

CIPS L4M2 Exam Questions [2026]-Achieve Highest Scores

CIPS L4M2

Re-buy - correct answer It is not necessary to specify a new specification or to source the market. Call-off or framework agreement. A preferred supplier is in place

Modified Buy - correct answer Review of existing contract requirements and making any necessary amendments such as to build additional benefits, streamline the business or to establish new KPIs/SLAs. Where some of the specification or requirements have changed.

New Buy - correct answer A new purchase outlines requirements that have not been specified before. There is a higher risk involved in procuring a new purchase, demand/supplier/market analysis should be conducted, and new specific KPIs should be included in the specification.

Business Needs - correct answer The mission of the organisation determines its requirements and therefore what procurement needs to source.

R - regulatory (any legal requirements)

A - availability (supply of goods/services when required, risk, financial and capacity)

Q - quality (consistency, repeatability, and fit for purpose)

S - service requirements (flexibility, support, availability)

C - cost (target costs, total cost of ownership, continuous improvement)

I - innovation (improving customer experience) - correct answer A model that can be used to identify business needs.

Kraljic Matrix - correct answer A matrix that allows procurement to prioritise spend in line with business needs.

Leverage - Kraljic Matrix - correct answer Business needs met by using purchasing department buying power to gain the best price and terms e.g. competitive tendering.

Example of Leverage item (Kraljic Matrix) - correct answer Company cars or mobile phones.

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The Chartered Institute of Procurement and Supply (CIPS) is a leading professional body for procurement and supply chain professionals worldwide. CIPS offers a range of certification programs that cater to the diverse needs of procurement and supply chain professionals. One such program is the CIPS Level 4 Diploma in Procurement and Supply. Defining Business Needs certification comprises eight modules that cover the core competencies required for professionals working in procurement and supply chain management. The second module of this diploma program is Defining Business Needs, also known as L4M2.

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CIPS L4M2 (Defining Business Needs) Exam is a globally recognized certification exam offered by the Chartered Institute of Procurement and Supply (CIPS). It is designed to test the knowledge and skills of procurement professionals in identifying and defining business needs in order to develop effective procurement strategies. L4M2 Exam is suitable for procurement professionals who are involved in the procurement process from the initial stages of identifying business needs to the final stages of contract management.

CIPS Defining Business Needs Sample Questions (Q75-Q80):

NEW QUESTION # 75

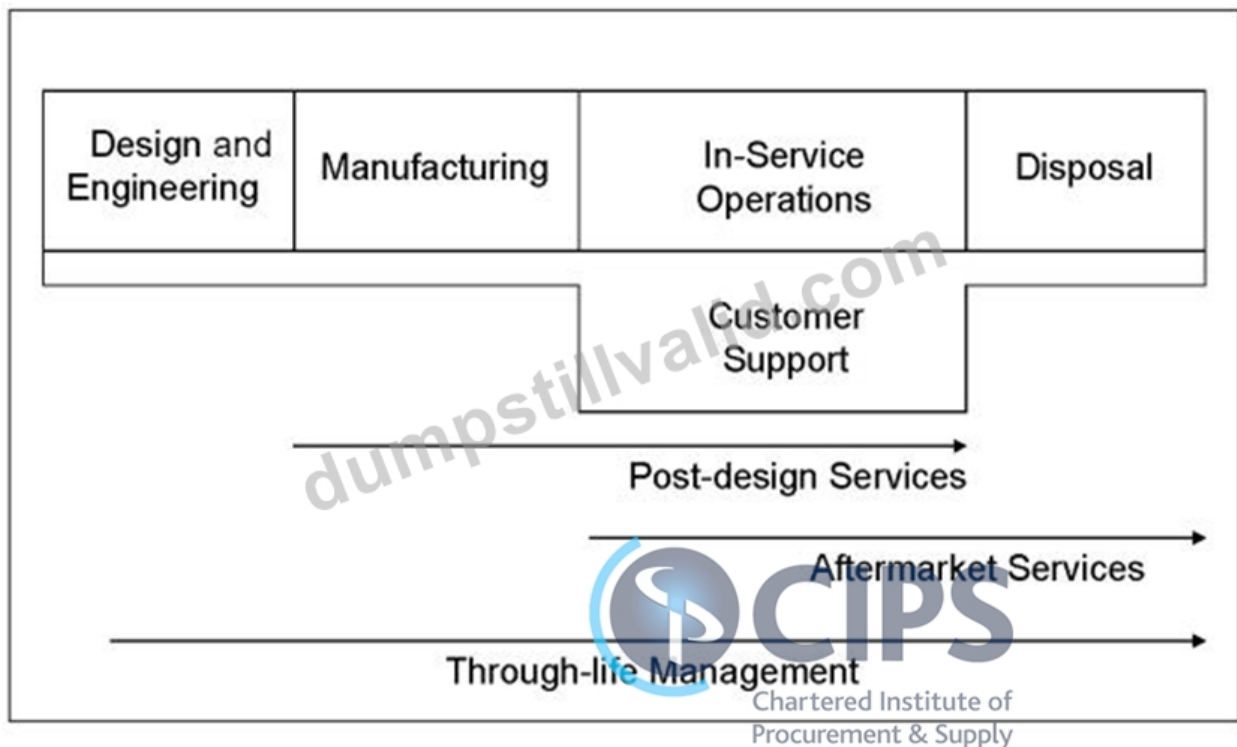
When preparing through-life specification, which of the following requirements should procurement team define besides the physical asset? Select TWO that apply.

- A. Logistics and installation
- B. Available substitute
- C. Customer service
- D. Market analysis
- E. Objectives

Answer: A,C

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.



Source: Andrew Graves

With through-life management, buyer not only cares about the physical asset but also other factors like customer services and maintenance.

Reference:

LO 3, AC 3.2

NEW QUESTION # 76

Which of the following are typically reasons why an organisation implements value analysis? Select TWO that apply:

- A. To find cost reduction opportunities by optimising the components used
- B. To shape and manage supply market
- C. To determine the value of each component used
- D. To provide an outline business case for the specification
- E. To decide whether there will be sufficient surplus funds to reinvest in the business

Answer: C

Explanation:

Value analysis is a systematic review of the production, purchasing and product design processes to reduce overall product costs.

This can be accomplished through a variety of activities, including the following:

- Designing products to use lower-tolerance parts that are less expensive
 - Switching to lower-cost components
 - Standardizing parts across product platforms in order to achieve volume discounts
 - Altering production processes to minimize the amount of production cycle time, thereby reducing labor costs
 - Introducing automation to strip labor costs out of the production process
 - Altering product packaging to lower its cost while still protecting the product
- The process is not a wholesale attack on costs. Costs are only reduced when the result will not impact the perceived level of quality experienced by customers, or the level of customer satisfaction.

Reference:

LO 3, AC 3.4

NEW QUESTION # 77

The position of a product in its life cycle can affect the price that suppliers set. Is this statement correct?

- A. Yes, it is always the only factor determining the price
- 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. No, in market economy, the state decides the price of all goods and services

Answer: B

Explanation:

A firm also has to look at a myriad of other factors before setting its prices. Those factors include the offering's costs, the demand, the customers whose needs it is designed to meet, the external environment-such as the competition, the economy, and government regulations-and other aspects of the marketing mix, such as the nature of the offering, the current stage of its product life cycle, and its promotion and distribution. If a company plans to sell its products or services in international markets, research on the factors for each market must be analyzed before setting prices. Organizations must understand buyers, competitors, the economic conditions, and political regulations in other markets before they can compete successfully.

[...]

The costs of the product-its inputs-including the amount spent on product development, testing, and packaging required have to be taken into account when a pricing decision is made. So do the costs related to promotion and distribution. For example, when a new offering is launched, its promotion costs can be very high because people need to be made aware that it exists. Thus, the offering's stage in the product life cycle can affect its price.

NEW QUESTION # 78

Which of the following are typical environmental considerations throughout the contract life cycle? Select the TWO that apply.

- A. Waste management
- B. Health and safety
- C. Inequality
- D. Pollution control
- E. Modern slavery

Answer: A,D

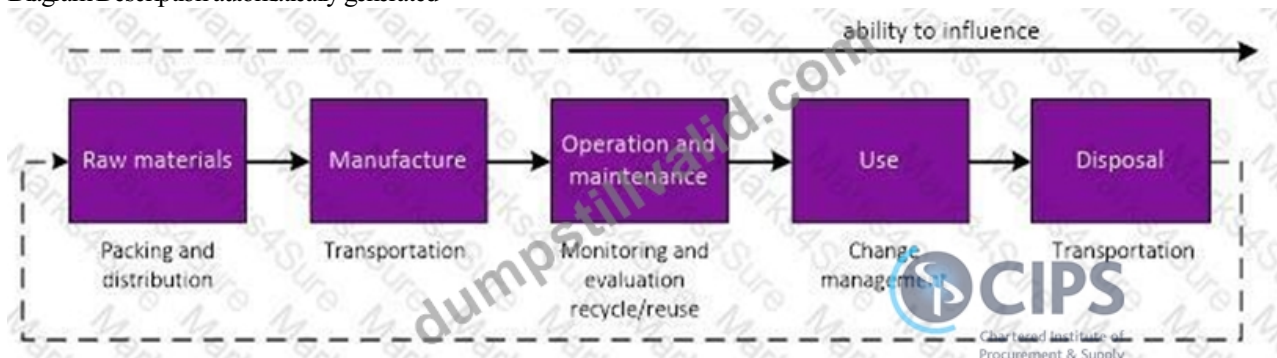
Explanation:

All procurement has some level of impact on the environment that needs to be minimised to ensure sustainable procurement practices.

The greatest opportunity to influence environmental outcomes is by selecting products and services with the least ongoing environmental impacts, such as use of water, electricity and fuel, waste/disposal management, and impact on human health over the life of the product or service.

Lifecycle stages that impact on the environment:

Diagram Description automatically generated



Most goods and services will have an element of environment impact in a number of areas. The five main impact areas are listed in the following table.

Graphical user interface, text, application, email Description automatically generated Source: Buying for Victoria Reference: CIPS study guide page 137-139 LO 3, AC 3.2

NEW QUESTION # 79

Which type of specification is less time-consuming to develop?

- A. Conformance specification
- B. Technical drawings
- C. Design specification
- D. Outcome-based specification

Answer: D

Explanation:

There are two major types of specification: conformance and performance specifications. They have the following characteristics:

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Performance specification	Conformance specification
<ul style="list-style-type: none">• Focus on outputs• Sets out result to be achieved• Supplier produces using its own technology and knowhow• When issue arises, supplier is legally liable	<ul style="list-style-type: none">• Focus on inputs• Buyer proves specific methods, processes, material properties, brand etc• Supplier produces strictly according to the specification prescribed by the buyer• When issue arises, buyer is legally liable

Since performance specification is often a list of outputs or outcomes, it usually takes less time to develop than conformance specification.

Reference: CIPS study guide page 116-124

NEW QUESTION # 80

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