

New L4M2 Mock Test, L4M2 Reliable Study Plan

Defining Business Need

Questions

1 In developing a business case, which one of the following steps should come first?

- A Compare options
- B Establish the cost
- C Assess the risks
- D Identify the needs

2 Which of the following might lead to a modified re-buy for a regularly purchased item? Select TWO that apply.

- A Increase in the rate of use
- B Change in product regulations
- C New product
- D Buyer dissatisfaction
- E Price adjustment clause

3 A company purchases substantial quantities of a fairly costly but non-critical item, for which there is a competitive supply market and no shortage of supply. Which one of the following procurement strategies would seem most appropriate for this purchased item?

- A Look for a substitute item to buy
- B Establish a long-term supplier relationship
- C Prioritise price as a business need
- D Use automated procurement methods

4 Which TWO of the following would represent direct costs for a manufacturing organisation?

- A A stand at a business fair
- B Mobile phone calls
- C Components
- D Overalls and protective clothing
- E The labour time required to complete a production task

5 For which one of the following reasons might a procurement manager be interested in estimating a supplier's direct costs of a regularly purchased item?

- A To monitor the supplier's fixed and variable costs
- B To estimate the supplier's gross profit margin on the item
- C To compare the supplier's price with those of rival suppliers
- D To monitor the quality of the supplier's product

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CIPS Defining Business Needs Sample Questions (Q160-Q165):

NEW QUESTION # 160

Which of these causes variances in budgets?

Quantity discounts
Substitute goods
Loan repayments
Corporation tax

- A. 1 and 2 only
- B. 2 and 3 only
- C. 2 and 4 only
- D. 1 and 4 only

Answer: A

Explanation:

Detailed Explanation:

Quantity discounts: Changes in order quantities can lead to cost savings, impacting budget forecasts.

Substitute goods: Using alternative products can alter planned expenses, causing budget deviations. Loan repayments and taxes are fixed financial obligations and do not directly impact procurement budgeting.

Reference: CIPS Level 4, Cost Management.

NEW QUESTION # 161

Which of the following statements describes a correct example of an indirect cost?

- A. The wages of an automotive electrician responsible for testing vehicle lights during a night shift at a car assembly plant
- B. The salary of the manager in charge of the night shift in the car assembly plant
- C. The cost of alloy rims fitted on new cars during the night shift at a car assembly plant
- D. The cost of paint used in the manufacture of new cars during the night shift at a car assembly plant

Answer: B

NEW QUESTION # 162

Which of the following provides in-depth detail for both functional and non-functional requirements and covers assumptions, constraints, performance, dimensions, weights and reliability of a product?

- A. Performance specification
- B. Statement of work
- C. Tolerance
- D. Design specification

Answer: D

Explanation:

Design specification is a detailed document providing a list of points regarding a product or process. For example, the design specification could include required dimensions, environmental factors, ergonomic factors, aesthetic factors, maintenance that will be needed, etc. It may also give specific examples of how the design should be executed, helping others work properly (a guideline for what the person should do).

Performance specification is a written requirement that describes the functional performance criteria required for a particular equipment, material, or product.

Tolerance is the permissible limit of a variable used to define a product. Statement of work is the document that captures and defines all aspects of a project, including the activities, deliverables and the timetable for the project.

Reference: CIPS study guide page 118

LO 3, AC 3.1

NEW QUESTION # 163

Apple's CPO is planning a budget for purchasing carbon-free aluminium next year. There are 27.4 tonnes of aluminium in stock, while Apple will need 200 tonnes for production next year and double inventory for production in the following year. How much

aluminum will Apple need to purchase in next year?

- A. 172.6 tonnes
- B. 282.2 tonnes
- **C. 227.4 tonnes**
- D. 117.8 tonnes

Answer: C

Explanation:

The quantity of aluminium Apple needs to buy is calculated as follows:

Quantity needed for production + the inventory needed at the end of the year - inventory at start of the year That formula is quantified as: $200 + 54.8 - 27.4 = 227.4$ Reference: CIPS study guide page 103 LO 2, AC 2.3

NEW QUESTION # 164

Lucy, a junior procurement analyst, has been asked to assess the competitive forces in the garden furniture market. XYZ Ltd is the largest producer of garden furniture in the country. It produces 70% of all the garden furniture manufactured, while the second largest manufacturer produces less than 5% of the garden furniture for the country. Which power does XYZ Ltd possess?

- A. Buyer bargaining power
- B. Purchasing power
- **C. Supplier bargaining power**
- D. Substitute power

Answer: C

NEW QUESTION # 165

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