

Real CIPS L5M4 PDF Questions [2025] - Get Success With Best Results

CIPS L4M1 - Question & Answer Past exam questions latest 2023/2023

Q1. Outline FIVE differences between purchasing goods and purchasing services.

Answer - 1. Goods are tangible, services are intangible;
2. Services cannot be separated from their supplier;
3. Heterogeneity: goods are usually uniform in nature while services are unique at each delivery
4. Services 'perish' immediately on delivery whereas goods can be stored until required
5. Products are easier to specify, being tangible

Q2. Explain THREE circumstances in which a competitive tendering exercise might not be the best approach to making a purchase. Answer - 1. Urgency

2. Commercial confidentiality or national security (e.g. military organisations);
3. Value of the purchase;
4. Production costs cannot be measured accurately;
5. Price is not the only criterion for supplier selection and contract award
6. Intellectual Property Rights and monopoly

Q2. Describe TWO e-sourcing tools and their use in procurement and supply.

Answer - 1. E-Catalogues
2. E-Tendering
3. E. Auction
4. Reverse Auctions
5. Online supplier evaluation data

Q3. Explain the role of a shared services unit (SSU). Answer - SSUs reflect a desire to centralise and share services

The shared service provider becomes a dedicated provider of services such as; finance, HR, IT and procurement which continue to be provided internally
An SSU manages costs and quality SLAs to demonstrate value for money.
An SSU's benefits may be summarised as:

- cost effective internal service;
- liaison with its customers;
- anticipating future demand;
- employing resources and providing higher levels of service more cost effectively than if they were provided by a department or an external provider.

Q3. A manufacturer of electrically powered tools for the engineering industry consists of four separate business units, each of which undertakes its own purchasing activities.

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CIPS L5M4 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none"> Analyse and apply financial and performance measures that can affect the supply chain: This section of the exam measures the skills of procurement and supply chain managers and covers financial and non-financial metrics used to evaluate supply chain performance. It addresses performance calculations related to cost, time, and customer satisfaction, as well as financial efficiency indicators such as ROCE, IRR, and NPV. The section evaluates how stakeholder feedback influences performance and how feedback mechanisms can shape continuous improvement.
Topic 2	<ul style="list-style-type: none"> Understand and apply the concept of strategic sourcing: This section of the exam measures the skills of procurement and supply chain managers and covers the strategic considerations behind sourcing decisions. It includes an assessment of market factors such as industry dynamics, pricing, supplier financials, and ESG concerns. The section explores sourcing options and trade-offs, such as contract types, competition, and supply chain visibility.
Topic 3	<ul style="list-style-type: none"> Understand and apply financial techniques that affect supply chains: This section of the exam measures the skills of procurement and supply chain managers and covers financial concepts that impact supply chains. It explores the role of financial management in areas like working capital, project funding, WACC, and investment financing. The section also examines how currency fluctuations affect procurement, including the use of foreign exchange tools like forward contracts and derivative instruments.
Topic 4	<ul style="list-style-type: none"> Understand and apply tools and techniques to measure and develop contract performance in procurement and supply: This section of the exam measures the skills of procurement and supply chain managers and covers how to apply tools and key performance indicators (KPIs) to monitor and improve contract performance. It emphasizes the evaluation of metrics like cost, quality, delivery, safety, and ESG elements in supplier relationships. Candidates will explore data sources and analysis methods to improve performance, including innovations, time-to-market measures, and ROI.

CIPS Advanced Contract & Financial Management Sample Questions (Q16-Q21):

NEW QUESTION # 16

ABC Ltd is a manufacturing organization which operates internationally and buys materials from different countries. Discuss three instruments in foreign exchange that ABC could use (25 points)

Answer:

Explanation:

See the answer in Explanation below:

Explanation:

ABC Ltd, operating internationally, faces foreign exchange (FX) risks due to currency fluctuations. Below are three FX instruments it can use, detailed step-by-step:

* Forward Contracts

* Step 1: Understand the Tool A binding agreement to buy or sell a currency at a fixed rate on a future date.

* Step 2: Application ABC agrees with a bank to lock in an exchange rate for a material purchase in 6 months.

* Step 3: Outcome Protects against adverse currency movements, ensuring cost predictability.

* Use for ABC: Ideal for planning payments in volatile markets like the Euro or Yen.

* Currency Options

* Step 1: Understand the Tool A contract giving the right (not obligation) to buy/sell currency at a set rate before a deadline.

* Step 2: Application ABC buys an option to purchase USD at a fixed rate, exercising it if rates worsen.

* Step 3: Outcome Offers flexibility to benefit from favorable rates while capping losses.

- * Use for ABC: Useful for uncertain material costs in fluctuating currencies.
- * Currency Swaps
- * Step 1: Understand the Tool: An agreement to exchange principal and interest payments in one currency for another.
- * Step 2: Application: ABC swaps GBP loan payments for USD to match revenue from US sales, funding material purchases.
- * Step 3: Outcome: Aligns cash flows with currency needs, reducing FX exposure.
- * Use for ABC: Effective for long-term international contracts or financing.

Exact Extract Explanation:

The CIPS L5M4 Study Guide discusses FX instruments for managing international transactions:

- * Forward Contracts: "Forwards fix exchange rates, providing certainty for future payments" (CIPS L5M4 Study Guide, Chapter 5, Section 5.2).
- * Currency Options: "Options offer protection with the flexibility to capitalize on favorable rate changes" (CIPS L5M4 Study Guide, Chapter 5, Section 5.3).
- * Currency Swaps: "Swaps manage long-term FX risks by aligning cash flows across currencies" (CIPS L5M4 Study Guide, Chapter 5, Section 5.4). These tools are vital for ABC's global procurement stability. References: CIPS L5M4 Study Guide, Chapter 5: Managing Foreign Exchange Risks.

NEW QUESTION # 17

ABC Ltd wishes to implement a new communication plan with various stakeholders. How could ABC go about doing this? (25 points)

Answer:

Explanation:

See the answer in Explanation below:

Explanation:

To implement a new communication plan with stakeholders, ABC Ltd can follow a structured approach to ensure clarity, engagement, and effectiveness. Below is a step-by-step process:

- * Identify Stakeholders and Their Needs
- * Step 1: Stakeholder Mapping: Use tools like the Power-Interest Matrix to categorize stakeholders (e.g., employees, suppliers, customers) based on influence and interest.
- * Step 2: Assess Needs: Determine communication preferences (e.g., suppliers may need contract updates, employees may want operational news).
- * Outcome: Tailors the plan to specific stakeholder requirements.
- * Define Objectives and Key Messages
- * Step 1: Set Goals: Establish clear aims (e.g., improve supplier collaboration, enhance customer trust).
- * Step 2: Craft Messages: Develop concise, relevant messages aligned with objectives (e.g., "We're streamlining procurement for faster delivery").
- * Outcome: Ensures consistent, purpose-driven communication.
- * Select Communication Channels
- * Step 1: Match Channels to Stakeholders: Choose appropriate methods: emails for formal updates, meetings for key partners, social media for customers.
- * Step 2: Ensure Accessibility: Use multiple platforms (e.g., newsletters, webinars) to reach diverse groups.
- * Outcome: Maximizes reach and engagement.
- * Implement and Monitor the Plan
- * Step 1: Roll Out: Launch the plan with a timeline (e.g., weekly supplier briefings, monthly staff updates).
- * Step 2: Gather Feedback: Use surveys or discussions to assess effectiveness and adjust as needed.
- * Outcome: Ensures the plan remains relevant and impactful.

Exact Extract Explanation:

The CIPS L5M4 Study Guide emphasizes structured communication planning:

- * "Effective communication requires identifying stakeholders, setting clear objectives, selecting appropriate channels, and monitoring outcomes" (CIPS L5M4 Study Guide, Chapter 1, Section 1.8). It stresses tailoring approaches to stakeholder needs and using feedback for refinement, critical for procurement and contract management. References: CIPS L5M4 Study Guide, Chapter 1: Organizational Objectives and Financial Management.=====

NEW QUESTION # 18

What are three financial risks in exchange rate changes and how might an organization overcome these? (25 points)

Answer:

Explanation:

See the answer in Explanation below:

Explanation:

Exchange rate changes pose financial risks to organizations engaged in international trade. Below are three risks and mitigation strategies, explained step-by-step:

* Transaction Risk

* Step 1: Define the Risk Loss from exchange rate fluctuations between invoicing and payment (e.g., a stronger supplier currency increases costs).

* Step 2: Mitigation Use forward contracts to lock in rates at the time of contract agreement.

* Step 3: Outcome Ensures predictable costs, avoiding cash flow disruptions.

* Translation Risk

* Step 1: Define the Risk Impact on financial statements when converting foreign subsidiary earnings to the home currency (e.g., weaker foreign currency reduces reported profits).

* Step 2: Mitigation Hedge via currency swaps or maintain natural hedges (e.g., matching foreign assets and liabilities).

* Step 3: Outcome Stabilizes reported earnings, aiding financial planning.

* Economic Risk

* Step 1: Define the Risk Long-term currency shifts affecting competitiveness (e.g., a stronger home currency makes exports pricier).

* Step 2: Mitigation Diversify operations or sourcing across countries to spread exposure.

* Step 3: Outcome Reduces reliance on any single currency's performance.

Exact Extract Explanation:

The CIPS L5M4 Study Guide identifies these risks and solutions:

* Transaction Risk: "Arises from timing differences in international payments, mitigated by forwards" (CIPS L5M4 Study Guide, Chapter 5, Section 5.1).

* Translation Risk: "Affects consolidated accounts and can be managed through hedging or balance sheet strategies" (CIPS L5M4 Study Guide, Chapter 5, Section 5.1).

* Economic Risk: "Long-term exposure requires strategic diversification" (CIPS L5M4 Study Guide, Chapter 5, Section 5.1). These align with managing FX volatility in procurement. References: CIPS L5M4 Study Guide, Chapter 5: Managing Foreign Exchange Risks.=====

NEW QUESTION # 19

Describe the SERVQUAL model that can be used to assess quality in the service industry (15 points). What are the advantages of using the model? (10 points)

Answer:

Explanation:

See the answer in Explanation below:

Explanation:

* Part 1: Description of the SERVQUAL Model (15 points)

* Step 1: Define the Model SERVQUAL is a framework to measure service quality by comparing customer expectations with their perceptions of actual service received.

* Step 2: Key Components It uses five dimensions to assess quality:

* Tangibles: Physical aspects (e.g., facilities, equipment, staff appearance).

* Reliability: Delivering promised services dependably and accurately.

* Responsiveness: Willingness to help customers and provide prompt service.

* Assurance: Knowledge and courtesy of staff, inspiring trust.

* Empathy: Caring, individualized attention to customers.

* Step 3: Application Customers rate expectations and perceptions on a scale (e.g., 1-7), and gaps between the two highlight areas for improvement.

* Outcome: Identifies service quality deficiencies for targeted enhancements.

* Part 2: Advantages of Using the SERVQUAL Model (10 points)

* Step 1: Customer-Centric Insight Focuses on customer perceptions, aligning services with their needs.

* Step 2: Gap Identification Pinpoints specific weaknesses (e.g., low responsiveness), enabling precise action.

* Step 3: Benchmarking Allows comparison over time or against competitors to track progress.

* Outcome: Enhances service delivery and competitiveness in the service industry.

Exact Extract Explanation:

* SERVQUAL Description: The CIPS L5M4 Study Guide notes, "SERVQUAL assesses service quality through five dimensions—tangibles, reliability, responsiveness, assurance, and empathy—by measuring gaps between expectation and performance" (CIPS L5M4 Study Guide, Chapter 2, Section 2.5).

* Advantages: It states, "The model's strengths include its focus on customer perspectives, ability to identify service gaps, and utility

as a benchmarking tool" (CIPS L5M4 Study Guide, Chapter 2, Section 2.5). This is vital for service-based procurement and contract management. References: CIPS L5M4 Study Guide, Chapter 2: Supply Chain Performance Management.

NEW QUESTION # 20

Explain what is meant by a 'commodity' (8 points) and why prices of commodities can be characterized as 'volatile' (17 points)

Answer:

Explanation:

See the answer in Explanation below:

Explanation:

* Part 1: Definition of a Commodity (8 points)

* Step 1: Define the Term A commodity is a raw material or primary product traded in bulk, typically uniform in quality across producers (e.g., oil, wheat, copper).

* Step 2: Characteristics

* Standardized and interchangeable (fungible).

* Traded on global markets or exchanges.

* Used as inputs in production or consumption.

* Outcome: Commodities are basic goods with little differentiation, driving their market-based pricing.

* Part 2: Why Commodity Prices Are Volatile (17 points)

* Step 1: Supply and Demand Fluctuations Prices swing due to unpredictable supply (e.g., weather affecting crops) or demand shifts (e.g., industrial slowdowns).

* Step 2: Geopolitical Events Conflicts or sanctions (e.g., oil embargoes) disrupt supply, causing price spikes or drops.

* Step 3: Currency Movements Most commodities are priced in USD; a stronger USD raises costs for non-US buyers, reducing demand and affecting prices.

* Step 4: Speculative Trading Investors betting on future price movements amplify volatility beyond physical supply/demand.

* Outcome: These factors create rapid, unpredictable price changes, defining commodity volatility.

Exact Extract Explanation:

* Commodity Definition: The CIPS L5M4 Study Guide states, "Commodities are standardized raw materials traded globally, valued for their uniformity and utility" (CIPS L5M4 Study Guide, Chapter 6, Section 6.1).

* Price Volatility: It explains, "Commodity prices are volatile due to supply disruptions, demand variability, geopolitical risks, currency fluctuations, and speculative activity" (CIPS L5M4 Study Guide, Chapter 6, Section 6.2). Examples include oil price shocks from OPEC decisions or agricultural losses from droughts. This understanding is key for procurement strategies in volatile markets.

References: CIPS L5M4 Study Guide, Chapter 6: Commodity Markets and Procurement.=====

NEW QUESTION # 21

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