasion: Logic

This manager has a PhD, 15 years' experience and is confident developing specifications. That profile maps directly to Functional Expert-deep technical knowledge, standards, and specification ownership. In persuasion terms, the description "strong product knowledge, facts and science" signals a Logic style:

arguments are evidence-led (data, benchmarks, test results, TCO calculations). In supplier negotiations, this type will frame proposals around measurable outcomes and compliance to technical requirements, using structured evaluations and objective criteria. The benefit is credibility and clarity; the risk is over-focusing on technical detail at the expense of relationship nuance. In category work, this style suits complex, specification-driven buys (e.g., engineered components, regulated goods) where accuracy and verification matter most.

Category Manager 2 # Competency: Results Seeker | Persuasion: Confidence

"Meets deadlines, identifies actions, achieves goals; assertive, self-assured, articulate" are classic Results Seeker cues-task focus, milestone discipline, outcome accountability. The persuasion tone is Confidence:

clear asks, firm positions, and decisive proposals. In supplier meetings, this manager will set SMART targets (cost down %, on-time delivery, lead-time reduction), drive cadence (QBRs, action logs), and hold parties to commitments. The upside is momentum and delivery; the watch-out is risking supplier defensiveness if assertiveness isn't balanced with listening. This pairing works well for leverage or non-critical categories where execution speed, price movement and service levels are the primary value drivers.

Category Manager 3 # Competency: Influencer | Persuasion: Inspire

"Strong soft-skills... builds effective relationships... motivates others by being passionate and creating a shared sense of purpose" signals Influencer-credible relationship builder who aligns stakeholders and suppliers. Their persuasion style is Inspire: appeal to shared goals (innovation, sustainability, growth), energise cross-functional teams, and co-create solutions. In supplier negotiations, they'll use vision statements, win-win framing, and recognition to unlock discretionary effort (e.g., co-development, cost-out workshops, service transformation). Strengths include engagement, change adoption and long-term partnership value; risks include under-weighting hard trade-offs if not supported by clear commercial guardrails. This pairing excels in strategic or transformation initiatives where collaboration is the multiplier.

Category Manager 4 # Competency: Innovator | Persuasion: Empathy

"Creative thinker... anticipates rapid changes... produces solutions quickly... sees problems from multiple points of view" matches Innovator-future-oriented, options-generating, comfortable with ambiguity. The persuasion fit is Empathy: actively understanding counterpart drivers (capacity, risk, margin pressures), connecting dots between perspectives, and shaping proposals that address mutual needs. In practice, this manager will run design-thinking workshops, scenario planning, and pilot trials, using supplier insights to re-frame requirements (e.g., modular specs, alternative materials, new service models). The advantage is differentiated value and resilience; the risk is scope drift if ideas aren't prioritised rigorously. This pairing is powerful in volatile markets and for categories needing redesign, sustainability shifts or new tech adoption.

NEW QUESTION # 50

Trydo Ltd is an industrial engineering company and is currently assessing its supplier base. Below are descriptions of four of its major suppliers:

* Supplier 1: This supplier has a large share of the market and the market in which it operates is growing. However, the supplier's own costs have increased by 36% over the past 12 months due to raw material price increases.

* Supplier 2: The market is fast growing but as a new supplier to the marketplace, Supplier 2's market share is still relatively low. Trydo is concerned about this supplier's long-term financial situation as the company has taken out many loans and a large mortgage.

* Supplier 3: This supplier operates in a small marketplace, but is a strong player with a sizable market share. Although this isn't of concern to Trydo, having recently run an Acid Test, it is believed that Supplier 3's current liabilities are four times greater than its assets.

* Supplier 4: The market Supplier 4 operates in is shrinking and Supplier 4 already has a low market share. The main issue is Capital Management as stock turnover, debtor days and are becoming prolonged. There have been several complaints about performance.

Task:

Complete the table below. You are required, for each supplier, to determine the product category on the BCG Matrix and to identify the main area of financial concern. Each response should only be used once.

Trydo Ltd - Drag & Drop Table

Supplier	BCG Matrix Category	Financial Concern
Supplier 1	—	—
Supplier 2	—	—
Supplier 3	—	—
Supplier 4	—	—

Options to Place

BCG Matrix Categories	Financial Concerns
Dog Category	Profitability Concern
Cash Cow Category	Liquidity Concern
Star Category	Gearing Concern
Question Mark Category	Efficiency Concern

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Answer:

Explanation:

Trydo Ltd - Drag & Drop Table

Supplier	BCG Matrix Category	Financial Concern
Supplier 1	Star Category	Profitability Concern
Supplier 2	Question Mark Category	Gearing Concern
Supplier 3	Cash Cow Category	Liquidity Concern
Supplier 4	Dog Category	Efficiency Concern

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Options to Place

BCG Matrix Categories	Financial Concerns
Dog Category	Profitability Concern
Cash Cow Category	Liquidity Concern
Star Category	Gearing Concern
Question Mark Category	Efficiency Concern

Explanation:

Output image

Trydo Ltd - Completed Drag & Drop Answer Key



Supplier	BCG Matrix Category	Financial Concern
Supplier 1	Star Category	Profitability Concern
Supplier 2	Question Mark Category	Gearing Concern
Supplier 3	Cash Cow Category	Liquidity Concern
Supplier 4	Dog Category	Efficiency Concern

Supplier 1 # Star Category + Profitability Concern

Supplier 1 holds a large market share in a growing market, which places it in the Star category of the BCG Matrix. Stars are typically leaders in expanding markets and require continuous investment to maintain their dominance. The concern here is not competitive weakness but profitability. Although revenue potential is strong, Supplier 1's costs have increased by 36% due to rising raw material prices. This erodes margins and threatens profitability despite growth. Stars often generate high cash inflows, but if costs spiral out of control, their ability to sustain investment weakens. Profitability management (e.g., through cost reduction, supplier negotiations, or efficiency gains) is critical to ensuring Supplier 1 continues its growth trajectory and avoids slipping into the "Cash Cow" or "Dog" quadrants in the future.

(Ref CIPS L5M6 Study Guide, p.117 - BCG Matrix application)

Supplier 2 # Question Mark Category + Gearing Concern

Supplier 2 operates in a fast-growing market but has only a small share, making it a Question Mark in the BCG Matrix. Question Marks are high-risk: they may grow into Stars or fail and become Dogs, depending on how they perform and whether investment supports expansion. The major financial concern here is gearing- Supplier 2 has taken out significant loans and a large mortgage, meaning it is heavily leveraged. High gearing increases financial risk, as debt repayments must be met regardless of market conditions. In rapidly growing markets, high gearing can restrict reinvestment and leave firms vulnerable to interest rate fluctuations or downturns. For Trydo, this means Supplier 2 could face difficulties sustaining its growth, posing supply chain risk. Monitoring debt levels and financial stability is essential before committing to long-term contracts.

(Ref CIPS L5M6 Study Guide, pp.117-118 - Question Marks and financial analysis) Supplier 3 # Cash Cow Category + Liquidity Concern Supplier 3 operates in a small, stable market but commands a strong market share. This places it firmly as a Cash Cow-a business that generates consistent revenue without requiring major investment. Cash Cows fund other areas of a portfolio but face limited growth prospects. The concern here is liquidity. An Acid Test reveals that Supplier 3's current liabilities are four times greater than its assets, suggesting it lacks sufficient short-term liquidity to meet obligations. This imbalance can result in cash flow problems, even if long-term profitability remains sound. For Trydo, the risk is that Supplier 3 may fail to pay debts or manage day-to-day operations, creating supply disruption. Procurement managers must ensure financial health checks are conducted regularly and consider diversification strategies if reliance on Supplier 3 is high.

(Ref CIPS L5M6 Study Guide, p.117 - Cash Cows and liquidity issues)

Supplier 4 # Dog Category + Efficiency Concern

Supplier 4 operates in a shrinking market and already holds a low market share, placing it in the Dog category of the BCG Matrix. Dogs are generally unattractive, offering little growth and limited returns. The key concern here is efficiency. Supplier 4 is struggling with capital management issues, such as poor stock turnover and prolonged debtor days. These inefficiencies damage competitiveness and further weaken financial stability. For Trydo, relying on Supplier 4 poses significant risk because inefficiency can lead to delays, reduced quality, and increased total cost of ownership. Unless Supplier 4 improves performance, it may eventually exit the market, leaving Trydo vulnerable. In procurement terms, buyers should avoid long- term commitments with such suppliers and instead focus on exit strategies or alternatives.

(Ref CIPS L5M6 Study Guide, pp.117-118 - Dogs and efficiency management)

NEW QUESTION # 51

A category which includes raw materials required in large quantities and high volumes is often known as what?

- A. Demand Category
- B. House Category
- C. Direct Category
- D. Primary Category

Answer: C

Explanation:

A Direct Category refers to spend on items that are directly linked to the production of goods or delivery of services. For manufacturers, this includes raw materials, components, and items required in high volumes that form part of the finished product. These categories are critical because supply disruptions or price volatility can have significant impacts on production and customer delivery. Conversely, Indirect Categories refer to goods and services not directly linked to production, such as cleaning services, IT systems, or office supplies.

Effective management of direct categories often involves long-term supplier relationships, strategic sourcing, and risk management. Since they directly affect business continuity, procurement strategies must prioritise availability, cost stability, and quality. Category managers often use Kraljic's Matrix and forecasting tools to design robust sourcing strategies for direct categories.

Reference: CIPS L5M6 Study Guide, p.4

NEW QUESTION # 52

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