

CIPS L4M2 Practice Exams In Online Format

CIPS L4M2 PRE TEST PRACTICE EXAM NEWEST VERSION
2025 ACTUAL EXAM COMPLETE 100+ QUESTIONS AND
CORRECT ANSWERS | ALREADY GRADED A+ | | BRAND
NEW!!

Re-buy - **CORRECT ANSWER >>>** It is not necessary to specify a new specification or to source the market. Call-off or framework agreement. A preferred supplier is in place

Modified Buy - **CORRECT ANSWER >>>** Review of existing contract requirements and making any necessary amendments such as to build additional benefits, streamline the business or to establish new KPIs/SLAs. Where some of the specification or requirements have changed.

New Buy - **CORRECT ANSWER >>>** A new purchase outlines requirements that have not been specified before. There is a higher risk involved in procuring a new purchase, demand/supplier/market analysis should be conducted, and new specific KPIs should be included in the specification.

Business Needs - **CORRECT ANSWER >>>** The mission of the organisation determines its requirements and therefore what procurement needs to source.

R - regulatory (any legal requirements)
A - availability (supply of goods/services when required, risk, financial and capacity)
Q - quality (consistency, repeatability, and fit for purpose)
S - service requirements (flexibility, support, availability)
C - cost (target costs, total cost of ownership, continuous improvement)
I - Innovation (improving customer experience) - **CORRECT ANSWER >>>** A model that can be used to identify business needs.

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The Chartered Institute of Procurement and Supply (CIPS) L4M2 Exam, also known as Defining Business Needs, is a crucial step

in the procurement process. L4M2 exam focuses on the importance of understanding the business requirements and aligning them with procurement strategies. It also covers various techniques that procurement professionals can use to identify business needs, such as conducting stakeholder analysis, business process mapping, and SWOT analysis.

CIPS Defining Business Needs Sample Questions (Q260-Q265):

NEW QUESTION # 260

A drawing is an example of...?

- A. Statements of work
- **B. Technical specifications**
- C. Outcome specifications
- D. Output specifications

Answer: B

Explanation:

A technical specification details the standards that a product or service must meet. Drawings (often called engineering drawings or technical drawings) are complementary to technical specifications Reference:

LO 3, AC 3.1

NEW QUESTION # 261

Which of the following always impact negatively on a company's cash flow? Select TWO that apply

- A. Increasing revenue
- **B. More inventory**
- **C. Supplier shortens their payment period**
- D. Depreciation of fixed asset
- E. Customers agree to pay immediately

Answer: B,C

Explanation:

To answer this question, candidates are required to remember the cash flow cycle and cost entries as well as the impact of their timing on a business.

Source: <https://cfoperspective.com/free-your-cash-trapped-in-the-cash-conversion-cycle/> Shorter payment term and more inventory are likely to have negative impact on the cash flow because the buyer has to pay sooner and greater.

"Customers agree to pay immediately" will increase the organisation's bank account sooner.

Depreciation has no impact on cash flow as it is only listed in Profit and Loss statement.

Increasing revenue may have negative or positive impact on cash flow, depending on the real situation.

Reference:

LO 1, AC 1.4

NEW QUESTION # 262

Which of the following is the core of value analysis process?

- A. Gather information
- **B. Carry out functional analysis**
- C. Develop
- D. Evaluate
- E. Be creative

Answer: B

Explanation:

Value Analysis (VA) is concerned with existing products. It involves a current product being analysed and evaluated by a team, to reduce costs, improve product function or both. Value Analysis exercises use a plan which step-by-step, methodically evaluates the product in a range of areas. These include costs, function, alternative components and design aspects such as ease of manufacture and assembly.

According to the Value Methodology standard, there are 6 phases to a Value Analysis:

- Information
- Function Analysis
- Creative
- Evaluation
- Development
- Presentation

1. Information

In this first phase, the team attempts to understand why the project exists and who or what it is to produce. They obtain project data, present the original design or product concepts, and understand the project scope. Schedule, costs, budget, risk, and other non-monetary issues are studied until the team is comfortable with the concept of the project, what it is to produce, and who its end users are.

This step also includes things like site visits and meetings with the project team, if required. Project documents like plans, drawings, specifications, and reports are obtained and the value engineering team becomes familiar with them.

2. Function Analysis

This step represents the meat and potatoes (core) of the value analysis. The team attempts to determine the functions the project serves. Functions come in two forms:

- Primary functions are those that represent the reason for the project's existence, for example, a building project might have adequate plumbing as a primary function.
- Secondary functions are those that the project serves without being core to the project. For example, a building project might have as a secondary function maintaining the view of the neighboring building.

The functions are described in verb/noun pairs, such as "supply water to all suites," or "Maintain view of adjacent park." For a project like this, the team should come up with 10 - 15 functions. You might be surprised how many secondary functions exist for most projects. Subject matter experts would be a great resource, but in their absence an appropriate level of brainstorming and analysis are necessary.

The team should also identify value-mismatched functions to focus the improvements on. For example, maybe a large obstruction is preventing the view of the adjacent park from too many suites resulting in a potential mismatch of the cost vs. functional benefit. This is investigated in the next step.

3. Creative

This phase represents the generation of improvement ideas. The team develops alternative ways that the project can perform the functions that have been identified. At this step, the functions are looked at individually and each one gets a list of alternative ways to perform the function. There is no judging between the importance of the various functions.

4. Evaluation

At this stage, a priority is given to each project improvement idea. The ideas are discussed and potential costs are determined. Once the risk-reward profile of each idea is itemized, the team has determined which ideas are worth implementing into the project or feature.

A few years ago, there was a pedestrian bridge built near my home which was originally designed for emergency vehicles. Although this type of design is standard practice for the bridges of this type, the value engineering team identified that emergency vehicle passage was not needed (verb/noun pair = 'maintain passage for emergency vehicles'). Also, a second major outcome of this value analysis was to change the design to an aesthetic, curved bridge because it was in a prominent location. The redesign of the bridge cost some money but this was more than made up by the cost of the bridge construction. Thus, the value analysis paid for itself about 10 times over in the reduced construction cost, and the bridge was significantly more aesthetic.

5. Development

Once the value improvement options have been whittled down to the ones that make sense, the value engineering team develop the options to the point of passing them back to the original project team. They must be clearly written and explained so that the project owner and stakeholders can understand how it benefits the project and act on it. Any potential negative factors are identified.

Potential costs and cost savings are itemized.

6. Presentation

This last phase represents the presentation of the alternatives to the stakeholders. Often value engineering represents a change in the normal practices that people are used to, an "out of the box thinking." Thus the best salesperson on the team is often the best one to do the presentation.

Some typical products of a value engineering analysis are a briefing document, risk analysis, present worth analysis, advantages vs. disadvantages, etc.

Reference:

LO 3, AC 3.4

NEW QUESTION # 263

A procurement manager is helping to improve a specification for an existing product. They list all existing functions, processes, their costs, and the value they add. This exercise aims to support writing an improved specification for future purchasing. Which of the

following is this an example of?

- A. Value chain
- B. Value procurement
- C. Value analysis
- **D. Value engineering**

Answer: D

Explanation:

Comprehensive and Detailed Explanation (from CIPS L4M2 - Specification and Value Management) CIPS L4M2 defines value engineering (VE) as a structured process used to examine functions of a product or service to ensure that each function delivers maximum value for minimum cost.

In this case, analysing functions, costs, and value-add is a textbook example of the value engineering process

- used to improve or redesign specifications for future purchases.

* Value analysis is retrospective, focusing on cost reduction in existing products.

* Value engineering looks forward, improving design/specifications.

Since the goal is to benefit future purchasing, this is VE.

Relevant L4M2 references:

* "Applying value analysis and value engineering"

* "Optimising performance and cost through specification review"

NEW QUESTION # 264

Which of the following will help the bargaining strength of a buyer?

The buyer has the option to make the product in-house

There are a limited number of suppliers available to the buyer

The buyer's switching costs are high

The buyer's spend is a high proportion of the supplier's revenue

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

Answer: A

Explanation:

Detailed Explanation:

1 (Make in-house): The ability to produce in-house reduces dependency on suppliers, strengthening buyer power.

4 (High spend proportion): A high proportion of spend gives buyers leverage over suppliers who are reliant on their revenue. Limited suppliers (2) and high switching costs (3) reduce buyer bargaining power. Reference:

CIPS Level 4, Market Power Analysis.

NEW QUESTION # 265

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