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CIPS L4M7 Exam is an essential qualification for procurement professionals who are looking to specialize in asset management. L4M7 exam covers a wide range of topics, including asset identification, valuation, maintenance, and disposal. It is designed to help candidates develop the skills and knowledge necessary to effectively manage assets and ensure their long-term value. Successful completion of the exam is an important step in advancing one's career in asset management.

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CIPS L4M7 Certification Exam is designed to assess the candidate's knowledge and skills in various areas of asset management, including the management of assets throughout their entire life cycle, from acquisition to disposal. L4M7 exam is also designed to test the candidate's understanding of the principles of whole life asset management, which involves the optimization of asset performance over an extended period.

CIPS L4M7 (CIPS Whole Life Asset Management) certification exam is an internationally recognized certification program that focuses on the management of assets throughout their entire life cycle. CIPS Whole Life Asset Management certification is designed for professionals who work in the field of asset management and are responsible for maintaining and managing assets from the design phase to the end of their useful life.

CIPS Whole Life Asset Management Sample Questions (Q256-Q261):

NEW QUESTION # 256

When purchasing a capital asset, an organisation should analyse the costs and benefits that the asset may bring. Which of the following factors are considered in cost-benefit analysis? Select TWO that apply.

- A. Shareholders' equity
- B. Current liabilities in the balance sheet
- **C. The cost of the asset**
- D. Dividends paid
- **E. The cumulative cash flows generated by the asset**

Answer: C,E

Explanation:

A cost-benefit analysis is a process businesses use to analyze decisions (such as capital investment). The business or analyst sums the benefits of a situation or action and then subtracts the costs associated with taking that action.

A cost-benefit analysis (CBA) should begin with compiling a comprehensive list of all the costs and benefits associated with the project or decision.

The costs involved in a CBA might include the following:

- Direct costs would be direct labor involved in manufacturing, inventory, raw materials, manufacturing expenses.
- Indirect costs might include electricity, overhead costs from management, rent, utilities.
- Intangible costs of a decision, such as the impact on customers, employees, or delivery times.
- Opportunity costs such as alternative investments, or buying a plant versus building one.
- Cost of potential risks such as regulatory risks, competition, and environmental impacts.

Benefits might include the following:

- Revenue and sales increases from increased production or new product.
- Intangible benefits, such as improved employee safety and morale, as well as customer satisfaction due to enhanced product offerings or faster delivery.
- Competitive advantage or market share gained as a result of the decision.

An analyst or project manager should apply a monetary measurement to all of the items on the cost-benefit list, taking special care not to underestimate costs or overestimate benefits. A conservative approach with a conscious effort to avoid any subjective tendencies when calculating estimates is best suited when assigning a value to both costs and benefits for a cost-benefit analysis.

Finally, the results of the aggregate costs and benefits should be compared quantitatively to determine if the benefits outweigh the costs. If so, then the rational decision is to go forward with the project. If not, the business should review the project to see if it can make adjustments to either increase benefits or decrease costs to make the project viable. Otherwise, the company should likely avoid the project.

Reference:

- Cost-Benefit Analysis (Investopedia)
- CIPS study guide page 175

LO 3, AC 3.2

NEW QUESTION # 257

Lean principle focuses on eliminating eight types of waste. Waste in Lean manufacturing is defined as...?

- **A. Non value-adding steps in a process**
- B. Part of activity when operator is idle
- C. Rejection of material because of quality related problems
- D. Part of any activity which is inevitable

Answer: A

Explanation:

Lean thinking aims to remove wastes from work processes. Before diving into the 8 wastes, it is important to understand what waste is. Waste is any action or step in a process that does not add value to the customer. In other words, waste is any process that the customer does not want to pay for.

The original seven wastes (Muda) was developed by Taiichi Ohno, the Chief Engineer at Toyota, as part of the Toyota Production System (TPS). The seven wastes are Transportation, Inventory, Motion, Waiting, Overproduction, Overprocessing and Defects. They are often referred to by the acronym 'TIMWOOD'.

8th waste of non-utilized talent or 'Skills' of workers was later introduced in the 1990s when the Toyota Production System was adopted in the Western world. As a result, the 8 wastes are commonly referred to as 'TIMWOODS'.

Source: The lean way

Reference: CIPS study guide page 127-129

LO 2, AC 2.3

NEW QUESTION # 258

Reservoir Inc runs several oil refineries across the country. These refineries require heavy investment, particularly in maintenance, repair and operating (MRO) inventory. But the inventory turnover rate of these MRO items are low, while some items have expired date, which increases the risks of obsolescence. Which of the following methods can address the issues of these MRO items?

- A. Just in case
- B. Forrester effect
- C. Vendor-owned stock
- D. Larger safety stock

Answer: C

Explanation:

Where stock turn (inventory turnover) is low and there are potential risks of redundancy or obsolescence, the buying organisation may adopt vendor owned stock. In this system, a supplier (vendor) maintains a stock of items ready to be used at the point of customer consumption. The supplier owns the stock until it is used by the purchaser; only then is the purchaser invoiced for it. Just in case and larger safety stock would significantly increase the stock level, which may cause redundancy or obsolescence. Forrester effect (or Bullwhip effect) is a distribution channel phenomenon in which forecasts yield supply chain inefficiencies. It refers to increasing swings in inventory in response to shifts in customer demand as one moves further up the supply chain.

NEW QUESTION # 259

The managing director requires action to be taken to improve the organization's profitability and has asked for suggestions to enable this to be achieved. The procurement manager has said that a just-in-time (JIT) system should be introduced. Would such a system improve profitability?

- A. No, because it would increase buffer stock
- B. No, because it would increase stock holding costs
- C. Yes, because it would reduce stock turn rates
- D. Yes, because it would reduce stock holding costs

Answer: D

Explanation:

Just-in-Time (JIT) inventory management minimizes stock levels by synchronizing orders with production schedules, which:

* Reduces holding costs: Less inventory means lower costs for storage and management.

* Increases cash flow: Reduced stock levels free up working capital.

Whole-life asset management supports JIT as a cost-saving measure, focusing on maintaining lean inventories while meeting production needs.

NEW QUESTION # 260

Which of the following statements about radio frequency identification (RFID) is NOT true?

- A. RFID systems can be complied with GS1 standards
- B. RFID tags contain a microchip in which data of an item are saved
- C. RFID is a powerful technology for tracking the movement of goods throughout the supply chain
- D. RFID systems transmit radio signals over extreme long distances.

Answer: D

Explanation:

RFID tags have very limited range. The following table was extracted from Wikipedia:

RFID tags can be used to do the following:

- Track individual items
- Track boxes of products, cages of products and pallet
- Track containers with multiple loads
- Locate equipment within a building
- Trigger alarms should equipment or stock be removed without authorisation.

RFID tags are made of three different components: an RFID chip, which is an integrated circuit (IC), an antenna, and a substrate.

LO 1, AC 1.2

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