

Exam CIPS L5M6 Review | L5M6 Latest Test Format



CIPS Level 5 – Advanced Diploma in Procurement and Supply

Category Management [L5M6]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question

L5M6 Sample Questions V4 Sept 2020

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CIPS L5M6 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">Understand Approaches that Can Be Used to Develop Category Management Strategies: This section of the exam measures the skills of Procurement Managers and focuses on understanding how category management strategies are formulated within procurement functions. Candidates are expected to differentiate between strategic and conventional sourcing, evaluate how these approaches support long-term supplier relationships, and align them with organizational goals. The section also emphasizes the role of category management in enhancing sourcing efficiency and achieving cost optimization.
Topic 2	<ul style="list-style-type: none">Understand the Strategic Impact of a Category Management Process: This section evaluates the strategic insight of a Procurement Manager into how category management influences organizational performance. It explores the use of data-driven decision-making and market intelligence to shape sourcing strategies and drive sustainable procurement outcomes.

Topic 3	<ul style="list-style-type: none"> Understand the Concepts, Tools, and Techniques Associated with Managing Expenditure: This section of the exam measures the analytical abilities of a Category Analyst and focuses on expenditure management techniques within category management. It explores how organizations identify, classify, and analyze different types of spend to enhance procurement efficiency and value creation.
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CIPS Category Management Sample Questions (Q66-Q71):

NEW QUESTION # 66

Volatile inflation rates are a risk that can affect any business. Which STEEPLED factor would this fall under?

- A. Economic
- B. Ethical
- C. Socio-Cultural
- D. Political

Answer: A

Explanation:

Inflation is directly linked to the Economic factor within STEEPLED. It affects costs, purchasing power, and business profitability. [Ref CIPS L5M6 Study Guide, p.109 - STEEPLED analysis factors]

NEW QUESTION # 67

In Category Management, often a small number of categories can be responsible for a large proportion of spend. What is this principle commonly known as? Select TWO.

- A. 80-20 Rule
- B. Pareto Principle
- C. Six Sigma
- D. The 5 Forces

Answer: A,B

Explanation:

The Pareto Principle, also known as the 80/20 Rule, states that around 80% of outcomes are generated by 20% of inputs. In category management, this means that a small number of categories often account for the majority of total spend. Identifying these high-impact categories allows procurement professionals to focus resources where they deliver the most value. For example, managing a few strategic or high-spend categories rigorously may yield more savings and risk reduction than spreading efforts across all categories equally. The principle reinforces the need for prioritisation and focus in procurement strategies. While Six Sigma and Porter's Five Forces are useful tools in other contexts, they are unrelated to spend distribution. Applying Pareto effectively helps organisations achieve better results with limited resources by focusing on what matters most.

Reference: CIPS L5M6 Study Guide, p.22

NEW QUESTION # 68

What name is given to an item or business which has both low market share and low growth?

- A. Cash cow
- B. Question mark
- C. Dog
- D. Star

Answer: C

Explanation:

In the BCG Growth-Share Matrix, a dog is a business unit or product that has both a low relative market share and a low growth rate. Such items typically generate low or no profits and are often seen as candidates for divestment or discontinuation. Unlike cash cows which generate strong cash flow despite slow growth, or stars which dominate high-growth markets, dogs occupy a weak position in the portfolio. Managing these categories strategically is critical because maintaining them often consumes more resources than the value they return. Organisations need to assess whether retaining these products provides any strategic advantage, such as complementing other offerings, or whether resources should be reallocated. This is why category managers use tools like the BCG Matrix to evaluate the positioning of spend categories and align them with organisational strategy.

Reference: CIPS L5M6 Study Guide, p.117

NEW QUESTION # 69

A new supplier to a marketplace is using break-even pricing to determine the price at which to sell a product. Which of the following does this type of pricing structure not consider? Select TWO.

- A. Price elasticity
- B. Competitors' pricing
- C. Fixed costs
- D. Variable costs

Answer: A,B

Explanation:

Break-even pricing is a method where a supplier sets a price to cover fixed and variable costs, ensuring they do not operate at a loss. However, this approach does not account for price elasticity (how sensitive demand is to price changes) or competitors' pricing strategies. This can be a weakness because while break-even ensures financial sustainability, it may not ensure competitiveness or profitability in dynamic markets.

For procurement professionals, understanding suppliers' pricing models helps in negotiation and cost management. If a supplier relies only on break-even pricing, they may either set prices too low (risking financial instability) or too high (losing market share).

Category managers must consider broader market forces, cost drivers, and customer behaviours to anticipate supplier pricing strategies. By understanding these limitations, buyers can push for more favourable terms and ensure that suppliers align with market expectations.

Reference: CIPS L5M6 Study Guide, p.180

NEW QUESTION # 70

Which of the following forms of historical data can be used to inform Category Management expenditure? Select THREE.

- A. Inflation Rate
- B. Line Item Details
- C. Ledger Code
- D. Spend Forecast
- E. Spend Analytics

Answer: B,C,E

Explanation:

In category management, reliable decision-making depends heavily on the analysis of historical spend data.

According to CIPS, the key forms of usable historical data include:

* Spend analytics: consolidated information showing how much has been spent, on what items, and with which suppliers.

* Line item details: transaction-level data that provides specific insight into products or services purchased.

* Ledger codes: financial classifications that group expenditure for reporting and control purposes.

These data sets allow category managers to identify trends, supplier dependency, opportunities for consolidation, and potential cost

savings. In contrast, inflation rates and spend forecasts are forward-looking metrics, not historical data. Using accurate historical information is critical for preparing budgets, supporting negotiations, and identifying anomalies in expenditure. Organisations that fail to utilise this data often struggle to align their category strategies with financial realities, leading to overspending or missed opportunities.

Reference: CIPS L5M6 Study Guide, p.133

NEW QUESTION # 71

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