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CIPS L4M8 Chapter 1 exam 2024 with 100% correct answers

The 13 Stages of the Procurement Cycle - correct answer ✓✓ Stage 1 - Identify need and develop spec.
Stage 2 - Market commodity/make or buy options.
Stage 3 - Develop Strategy/Plan
Stage 4 - Pre procurement market tests
Stage 5 - Prepare Documentation
Stage 6 - Supplier Selection
Stage 7 - Send ITT
Stage 8 - Receive & Evaluate Bids
Stage 9 - Award contract
Stage 10 - Warehouse/logistics prep
Stage 11 - Contract management
Stage 12 - Relationship management
Stage 13 - End of life/asset management

Procurement Cycle - Stage 1 - Understand need and develop a high-level specification - correct answer ✓✓ The person generating the need should communicate with the buyer to ensure there is no misinterpretation. Once the need is clearly understood, the procurement professional should develop a specification

Two types of specification - correct answer ✓✓ Performance and conformance

Performance specifications - correct answer ✓✓ Specifies what the product or service will do or achieve. This covers the outputs required, tolerances and any functions the product/service may have to perform

Conformance specifications (technical) - correct answer ✓✓ Specifies which standards a requirement must meet or exceed

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CIPS L4M8 (Procurement and Supply in Practice) Exam is a professional certification exam designed for individuals who want to advance their career in procurement and supply chain management. L4M8 Exam is offered by the Chartered Institute of Procurement and Supply (CIPS) and is recognized internationally as a benchmark for excellence in the field.

CIPS Procurement and Supply in Practice Sample Questions (Q57-Q62):

NEW QUESTION # 57

Describe three ways in which a buyer could or test the market in order to assist with determining a need.

Answer:

Explanation:

Once the need has been understood, defined, justified and authorized, the next stages are to analyze and test the market. Analyzing and testing the market includes looking at the following

1. STEEPLE analysis
2. SWOT analysis
3. Porter's five forces
4. Level of suppliers competition
5. Supply and demand
6. Push and pull
7. Supplier segmentation
8. Product life cycle
9. Ansoff matrix
10. Early supplier involvement
11. Make or buy
12. Offshoring

1. Porter's five forces: The use of porter's five forces helps the procurement professional to understand the level of competition within the marketplace. Whether it is a monopoly, oligopoly, imperfect or perfect market. Knowing these will equip the organization to better negotiate a favorable price.

2. Supply and Demand: the procurement professional must also think about supply and demand as part of their market analysis when they receive a requisition. This economic factor has a significant effect on the prices charged and on the cost incurred.

3. Supplier segmentation: in this the procurement professional start to form an opinion of potential suppliers.. They can segment current suppliers into four categories, depending on their level of integration into an organization. This can help to inform the procurement professional of which type of supplier relationship that would be most appropriate.

NEW QUESTION # 58

What is the method of monitoring suppliers?

Answer:

Explanation:

When a contract has been awarded, either to meet tangible needs or intangible needs, contractors or suppliers should be managed to ensure that they are meeting up with fulfilling their contractual agreement. To establish this, there are methods of managing contracts and suppliers.

Service level agreement (SLA) clauses: is placed in contract to ensure that supplier meets the expected and agreed level of service

Key performance indicator (KPI): are used to manage contracts that fulfill tangible needs, the KPIs are set performance thresholds that are used to monitor supplier's performance.

Management by objectives (MBO): is the process of defining objective that are strategic to the organization relating them to the vision and mission and communicating them to the supplier through the contract and ensuring that this objective is met during contract performance.

Reviews: Regular supplier reviews are good practices, for it gives the buyer opportunity to give feedback on performance.

Continuous Improvement: Contracts and suppliers can be monitored through how they are changing for better incrementally as they are fulfilling the schedule. There must be a set down system to timely improve on the process, people and continuously reduce waste.

Training: It is essential that training, are provided to come up on areas supplier is lacking.

NEW QUESTION # 59

Maximum Score: 25

(a) Outline the financial data that can be used in the process of supplier selection.

(10 marks)

(b) Explain THREE potential concerns for a buying organisation of selecting a supplier that has a current ratio of 0.67:1. (15 marks)

K-cyber Shield Limited

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Ashton Parsons is a newly appointed procurement specialist for a local government department. He has been recruited in response to a new government programme. The country's national government is currently promoting a programme of engagement with small and medium-size organisations (SMEs), to help build a healthy and diverse economy in the country. All local government departments have been tasked to engage with more local SME suppliers. One significant problem for SME suppliers compared with large national contractors is that they do not have the financial resources and track record of their larger competitors. This engagement programme is intended to change the reliance on just one or two large national contractors in each category of expenditure. In one category of expenditure, for a ten-year contract to supply Information Technology (IT) services to the local government department, a full invitation to tender document is to be issued shortly. Ashton has been asked to begin the sourcing process.

Ashton has received a range of data, including financial data, on one potential local supplier, K-cyber Shield Limited. All the data gathered so far has been received from independent, reliable and trusted sources.

One aspect of the financial data received to date on K-cyber Shield Limited shows that it has, at present, current assets of £100,000 and current liabilities of £50,000, giving a current ratio of 0.67:1.

Answer:

Explanation:

See the answer in explanation below.

Explanation:

2(a) Outline the financial data that can be used in the process of supplier selection. (10 marks) When selecting a supplier, the buyer should assess financial data to judge whether the supplier is financially stable and capable of delivering the contract.

One key source is the balance sheet, which shows the supplier's assets, liabilities and overall financial position at a point in time. This helps the buyer assess net worth, debt levels and short-term financial strength.

Second, the income statement or profit and loss account shows revenue, costs and profit over a period. This helps the buyer understand whether the supplier is profitable and commercially sustainable.

Third, the cash flow statement is important because it shows whether the supplier is generating enough cash to fund operations and meet obligations. A profitable business can still fail if it has weak cash flow.

Fourth, buyers can use the annual report, including directors' comments and risk disclosures, to understand broader business performance and future outlook.

Fifth, buyers often calculate financial ratios such as:

* liquidity ratios like the current ratio and quick ratio

* profitability ratios such as net profit margin

* gearing ratios to assess dependence on borrowing.

Finally, the buyer may review financial trends over time and use independent credit reports or external financial checks from trusted sources.

Overall, these data sources help the buyer decide whether the supplier is financially strong enough to perform the contract.

2(b) Explain THREE potential concerns for a buying organisation of selecting a supplier that has a current ratio of 0.67:1. (15 marks)

A current ratio of 0.67:1 means the supplier has only £0.67 of current assets for every £1 of current liabilities. This suggests weak short-term liquidity and creates several concerns for the buyer.

1. Difficulty meeting short-term obligations

The first concern is that the supplier may struggle to pay short-term debts such as wages, bills, subcontractors or software costs. If liabilities are higher than current assets, the supplier may face cash pressure. For the buyer, this raises concerns about whether the supplier can operate reliably throughout the contract.

2. Risk of poor performance or service disruption

A weak current ratio may mean the supplier has limited working capital to support day-to-day operations. In an IT services contract, this could affect staffing, maintenance, upgrades or continuity of service. For a local government department, any disruption could be serious because public services may depend on the supplier's performance.

3. Greater financial fragility

The third concern is that the supplier may rely too heavily on overdrafts, loans or faster customer payments to survive. This makes the supplier more financially vulnerable. If costs rise or cash inflows slow down, the supplier may experience serious financial difficulty or even fail during the contract.

In conclusion, a current ratio of 0.67:1 is a warning sign because it suggests weak liquidity. It does not automatically mean the supplier should be rejected, but the buying organisation should carry out further financial checks before awarding the contract.

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