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CIPS L4M2 Exam Questions

Question: 1

The position of a product in its life cycle can affect the price that suppliers set. Is this statement correct?

- correct answer A. No, in market economy, the state decides the price of all goods and services
- B. Yes, each stage in product life cycle requires different levels of investment in promotion and distribution
- C. No, customer's perception of value is the ultimate determinant of the suppliers' price
- D. Yes, it is always the only factor determining the price

Question: 2

A CPO is making a business case for acquiring a new computer system. He has set out objective, generated options, cost and benefit of each option and implementation plan. Which of the following elements should be included in the business case? - correct answer A. Risk assessment

- B. Operation management
- C. Invitation to tender
- D. Contract management

Question: 3

What is the document that defines the activities, deliverables and timelines a supplier must carry out during contract performance? - correct answer A. Statement of work

- B. Project initial document
- C. Framework agreement
- D. Work instruction

Question: 4

A procurement manager is writing a conformance specification for a non-core component. She thinks that if the requirements in specification are higher than ISO standards, her company can achieve greater cost-savings. Is the procurement manager's opinion correct? - correct answer A. No, because higher specification may incur additional costs for the buyer

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CIPS Defining Business Needs Sample Questions (Q288-Q293):

NEW QUESTION # 288

Dana is an automobile manufacturer. It has a new electrification strategy that aims at making eco-friendly electric pick-up trucks. To implement this strategy, the procurement department must source new categories of parts that make motors, sensors, solenoids and stators. He starts to analyse the market by identifying specific supply market segments for those parts and finding suppliers who have the best capabilities in those segment. He intends to segment the market based on specific features of the products. Which variable is used by Dana procurement manager to shape and manage supply market?

- A. Geographical segments
- B. Buyer segments
- C. Channel segments
- **D. Product segments**

Answer: D

Explanation:

In sales and marketing, market segmentation is the process of trying to understand clusters of customers in terms of their buying behavior and their buying characteristics. There are some traditional segmentation approaches: geography, demography, types of industry and the benefits. Then there are newer segmentation approaches: behavioral, situational, and psychographic.

Procurement professionals can learn market segmentation from sales and marketing. Segmenting the market can help them to shape and manage the supply market effectively. According to Michael Porter, a market can be segment with array of products and buyers.

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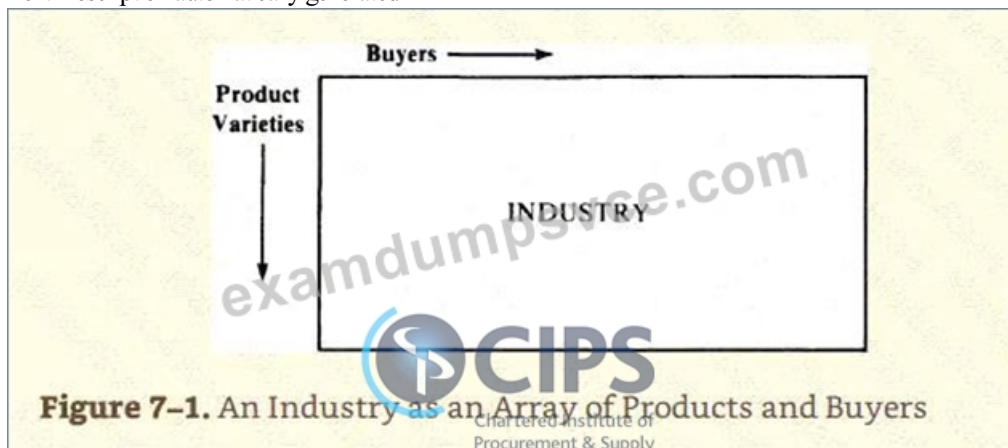


Figure 7-1. An Industry as an Array of Products and Buyers

Source: Porter, Michael E.. Competitive Advantage: Creating and Sustaining Superior Performance (p. 234). Free Press. Kindle Edition.

In the scenario, the products that Dana needs to source is distinct in their features. The best way is to segment the market by product varieties.

Reference: CIPS study guide page 65

LO 2, AC 2.1

NEW QUESTION # 289

To improve the productivity, Plantation Ltd is planning to purchase a tractor, which it has never bought before. The project must be quick to catch up with the next growing season. Leanne, a junior procurement staff at the company, assumes that she could skip market analysis stage to save time. Is this assumption reasonable?

- A. No, market analysis will inform the company of the pricing as well as latest technology trends
- B. Yes, the company has extensive experience in purchasing tractor
- C. No, the company assesses supplier's performance solely based on market analysis
- D. Yes, Leanne just needs to purchase the tractor from her friend's company

Answer: A

Explanation:

Market analysis is a stage in CIPS Procurement and Supply Cycle. This stage informs the purchaser about the number of suppliers, the average pricing, and product trends. Even urgent purchase should undergo market analysis. Without undertaking this stage, the buying organisation may not purchase the right product, or they may purchase at higher price.

Reference: CIPS study guide page 63-71

LO 2, AC 2.1

NEW QUESTION # 290

Which of the following are the causes of material cost variance?

1. The buyer updates purchase-to-pay system to track payment and delivery
 2. An unprocessed goods received note is missing
 3. The employees must work overtime to catch up with the customers' orders
 4. The purchase is made in emergency
- A. 1 and 4 only
 - B. 1 and 3 only
 - C. 2 and 4 only
 - D. 2 and 3 only

Answer: C

Explanation:

The difference between the standard cost of direct materials specified for production and the actual cost of direct materials used in production is known as Direct Material Cost Variance. Material Cost Variance gives an idea of how much more or less cost has been incurred when compared with the standard cost. Thus, Variance Analysis is an important tool to keep a tab on the deviations from the standard set by a company.

Material Cost Variance can be due to less purchase price being paid than the standard or because of change in the quantity of material used. Thus, Material Cost Variance is made up of two components namely; Material Price Variance and Material Usage Variance.

Among the 4 options:

- 'The buyer updates purchase-to-pay system to track payment and delivery': The use of e-procurement system can increase the productivity and create labour cost variance, not material cost variance.
- 'An unprocessed goods received note is missing': If a goods received note is missing, the buyer won't pay for that batch, which create quantity variance.
- 'The employees must work overtime to catch up with the customers' orders': Overtime salary can cause labour variance, not material cost variance.
- 'The purchase is made in emergency': Normally, the price in emergency situation is higher than usual. This can cause price variance.

NEW QUESTION # 291

James Hunter has received a price increase request from a supplier with its justification. The supplier has requested the price increase because there has been an increase in staff sickness absence. James has reviewed the original contract and found a buyer provision for 'risk for additional resource.' This is the first year the supplier has experienced a resource issue. What should James do?

- A. Accept the price increase
- B. Review the request in three months
- C. Request additional budget
- D. Reject the price increase

Answer: D

Explanation:

Detailed Explanation:

Given that the provision for 'risk for additional resource' exists and this is the first occurrence, James should reject the price increase as the supplier should account for these risks in their pricing. Reference: CIPS Level 4, Contract Management and Cost Control.

NEW QUESTION # 292

When devising a business case for purchasing a new copier, Maria analyses its whole-life costs as following:

Cost generating activities	Value
Purchase	\$2,500.00
Installation	\$75.00
Ink Cartridges and paper	\$1,000.00
Electricity consumed	\$300.00
Removing the copier	\$150.00
Maintenance	\$450.00
Financing	\$87.50

Though cost generating activities are identified, she has not categorised the costs. What is the total value of copier's end of life costs?

- A. \$450
- B. \$75
- C. \$300
- **D. \$150**

Answer: D

Explanation:

Life cycle costing is a key asset management tool that takes into account the whole of life implications of planning, acquiring, operating, maintaining and disposing of an asset.

The process is an evaluation method that considers all ownership and management costs. These include;

- Concept and definition;
- Design and development;
- Manufacturing and installation;
- Maintenance;
- Support services; and
- Retirement, remediation and disposal costs.

End of life costs often comprise of decommissioning, removing and disposal costs. In the copier scenario, the end of life costs equal to removal cost, which is \$150.

NEW QUESTION # 293

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