

CIPS L4M5 Certification - Sample L4M5 Test Online

Commercial Negotiation

2

Topic 6	<ul style="list-style-type: none">Understand key approaches in the negotiation of commercial agreements with external organisationsUnderstand what can affect the work of procurement and supply
Topic 7	<ul style="list-style-type: none">Business management and the influence of stakeholders in negotiationsConfidence of commercial negotiation
Topic 8	<ul style="list-style-type: none">Market orientation and its influence on commercial negotiationsPlanning the negotiation process and the use of communication techniques
Topic 9	<ul style="list-style-type: none">Setting objectives and defining the variables for a commercial negotiationUse of telephone, teleconferencing or web-based meetings
Topic 10	<ul style="list-style-type: none">Getting bargains and arriving at a best alternative to a negotiated agreement (BATNA)Contingency planning for negotiations

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CIPS Commercial Negotiation Sample Questions (Q84-Q89):

NEW QUESTIONS # 84
Which of the following is most likely to be a reason why a supplier charges its customer high price after it has reduced its break even point?

A. The supplier may have fixed cost of sales

B. Supplier may want to encourage buyer's demand

C. Supplier may need to offer high price to avoid increasing customer's demand

D. Supplier may have high fixed costs - demand does not change

Answer: C

Explanation:
Supplier may want to encourage buyer's demand if the buyer tends to prefer lower price. If supplier wants to encourage an customer to buy more, it needs to offer discount at break even point. So this option is not correct.
Supplier may have fixed cost - variable cost ratio. Supplier with high fixed cost needs high margin to break even. But since demand is high, it may be able to offer significant discount for high orders.
The supplier may have reduced economy of scale - when a economy of scale is reduced, cost per unit will be increased which often leads to more expensive price.
Supplier may need to offer high price to avoid increasing customer's demand if increasing customer's demand that exceed supplier's current capacity. Therefore, supplier may need to extend

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CIPS L4M5: Commercial Negotiation is an essential exam for procurement professionals who want to master the art of negotiation. L4M5 Exam is part of the Chartered Institute of Procurement and Supply (CIPS) Level 4 Diploma in Procurement and Supply. L4M5 exam is designed to test candidates' ability to negotiate effectively in a commercial environment. Successful completion of L4M5 exam will demonstrate that candidates have the skills and knowledge required to negotiate complex commercial contracts.

CIPS L4M5 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">How behaviours should change during the different stages of a negotiationCompare the key communication skills that help achieve desired outcomes

Topic 2	<ul style="list-style-type: none"> • Analyse the application of commercial negotiations in the work of procurement and supply • Negotiation in relation to the stages of the sourcing process
Topic 3	<ul style="list-style-type: none"> • Building relationships based on reputation, and trust • Repairing a relationship • The relationship spectrum
Topic 4	<ul style="list-style-type: none"> • How purchasers can improve leverage with suppliers • The importance of power in commercial negotiations
Topic 5	<ul style="list-style-type: none"> • Setting targets and creating a • Collaborative win-win integrative approaches to negotiations
Topic 6	<ul style="list-style-type: none"> • Identify the different types of relationships that impact on commercial negotiations • Pragmatic and principled styles of negotiation
Topic 7	<ul style="list-style-type: none"> • Differentiate between the types of approaches that can be pursued in commercial negotiations • Distributive win-lose, distributive approaches to negotiation
Topic 8	<ul style="list-style-type: none"> • Analyse how to assess the process and outcomes of negotiations to inform future practice • Protecting relationships after the negotiation
Topic 9	<ul style="list-style-type: none"> • Macroeconomics and its influence on commercial negotiations • Contrast the economic factors that impact on commercial negotiations
Topic 10	<ul style="list-style-type: none"> • Costing methods such as absorption, marginal or variable and activity-based costing • Know how to prepare for negotiations with external organisations

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CIPS Commercial Negotiation Sample Questions (Q171-Q176):

NEW QUESTION # 171

When implementing value analysis or value engineering, which of the following acronyms reminds both buyer and supplier of ideas on removal, substitution and design-out of cost elements?

- A. STOPS WASTE
- B. OWN-IT
- C. SMART
- D. SAMOA

Answer: A

Explanation:

Ray Carter coined the mnemonic STOPS WASTE to remind buyers of 10 cost-reduction ideas they can ask for themselves and their suppliers in any situation when considering a key purchase input. Stop Waste by:

Standardisation - is there a standard specification?

Transportation - is the inbound transport classification appropriate

Over-engineered - is the specification too tight?

Packaging - can packaging be reduced or eliminated?

Substitutes - is there a cheaper substitute material

Weight - is there opportunity to reduce weight of the product?

Any unnecessary processing - is there any unnecessary design or feature?

Supplier's input - are suppliers able to assist with the cost reduction To make - is it more economical to make or buy?

Eliminate - if no one uses the feature, can it be eliminated?

SAMOA is a useful acronym for checking and testing the information gathered from the Internet:

Source

Audience

Methodology

Objectivity

Accuracy

OWN-IT is acronym for 5 steps in the process of collecting and analysing the data and information needed in any field:

Outline

Wide search

Narrow search

Increase your stockpile of information

Transform your stockpile into new knowledge

A SMART goal is used to help guide goal setting. SMART is an acronym that stands for Specific, Measurable, Achievable, Realistic, and Time-bound.

NEW QUESTION # 172

In a commercial negotiation, a procurement professional negotiates on his company's behalf. The power of buying organisation is the only factor that influences the behaviours of the other party. Is this assumption true?

- A. No, because power of supplier is the only factor that influences the other party
- B. Yes, because buyer's brand, reputation and purchasing spend largely determine the outcomes
- **C. No, because personal power of negotiators also attributes to the outcomes**
- D. Yes, because the outcomes of negotiation are attributable to the buying organisation

Answer: C

Explanation:

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The assumption is false, because when a procurement professional negotiates on behalf of his employer, he brings the power of his organisation (its brand, reputation and purchasing spend) as well his own personal power (that which is embedded within him) to the negotiation.

From a negotiation perspective, both organisational and personal power have the ability to influence the behaviours of other or the cause of event. This power is clearly core to negotiation, and of enormous importance in seeking to achieve the objectives.

NEW QUESTION # 173

Ma Bell was the sole provider of landline telephone service to most of the US in 1980s. This is an example of...?

- A. Monopsony
- **B. Monopoly**
- C. Monopolistic competition
- D. Perfect competition

Answer: B

Explanation:

A monopoly exists when only one company can supply an essential product or service in a given region because of significant barriers to entry for any competitor. The barriers can be legal, regulatory, economic, or geographic. Ma Bell case is an example of monopoly. The company was broken up in 1982.

A monopsony is a market structure in which a single buyer substantially controls the market as the major purchaser of goods and services offered by many would-be sellers.

Pure or perfect competition is a theoretical market structure in which the following criteria are met:

- All firms sell an identical product (the product is a "commodity" or "homogeneous").
- All firms are price takers (they cannot influence the market price of their product).
- Market share has no influence on prices.

- Buyers have complete or "perfect" information-in the past, present and future-about the product being sold and the prices charged by each firm
- Resources for such a labor are perfectly mobile.
- Firms can enter or exit the market without cost.

Monopolistic competition characterizes an industry in which many firms offer products or services that are similar, but not perfect substitutes. Barriers to entry and exit in a monopolistic competitive industry are low, and the decisions of any one firm do not directly affect those of its competitors. Monopolistic competition is closely related to the business strategy of brand differentiation Reference: CIPS study guide page 105-110 LO 2, AC 2.2

NEW QUESTION # 174

Which factors give rise to conflict within the procurement negotiation context? Select THREE that apply.

- A. Power imbalance
- B. Shared values
- C. Similar motives
- D. Differences in goals
- E. Collaborative working
- F. Shared budget resources

Answer: A,C,D

Explanation:

Conflict can arise in procurement negotiations due to a power imbalance, which occurs when one party has more influence than the other, leading to potential exploitation or dissatisfaction. Differences in goals between parties-such as cost minimization for buyers and profit maximization for suppliers-also contribute to tension. Surprisingly, similar motives can lead to conflict as well, particularly when both parties are competing for limited benefits or market share.

Reference: L4M5 Commercial Negotiation 2nd edition (CORE), Section 1.3 - Understanding Conflict in Commercial Negotiations

NEW QUESTION # 175

A negotiation meeting between a buyer and supplier has taken several hours. Both parties believe the negotiation is starting to reach a close. Before the supplier takes steps to make their closing statements, they are most likely to be doing which of the following?

- A. Watching for verbal and visual buying signals
- B. Raising last-minute objections
- C. Establishing connections and building rapport
- D. Gathering information and data

Answer: A

Explanation:

As a negotiation nears the closure stage, experienced negotiators look for buying signals- both verbal (e.g., positive affirmations) and non-verbal (e.g., nodding, leaning in). These cues indicate readiness to agree and allow the negotiator to move confidently into closing the deal.

"At the closing stage, negotiators should observe both verbal and non-verbal buying signals. These cues can indicate readiness to commit, helping to time the final proposal or acceptance effectively." (L4M5 Commercial Negotiation, 2nd edition, Section 3.2 - Closing the Negotiation)

NEW QUESTION # 176

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