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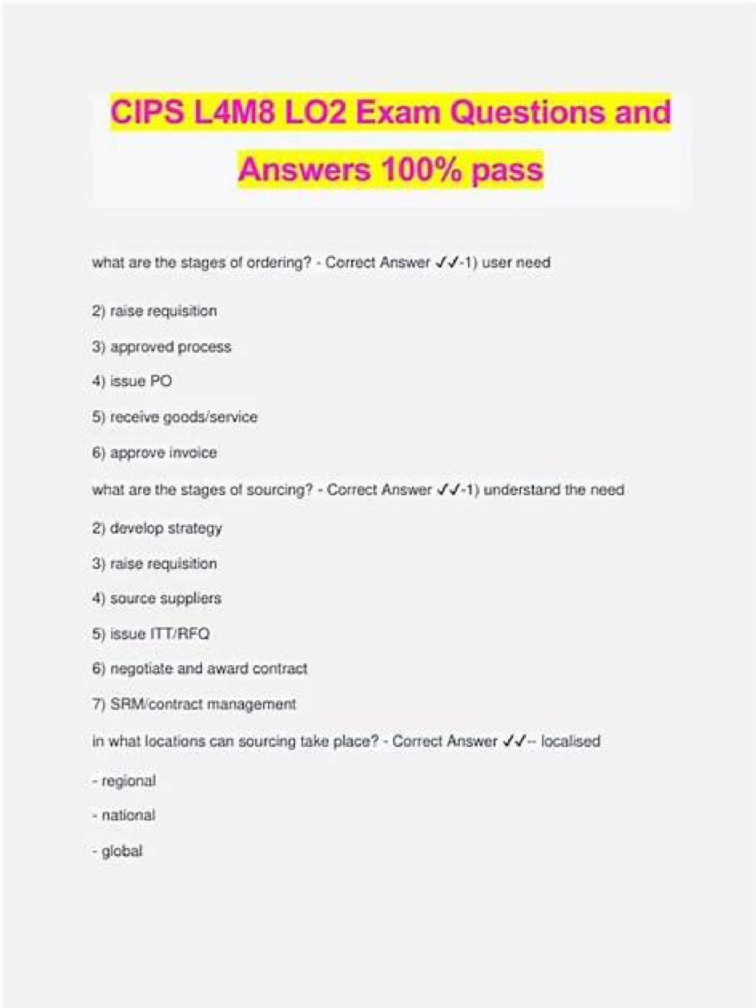

CIPS L4M8 LO2 Exam Questions and Answers 100% pass

what are the stages of ordering? - Correct Answer ✓✓-1) user need

2) raise requisition

3) approved process

4) issue PO

5) receive goods/service

6) approve invoice

what are the stages of sourcing? - Correct Answer ✓✓-1) understand the need

2) develop strategy

3) raise requisition

4) source suppliers

5) issue ITT/RFQ

6) negotiate and award contract

7) SRM/contract management

in what locations can sourcing take place? - Correct Answer ✓✓- localised

- regional
- national
- global

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CIPS Level 4 Defining Business Needs module is designed to equip procurement and supply chain professionals with the skills and knowledge required to identify business needs and translate them into procurement requirements. The module covers various aspects of defining business needs, including stakeholder management, requirements gathering, specification writing, and tendering processes. It also emphasizes the importance of effective communication and collaboration with stakeholders, which is essential to ensure that the procurement process meets the organization's needs.

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 Defining Business Needs Sample Questions (Q263-Q268):

NEW QUESTION # 263
A purchaser is looking for alternative supplies if there is a major disruption to their supply chain, including logistics, manufacturing and all support services. Which of the following method is that purchaser applying?

- A. Treat the risk
- B. Transfer the risk
- C. Terminate the risk
- D. Tolerate the risk

Answer: A

Explanation:
Risk control is the process by which an organization reduces the likelihood of a risk event occurring or mitigates the effects that risk should it occur. CIPS preferred way to determine your risk control strategy is to use the four T's Process:
Transferring Risk can be achieved through the use of various forms of insurance, or the payment to third parties who are prepared to take the risk on behalf of the organization Tolerating Risk is where no action is taken to mitigate or reduce a risk. This may be because the cost of instituting risk reduction or mitigation activity is not cost-effective or the risks of impact are at so low that they are deemed acceptable to the business. Even when these risks are tolerated they should be monitored because future changes may make it no longer tolerable.
Treating Risk is a method of controlling risk through actions that reduce the likelihood of the risk occurring or minimize its impact prior to its occurrence. Also, there are contingent measures that can be developed to reduce the impact of an event once it has occurred. Finding an alternative sup-plier is an example of treating the risk.
Terminating Risk is the simplest and most often ignored method of dealing with risk. It is the ap-proach that should be most favored where possible and simply involves risk elimination. This can be done by altering an inherently risky process or practice to remove the risk. The same can be used when reviewing practices and processes in all areas of the business.
If an item presents a risk and can be changed or removed without it materially affecting the busi-ness, then removing the risk should be the first option considered; rather than attempting the treat, tolerate or transfer it.

NEW QUESTION # 264
As the lead procurement manager, you are asked to compile a business case for a large project. Which should be included?
* Costs and risks
* List of large suppliers
* Business benefits
* Informal recommendation

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

Answer: D

Explanation:
Comprehensive and Detailed Explanation (from CIPS L4M2: Business Case Development) A business case should include:
* Costs and risks (financial, operational, reputational)
* Expected business benefits (value, performance, compliance)
Supplier lists or informal notes are not part of a formal business case.
Relevant CIPS L4M2 Sections:
* Key contents of a business case
* Risk and benefit analysis in procurement justification

NEW QUESTION # 265
A CPO is analyzing whole life cycle costing of a machinery. He realises that cost elements are not specific but come from a range of values. Which whole-life costing model should the CPO use to get the most accurate total cost of ownership?

- A. Simulation models
- B. Kraljic's preferencing model
- C. Optimisation models
- D. Decision support models

Answer: A

Explanation:
There are three basic groups of WLC (whole life-cycle costing) models:
- Decision support models
- Simulation models: Life cycle cost is an essential approach to decide on alternative rehabilitation strategies for infrastructure systems. Monte Carlo simulation approach is used to develop a stochastic life cycle cost (SLCC) model and methodology in order to compare different rehabilitation scenarios/alternatives for infrastructures, such as water mains. This method assumes that some inputs are randomly variable in a range of values.
- Optimisation models
Reference:
LO 1, AC 1.2

NEW QUESTION # 266
This is the information on an organisation's activities over the past year
* Sale were $5,000,000. The value of accounts receivable was $450,000 at the start of the year and $525,000 at the end of the year
* The value of direct costs was $2,500,000 and 75% of this was bought on credit
* Indirect costs were $3,000,000 and 25% of this was bought on credit
* During the year the organization spent $1,500,000 on new assets and sold $150,000 of old assets.
$1,000,000 of the spend on assets was funded by a bank loan
* The organization declared a dividend of $200,000 at the end of the year but this was not paid for another two months
* Opening balance was $175,000
Which of the following is the bank balance of that organization at the end of the year?

- A. $1,875,000
- B. $2,025,000
- C. $1,700,000
- D. $1,675,000

Answer: A

Explanation:
In this question, you should understand the concept of cash flow and formula of cash flow. Cash flow calculates the physical money moving in and out a company's bank balance. The cash flow from sale activity is:
cash flow from sale = account receivable at beginning of the year + revenue - account receivable at the end of the year = $450,000 + $5,000,000 - $525,000 = $4,925,000
75% of direct costs was bought by credit, therefore, the company spent 25% on direct cost: -$2,500,000*25/100 = -$625,000
25% of indirect costs was bought on credit. Cash flow out on indirect costs is: -$3,000,000*75/100 = -$2,250,000
Company spent $1,500,000 on new assets funded by a loan of $1,000,000. Cash flow out from this activity is -$500,000
Company received $150,000 from selling old assets
Dividends have not been paid for another 2 months, thus, they are not accounted as cash flow out.
The bank balance at the end of the year is: $175,000 + $4,925,000 - $625,000 - $2,250,000 - $500,000 + $150,000 = $1,875,000
LO 1, AC 1.4

NEW QUESTION # 267
A procurement manager is helping to improve a specification for an existing product. They list all existing functions, processes, their costs, and the value they add. This exercise aims to support writing an improved specification for future purchasing. Which of the following is this an example of?

- A. Value procurement
- B. Value engineering
- C. Value chain
- D. Value analysis

Answer: B

Explanation:
Comprehensive and Detailed Explanation (from CIPS L4M2 - Specification and Value Management) CIPS L4M2 defines value engineering (VE) as a structured process used to examine functions of a product or service to ensure that each function delivers maximum value for minimum cost.
In this case, analysing functions, costs, and value-add is a textbook example of the value engineering process
- used to improve or redesign specifications for future purchases.
* Value analysis is retrospective, focusing on cost reduction in existing products.
* Value engineering looks forward, improving design/specifications.
Since the goal is to benefit future purchasing, this is VE.
Relevant L4M2 references:
* "Applying value analysis and value engineering"
* "Optimising performance and cost through specification review"

NEW QUESTION # 268
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