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CIPS Level 3 Module 1 Exam Questions With 100% Correct Answers

What does STEEPLED stand for? (External factors - macro environment) - answer✓✓Sociological, technological, economic, environmental, political, legal, ethical, demographic

How many employees does a micro business have? - answer✓✓Less than 10

How many employees does a small business have? - answer✓✓Less than 50

How many employees does a medium business have? - answer✓✓250 or fewer

What are the support activities of porters value chain model? - answer✓✓Firm infrastructure, human resource management, technology development and procurement

What are the primary activities of porters value chain model? - answer✓✓Logistics, operations, marketing and sales and after sales service

What is a BRD? - answer✓✓Business requirements definition - it answers the "what to buy" question and is based on the needs analysis from operations

What does RAQSCI stand for? (a model for identifying business requirements) - answer✓✓Regulatory, assurance of supply, quality, service, cost and innovation

What are the two types of field research? - answer✓✓Quantitative research (statistical information) and qualitative research (peoples opinions)

What are the 4 categories of the Kraljic matrix? - answer✓✓Critical, strategic, tactical and leverage

What is a situation target proposal (STP)? - answer✓✓It is a statement that describes the current situation, paints the vision of the target and lists the elements to be used to get to the target

What are SMART objectives? - answer✓✓Specific, Measurable, Achievable, Realistic, Timely

What is force majeure? - answer✓✓Force majeure is a powerful and unexpected event, such as hurricane or other disaster, which prevent a contract from being fulfilled

What is commissioning? - answer✓✓It is the process of deciding what to spend money on in the public sector

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CIPS L5M6 Exam Syllabus Topics:

Topic	Details
Topic 1	<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 2	<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.

Topic 3	<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.
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CIPS Category Management Sample Questions (Q32-Q37):

NEW QUESTION # 32

In which section of a balance sheet would you find the term "goodwill"?

- A. Non-current liabilities
- **B. Non-current assets**
- C. Current assets
- D. Current liabilities

Answer: B

Explanation:

Goodwill is found under Non-current assets in a balance sheet. Goodwill arises when one company acquires another for a value greater than its tangible assets, reflecting intangible benefits such as brand reputation, customer loyalty, patents, or strong supplier relationships.

For example, if a company is valued at £10 million based on tangible assets but is purchased for £15 million, the £5 million difference is recorded as goodwill. This asset remains on the balance sheet until impaired [e.g., if the acquired brand loses value].

It is not a current asset because it cannot be quickly liquidated within one year. Nor is it a liability [current or non-current] since it represents value, not debt.

For procurement and category managers, goodwill can signal a supplier's market position, brand strength, and long-term stability. It highlights how intangible assets, though harder to measure, play a role in supplier evaluation and business acquisitions.

[Ref: CIPS L5M6 Study Guide, p.183 - Financial terms and balance sheet analysis]

NEW QUESTION # 33

Ted is a potato farmer from Devon. He sells his potatoes to many local customers including restaurants, wholesalers and manufacturers. For one customer, Ted is keen to drive a premium price for his potatoes as he is confident the customer can afford to pay more. What type of customer is this to Ted?

- A. Nuisance
- B. Development
- C. Core
- **D. Exploitable**

Answer: D

Explanation:

This is an exploitable customer, according to the Supplier Preferencing Model. Suppliers may attempt to increase profit margins with customers they perceive as less important but who have fewer alternatives and can afford to pay more.

NEW QUESTION # 34

Which of the following form part of Cialdini's 7 Principles of Persuasion? Select THREE.

- A. Commitment
- B. Social proof
- C. Power
- D. Morality
- E. Liking

Answer: A,B,E

Explanation:

Cialdini's 7 Principles of Persuasion are key behavioural insights relevant to procurement negotiations and stakeholder management. They are:

- * Reciprocity
- * Commitment/consistency
- * Social proof/consent
- * Authority
- * Liking
- * Scarcity
- * Unity

Options social proof, commitment, and liking are directly part of this framework. These principles are used to influence supplier behaviour, build stakeholder alignment, and negotiate effectively. For example, demonstrating that other organisations have adopted a strategy (social proof) can increase acceptance, while establishing rapport (liking) improves cooperation. Procurement professionals who understand these principles can navigate complex stakeholder environments more effectively.

Reference: CIPS L5M6 Study Guide, p.66

NEW QUESTION # 35

The objective of negotiation with a supplier is to ensure the Five Rights of Procurement. Which of the following are part of the Five Rights? Select THREE.

- A. Right relationship
- B. Right supplier
- C. Right product
- D. Right price
- E. Right time

Answer: C,D,E

Explanation:

The Five Rights of Procurement are fundamental principles ensuring procurement delivers value. They are:

- * Right product - ensuring goods/services meet requirements.
- * Right quality - ensuring standards are appropriate.
- * Right time - goods/services are available when needed.
- * Right place - ensuring delivery is to the correct location.
- * Right price - balancing cost efficiency with value.

Options B, C, and D reflect these principles. "Right supplier" and "right relationship" are not part of the traditional five rights, though they are important in broader supplier management. By aligning negotiations with the Five Rights, procurement professionals secure both operational efficiency and strategic value. These principles also provide benchmarks against which procurement performance can be measured.

Reference: CIPS L5M6 Study Guide, p.58

NEW QUESTION # 36

Polygon Ltd is a buyer of components. Jeff, a Category Manager at Polygon, is analysing buyer strength in this marketplace to determine his procurement strategy. Which of the following would increase buyer strength?

- A. Placing larger order quantities
- B. Fewer suppliers in the marketplace
- C. Low levels of substitute
- D. High level of inflation

Answer: A

Explanation:

Buyer strength increases when order volumes are large, as this gives leverage in negotiations and can improve pricing and terms. The other options do not necessarily strengthen buyer power.

Reference: CIPS L5M6 Study Guide, p.112

NEW QUESTION # 37

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