

Test L4M1 Sample Questions & L4M1 Test Study Guide

CIPS L4M1 SAMPLE QUESTIONS AND ANSWERS

RATED A.

Value for money is only about price
Correct Answer -False

True or False: Fixed assets to an organization are usually capital purchases
Correct Answer -True

True or False: Added value includes innovation from suppliers
Correct Answer -True

The ____ stage of the procurement cycle includes understanding and defining the need, strategy development and issuing invitations to tender, or requests for quotation.
Correct Answer -Pre-Contract

The ____ stage of the procurement cycle includes contract, supplier and end of life management.
Correct Answer -Post-Contract

Put the following in the correct order: 1. E-sourcing 2. E-paying 3. E-ordering 4.E-requisitioning
Correct Answer -4,1,3,2

Achieving ____ against processes can add value within procurement
Correct Answer -Compliance

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CIPS L4M1 Exam Syllabus Topics:

Topic	Details
Topic 1	Understand and analyse the added value through procurement and supply chain management: This section of the exam measures skills of supply chain managers related to identifying added value outcomes in procurement and supply and evaluating cost savings, service improvements, and innovations contributions. It also measures procurement and supply processes that contribute to added value.
Topic 2	Procedures, strategies, manuals, and internal function involvement.
Topic 3	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 4	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

CIPS Scope and Influence of Procurement and Supply Sample Questions (Q38-Q43):

NEW QUESTION # 38

Explain FIVE ways conflicts of interest could be managed by effective corporate governance. (25 marks)

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

Five Ways to Manage Conflicts of Interest Through Effective Corporate Governance Conflicts of interest arise when an individual or entity has competing personal and professional interests that could compromise their judgment or decision-making in business transactions. Effective corporate governance ensures that such conflicts are identified, managed, and mitigated to uphold transparency, integrity, and accountability within an organization. Below are five ways corporate governance can help manage conflicts of interest:

1. Establishing Clear Policies and Codes of Conduct

* Organizations should implement formal policies that outline what constitutes a conflict of interest and how employees and stakeholders should handle such situations.

* Effectiveness:

* Provides clear guidelines on ethical behavior.

* Ensures employees disclose conflicts before engaging in business transactions.

* Sets disciplinary actions for non-compliance.

2. Mandatory Disclosure of Interests

* Employees, board members, and executives should be required to declare financial, personal, or business interests that may conflict with their duties.

* Effectiveness:

* Enhances transparency in procurement and business dealings.

* Prevents individuals from unduly influencing decisions for personal gain.

* Enables proactive identification of potential conflicts before they escalate.

3. Implementing Independent Oversight and Decision-Making Structures

* Establishing independent committees such as audit, risk, and procurement committees to oversee critical decision-making.

* Effectiveness:

* Ensures decisions are made objectively, reducing the risk of favoritism or unethical influence.

* Promotes accountability by having multiple parties involved in key transactions.

* Prevents a concentration of power in one individual or department.

4. Whistleblowing Mechanisms and Ethical Reporting Channels

* Organizations should provide anonymous reporting mechanisms for employees to report unethical behavior or conflicts of interest.

* Effectiveness:

* Encourages a culture of transparency and ethical behavior.

* Protects whistleblowers from retaliation.

- * Allows management to address conflicts before they result in financial or reputational damage.
- 5. Regular Audits and Compliance Monitoring
- * Conducting periodic internal and external audits to detect and investigate potential conflicts of interest.
- * Effectiveness:
- * Helps identify patterns of unethical behavior.
- * Ensures continuous improvement in governance practices.
- * Reinforces a compliance-driven corporate culture.

Conclusion

By implementing these governance strategies, organizations can effectively manage conflicts of interest, reduce risks associated with unethical practices, and ensure decisions are made in the best interest of stakeholders. Effective corporate governance fosters trust, accountability, and long-term business sustainability.

NEW QUESTION # 39

What is a Public Sector organisation and what are the main objectives of organisations in the Public Sector?

(25 points)

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question

- For the first part of the question you should look to give a definition of the public sector, think about its characteristics and give so examples e.g. local government, hospitals, libraries.
- For the second part try to explain 4-5 objectives. Try to remain as broad as you can - think about objectives that all public sector organisations have in common rather than anything very specific to one organisation, what the question is looking for is the higher level, more broad aims.

Example Essay

A public sector organization, is a branch of government responsible for providing a wide range of services and functions to citizens and communities. It is funded by taxpayers' money and operates under governmental authority at various levels, including federal, state, and local governments. Public sector organizations can encompass government departments, agencies, authorities, and public enterprises. The main objectives of these organizations are multifaceted, aimed at serving the public interest and ensuring the efficient functioning of society. Examples include hospitals, schools and libraries. In this essay, we will explore the primary objectives of public sector organizations: improving services, achieving value for money, supporting communities and social value, and promoting equality, diversity, and inclusion (EDI).

Improving Services:

One of the central objectives of public sector organizations is to enhance the quality and accessibility of services provided to the public. These services can range from healthcare and education to transportation and public safety. The focus is on improving the well-being of citizens by ensuring that essential services are accessible, efficient, and responsive to evolving societal needs. For example, public healthcare systems aim to deliver high-quality medical services to all citizens, striving to reduce health disparities and provide equitable care.

Value for Money:

Public sector organizations are entrusted with the responsible and efficient use of public funds. Achieving value for money is a critical objective, ensuring that taxpayer money is spent wisely and that resources are allocated efficiently. Government agencies are tasked with optimizing budgets, reducing waste, and delivering services in a cost-effective manner. For instance, public infrastructure projects must be designed and executed to maximize benefits while minimizing costs and delays.

Supporting Communities and Social Value:

Public sector organizations play a pivotal role in supporting communities and generating social value. This objective involves initiatives and policies aimed at fostering community well-being, economic development, and social cohesion. It includes activities such as urban planning, affordable housing initiatives, and community development programs. By focusing on supporting communities, public sector organizations contribute to the overall betterment of society, creating opportunities and improving the quality of life for residents. In the UK it is a legal requirement for all large public sector contracts to consider Social Value, in line with the Social Value Act 2012.

Equality, Diversity, and Inclusion (EDI):

Promoting equality, diversity, and inclusion is another fundamental objective of public sector organizations.

These organizations are tasked with ensuring that all citizens are treated fairly and have equal access to opportunities and services. This objective encompasses anti-discrimination policies, diversity hiring practices, and programs that address societal inequalities. Public sector entities strive to create environments where individuals of diverse backgrounds can thrive and participate fully in public life, regardless of race, gender, age, disability, or other characteristics.

In conclusion, public sector organizations serve as key agents in addressing societal needs and promoting the common good. Their

objectives encompass improving services, achieving value for money, supporting communities and social value, and promoting equality, diversity, and inclusion (EDI). By pursuing these objectives, public sector organizations contribute to the welfare and development of society, ensuring that public resources are utilized efficiently and equitably. They play a vital role in shaping the overall well-being and progress of their respective communities and nations.

Tutor Notes

- The study guide talks about the main objective of the public sector as being 'to improve services'. This is true, but in reality, the public sector may be the only people providing that service. They may be providing a service that the private sector can't or won't because it's simply not profitable. An example is the Forestry Commission which looks at protecting forests and conducting research on forests. No private sector organisation is going to do that because there's simply no money in it.
- With a lot of public sector organisations there are competing private sector organisations, just look at medical care and the rise of private health insurance. Same with transport. This essay doesn't ask you to talk about this, and it is outside of the scope of the study guide but it's an interesting observation: traditionally the aim of the public sector was to serve the public, nowadays it's actually competing with private sector organisations to do this!
- Social Value Act for anyone who's not familiar: Social Value Act: information and resources - GOV.UK (www.gov.uk)

NEW QUESTION # 40

Explain how the new procurement department can use the CIPS Procurement Cycle to influence the spend on raw materials, deliver cost reductions and enable other value benefits.

(25 marks)

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

Electronica Manufacturing

Jane Henderson has been brought in to set up and lead a new procurement department at Electronica Manufacturing. It manufactures a range of electronic products, components and sub-assemblies for clients in the Information technology sector. Jane has carried out an initial analysis of procurement practices and has discovered that the company has never focused on how procurement tools and techniques can be used to reduce costs. She is also keen to improve procurement added value, increase quality and increase end-user satisfaction.

Jane wishes to introduce a more robust approach to procurement and is considering implementing new processes and procedures in the procurement of raw materials and sub-assemblies.

Using the CIPS Procurement Cycle to Influence Spend on Raw Materials, Deliver Cost Reductions, and Enable Value Benefits
Electronica Manufacturing has historically not focused on procurement's role in cost reduction or added value. By implementing the CIPS Procurement Cycle, Jane Henderson can establish a structured and strategic procurement process to optimize spend on raw materials, achieve cost reductions, and generate other value benefits. Below is a detailed analysis of how each stage of the CIPS Procurement Cycle can support these goals:

1. Understanding Needs and Developing Specifications

* How it Helps:

* Jane must assess raw material requirements based on product designs, production needs, and customer expectations.

* Avoiding over-specification ensures that materials are fit for purpose rather than unnecessarily costly.

* Impact on Electronica Manufacturing:

* Prevents unnecessary spending on premium materials that don't add value.

* Ensures cost-effective sourcing without compromising quality.

2. Market Analysis and Supplier Identification

* How it Helps:

* Conducting supplier market research helps identify competitive suppliers offering better pricing and quality.

* Analyzing market trends (e.g., commodity price fluctuations) allows for timely purchasing to mitigate cost increases.

* Impact on Electronica Manufacturing:

* Reduces costs by sourcing from cost-effective and reliable suppliers.

* Identifies potential new suppliers that offer better value and innovation.

3. Developing a Sourcing Strategy

* How it Helps:

* Jane can implement strategic sourcing, using techniques like long-term contracts, supplier partnerships, and competitive bidding.

* A well-defined strategy ensures that procurement aligns with business goals.

* Impact on Electronica Manufacturing:

* Reduces supply chain risks by diversifying suppliers.

* Maximizes cost savings through bulk purchasing and supplier negotiations.

4. Supplier Evaluation and Selection

- * How it Helps:

- * A structured evaluation process ensures selection based on cost, quality, reliability, and sustainability.
- * Supplier benchmarking and total cost analysis ensure best-value sourcing.
- * Impact on Electronica Manufacturing:
 - * Reduces waste and costs by selecting suppliers that provide consistent quality.
 - * Helps mitigate supply chain risks, ensuring reliable raw material availability.

5. Contract Management and Negotiation

- * How it Helps:

- * Jane can introduce structured contracts with cost-control mechanisms, such as fixed pricing, volume discounts, and service-level agreements (SLAs).
- * Contract negotiation can lock in competitive pricing and ensure supplier accountability.
- * Impact on Electronica Manufacturing:
 - * Improves cost predictability and budget control.
 - * Strengthens supplier relationships, leading to better terms and cost efficiencies.

6. Purchase Order Processing and Expediting

- * How it Helps:

- * Implementing an efficient purchase order (PO) system reduces administrative inefficiencies and speeds up raw material procurement.
- * Use of automated procurement systems (e.g., ERP systems) ensures cost-effective order processing.
- * Impact on Electronica Manufacturing:
 - * Reduces administrative overheads and human errors.
 - * Ensures faster lead times and better inventory control, reducing stock shortages and excess inventory costs.

7. Supplier Relationship Management (SRM)

- * How it Helps:

- * Establishing collaborative relationships with key suppliers can drive joint cost-saving initiatives.
- * Long-term supplier partnerships can lead to better pricing, innovation, and risk-sharing.
- * Impact on Electronica Manufacturing:
 - * Reduces costs through supplier-led efficiency improvements.
 - * Encourages supplier innovation, leading to better materials and higher-quality products.

8. Performance Review and Supplier Development

- * How it Helps:

- * Regular supplier performance reviews ensure that quality, cost, and delivery expectations are met.
- * Supplier development programs can help underperforming suppliers improve efficiency, reducing procurement risks.
- * Impact on Electronica Manufacturing:
 - * Improves product quality and consistency, reducing defects and waste-related costs.
 - * Enhances supplier accountability, leading to more cost-effective procurement.

9. Risk Management and Compliance

- * How it Helps:

- * Jane can introduce risk management strategies such as dual sourcing, inventory buffers, and price hedging to mitigate supply chain disruptions.
- * Ensuring compliance with ethical, legal, and sustainability standards reduces long-term operational risks.
- * Impact on Electronica Manufacturing:
 - * Reduces financial and operational risks, improving business continuity.
 - * Strengthens brand reputation by ensuring ethical sourcing.

10. Procurement and Supply Strategy Review

- * How it Helps:

- * Continuous evaluation of procurement strategies ensures alignment with changing market conditions and company goals.
- * Data-driven decision-making through spend analysis and procurement reporting allows for ongoing cost optimizations.
- * Impact on Electronica Manufacturing:
 - * Enhances procurement efficiency and sustains cost reductions.
 - * Ensures procurement remains a value-adding function rather than a cost center.

Conclusion

By applying the CIPS Procurement Cycle, Jane Henderson can transform Electronica Manufacturing's procurement function from an ad-hoc, cost-inefficient process into a strategic, value-driven function.

This structured approach will enable smarter spending on raw materials, continuous cost reductions, and broader business benefits, such as improved quality, efficiency, and stakeholder satisfaction.

Implementing procurement best practices will not only reduce costs but also drive long-term business sustainability and competitive advantage.

NEW QUESTION # 41

What is meant by Stakeholder Mapping? Describe a tool that can be used by a Procurement Professional to map the stakeholders at their organisation (25 points)

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question:

- Define stakeholder mapping - completing an analysis of the stakeholders of an organisation and dividing them into categories depending on certain characteristics. This is often represented visually on a graph or matrix.
- Describe a Stakeholder mapping tool - the most common tool is Mendelow's Stakeholder Matrix so I would recommend using this one. It is explained in detail in the study guide. However, the question is open so you could choose to describe another tool such as Edgar's Stakeholder Position Analysis if you so wished. You wouldn't be wrong choosing this, but honestly, I'd just go for Mendelow. You can't go wrong with Mendelow.

Because the Matrix has 4 sections you can imagine you'd get 5 points for the definition of stakeholder mapping, and 5 points for each of the quadrants of the matrix.

Essay Plan:

Introduction - The reason why stakeholder mapping is important is because interests and expectations of stakeholder groups will be different and possibly conflicting. Mapping this allows an organisation to see the variety and decide on an appropriate management style for each stakeholder group.

Paragraph 1 - Mendelow's Power / Interest Matrix maps stakeholders based on their influencing power and the strength of their motivation to use that power. It uses a 2x2 grid and defines power as high or low and interest as high or low. It then provides four strategies for managing the stakeholders based on which quadrant of the grid the stakeholder falls into. These 4 categories are:

Paragraph 2 - Keep satisfied - high power but low interest. If the stakeholder becomes dissatisfied or concerned their interest may peak. Examples include regulatory bodies, shareholders, senior management. The best approach is to keep them up to date so they are informed of what is going on, but do not burden them with information they do not need.

Paragraph 3 - Manage Closely - AKA Key players - includes major customers, key suppliers, partners, senior management. These stakeholders need to know everything that is going on and approve of what is going on.

The recommended strategy is early involvement and participation, and integrating their goals with yours. This group requires regular communication and meetings. You should take their opinions on board.

Paragraph 4 - Monitor - minimum effort required - this is the low priority group as they have low power and low interest. Includes small volume suppliers and other organisational functions with no direct interest in your activities. This group does not need to receive regular communication.

Paragraph 5 - Keep informed - high interest, but low power. If they're not kept in the loop and understand the need for decisions, they may lobby together to protect their interest if they feel threatened. Employee groups, suppliers and community groups may be in this category. This group should receive regular communication.

Conclusion - Mendelow created the matrix in 1991 and it is still used today. It is a popular management tool due to its simplicity. It's important to note that stakeholders can move through the matrix- it isn't stagnant.

For example, at the beginning of a project a manager in another department may be classed as 'low priority' because they are seen to have no interest and no power in the project. However, as the project progresses the manager may become interested. They will then transfer into the keep informed category. Therefore, the matrix should be redone regularly throughout the lifetime of a project to capture any movements. The matrix should also be redone for each individual project - it cannot be assumed that a stakeholder who had interest in one project would be interested in another.

Tutor Notes

- The above essay plan is basically the entire essay, I got carried away. The only thing you'd need to add into that is an example of a stakeholder for each of the sections! (e.g. the CEO is high power, but low interest stakeholder for the procurement department. He/She doesn't care about the day to day operations but should be kept informed of any big news). For your examples you could use your own place of work.

- At level 4 you don't have to analyse the model, you just have to be able to memorise it and repeat it.

Mendelow comes up again at Level 5 and 6 in a bit more detail. If you want to score super bonus points you could mention in your conclusion that the main disadvantage of Mendelow's Matrix is that it doesn't take into consideration the stakeholder's position on the project - whether they're for it or against it. Therefore, it doesn't provide the full picture or provide much help on how to manage stakeholders. E.g. two stakeholders might both be in 'manage closely' section, but one is for the project and the other against - they'd need to be handled very differently!

- Study guide p. 65

NEW QUESTION # 42

What is meant by the 'Third Sector'? Describe the sector (10 points) and explain the main objectives of organisations who operate in

this sector (15 points).

Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question

- Description of the 'third sector' - the part of an economy comprising non-governmental and non-profit-making organisations including charities, voluntary and community groups, and cooperatives.

These organisations reinvest surplus profits back into the enterprise to further their objectives. This is worth 10 points so should be a good 2-3 paragraphs, with examples.

- Main objectives - these could include engaging with stakeholders, social or environmental aims, education, providing a service to the community, stewardship role. There's more points for this question so you should have more content here.

Example Essay

The 'Third Sector' refers to a segment of the economy distinct from the public (government) sector and the private (for-profit) sector. It encompasses a diverse range of non-governmental organizations (NGOs), charities, foundations, social enterprises, cooperatives, and other non-profit entities. These organizations are primarily driven by social, environmental, cultural, or community objectives rather than the pursuit of profit.

They often operate based on values such as democracy, equality, and social justice. The Third Sector plays a crucial role in providing services, advocating for social causes, and filling gaps left by the public and private sectors.

The third sector is often called the 'not-for profit' sector. It's distinguished from the private sector in that the main aim isn't to make money for money's sake. The main aim is to generate money to reinvest back into the organisation so that the organisation can achieve the purpose it was set up for. Whereas the private sector may exist solely to make money, the third sector has a 'higher aim'. Organisations operate in a very narrow marketplace. They may be the only provider in that marketplace. For example the RNLI is the only operator of lifeboats and the only organisation that sets out to save lives at sea- there is no 'competitor'.

3rd Sector Organisations have multiple sources of income; e.g. subscriptions or donations, or from donated goods that they then sell on (such as Oxfam shops), fundraising activities or selling merchandise. The sector also has a wide range of stakeholders.

The third sector is subject to same regulations as private and public companies but also has its own regulations imposed by the Charities Commission. This is a statutory regulation body which checks charities are run for public benefit and not private advantage, ensures charities are independent, and sets out to remedy serious mismanagement. They can audit, offer advice and investigate complaints. Therefore the sector is highly regulated.

Organisations in this sector have a huge range of objectives depending on why they were set up. These can be very specific, for example: charities such as Cancer Research (objective- find a cure for cancer), Museums (objective- educate the public), CIPS (objective - provide professional services to a particular industry), trade unions (objective- defend the rights of workers), pressure groups (objective- change laws and practices they morally disagree with).

However organisations in this sector do have overarching objectives in common.

1. Survival - Generating Enough Money to Continue Operations: Survival is a fundamental objective for Third Sector organizations. Unlike for-profit entities, these organizations do not aim to generate profits for shareholders but need sufficient funding to sustain their operations. This funding often comes from donations, grants, fundraising activities, and sometimes income from services provided. The challenge lies in balancing the mission with the need for financial stability, ensuring that the organization can continue to serve its community and pursue its goals over the long term. Financial sustainability is crucial, particularly in a sector where funding sources can be uncertain and competition for donations is high.

2. Creating Awareness of Their Cause: Raising awareness is vital for Third Sector organizations, as it helps to educate the public, garner support, attract volunteers, and drive fundraising efforts. Awareness campaigns are essential in highlighting the issues these organizations address, whether it's health, environmental conservation, social justice, or cultural preservation. Effective communication strategies, including the use of social media, public events, and collaborations, are employed to reach a wider audience. The more people know about a cause, the more likely they are to support it, either through donations, volunteering, or advocacy.

3. Compliance with Regulations and the Charities Commission: Compliance with legal and regulatory requirements is a critical objective. In many countries, including the UK, Third Sector organizations are regulated by bodies like the Charities Commission. These organizations must adhere to specific legal standards, including financial transparency, governance practices, and ethical guidelines. Compliance ensures credibility and trustworthiness, which are essential for maintaining public confidence and the continued support of donors and volunteers. It also ensures that the organization operates within the law, avoiding legal issues that could jeopardize its mission.

4. Providing a Service to the Community: The core of a Third Sector organization's mission is to provide services or benefits to the community. These organizations often address needs that are unmet by the private or public sectors, focusing on improving the quality of life for certain populations or addressing specific societal issues. This objective can take many forms, from offering direct services like healthcare and education to advocating for policy changes that benefit underserved communities. The impact of these services on the community can be profound, often bringing about significant social change.

5. Fulfilling a 'Gap in the Market': Many Third Sector organizations exist to fill gaps in services not provided by the public or private

sectors. A classic example is the provision of air ambulance services in the UK. While the government provides comprehensive healthcare services, there's a gap in the rapid transportation of critically ill patients, which is filled by charities operating air ambulances. These organizations identify specific needs that are not adequately addressed and work to meet them, often innovating in the process. By fulfilling these gaps, they play a crucial role in complementing existing services and enhancing the overall welfare of society.

Tutor Notes:

- LO 4.4. P.230

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