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L4M5 - Chapter 1 2024/2025 Exam Questions and Corresponding Answers with Surety of 100% Pass Mark

What 4 approaches can be used for a successful negotiation? - ANSWER

✓✓Negotiation approach

Negotiation objectives

Power & Relationships

People in negotiation

Is negotiation free? - ANSWER ✓✓No, it is not free - there is typically a cost associated with the negotiation process, buyer must consider the cost benefit analysis of negotiation

Time spent preparing for and carrying out a negotiation also represents a cost to the supplier. Suppliers tend to seek opportunities to pass these costs on to the buyer.

Where does negotiation start and finish? - ANSWER ✓✓Negotiation can begin from the first communication between the buyer and the supplier, right through

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CIPS Commercial Negotiation Sample Questions (Q24-Q29):

NEW QUESTION # 24

Professional buyer is planning for the next negotiation of a simple one-off contract. This negotiation is typified by which of the following? Select TWO that apply.

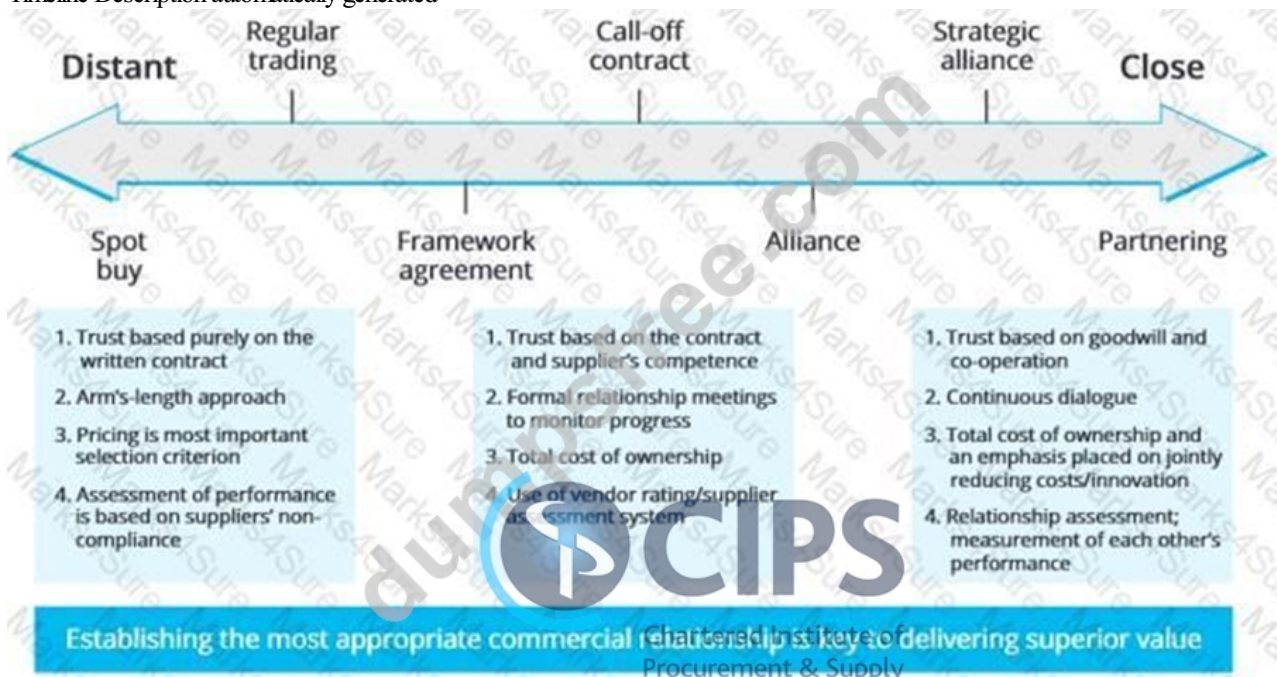
- A. Arm's-length approach
- B. Vendor ratings will be used
- C. Total cost of ownership is the most important criterion
- D. Continuous dialogue with supplier
- E. Pricing is the most important criterion

Answer: A,E

Explanation:

Professional buyers, when planning or engaging in negotiation with suppliers, should always be aware of where the intended and actual relationship with this supplier is positioned on the 'spectrum' or 'continuum' of commercial relationships. The relationship spectrum describes the range of commercial relationships between a buyer and supplier based on richness of communication, longevity and mutual dependence.

Timeline Description automatically generated



In the question, the contract is simple one-off (or spot buy), which means the relationship will likely to be more transactional. In such relationship, price is the most important criteria and buyer may adopt arm's-length approach.

NEW QUESTION # 25

John Browne, a junior buyer for a corporation, is analysing the global supply market before undertaking negotiations and is wondering whether foreign exchange rates are important to factor into his research. Should John consider the foreign exchange rates?

- A. Yes, only if the organisation can handle foreign currencies in their accounts
- B. Yes, as they can affect profit and turnover
- C. No, exchange rates only apply to the national economy
- D. No, as they only affect the bank's interest rates for loans

Answer: B

Explanation:

Foreign exchange rates directly influence the cost of imported goods and services. Currency fluctuations can affect total expenditure, supplier margins, and ultimately the buyer's profitability. Even if payment is in local currency, suppliers may adjust their pricing to mitigate foreign exchange risks.

"Foreign exchange volatility can significantly impact pricing in international procurement. Buyers must assess currency risks as part of their cost evaluation and strategic preparation." (L4M5 Commercial Negotiation, 2nd edition, Section 2.2 - Macroeconomic Considerations in Pricing)

NEW QUESTION # 26

Jasmine and the IHL sales team have a negotiation scheduled with one of AB's lead buyers, Samuel, at AB's premises. This is one of the biggest negotiations that Jasmine has been involved in and is eager not to make any mistakes. Jasmine has heard from a colleague that Samuel tends to adopt an integrative negotiation style.

IHL senior management decides to send a team of three members to the negotiation. Jasmine is among the team and she is assigned to check body language, reactions, feeds insight to her leader and to record important comments and information from the meeting for minutes. Which of the following are roles of Jasmine in the forthcoming negotiation? Select TWO that apply.

- A. Observer
 - B. Commercial expert
 - C. Chief negotiator
 - D. Technical expert
 - E. Secretary
- (Correct)

Answer: A,E

Explanation:

A negotiating team can be as few as two people, and one person can play one or more of these roles:

Table Description automatically generated

Team roles	Responsibilities
Team leader	<ul style="list-style-type: none">• Negotiation decision maker• Responsible for outcomes
Chief negotiator	<ul style="list-style-type: none">• Spokesperson; leads negotiation meetings• Agrees changes to negotiation plan with the leader
Commercial lead	<ul style="list-style-type: none">• Provision of commercial/financial subject matter expertise relevant to the negotiations• Feeds insight and suggestions through to leader
Technical lead	<ul style="list-style-type: none">• Provision of specialist technical subject matter expertise• Feeds insight and suggestions through to leader
Observer	<ul style="list-style-type: none">• Observes TOP• Checks body language, reactions and feeds insight to the leaders
Scribe	<ul style="list-style-type: none">• Records important comments and information from the meetings for minutes and analysis

As from the scenario, Jasmine will act as an observer and a scribe (or secretary).

NEW QUESTION # 27

Colin Smith is preparing for a negotiation with a supplier that provides a chemical for grass fertiliser. Colin has been given an action to secure a commercial deal that achieves his organisation's objective of 'ethical and sustainable procurement.' As part of his negotiation plan, Colin is using the 'must, intend, like (MIL)' framework to prepare for the negotiation. Colin would categorise his organisation's objective within the negotiation plan as ...

- A. Intend to have
- B. Must have
- C. Likely to have
- D. Like to have

Answer: B

Explanation:

In the MIL framework, "Must have" refers to non-negotiable elements. For Colin's organisation, ethical and sustainable procurement is a core, uncompromisable value, making it a "Must have" in negotiations.

Reference: L4M5 Commercial Negotiation 2nd edition (CORE), Section 3.1 - Using the MIL Framework for Negotiation Objectives

NEW QUESTION # 28

Which of the following statements about oligopoly is incorrect?

- A. Oligopolistic firms recognize their interdependence
- B. One firm's behaviour is a function of what its rivals do
- C. Prices in oligopoly are predicted to fluctuate widely and frequently
- D. A few firms play an important role in the sale of a product

Answer: C

Explanation:

Explanation

An oligopoly exists when there are small number of producers that exert a significant influence in the market.

Oligopoly's main characteristics are discussed as follows:

- Interdependence

The most important feature of oligopoly is the interdependence in decision-making of the few firms which comprise the industry. This is because when the number of competitors is few, any change in price, output, product etc. by a firm will have a direct effect on the fortune of its rivals, which will then retaliate in changing their own prices, output or products as the case may be.

- Importance of advertising and selling costs

A direct effect of interdependence of oligopolists is that the various firms have to employ various aggressive and defensive marketing weapons to gain a greater share in the market or to prevent a fall in their market share. For this various firms have to incur a good deal of costs on advertising and on other measures of sales promotion. Therefore, there is a great importance of advertising and selling costs under conditions of market situation characterised by oligopoly

- Group behaviour

Another important feature of oligopoly is that for the proper solution to the problem of determination of price and output under, it analysis of group behaviour is important.

- Indeterminateness of demand curve facing an oligopolist

In this question, 'Prices in oligopoly are predicted to fluctuate widely and frequently' is an incorrect statement as producers in oligopoly often try to set up price. Prices fluctuate more frequently in perfect competition.

LO 2, AC 2.2

NEW QUESTION # 29

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