

L4M5 High Quality - New L4M5 Test Pass4sure

Topic	Competency Statement
Topic 6	- Understand key approaches in the negotiation of commercial agreements with external organisations - Support of conflict that can arise in the world of procurement and supply
Topic 7	- Team management and the influence of stakeholders in negotiations - Definition of commercial objectives
Topic 8	Market outcomes and its influence on commercial negotiations
Topic 9	Construct the economic factors that impact on commercial negotiations
Topic 10	- Setting objectives and defining the variables for a commercial negotiation - Use of templates, teleconferencing or web-based meeting
Topic 11	- Setting targets and setting a level alternative for a commercial agreement - Collaborative with win-win approach to negotiations

► **New LAMS Best Exam 1**

New L4M5 Test Test | L4M5 New Questions

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CIPS Commercial Negotiation Sample Questions (Q84-Q89):

NEW QUESTION # 34

Which of the following is most likely to be a reason why a supplier charges its customer higher price after it has reached the break-even point?

- A. The supplier may have reached economy of scale
- B. Supplier may want to encourage buyer's demand
- C. Supplier may need to open new facilities to meet increasing customer's demand
- D. Supplier may have high fixed cost, variable cost ratio

Appendix C

Explanation:

Explanation:
Supplier may want to encourage buyer's demand: the buyer tends to prefer lower price. If supplier wants to encourage its customers to buy more, it needs to offer discount at bulk amount. So this option is not acceptable.

Supplier may have high fixed cost - variable cost ratio: Supplier with high fixed cost needs high volumes to break even, but once achieved, it may be able to offer significant discounts for bulk orders.

The supplier may have reached economy of scale when economy of scale is reached, cost per unit will be minimal which often leads to more favourable price.

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CIPS L4M5 Exam Syllabus Topics:

Section	Objectives
	- Approaches to negotiation
Negotiation strategies and tactics	1. Collaborative and competitive strategies 2. Tactical behaviours and influence techniques 3. Concession strategies

	- Preparation techniques
Negotiation planning and preparation	• 1. Setting objectives and targets • 2. BATNA and reservation points • 3. Information gathering and analysis
	- Principles of commercial negotiation
Negotiation fundamentals	• 1. Definition and purpose of negotiation • 2. Types of negotiation (distributive vs integrative)
	- Influencing factors
Power, ethics and communication in negotiation	• 1. Ethical considerations in negotiation • 2. Sources of negotiation power • 3. Communication and interpersonal skills

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CIPS Commercial Negotiation Sample Questions (Q192-Q197):

NEW QUESTION # 192

Which of the following is most likely to be a reason why a supplier charges its customer higher price after it has reached the break-even point?

- A. The supplier may have reached economy of scale
- **B. Supplier may need to open new facilities to meet increasing customer's demand**
- C. Supplier may have high fixed cost - variable cost ratio
- D. Supplier may want to encourage buyer's demand

Answer: B

Explanation:

Explanation

'Supplier may want to encourage buyer's demand': the buyer tends to prefer lower price, if supplier wants to encourage its customers to buy more, it needs to offer discount at bulk amount. So this option is not acceptable.

'Supplier may have high fixed cost - variable cost ratio': Supplier with high fixed cost needs high volumes to break even, but once achieved, it may be able to offer significant discounts for bulk orders

'The supplier may have reached economy of scale': when economy of scale is reached, cost per unit will be minimal which often leads to more favourable price.

'Supplier may need to open new facilities to meet increasing customer's demand': Increasing customer's demands may exceed supplier's current capacity. Therefore, supplier may need to extend its capacity by investing more in facilities. To cover these fixed cost investment, supplier may charge higher price.

LO 2, AC 2.1

NEW QUESTION # 193

Which of the following are ways of developing rapport when undertaking a negotiation?

- **A. 3 and 4 only (Engaging in active listening and Actively showing empathy)**
- B. 2 and 4 only (Using probing questions and Actively showing empathy)
- C. 1 and 3 only (Engaging in assertive communication and Engaging in active listening)
- D. 1 and 2 only (Engaging in assertive communication and Using probing questions)

Answer: A

NEW QUESTION # 194

A new manager has been appointed with responsibility for an organisation's category which has major impact on organisational cost base and there are little competitions in the supply market. They have an objective to improve supplier cost structures over time. Which of the following should they carry out first?

- A. Competitive rivalry analysis
- B. Volume concentration
- C. STEEPLE analysis
- D. Purchase price cost analysis

Answer: D

Explanation:

The objective of the buyer here is to improve supplier cost structures over time, which requires them to have insight into supplier's current cost information. Purchase price cost analysis (PPCA) can help here. PPCA is a method for gathering, analysing and using price and cost information in a systematic way. The process allows the identification of future savings and opportunities to improve current costs.

STEEPLE analysis is used to analyse the macro environment that may have impact on an organisation.

Competitive rivalry is a part of Porter's Five Forces which is a tool for strategy making.

Volume concentration is a way to increase the purchasing quantities in order for a buying organisation to improve its leverage in negotiation.

NEW QUESTION # 195

Which of the following are typical characteristics of activity-based costing (ABC) method? Select TWO that apply.

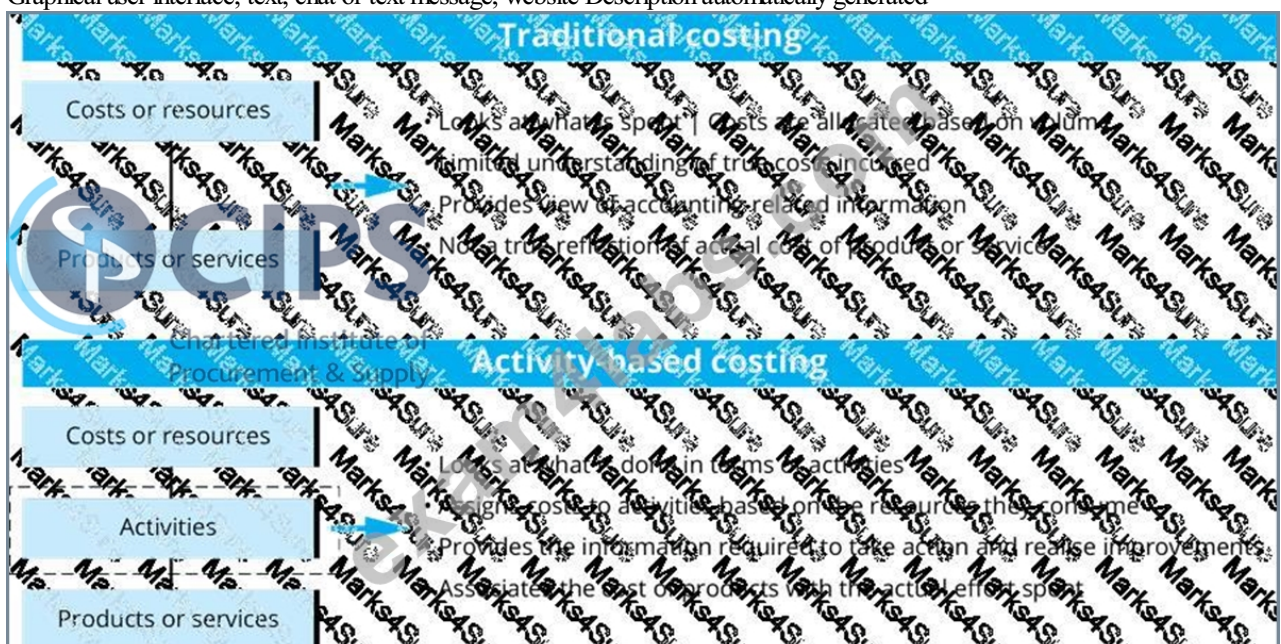
- A. ABC has tended to over cost products on long runs and under cost those on short runs
- B. Limited understanding of true costs incurred
- C. Costs are allocated based on volume
- D. ABC provides the information required to take action and realise improvements
- E. Variable and all related overhead expenses are specifically assigned to a business activity

Answer: D,E

Explanation:

Activity-based costing is an alternative approach to traditional absorption costing. The characteristics of these two methods are illustrated in the graph below:

Graphical user interface, text, chat or text message, website Description automatically generated



NEW QUESTION # 196

XYZ Ltd needs to purchase a bundle of IT products from suppliers. The procurement manager requests details of costs regarding designing and managing those products. After receiving reports from suppliers, she realises that they have charged up to a 1,095% mark-up on IT products. In order to ensure value for money, which of the following should be a priority pricing arrangement of the procurement manager in the negotiation with these IT suppliers?

- A. Cost plus arrangement
- B. Premium pricing
- C. Market skimming
- D. Market penetration pricing

Answer: A

Explanation:

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In the scenario, the main cost driver is suppliers' mark-up. The priority should be limit the margin to be added.

XYZ Ltd can agree "cost plus" contracts with their suppliers to ensure no IT product purchased exceeds an agreed maximum margin level. Procurement teams can use their benchmarking tools to police these contracts.

Cost plus contracts are agreements where the contractor's pricing is based on itemising allowable costs and then adding an agreed margin.

Market penetration pricing - pricing low to win a large share of the market Market skimming - pricing a new product high in order to make a large profit from the purchases by initial customers. This is an effective strategy only in the absence of competition. When competition appears, market skimmers usually drop their prices Premium pricing - usually pricing high because the market is prepared to pay extra for the kudos associated with the product, thanks to, say, a reputation for quality, or a highly fashionable brand name, and so on

NEW QUESTION # 197

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