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CIPS L4M1 Exam Syllabus Topics:

Topic	Details
Topic 1	• Understand and analyse the need for compliance: This section measures skills of compliance officers and sector-specific procurement managers in understanding different economic and industrial sectors such as
Topic 2	• Understand and analyse aspects of organisational infrastructure that shape the scope of procurement and supply chain functions: This section measures that skill of supply chain strategists and organizational analysts in understanding corporate governance, documented policies, accountability, and ethics. It also covers the impact of organisational policies and procedures on procurement and supply
Topic 3	• Procedures, strategies, manuals, and internal function involvement.

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CIPS Scope and Influence of Procurement and Supply Sample Questions (Q23-Q28):

NEW QUESTION # 23
Explain the impact that having a Corporate Governance Framework can have on the policies and processes of the procurement department (25 points)

Answer:

Explanation:
See the solution inExplanation partbelow.
Explanation:
A basic response would include:
- What a Corporate Governance Framework is - the system of rules, practices and processes which directs and controls a company. Corporate Governance refers to the way in which companies are governed and to what purpose.
- Impact this has on policies and processes - means the procurement department follows regulatory mechanisms (e.g. financial regulations, Codes of Practices), has a checks and balances system (such as auditing), uses e-procurement technologies, vets staff and suppliers, has a clear segregation of duties etc.
This is a very open question and there are so many correct answers. In fact, it's quite hard to give a wrong answer to this question - as long as your response explains a policy or process that a procurement department can have that ensures they're following Corporate Governance - that's right!
A good response may mention:
- Corporate governance is in essence a 'toolkit' that allows an organisation to effectively manage itself, ensuring that it's policies and procedures are compliant with legislation and are ethical. It also ensures that the company meets its objectives.
- The impact Corporate Governance has on the procurement department will be in mandating the ways in which goods and services are procured and in the general ways of working of the procurement department.
- In your response you should mention 5 (ish) different ways Corporate Governance would impact on how procurement do their job. Examples include:
- Ethical Conduct - corporate governance ensures that the company is operating in a legal and ethical way.
This influences the processes Procurement will do and the type of suppliers they will engage with. This may also be in their approach to relationships and negotiations- seeking out collaborative relationships with suppliers rather than looking to exploit them. For example, an organisation that does not have a Corporate Governance structure may look to take advantage of suppliers and achieve the lowest cost possible at the expense of the supply chain and local community. An organisation that has strong Corporate Governance would work with suppliers, developing the relationships and thinking long-term about the impact on the local community. The organisation may therefore prioritisestandards such as Fair Trade over price, and this would be reflected in the way tenders are evaluated by the procurement department.
- Use of Checks and Balance system- Corporate Governance ensures strong financial controls are implemented throughout the organisation. For the procurement department this may result in purchases being made to strict budgets (rather than just spending whatever they want), and business cases being written up and approved before the organisation spends a large amount of money on a single item. Another impact may be in the use of audits. For example, peer reviewing tenders and contract awards to ensue all members of the Procurement Team are following internal processes correctly.
- Anti-fraud prevention mechanisms. An important area of Corporate Governance is ensuring the organisation is free from fraud and corruption. This impacts on Procurement's policies and processes as it will mean scrutinising tenders and who is being awarded contracts. It may result in high levels of Due Diligence being completed on suppliers before entering into contracts and providing a whistle-blowing service for staff to report issues.
- Security measures- this will be to protect the organisation from risk. It may include the procurement department vetting new staff by completing background checks. It may also involve the segregation of procurement duties so that no individual has too much power. E.g. one person raises the requisition and another person approves the purchase. Security may also be in ways of working such as password protecting documentation and limiting access to confidential information.
- Use of a Purchasing Policy Manual - this provides operational guidance on procurement policies and procedures to all staff members. It may detail things like who has permission to order what, who the Delegated Purchasing Authority (DPA) is and the roles and responsibilities of the team.
An excellent response may also include
- Reasons why Corporate Governance Frameworks impact on procurement policies and practices. This could include reasons of accountability, reputation and risk management, procurement's links with other departments.
- You could also look at what processes would look like with Corporate Governance compared to without it (with CG = rule driven, autocratic but organisation is protected from risk. Without CG = laissez-faire, everyone does whatever they like, very risky)
- You could also provide further examples, either real life or hypothetical. Investopedia has some great information and examples you could use: Corporate Governance Definition: How It Works (investopedia.com)

NEW QUESTION # 24
Provide a definition of a stakeholder (5 points) and describe 3 categories of stakeholders (20 points).

Answer:

Explanation:
See the solution in Explanation part below.
Explanation:
Essay Plan:

Definition of Stakeholder- someone who has a 'stake' or interest in the company. A person or organisation who influences and can be influenced by the company.
Categories of stakeholders:
1) Internal Stakeholders- these people work inside the company e.g. employees, managers etc
2) Connected- these people work with the company e.g. suppliers, mortgage lenders
3) External Stakeholders - these people are outside of the company e.g. the government, professional bodies, the local community.
Example Essay:
A stakeholder is an individual, group, or entity that has a vested interest or concern in the activities, decisions, or outcomes of an organization or project. Stakeholders are those who can be affected by or can affect the organization, and they play a crucial role in influencing its success, sustainability, and reputation.
Understanding and managing stakeholder relationships is a fundamental aspect of effective organizational governance and decision-making and there are several different types of stakeholders.
Firstly, internal stakeholders are those individuals or groups directly connected to the daily operations and management of the organization. Internal stakeholders are key to success and are arguably more vested in the company succeeding. They may depend on the company for their income / livelihood. Anyone who contributes to the company's internal functions can be considered an internal stakeholder for example:
This category includes
1) Employees: With a direct influence on the organization's success, employees are critical internal stakeholders. Their engagement, satisfaction, and productivity impact the overall performance.
2) Management and Executives: The leadership team has a significant influence on the organization's strategic direction and decision-making. Their decisions can shape the company's future.
Secondly, connected stakeholders are those individuals or groups whose interests are tied to the organization but may not be directly involved in its day-to-day operations. Connected stakeholders work alongside the organisation and often have a contractual relationship with the organisation. For example, banks, mortgage lenders, and suppliers. These stakeholders have an interest in the business succeeding, but not as much as internal stakeholders. It is important to keep these stakeholders satisfied as the organisation does depend on them to some extent. For example, it is important that the organisation has a good relationship with their bank / mortgage provider/ supplier as failing to pay what they owe may result in the stakeholders taking legal action against the organisation.
This category includes:
1) Shareholders/Investors: Holding financial stakes in the organization, shareholders seek a return on their investment and have a vested interest in the company's financial performance.
2) Suppliers and Partners: External entities providing goods, services, or collaboration. Their relationship with the organization impacts the quality and efficiency of its operations.
Lastly external stakeholders are entities outside the organization that can influence or be influenced by its actions. This category includes anyone who is affected by the company but who does not contribute to internal operations. They have less power to influence decisions than internal and connected stakeholders.
External stakeholders include the government, professional bodies, pressure groups and the local community.
They have quite diverse objectives and have varying ability to influence the organisation. For example, the government may be able to influence the organisation by passing legislation that regulates the industry but they do not have the power to get involved in the day-to-day affairs of the company. Pressure groups may have varying degrees of success in influencing the organisation depending on the subject matter. This category includes:
1) Customers: With a direct impact on the organization's revenue, customers are vital external stakeholders.
Their satisfaction and loyalty are crucial for the company's success.
2) Government and Regulatory Bodies: External entities overseeing industry regulations. Compliance with these regulations is crucial for the organization's reputation and legal standing.
In conclusion, stakeholders are diverse entities with a vested interest in an organization's activities. The three categories-internal, connected and external -encompass various groups that significantly influence and are influenced by the organization. Recognizing and addressing the needs and concerns of stakeholders are vital for sustainable and responsible business practices.
Tutor Notes
- The above essay is pretty short and to the point and would pass. If you want to beef out the essay you can include some of the following information for a higher score:
- Stakeholders can be harmed by, or benefit from the organisation (can affect and be affected by the organisation). For example a stakeholder can be harmed if the organisation becomes involved in illegal or immoral practices- e.g. the local community can suffer if the organisation begins to pollute the local rivers.
The local community can also benefit from the organisation through increased employment levels.
- CSR argues organisations should respect the rights of stakeholder groups
- Stakeholders are important because they may have direct or indirect influence on decisions
- The public sector has a wider and more complex range of stakeholders as they're managed on behalf of society as a whole.
They're more likely to take a rage of stakeholder views into account when making decisions. However, these stakeholders are less powerful - i.e. they can't threaten market sanctions, to withdraw funding, or to quit the business etc.
- The essay doesn't specifically ask you to Map Stakeholders, but you could throw in a cheeky mention of Mendelow's Stakeholder

Matrix, perhaps in the conclusion. Don't spend time describing it though- you won't get more than 1 point for mentioning it. You'd be better off spending your time giving lots and lots of examples of different types of stakeholders.
- Study guide p. 58

NEW QUESTION # 25
Industry Sectors can be classified as Primary, Secondary and Tertiary. What is meant by an 'industry sector'?
Describe the main characteristics of and types of business you will find in these. (25 marks)

Answer:

Explanation:
See the solution in Explanation part below.
Explanation:
How to approach this question
- The first question can be a simple introduction with a bit of extra detail. The main 'meat' to your essay is going to be explaining the three sectors, their characteristics and example businesses.
- Aim for three well explained characteristics as a minimum
Example essay
An industry sector refers to a broad category or grouping of businesses and economic activities that share similar characteristics and functions in the production and distribution of goods and services. These sectors are often classified into three main categories: Primary, Secondary, and Tertiary. Here are the main characteristics and types of businesses you will find in each of these industry sectors:
1.Primary Sector:
*Characteristics: The primary sector involves activities related to the extraction and production of raw materials and natural resources directly from the environment. This sector relies on nature and weather patterns: businesses in the primary sector are highly dependent on natural factors such as climate, weather, soil quality, and geographic location. These factors can significantly impact the productivity and profitability of primary sector activities. Extreme weather such as floods can severely impact this sector. Moreover there is a seasonality to this sector and many activities in the primary sector require a significant amount of manual labour, particularly in agriculture, fishing, and forestry. However, modern technology has also been integrated into some primary sector activities to increase efficiency.
*Types of Businesses: a. Agriculture: This includes farming, crop cultivation, livestock raising, and forestry.
b. Mining and Extraction. c. Fishing and Aquaculture: Forestry and Logging: Includes the harvesting of timber and related activities.
2.Secondary Sector:
*Characteristic: The secondary sector focuses on the transformation of raw materials and intermediate goods into finished products. The main characteristic of the sector is that it requires high levels of machinery and industrial techniques. There is a reliance on technology. Secondly, the secondary sector adds significant value to the products compared to their raw material form. This value addition is achieved through processing, assembly, and quality control processes. The third main characteristic is standardisation: Manufacturing processes often involve standardization of components and processes to ensure consistency and quality in the final products. Standardization helps in economies of scale.
*Types of Businesses: a. Manufacturing: This sector includes factories and plants that produce tangible goods such as automobiles, electronics, textiles, and machinery. b. Construction: Involves the building and construction of structures like buildings, bridges, and infrastructure. c. Utilities: Companies providing essential services like electricity, gas, and water supply fall into this category.
3.Tertiary Sector:
*Characteristic: The tertiary sector is also known as the service sector and involves businesses that offer various services to consumers and other businesses. The main defining characteristic of this sector is Intangibility: Services are intangible and cannot be touched or held. They are often experienced directly by consumers through interactions with service providers or through the use of technology. Secondly, High Human Involvement: The tertiary sector relies heavily on a skilled and often highly educated workforce to deliver services effectively. This can include professionals such as doctors, lawyers, teachers, and customer service representatives. Lastly, Customization: Many services are customized to meet the specific needs and preferences of individual clients or customers. This personalization is a key characteristic of the tertiary sector. For example Legal Advice will always be different depending on the specific needs of the client.
*Types of Businesses: a. Retail and Wholesale: Businesses engaged in the sale of goods to consumers or to other businesses. b. Healthcare and Education: This includes hospitals, clinics, schools, colleges, and universities. c. Financial Services: Banks, insurance companies, and investment firms are part of this sector. d.
Hospitality and Tourism: Hotels, restaurants, travel agencies, and entertainment venues fall into this category.
e. Professional Services: Legal, accounting, consulting, and IT services are part of the tertiary sector.
These industry sectors represent the different stages of economic activity, with the primary sector providing raw materials, the secondary sector processing and manufacturinggoods, and the tertiary sector offering services and distribution. Together, these sectors form the backbone of an economy, contributing to its growth and development Tutor Notes
- I've gone overboard on naming the types of organisation in the different sectors. You don't have to remember all of these. 3

examples is sufficient to get good marks. I've just named them all so you can see what could be considered a right answer.
- Some people are talking about Quaternary and Quinary Sectors. CIPS is not one of those people, so don't worry if you come across those terms in any further reading. But FYI
1.
*Quaternary Sector: This sector involves knowledge-based activities, including research and development, information technology, and data analysis.
*Quinary Sector: The quinary sector comprises high-level decision-making and leadership roles in areas such as government, academia, healthcare, and top-level corporate management.
- LO 4.1 p.196

NEW QUESTION # 26
Bob is a procurement manager at ABC Ltd. He has been asked to ensure all future purchases achieve 'value for money' for the organisation. What is meant by 'value for money'? (5 points). Describe 4 techniques that Bob could use to achieve this (20 points)

Answer:

Explanation:
See the solution inExplanation partbelow.
Explanation:
1) A definition of Value for Money: ensuring a purchase is cost effective. This may be that the purchase achieves the 5 Rights of Procurement or that the purchase achieves the 4Es: Economy, Efficiency, Effectiveness and Equity. - this is only worth 5 points, so don't spend too long on this
2) 4 techniques Bob can use to achieve VFM: this is the bulk of your essay. Each of the 4 will be worth 5 points, so remember to give a thoroughExplanation:and example. Pick 4 from the list below: complete a value analysis to eliminate non-essential features, minimise variety/ consolidate demand, avoid over specification, pro-active sourcing, whole life costing methodologies, eliminate / reduce inventory, use electronic systems, international sourcing, sustainability / environmental policies, currency/ exchange rate considerations, negotiating good payment terms, packaging, warrantees.
Example Essay:
"Value for money" (VFM) is a concept that refers to obtaining the best possible return on investment or benefits relative to the cost incurred. It involves assessing whether the goods, services, or activities provided offer an optimal balance between their cost and the quality, benefits, or outcomes they deliver.
Value for money is not solely about choosing the cheapest option; instead, it considers the overall efficiency, effectiveness, and long-term value derived from an expenditure. For Bob, the Procurement Manager at ABC Ltd there are four key ways that he can achieve this for all future purchases.
Value Engineering
This is looking at the components of a product and evaluating the value of each component individually.
You can then eliminate any components that do not add value to the end product. To do this Bob would choose a product to review and determine whether any parts of this can be omitted (thus saving the company money) or could be replaced by components that are of a higher quality at the same price (thus providing added value to the customer). For example, Bob could complete a Value Engineering exercise on the new mobile phone prototype ABC plan to release next year. His findings may discover a way to provide a higher quality camera at no additional cost or that some components don't add value and can be eliminated.
Consolidate demand
Bob can achieve value for money by consolidating demand at ABC ltd. This would mean rather than each individual person/ department ordering what they want when they need it, Bob creates a centralised process for ordering items in bulk for the departments to share. For example, if each department require stationary to be ordered, Bob can consolidate this demand and create one big order each quarter. This will likely result in cost savings for ABC as suppliers often offer discounts for large orders. Moreover, consolidating demand will allow for saving in time (one person does the task once, rather than lots of people doing the same task and duplicating work).
International sourcing
Bob may find there is value for money in changing suppliers and looking at international sourcing.
Often other countries outside of the UK can offer the same products at a lower cost. An example of this is manufactured goods from China. By looking at international supply chains, Bob may be able to make cost-savings for ABC. He should be sure that when using this technique there is no compromise on quality.
Whole Life Costing methodology
This is a technique Bob can use for procuring capital expenditure items for ABC. This involves looking at the costs of the item throughout its lifecycle and not just the initial purchase price. For example, if Bob needs to buy a new delivery truck he should consider not only the price of the truck, but also the costs of insurance for the truck, how expensive it is to buy replacement parts such as tyres and the cost of disposing of the truck once it reaches the end of its life. By considering these factors Bob will ensure

that he buys the truck that represents the best value for money long term.
In conclusion Bob should ensure he uses these four techniques for all items he and his team procures in the future. This will ensure ABC Ltd are always achieving value for money, and thus remain competitive in the marketplace.
Tutor Notes
- This case study is really short, and the ones you'll receive in the exam are often longer and give you more guidance on what they're expecting you to write. With case study questions, you have to make your entire answer about Bob. So don't bring in examples from your own experience, rather, focus on giving examples for Bob.
- A good rule of thumb for case study questions is make sure you reference the case study once per paragraph.
- Value for Money is a really broad topic and you can pretty much argue anything that procurement does is helping to achieve value for money. There's a large table of stuff that's considered VFM on p.38 but that table isn't exhaustive. So feel free to come up with your own ideas for this type of essay.
Some additional tidbits of information on VFM:
- The 'academic' definition of Value for Money is 'the optimum combination of whole life cost and the quality necessary to meet the customer's requirement'
- Value for Money is an important strategic objective for most organisations but particularly in the public sector. This is because the public sector is financed by public money (taxes), so they must demonstrate that the organisation is using this money wisely. This might be an interesting fact to put into an essay on VFM.
- Value can often be hard to quantify, particularly in the service industry. E.g. in customer service it can be difficult to quantify the value of having knowledgeable and polite employees delivering the service.

NEW QUESTION # 27
Explain the main differences between the Public Sector and the Private Sector (25 marks)

Answer:

Explanation:
See the solution in Explanation part below.
Explanation:
Bottom of Form
Top of Form
- This is an open question. You could really talk about anything. Here's some ideas of content:

Public Sector	Private Sector
Driver - achieve defined service levels	Driver - profitability
Diverse Stakeholders	Less Stakeholders
Strict Regulation and Public Accountability	Less regulation and public accountability
Procurement is driven by achieving value for money - three EEEs	Procurement is driven by Brand Values (e.g., quality, CSR, innovation)
Suppliers kept at arm's length	Suppliers seen as essential collaborators
Strategy is always open competition	Strategy can include ESI, partnerships

Example Essay
The public and private sectors, while both essential to a nation's economy, operate under different paradigms, primarily due to their distinct drivers, stakeholders, regulations, procurement aims, and supplier relationships.
Drivers
The most fundamental difference lies in their drivers. Private sector organizations are primarily profit-driven; their existence hinges on their ability to generate profits. This profit influences their strategies, operations, and overall objectives. Conversely, public sector organizations are not driven by profit. Funded by taxpayer money, their primary objective is to deliver services effectively and efficiently to the public. Their success is measured not in financial terms, but in how well they meet the service levels required by the citizens who finance them through taxes.
Stakeholders
The range and influence of stakeholders in the two sectors also differ markedly. In the public sector, the stakeholder base is much broader, encompassing every member of society who interacts with or benefits from public services like healthcare, policing, and road maintenance. However, these stakeholders typically have less power to influence policy or practices. In contrast, stakeholders in the private sector, such as shareholders and customers, often have a more significant influence on company policies and practices. The private sector's narrower stakeholder base allows for more direct impact and influence from these groups.
Regulations
Regulations in the public sector are generally more stringent than in the private sector. Public sector entities, governed by regulations like PCR 2015, must demonstrate sound procurement practices and are accountable to society at large. This contrasts with the private sector, where companies have more latitude in choosing suppliers and are not obliged to justify their decisions publicly. The

private sector faces fewer regulatory constraints, allowing for more flexibility in business decisions.
Procurement Aims
Procurement in the public sector is guided by the principles of efficiency, economy, and effectiveness, often summarized as the '3 Es'. The focus is on achieving value for money, considering both quality and price. In contrast, private sector procurement is more diverse in its aims, reflecting the organization's specific goals, which could range from profit maximization to innovation or sustainability. The private sector's procurement decisions are more closely aligned with the organization's unique values and objectives.
Supplier Relationships
Finally, the nature of supplier relationships differs significantly between the two sectors. The public sector is mandated to maintain a certain distance from its suppliers, ensuring equal treatment and open competition, as dictated by regulations like the PCR. This contrasts with the private sector, where companies are free to develop closer, more strategic relationships with preferred suppliers. The private sector can engage in practices like partnerships and Early Supplier Involvement, which are typically not permissible in the public sector due to the need for impartiality and fairness.
In summary, while both sectors aim to deliver services or products effectively, the public sector's focus on service delivery for the public good, stringent regulations, broad stakeholder base, and specific procurement principles, sets it apart from the private sector's profit-driven, flexible, and more narrowly focused approach.
Tutor Notes
- At Level 4 the questions are usually explain or describe, so don't worry too much about doing an in depth 'compare and contrast' style of answer. They don't expect that level of detail here. Simply saying Public Sector does X and Private Sector does Y is all you need.
- I have mentioned PCR 2015 - if you're taking this exam in 2025 you may need to update this reference with the new regulations.
- LO 4.3 p.220 / p. 226

NEW QUESTION # 28
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