

Exam L4M2 Learning | L4M2 Test Answers

CIPS L4M2 Exam Questions

Question: 1

The position of a product in its life cycle can affect the price that suppliers set. Is this statement correct? - correct answer A. No, in market economy, the state decides the price of all goods and services

B. Yes, each stage in product life cycle requires different levels of investment in promotion and distribution

C. No, customer's perception of value is the ultimate determinant of the suppliers' price

D. Yes, it is always the only factor determining the price

Question: 2

A CPO is making a business case for acquiring a new computer system. He has set out objective, generated options, cost and benefit of each option and implementation plan. Which of the following elements should be included in the business case? - correct answer A. Risk assessment

B. Operation management

C. Invitation to tender

D. Contract management

Question: 3

What is the document that defines the activities, deliverables and timelines a supplier must carry out during contract performance? - correct answer A. Statement of work

B. Project initial document

C. Framework agreement

D. Work instruction

Question: 4

A procurement manager is writing a conformance specification for a non-core component. She thinks that if the requirements in specification are higher than ISO standards, her company can achieve greater cost-savings. Is the procurement manager's opinion correct? - correct answer A. No, because higher specification may incur additional costs for the buyer

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CIPS Defining Business Needs Sample Questions (Q239-Q244):

NEW QUESTION # 239

Robert is a buyer at Pickton's Farm Products (PFP), a manufacturer of food products that are sold to supermarkets. Robert will be sourcing from local farmers to supply PFP with raw materials for PFP's products. What is a major supply chain risk that Robert needs to be aware of which is specific to this market?

- A. The quality of goods received by PFP may be of varying quality and need to be returned to the supplier for replacement
- B. Suppliers to PFP may also supply other customers which they prioritise over PFP, leading to delays in PFP's production process
- C. A supplier may deliver an incorrect quantity of materials to PFP, leading to PFP incurring storage charges
- **D. Extreme or unexpected weather conditions may affect the supplier's ability to supply PFP in line with quantity and timing requirements**

Answer: D

NEW QUESTION # 240

You are a senior buyer in a large manufacturing company. The engineering team is looking for a product that will assist them in a new innovative project. The technology is evolving and the product supplied is likely to be bespoke to the supplier. You are suggesting the use of a performance specification as a part of the tender. What is the main reason for this?

- A. The cost of the product is likely to be cheaper
- **B. This places the responsibility for success with the supplier**
- C. This will allow a comprehensive description of the product
- D. The tender process is likely to be faster

Answer: B

NEW QUESTION # 241

Company A sells a product for \$100. The total unit variable costs are \$60. Fixed costs as in its account are \$20,000. How many products does the company have to sell to achieve break-even point?

- A. 0
- **B. 1**
- C. 2
- D. 3

Answer: B

Explanation:

Break even point = Fixed costs/(Price-variable cost). In this case, break even point = 20,000/(100-60) = 500

NEW QUESTION # 242

Which of the following are the causes of material cost variance?

1. The buyer updates purchase-to-pay system to track payment and delivery
2. An unprocessed goods received note is missing
3. The employees must work overtime to catch up with the customers' orders
4. The purchase is made in emergency

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

Answer: B

Explanation:

The difference between the standard cost of direct materials specified for production and the actual cost of direct materials used in production is known as Direct Material Cost Variance. Material Cost Variance gives an idea of how much more or less cost has been incurred when compared with the standard cost. Thus, Variance Analysis is an important tool to keep a tab on the deviations

from the standard set by a company.

Material Cost Variance can be due to less purchase price being paid than the standard or because of change in the quantity of material used. Thus, Material Cost Variance is made up of two components namely; Material Price Variance and Material Usage Variance.

Among the 4 options:

- 'The buyer updates purchase-to-pay system to track payment and delivery': The use of e-procurement system can increase the productivity and create labour cost variance, not material cost variance.
- 'An unprocessed goods received note is missing': If a goods received note is missing, the buyer won't pay for that batch, which create quantity variance.
- 'The employees must work overtime to catch up with the customers' orders': Overtime salary can cause labour variance, not material cost variance.
- 'The purchase is made in emergency': Normally, the price in emergency situation is higher than usual. This can cause price variance.

Reference:

- CIPS study guide page 57-59
- Material Variance | Cost, Price, Usage Variance Formula, Example - eFM (efinancemanagement.com) LO 1, AC 1.4

NEW QUESTION # 243

When procuring a machinery, at which stage buyer must check whether it is working to the standards set out in the design specification?

- **A. Installation**
- B. Maintenance and repair activities
- C. Customer support
- D. Manufacture

Answer: A

Explanation:

Through-life Management involves the life-cycle management of the products, services and activities required to deliver a fully integrated capability to the customer, while reducing the cost of ownership for the customer.

Diagram, table Description automatically generated

Source: Andrew Graves

The installation stage occurs in In-Service Operations. At this stage, the machinery is shipped and installed on the buyer's premises and check to ensure that it is working to the standards set out in the design specification.

NEW QUESTION # 244

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