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L4M2 CIPS Diploma
Defining Business Needs



Additional Sample Questions For CIPS L4M2

Defining Business Needs

Diploma in Procurement and Supply

Additional 65 Sample Questions

Q1) What are the core objects of a private organisation and what model highlights the inter-relationship between each?

Q3) Why is governance very important when determining a business need?

Q6) Identify FIVE ethical issues that need to be considered when identifying a business need?

Q8) Produce a Porter's Five Force analysis of a market you are familiar with.

Q9) The Kano Model is used for what in a Procurement Structure:

- a) Quality assessments
- b) Value Engineering
- c) Personnel Development
- d) None of the above

Q10) When developing an understanding of the needs of a business, who should be consulted in relation to the development of a new logistics service - identify 5 stakeholders and populate the Mendelow matrix below?



Produced By VidBlinqz 2019 Using Adapted CIPS Historic Materials

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CIPS Defining Business Needs Sample Questions (Q170-Q175):

NEW QUESTION # 170

A global manufacturer is struggling to compete with rival firms investing heavily in advanced robotics. This would be the biggest barrier to entry in which market?

- A. Finance
- B. Hospitality
- C. Aerospace
- D. Insurance

Answer: C

Explanation:

Comprehensive and Detailed Explanation (from CIPS L4M2 - Market Entry Barriers) Aerospace manufacturing demands high capital investment (robotics, technology, safety).

This creates a strong barrier to entry, limiting new competitors.

Industries like hospitality or insurance require far less fixed investment.

Relevant L4M2 references:

* "Capital intensity and technological barriers in markets"

* "Examples of entry barriers in industrial sectors"

NEW QUESTION # 171

A procurement manager is discussing with other stakeholders about the scope and the implementation of the upcoming construction project. A stakeholder argues that the construction projects are often risky as the overall scope of the work can't be accurately estimated from the beginning. Furthermore, the project spans over a long period, the costs of materials can fluctuate widely. The procurement manager suggests that the pricing structure should be able to cover the supplier's costs plus 10% markup on total costs. This arrangement is known as...?

- A. Cost-plus fixed-fee
- B. Cost-plus incentive fee contracts
- C. Cost-plus Fixed percentage
- D. Cost-plus award fee

Answer: C

Explanation:

As you can see from the scenario, the procurement manager is suggesting to use cost plus pricing arrangement.

A cost-plus contract is an agreement to reimburse a company for expenses incurred plus a specific amount of profit, usually stated as a percentage of the contract's full price. These type of contracts are primarily used in construction where the buyer assumes some of the risk but also provides a degree of flexibility to the contractor.

Cost-plus contracts can be separated into four categories. They each allow for the reimbursement of costs as well as an additional amount for profit:

1. Cost-plus award fee contracts allow the contractor to be awarded a fee usually for good performance.
2. Cost-plus fixed-fee contracts cover both direct and indirect costs, in addition to a fixed fee.
3. Cost-plus incentive fee contracts happen when the contractor is given a fee if his or her performance meets or exceeds expectations.
4. Cost-plus percent-of-cost contracts allow the amount of reimbursement to rise if the contractor's costs rise.

In the scenario, the procurement manager suggests a pricing structure that covers supplier's costs and adds 10% markup. This is cost-plus fixed-percentage.

Reference:

- Cost-Plus Contract Definition (investopedia.com)

- CIPS study guide page 30-36

LO 1, AC 1.2

NEW QUESTION # 172

Which of the following is an advantage of competitive benchmarking over other types of bench-marking?

- A. Limited access to competitor's data
- **B. Similarity among processes**
- C. Cost effectiveness
- D. Different corporate culture

Answer: B

Explanation:

Competitive benchmarking

Competitive benchmarking is a direct competitor-to-competitor comparison of a product, service, process, or method. This form of benchmarking provides an opportunity to know yourself and your competition better; combine forces against another common competitor. An example of competitive benchmarking within the Department of Defense, might include contrasting Army and Air Force supply systems for Joint initiatives.

Within the private sector, two or more American car companies might benchmark for mutual benefit against common international competitor; or, rival chemical companies benchmark for environmental compliance.

Benefits

- Comparing like processes
- Know your competition better
- Possible partnership
- Useful for planning and setting goals
- Similar regulatory issues

Challenges

- Difficult legal issues
- Relatively low performance improvement
- Threatening
- Limited by trade secrets
- May provide misleading information
- May not get best-in-class comparisons
- Competitors could capitalize on your weaknesses

Source: USN Benchmarking Handbook

Reference: CIPS study guide page 50

LO 1, AC 1.3

NEW QUESTION # 173

Which of the following areas is specified by ISO/IEC 27001 family?

- A. The requirements for an environmental management system
- B. The dimensions and associated tolerances for a series of housings for piston seals
- **C. The requirements for an information security management system**
- D. Evaluation and assessment of mutual agreed customer food safety requirements

Answer: C

Explanation:

ISO/IEC 27001 is widely known, providing requirements for an information security management system (ISMS), though there are more than a dozen standards in the ISO/IEC 27000 family. Using them enables organizations of any kind to manage the security of assets such as financial information, intellectual property, employee details or information entrusted by third parties.

LO 3, AC 3.1

NEW QUESTION # 174

Which of the following are fixed costs? Select TWO that apply.

- A. Sales commission
- **B. Premises costs**
- C. Staff overtime
- D. Materials costs

- E. Utilities costs

Answer: B,E

Explanation:

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) CIPS L4M2 defines fixed costs as those that do not change in total with small changes in the level of activity within a relevant range (for example, rent, insurance, basic utilities standing charges).

* Premises costs (C) - such as rent and building insurance, are typically fixed: they are paid regardless of production volume (within normal operating levels).

* Utilities costs (D) - often treated as fixed or semi-fixed in exam-style questions: the organisation pays standing charges and must maintain services regardless of output.

In contrast:

* Staff overtime (A) - varies with workload; this is a variable cost.

* Sales commission (B) - depends on sales volume, so it is variable.

* Materials costs (E) - directly linked to output (more units = more materials), so variable.

Understanding fixed versus variable costs is vital when preparing a business case (e.g. break-even, sensitivity analysis, and assessing the impact of demand changes).

Relevant CIPS L4M2 areas:

* Cost behaviour: fixed, variable, semi-variable

* The role of cost analysis in business cases and sourcing decisions

* Overhead allocation and cost structures

NEW QUESTION # 175

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