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NEW QUESTION: 1

Which of the following are the focuses of ISO 14001:2015?

- A. 1. Life cycle2. Process3. Capacity4. Information security2 and 4 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 3 and 4 only

Answer: (SHOW ANSWER)

ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

ISO 14001:2015 helps an organization achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include:

- * enhancement of environmental performance;
- * fulfilment of compliance obligations;
- * achievement of environmental objectives.

ISO 14001:2015 is applicable to any organization, regardless of size, type and nature, and applies to the environmental aspects of its activities, products and services that the organization determines it can either control or influence considering a life cycle perspective. ISO 14001:2015 does not state specific environmental performance criteria.

ISO 14001:2015 can be used in whole or in part to systematically improve environmental management.

Claims of conformity to ISO 14001:2015, however, are not acceptable unless all its requirements are incorporated into an organization's environmental management system and fulfilled without exclusion.

In conclusion, ISO 14001:2015 focuses on: management system (including roles, leadership and processes) and the life cycle of product or service. Life cycle is defined as "consecutive and inter-linked stages of a product (or service) system, from raw material acquisition or generation from natural resources to final disposal. [...] The life cycle stages include acquisition of raw materials, design, production, transportation/ delivery, use, end-of-life treatment and final disposal." The answer is process and life cycle.

Reference:

- ISO 14001:2015 Environmental management systems - Requirements with guidance for use LO 3, AC 3.1

NEW QUESTION: 2

A company assembles a large number of components into a series of finished products. The company has decided to add more finished products to its product range. They have decided that one of the current components will be used in the new range. What is this process known as?

- A. Standardisation
- B. Variety reduction
- C. Value engineering
- D. Value analysis

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 3

Which of the following are most likely to increase the buyer's bargaining power?

1. Buyers are price sensitive
2. High set-up cost for new entrants
3. Threat of forward integration is high
4. Threat of backward integration is significant

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

Answer: ([SHOW ANSWER](#))

Price sensitivity is the degree to which the price of a product affects consumers' purchasing behaviours. Buyer power will be stronger if buying organisation are price sensitive and vice versa. Backward integration is a form of vertical integration in which a buying organisation expands its role to fulfil tasks formerly completed by businesses up the supply chain. Buyer power is strong if threat of backward integration is high.

Set-up cost is a determinant of threat of new entry. Some industries require very expensive assets in order to make products. The financial risk of entering the industry and not succeeding can deter many potential new entrants. The fewer new entrants, the fewer available substitutes, then the bar-gaining power of buyer can be negatively affected.

Forward integration is a business strategy that involves a form of vertical integration whereby business activities are expanded to include control of the direct distribution or supply of a company's products. Threat of forward integration is a determinant of supplier's bargaining power.

Reference: CIPS study guide page 88-91

LO 2, AC 2.2

NEW QUESTION: 4

Thani Ltd is a fast growing logistics company with a fleet of 20 tractors. To meet Net Zero objective, the company needs to electrify its fleet. Angelica is assigned to investigate the market price of electrifying services. After the investigation, she realises that the current market price is very expensive and unsustainable for her company. She decides to break down the costs before negotiating with the suppliers. Which internal stakeholders may help Angelica estimate the breakdown of costs? Select TWO that apply.

- A. Sales and Marketing department
- B. Engineering department
- C. Finance department
- D. Commercial agency
- E. Suppliers

Answer: (SHOW ANSWER)

Despite of its importance, cost analysis is often a daunting task for procurement professionals. In order to analyse supplier's costs effectively, procurement may need the input from other departments. Normally, technical (or engineering) department may help them to identify the direct costs of the product/service (how much material is required to make the product, or how many people are needed to perform the job, etc), while finance (or accounting) department may have ideas on the overheads of the supplier.

In this scenario, engineering department may provide insights on the components needed and the tasks to perform. Similarly, finance may know how much supplier pays for the overheads.

On the other hand, while commercial agency and suppliers are external stakeholders, Sales and marketing is unlikely to provide valuable information in this case.

Reference: CIPS study guide page 102

LO 2, AC 2.3

NEW QUESTION: 5

Which of these are variety reduction initiatives? Select the THREE that apply.

- A. Identifying items which can be substituted for each other
- B. similar items various specifications/descriptions
- C. Looking at how frequently each item in a range is used
- D. Making multiple small regular orders of variant items
- E. Identifying where Items have similar characteristics
- F. Drawing up performance or conformance specifications

Answer: (SHOW ANSWER)

NEW QUESTION: 6

How can a procurement department meet the business needs when purchasing leverage items?

- A. Developing long-term relationships such as partnerships
- B. Developing buying power such as competitive tendering
- C. Developing effective contracts such as call-off contracts
- D. Developing efficient order processes such as e-procurement

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 7

Which of these are advantages of using a conformance specification? Select TWO that apply.

- A. It enables supplier flexibility and product innovation
- B. There is a smaller supplier base to select from
- C. It enables value-for-money solutions
- D. It forces consideration of actual product needs
- E. It provides evidence of requirements if there is a dispute

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 8

A garment manufacturer supplies global retailers with t-shirts, shirts, and linen trousers. Because of currency fluctuations, the manufacturer is aware that they must control their direct costs in order to ensure profits.

Which of the following is a direct cost for the garment manufacturer?

- A. Facilities rent
- B. Cotton fabric
- C. Utilities cost
- D. Office staff payroll

Answer: B ([LEAVE A REPLY](#))

Detailed Explanation:

Cotton fabric is a direct cost because it is directly attributable to the production of the garments. Costs like rent, utilities, and payroll are indirect costs associated with running the business.

Reference: CIPS Level 4, Cost Categorization in Procurement.

NEW QUESTION: 9

A buyer may consider switching from one product or service to another, or from one supplier to another.

Which of the following options are a type of switching cost?

- * Inflation cost
- * Historical cost
- * Retraining cost
- * Modification cost

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

Answer: B (LEAVE A REPLY)

NEW QUESTION: 10

Which of the following are fixed costs? Select TWO that apply.

- A. Staff overtime
- B. Sales commission
- C. Premises costs
- D. Utilities costs
- E. Materials costs

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) CIPS L4M2 defines fixed costs as those that do not change in total with small changes in the level of activity within a relevant range (for example, rent, insurance, basic utilities standing charges).

* Premises costs (C) - such as rent and building insurance, are typically fixed: they are paid regardless of production volume (within normal operating levels).

* Utilities costs (D) - often treated as fixed or semi-fixed in exam-style questions: the organisation pays standing charges and must maintain services regardless of output.

In contrast:

* Staff overtime (A) - varies with workload; this is a variable cost.

* Sales commission (B) - depends on sales volume, so it is variable.

* Materials costs (E) - directly linked to output (more units = more materials), so variable.

Understanding fixed versus variable costs is vital when preparing a business case (e.g. break-even, sensitivity analysis, and assessing the impact of demand changes).

Relevant CIPS L4M2 areas:

* Cost behaviour: fixed, variable, semi-variable

* The role of cost analysis in business cases and sourcing decisions

* Overhead allocation and cost structures

NEW QUESTION: 11

A company uses eight different floor cleaning products at different premises and has decided to standardise on just one. This product is available from a large number of suppliers. What benefits should the company expect to achieve?

- A. Lower costs
- B. Fewer staff
- C. Increased stock levels
- D. Increased costs

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) Standardising from many similar products to one common product is a classic variety reduction / standardisation decision.

In CIPS L4M2, when standardisation is discussed, the benefits highlighted include:

- * Economies of scale - buying larger quantities of a single product allows for better prices and volume discounts.
 - * Reduced administration and handling costs - only one product code to manage, fewer invoices and orders, simpler stock control.
 - * Simplified quality control - one specification and one performance profile to monitor.
- Because the product is available from many suppliers, competition remains strong. This supports lower prices, not higher.
- * Option A (Lower costs) - correct, due to economies of scale and reduced process/handling complexity.
 - * Option B (Fewer staff) - staff numbers are driven by overall workload, not just the number of product variants; standardising doesn't automatically cut headcount.
 - * Option C (Increased stock levels) - if anything, standardisation often reduces safety stock (you can pool demand into one line).
 - * Option D (Increased costs) - contradicts the expected benefits of standardisation and competition between many suppliers.

Relevant CIPS L4M2 areas:

- * Standardisation and variety reduction in specifications
- * Economies of scale and cost drivers in sourcing decisions
- * Managing supply markets with multiple potential suppliers

NEW QUESTION: 12

Which of the following is a risk to buying organization when using conformance specification?

- A. Buyer is responsible for product failure
- B. Buyer may face liquidity risks
- C. Buyer cannot control the inputs
- D. Time to produce specification is shortened

Answer: (SHOW ANSWER)

When using conformance specification, the buying organisation is responsible for the performance of the purchase. If the product fails due to poorly designed specification, the buyer is wholly responsible for it. It cannot blame the supplier for the failure because they still provided 'fit for purpose' product.

'Time to produce specification is shortened': Conformance specification requires details on dimension, materials, design, etc. With such requirements, time to produce a complete conformance specification is often longer than producing performance specification.

'Buyer cannot control the inputs': Conformance specification is a list of inputs from buyer, so buyer has control over the inputs that will make the product. It also means that buyer is responsible for any product failure.

'Buyer may face liquidity risks': Liquidity means that how quick a business turns its assets into cash. This is a financial term, it does not link directly with specification failure.

Reference: CIPS study guide page 118-119

LO 3, AC 3.1

NEW QUESTION: 13

Which of the following is the disadvantage of embedding standards in a specification?

- A. Standards do not improving buyer's bargaining power
- B. Embedding standards into specification requires enormous time and effort
- C. Standards are too static and discourage innovation
- D. Standards are too flexible and may cause ambiguity in the specification

Answer: (SHOW ANSWER)

"Standards are often produced by professional bodies (maybe national or international bodies). Standards tend to be stable for a period of time, therefore, they are likely to be static and discourage innovation." Reference: CIPS L4M3 study guide page 125 LO 3, AC 3.1

NEW QUESTION: 14

Which of the following is a challenge of making a business case for straight re-buys?

- A. Terms and conditions
- B. Research of procurement process
- C. Effective inventory control
- D. Identifying suitable suppliers

Answer: (SHOW ANSWER)

For straight re-buy, the specifications for the products are known. Generally, there will be an existing contract with supplier in place. The business need is challenged annually, only on the annual demand. So effective inventory control will help procurement successfully manage straight re-buy.

Reference: CIPS study guide page 7

LO 1, AC 1.1

NEW QUESTION: 15

Which of the following are advantages of zero-based financial budgeting?

Use of previous year figures

Emphasis on short-term planning

Budget treated as flexible

Focus on operational issues

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

Answer: (SHOW ANSWER)

Detailed Explanation:

Zero-based budgeting emphasizes starting from scratch and justifying all expenses.

3 (Budget flexibility): Ensures resources are allocated dynamically based on needs.

4 (Focus on operational issues): Encourages alignment with operational priorities rather than historical trends.

Using prior figures (1) is contrary to zero-based budgeting principles. Reference: CIPS Level 4, Financial Planning and Budgeting.

NEW QUESTION: 16

What is the output of regression analysis?

- A. Forecasting process
- B. Dependent variables
- C. Line of best fit
- D. Independent variables

Answer: (SHOW ANSWER)

Regression refers to a quantitative measure of the relationship between one or more independent variables and a resulting dependent variable. Regression is of use to professionals in a wide range of fields from science and public service to financial analysis.

To perform a regression analysis, a statistician collects a set of data points, each including a complete set of dependent and independent variables. For example, the dependent variable could be a firm's stock price and the independent variables could be the Standard and Poor's 500 index and the national unemployment rate, assuming that the stock is not listed in the S&P 500. The sample set could be each of these three data sets for the past 20 years.

On a chart, these data points would appear as scatter plot, a set of points that may or may not appear to be organized along any line. If a linear pattern is apparent, it may be possible to sketch a line of best fit that minimizes the distance of those points from that line. If no organizing axis is visually apparent, regression analysis can generate a line based on the least squares method. This method builds the line which minimizes the squared distance of each point from the line of best fit.

Line of best fit is one of the most important outputs of regression analysis.

Reference:

- CIPS study guide page 99-100
- Line Of Best Fit (investopedia.com)

LO 2, AC 2.3

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NEW QUESTION: 17

Which of the following are typically reasons why an organisation implements value analysis?

Select TWO that apply:

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

Answer: (SHOW ANSWER)

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: CIPS study guide page 160-163

LO 3, AC 3.4

NEW QUESTION: 18

Which of the following is likely to be an outcome of over-specification?

- * Ineffective Service Level Agreement (SLA)
- * Higher supplier costs
- * Increased Supplier Relationship Management (SRM)
- * Reduced inventory costs

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

Answer: C (LEAVE A REPLY)

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) CIPS L4M2 warns against over-specification - defining requirements in more detail, higher quality, or tighter tolerances than are actually needed. Key consequences include:

* Increased costs - suppliers incur higher production and quality costs, which are passed on to the buyer.

* Fewer potential suppliers - only a small number can meet the demanding specification.

* More complex supplier relationships - closer collaboration and management may be needed to meet the demanding spec.

Assessing each statement:

* Ineffective SLA - if the specification is unnecessarily detailed or unrealistic, SLAs can become difficult to meet, overly complex, or focused on the wrong priorities. Likely outcome.

* Higher supplier costs - very clearly a result of over-specification (tight tolerances, special materials, complex processes).

* Increased SRM - when the requirement is demanding and fewer suppliers can comply, buyers often need more intensive SRM to manage performance and risk.

* Reduced inventory costs - this is not a typical outcome of over-specification; if anything, higher unit costs and longer lead times can increase inventory risks and carrying costs.

Thus 1, 2 and 3 are in line with CIPS treatment of over-specification; 4 is not, so:

* Correct option: C (1, 2 and 3 only)

Relevant CIPS L4M2 areas:

* Dangers of over-specification (cost, risk, supplier base)

* Service Level Agreements and realistic performance measures

* The role of SRM in managing complex or high-dependency suppliers

NEW QUESTION: 19

A hospital extensively spends on medical and implantable devices, medical, surgical and pharmaceutical supplies, costs of supplies related to buildings and maintenance operations. Hospital's procurement manager suggests that the hospital has an opportunity to reduce operational costs by reducing variation of medical devices and pharmaceutical supplies. Which of the following best describe the procurement manager's suggestion?

A. Process standardisation

B. Product standardisation

C. Value engineering

D. Process re-engineering

Answer: (SHOW ANSWER)

The hospital is buying too many product variants. This may cause bottleneck in its operation and increase operational expense. So procurement manager suggests to standardise products.

This is an example of the benefits of product standardisation:

Saint Thomas Health, a system of 5 hospitals, needed to find a way to reduce costs. They were purchasing different SKUs for products that were very similar, in this case, labels. They bought label rolls for \$3 and a very similar product for \$1. This oversight in product purchases impacted the overall costs of the system.

After partnering with a sole source vendor it was able to save \$200,000 over a four year span.

They accomplished this simply by standardizing label products. These savings, however, only

account for the immediate savings from standardizing products. The savings that are not factored into that number are the savings from soft or hidden costs.

On a national scale, hospitals lose millions of dollars per year in hidden expenses due to missed opportunities for cost containment and incorporation. Some of the hidden elements that increase overall costs for a healthcare provider include the following:

- Redundant purchasing
- Freight
- Excessive purchase orders
- Multiple vendor relations
- Low efficiency
- Joint commission fines
- HAI

By implementing product standardization, hospitals and health systems reduce vendors, are able to reduce SKUs, purchase orders, inefficiency, freight costs, fines, and off-contract spending. All of this adds up to large savings for the organization as a whole.

96% of the respondents in the survey agree that consolidating suppliers and standardizing product purchases across organization would reduce hidden costs.

Reference:

- CIPS study guide page 157-159
 - 3 Ways Product Standardization Can Help You Get a Bonus - ConnectID (pdhealthcare.com)
- LO 3, AC 3.4

NEW QUESTION: 20

CP Group places emphasis on the following business objectives:

- * Responsive production processes to react quickly to market changes
 - * Collaboration and technological integration
 - * New products launched and on sale very quickly
- Which of the below business markets does CP Group belong to?

- A. Agriculture
- B. Financial
- C. Construction
- D. Retail

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 21

Total cost of ownership of a solar panel is \$5,000 and it is expected that the panel will make a saving of

\$1,000 each year. So it would take 5 years for the benefits to repay the investment. Therefore, the firm plans to keep the solar panel for at least 5 years. Is payback period calculation right for making the business decision?

- A. Yes, because it takes everything into account
- B. No, because payback period can be only used to calculate the depreciation of a fixed asset

- C. No, because payback period doesn't take into account price fluctuations
- D. Yes, because payback period shows how long the firm recovers the investment

Answer: (SHOW ANSWER)

There are many factors that need to be considered when making a business decision. Costs and benefits are among those factors. To estimate the length of time in which an investment reaches a break-even point, businesses often use the payback period. The payback period refers to the amount of time it takes to recover the cost of an investment.

'Yes, because it takes everything into account': It ignores the time value of money (TVM), unlike other methods of capital budgeting such as net present value (NPV), internal rate of return (IRR), and discounted cash flow.

'No, because payback period doesn't take into account price fluctuations': Though it doesn't take into account price fluctuation, payback period is still useful in financial and capital budgeting.

'No, because payback period can be only used to calculate the depreciation of a fixed asset': Payback period only calculates the length of time in which the benefits of a charge repay its costs.
LO 1, AC 1.3

NEW QUESTION: 22

Raheem is the head of procurement at a care home. He decides to use a performance specification for the purchase of a new intelligent patient record IT system. Is this a correct approach?

- A. Yes, as it helps to drive innovation
- B. Yes, as it tells the supplier the exact requirements
- C. No, this approach is difficult to manage
- D. No, as it will take too long to acquire the IT system

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (from CIPS L4M2 - Developing Specifications) A performance specification sets out what the system must do or achieve rather than how it should be built.

According to CIPS L4M2, performance specifications:

- * Encourage supplier innovation because they give flexibility in how to meet the outcomes.
- * Are suitable where the supplier has more technical expertise.
- * Allow technological improvements to be incorporated.

In this case, a complex IT system benefits from supplier innovation, so using a performance specification is correct.

Option A aligns directly with L4M2 principles.

Relevant L4M2 references:

- * Section: "Types and purpose of specifications"
- * Subsection: "Encouraging innovation through performance specifications"

NEW QUESTION: 23

At which stage of product life cycle, price competition between sellers will be the most intense?

- A. Growth stage
- B. Introductory stage
- C. Maturity stage
- D. Decline stage

Answer: (SHOW ANSWER)

The term product life cycle refers to the length of time a product is introduced to consumers into the market until it's removed from the shelves. The life cycle of a product is broken into four stages-introduction, growth, maturity, and decline.

Chart, line chart Description automatically generated

Source: <https://blueoceanoutsource.co.ke/the-product-life-cycle-concept/> At maturity stage, price competition sets in as more and more supply capacity has been added by new entrants, then the competition will be the most intense.

Reference: CIPS study guide page 90-91

LO 2, AC 2.2

NEW QUESTION: 24

Which of the following are potential advantages of using a product performance specification?

It reduces the need for the buyer to produce a detailed design

It can widen the potential supply base

The buyer can specify the product's actual design in detail

Products are provided using the buyer's methodology

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

Answer: (SHOW ANSWER)

Detailed Explanation:

1 (Reduces design need): Performance specifications focus on outcomes rather than detailed designs, saving buyer resources.

2 (Wider supply base): Allowing suppliers to propose their own solutions can attract a broader range of suppliers. Options 3 and 4 align with conformance specifications, not performance-based ones. Reference:

CIPS Level 4, Specification Writing.

NEW QUESTION: 25

XYZ Ltd is producing an engine which consists of many components. The procurement manager wants to find cost reduction opportunities and minimise part varieties. Which of the following may help her to achieve these objectives?

- 1. Value analysis
- 2. Segment analysis
- 3. Variety reduction

4. Standardisation

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

Answer: (SHOW ANSWER)

Value analysis is often defined as a systematic process for improving the value of a product, service or project. It is typically used in the following ways:

- To determine the value of each component used
 - To find cost reduction opportunities by optimising the components used
- Segment analysis helps procurement and supply to shape and manage the supply markets.

There is no concept known as Variety reduction.

Standardisation is the process which is used to reduce varieties of products or parts.

In this scenario, the company's objective is cost reduction, then value analysis or value engineering is more likely to be applied. Also the company aims at reducing variety, standardisation can be combined with value analysis to produce the best results.

LO 3, AC 3.4

NEW QUESTION: 26

Which of the following is the core of value analysis process?

- A. Be creative
- B. Develop
- C. Evaluate
- D. Gather information
- E. Carry out functional analysis

Answer: (SHOW ANSWER)

Value Analysis (VA) is concerned with existing products. It involves a current product being analysed and evaluated by a team, to reduce costs, improve product function or both. Value Analysis exercises use a plan which step-by-step, methodically evaluates the product in a range of areas. These include costs, function, alternative components and design aspects such as ease of manufacture and assembly.

According to the Value Methodology standard, there are 6 phases to a Value Analysis:

- Information
- Function Analysis
- Creative
- Evaluation
- Development
- Presentation

1. Information

In this first phase, the team attempts to understand why the project exists and who or what it is to produce.

They obtain project data, present the original design or product concepts, and understand the project scope.

Schedule, costs, budget, risk, and other non-monetary issues are studied until the team is comfortable with the concept of the project, what it is to produce, and who its end users are. This step also includes things like site visits and meetings with the project team, if required. Project documents like plans, drawings, specifications, and reports are obtained and the value engineering team becomes familiar with them.

2. Function Analysis

This step represents the meat and potatoes (core) of the value analysis. The team attempts to determine the functions the project serves. Functions come in two forms:

- Primary functions are those that represent the reason for the project's existence, for example, a building project might have adequate plumbing as a primary function.
- Secondary functions are those that the project serves without being core to the project. For example, a building project might have as a secondary function maintaining the view of the neighboring building.

The functions are described in verb/noun pairs, such as "supply water to all suites," or "Maintain view of adjacent park." For a project like this, the team should come up with 10 - 15 functions. You might be surprised how many secondary functions exist for most projects. Subject matter experts would be a great resource, but in their absence an appropriate level of brainstorming and analysis are necessary.

The team should also identify value-mismatched functions to focus the improvements on. For example, maybe a large obstruction is preventing the view of the adjacent park from too many suites resulting in a potential mismatch of the cost vs. functional benefit. This is investigated in the next step.

3. Creative

This phase represents the generation of improvement ideas. The team develops alternative ways that the project can perform the functions that have been identified. At this step, the functions are looked at individually and each one gets a list of alternative ways to perform the function. There is no judging between the importance of the various functions.

4. Evaluation

At this stage, a priority is given to each project improvement idea. The ideas are discussed and potential costs are determined. Once the risk-reward profile of each idea is itemized, the team has determined which ideas are worth implementing into the project or feature.

A few years ago, there was a pedestrian bridge built near my home which was originally designed for emergency vehicles. Although this type of design is standard practice for the bridges of this type, the value engineering team identified that emergency vehicle passage was not needed (verb/noun pair = 'maintain passage for emergency vehicles'). Also, a second major outcome of this value analysis was to change the design to an aesthetic, curved bridge because it was in a prominent location. The redesign of the bridge cost some money but this was more than made up by the cost of the bridge construction. Thus, the value analysis paid for itself about 10 times over in the reduced construction cost, and the bridge was significantly more aesthetic.

5. Development

Once the value improvement options have been whittled down to the ones that make sense, the value engineering team develop the options to the point of passing them back to the original project team. They must be clearly written and explained so that the project owner and stakeholders can understand how it benefits the project and act on it. Any potential negative factors are identified. Potential costs and cost savings are itemized.

6. Presentation

This last phase represents the presentation of the alternatives to the stakeholders. Often value engineering represents a change in the normal practices that people are used to, an "out of the box thinking." Thus the best salesperson on the team is often the best one to do the presentation. Some typical products of a value engineering analysis are a briefing document, risk analysis, present worth analysis, advantages vs. disadvantages, etc.

Reference: CIPS study guide page 163-171

LO 3, AC 3.4

NEW QUESTION: 27

XYZ Ltd is a large supermarket chain which operates mainly in the UK and Europe. Their customers are increasingly concerned about sustainability. Therefore, procurement manager is required to source the products from suppliers who have good environmental performance. Which of the following can be an assurance that the supplier has procedures and policies to enhance its environmental performance?

- A. ISO 14001:2015 certificate
- B. ISO 13485:2016 certificate
- C. ISO 22716:2007 certificate
- D. ISO 9001:2015 certificate

Answer: (SHOW ANSWER)

ISO 9001:2015 specifies requirements for a quality management system.

ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

ISO 22716:2007 gives guidelines for the production, control, storage and shipment of cosmetic products.

These guidelines cover the quality aspects of the product, but as a whole do not cover safety aspects for the personnel engaged in the plant, nor do they cover aspects of protection of the environment.

ISO 13485:2016 specifies requirements for a quality management system where an organization needs to demonstrate its ability to provide medical devices and related services that consistently meet customer and applicable regulatory requirements.

Reference: CIPS study guide page 125

LO 3, AC 3.1

NEW QUESTION: 28

Which of the following problems may be identified as open-ended problems? Select TWO that apply:

- A. Shortage of key medicines in healthcare industry
- B. A cyber attack takes down whole company's IT system
- C. Engine failures cause flight cancellations.
- D. Logistics costs incur a large portion in wholesale prices
- E. The suppliers don't comply with the company's policy on underage labour.

Answer: ([SHOW ANSWER](#))

Open-ended problem is something stopping the achievement of an objective or blocking progress. To solve this type of problems, procurement professional should find a way to unblock the block-age. In the above question, high logistics cost is an obstacle to cost cutting objective while supplier's non-compliance prevents the company to achieve its sustainable objective.

Reference: CIPS study guide page 11

LO 1, AC 1.1

NEW QUESTION: 29

You are a senior buyer in a large manufacturing company. The engineering team is looking for a product that will assist them in a new innovative project. The technology is evolving and the product supplied is likely to be bespoke to the supplier. You are suggesting the use of a performance specification as a part of the tender. What is the main reason for this?

- A. The tender process is likely to be faster
- B. The cost of the product is likely to be cheaper
- C. This places the responsibility for success with the supplier
- D. This will allow a comprehensive description of the product

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 30

A conformance specification with designs should contain more detail than a performance specification with outputs. Is this statement TRUE or FALSE?

- A. True, the supplier will need to know exactly what is required
- B. False, outputs are usually easier to describe than designs
- C. True, the supplier will need to allow for innovation
- D. False, the outputs should include detailed drawings of the requirement

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 31

What will be the result of retaliation between business rivals in an industry?

- A. Higher exit barrier
- B. More new entrants

- C. Lower profit
- D. Greater bargaining power of suppliers

Answer: (SHOW ANSWER)

Industry rivalry-or rivalry among existing firms-is one of Porter's five forces used to determine the intensity of competition in an industry. Other factors in this competitive analysis are:

- Barriers to entry
- Bargaining power of buyers
- Bargaining power of suppliers
- Threat of substitutes

Industry rivalry usually takes the form of jockeying for position using various tactics (for example, price competition, advertising battles, product introductions). This rivalry tends to increase in intensity when companies either feel competitive pressure or see an opportunity to improve their position.

In most industries, one company's competitive moves will have a noticeable impact on the competition, who will then retaliate to counter those efforts. Companies are mutually dependent, so the pattern of action and reaction may harm all companies and the industry.

Some types of competition (for example, price competition) are very unstable and negatively influence industry profitability. Other tactics (for example, advertising battles) may positively influence the industry, as they increase demand or enhance product differentiation.

References

Porter, M. (1998). Competitive Strategy. New York: Free Press. pp. 17-23.

CIPS study guide page 86-87

LO 2, AC 2.2

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NEW QUESTION: 32

Ethan is the newly appointed CEO of ATT Group. He sees that the company is wasting financial resources on unnecessary spends. To solve this problem, Ethan requires all functional managers to prepare their department budget from scratch. Each spend must have justification or it will not be approved. Which budgeting method is Ethan using?

- A. Value proposition budget
- B. Zero-based budget
- C. Incremental budget

D. Activity-based budget

Answer: ([SHOW ANSWER](#))

There are four common types of budgets that companies use: (1) incremental, (2) activity-based, (3) value proposition, and (4) zero-based.

Incremental budgeting takes last year's actual figures and adds or subtracts a percentage to obtain the current year's budget. It is the most common method of budgeting because it is simple and easy to understand.

Activity-based budgeting is a top-down budgeting approach that determines the amount of inputs required to support the targets or outputs set by the company. For example, a company sets an out-put target of \$100 million in revenues. The company will need to first determine the activities that need to be undertaken to meet the sales target, and then find out the costs of carrying out these ac-tivities.

In value proposition budgeting, the budgeter considers the following questions:

- Why is this amount included in the budget?
- Does the item create value for customers, staff, or other stakeholders?
- Does the value of the item outweigh its cost? If not, then is there another reason why the cost is justified?

Value proposition budgeting is really a mindset about making sure that everything that is included in the budget delivers value for the business. Value proposition budgeting aims to avoid unnecessary expenditures

- although it is not as precisely aimed at that goal as our final budgeting option, zero-based budgeting.

As one of the most commonly used budgeting methods, zero-based budgeting starts with the assumption that all department budgets are zero and must be rebuilt from scratch. Managers must be able to justify every single expense. No expenditures are automatically "okayed". Zero-based budgeting is very tight, aiming to avoid any and all expenditures that are not considered absolutely essential to the company's successful (profitable) operation. This kind of bottom-up budgeting can be a highly effective way to "shake things up".

This is the method used in the scenario.

Reference:

- CIPS study guide page 58
 - Types of Budgets - The Four Most Common Budgeting Methods (corporatefinanceinstitute.com)
- LO 1, AC 1.4

NEW QUESTION: 33

A procurement team is categorising their purchased items into four quadrants of Kraljic's supply chain portfolio matrix. They realise that there are some low-value items which come from very few suppliers in the market. The organisation is critically dependent on these suppliers. The team plans to reduce the dependence by finding alternative sources. Is this a right course of action?

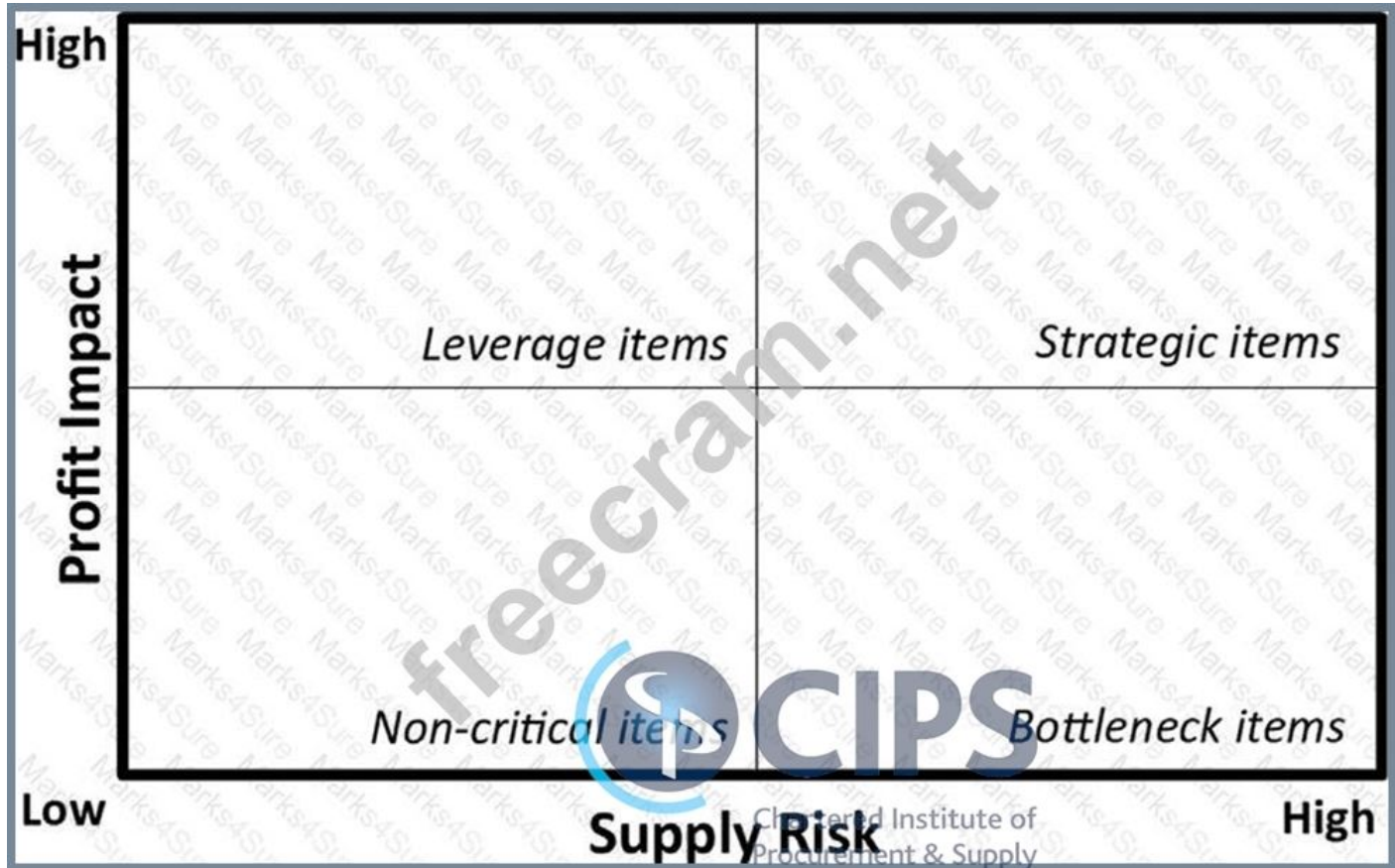
- A.** Yes, the organisation needs to reduce the supply risks
- B.** No, the organisation should run competitive biddings to exploit the competition

C. No, there is no way to escape this dependency

D. Yes, this action will dramatically increase the supplier's bargaining power

Answer: ([SHOW ANSWER](#))

According to Kraljic portfolio matrix, the low-value items with high supply risk are bottleneck items.



The purchasing strategy that is commonly recommended for these products is primarily based on acceptance of the dependence and reduction of the negative effects of the unfavourable position. An alternative strategy suggested by purchasing practitioners is to find other suppliers and move towards the non-critical quadrant.

- Accept dependence, reduce negative consequences: The main focus of this strategy is to assure supply, if necessary even at additional cost. Examples of this strategy are keeping extra stocks of the materials concerned or developing consigned stock agreements with suppliers. By performing a risk analysis firms can identify the most important bottleneck products and consider the implications. A possible action for dealing with unexpected bad dependence positions for certain products is to employ contingency planning.
- Reduce dependence and risk, find other solutions: This strategy is geared towards reducing the dependence on the supplier. The most common way to achieve this is to broaden the specifications of the product or to search for new suppliers.

The procurement team in the scenario has selected reducing dependency by finding alternatives. This is a right strategy for bottleneck item.

Reference:

- CIPS study guide page 82-84
- Purchasing strategies in the Kraljic matrix-A power and dependence perspective, Marjolein C.J. Caniels, Cees J. Gelderman LO 2, AC 2.1

NEW QUESTION: 34

Despite of better improvement rates than other types of benchmarking, functional benchmarking still has downsides. Which of the following is most likely to be a disadvantage of functional benchmarking?

- A. Legal issues regarding intellectual property
- B. Unfair competition
- C. Difference of corporate cultures across companies
- D. Benchmarking can only be undertaken within an industry

Answer: (SHOW ANSWER)

Functional benchmarking is a comparison to similar or identical practices (e.g., the picking process for assembling customer orders, maintaining inventory controls of spare computer parts, logistics to move operational forces, etc.) within the same or similar functions outside the immediate industry. Functional benchmarking might identify practices that are superior in your functional areas in whatever industry they may exist. Functional benchmarking would be accomplished at the federal level by comparing the IRS collections process against those of American Express. Comparing copper mining techniques to coal mining techniques is an example in the private sector.

Benefits

- Provides industry trend information
- Quantitative comparisons
- Better improvement rate

Challenges

- Diverse corporate cultures
- Great need for specificity
- Not invented here. syndrome
- Common functions can be difficult to find
- Takes more time than internal or percent
- Must be able to visualize how to adapt the best practices

Source: USN Benchmarking Handbook

LO 1, AC 1.3

NEW QUESTION: 35

Due to the growth of consumer electronics market, semiconductor industry develops exponentially. However, the industry is dominated by a dozens of manufacturer. Chipset need to be built in factories with highly controlled environments. New chip factories cost billions of dollars and can take two years to build. Right now, factories are running at full capacity, which produce almost perfect yields, meaning basic chipset can be made for less than a dollar and more advanced versions for not much more. What are the barriers to new entrants in the semiconductor industry?

1. Poor industry growth

2. High set-up costs
3. Economies of scale
4. Low switching costs

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

Answer: (SHOW ANSWER)

Barriers to entry is an economics and business term describing factors that can prevent or impede newcomers into a market or industry sector, and so limit competition. The most obvious barriers to entry are high start-up costs and regulatory hurdles which include the need for new companies to obtain licenses or regulatory clearance before operation. Also, industries heavily regulated by the government are usually the most difficult to penetrate. Other forms of barrier to entry that prevent new competitors from easily entering a business sector include special tax benefits to existing firms, patent protections, strong brand identity, customer loyalty, and high customer switching costs.

In the scenario, the new factory for chipset manufacturing costs billions of dollars, which indicates high set-up costs. Also, the incumbent manufacturers have reached economies of scale, allowing them to produce the components at optimal price.

The above descriptions are compiled from recent reports on current chip shortage (2021).

Reference:

- Barriers to Entry Definition (investopedia.com)
- CIPS study guide page 96-97

LO 2, AC 2.2

NEW QUESTION: 36

Interserve is a construction contractor in UK. When receiving a huge and complex project, Inter-serve's procurement manager assesses the risks by quantifying them and recommends other stake-holders to plan mitigating actions. Is the procurement manager's action justified?

- A. No, because no risks can be quantified, therefore the procurement manager's action is impossible.
- B. Yes, because procurement manager needs to assess the risks to prioritise and mitigate any potential risks
- C. Yes, because all the risks should be quantified and eliminated completely before they happen
- D. No, because embedding the risk into pricing will decrease the company's competitiveness

Answer: (SHOW ANSWER)

Assessing the risks by quantifying them should be done. Even with qualitative risk assessment, quantifying is still important since risks need to be prioritised.

Risk assessment can be qualitative or quantitative. Perform qualitative and perform quantitative risk analysis are two processes within the project risk management knowledge area, in the planning process group. While qualitative risk analysis should generally be performed on all risks,

for all projects, quantitative risk analysis has a more limited use, based on the type of project, the project risks, and the availability of data to use to conduct the quantitative analysis.

Qualitative Risk Analysis

A qualitative risk analysis prioritises the identified project risks using a pre-defined rating scale. Risks will be scored based on their probability or likelihood of occurring and the impact on project objectives should they occur.

Probability/likelihood is commonly ranked on a zero to one scale (for example, .3 equating to a 30% probability of the risk event occurring).

The impact scale is organizationally defined (for example, a one to five scale, with five being the highest impact on project objectives - such as budget, schedule, or quality).

A qualitative risk analysis will also include the appropriate categorization of the risks, either source-based or effect-based.

Quantitative Risk Analysis

A quantitative risk analysis is a further analysis of the highest priority risks during a which a numerical or quantitative rating is assigned in order to develop a probabilistic analysis of the project.

A quantitative analysis:

- Quantifies the possible outcomes for the project and assesses the probability of achieving specific project objectives
- Provides a quantitative approach to making decisions when there is uncertainty
- Creates realistic and achievable cost, schedule or scope targets

In order to conduct a quantitative risk analysis, you will need high-quality data, a well-developed project model, and a prioritized lists of project risks (usually from performing a qualitative risk analysis).

Reference: CIPS study guide page 143-144

LO 3, AC 3.3

NEW QUESTION: 37

Which of the following are features of a conformance specification? Select TWO that apply.

- A. Performance
- B. Functional requirements
- C. Deliverables
- D. Diagrams
- E. Measurements

Answer: (SHOW ANSWER)

NEW QUESTION: 38

A state school has a procurement requirement to buy new art materials for the next school semester and needs to forecast purchases against its restricted budget. What would be the key business requirement in this purchasing decision?

- A. Total cost of goods

- B. Quality of materials
- C. Social impact
- D. Timescales of delivery

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 39

A company is evaluating two investment projects: Project A and Project B. Project A has a high initial cost but generates substantial cash flows over time. Project B has a lower initial cost but generates modest cash flows consistently. The company's cost model indicates a payback period of three years for Project A and a payback of four years for Project B. Which of the following statements is correct regarding the cost models and cash flow profiling for these projects?

- A. Project A has a shorter payback period, making it a quicker return on investment compared to Project B
- B. Project A's higher initial cost is a disadvantage, and its payback period should be extended for better profitability
- C. Project B's lower initial cost allows for faster profit realisation, making it the better investment choice
- D. Project B's modest and consistent cash flows make it a risky investment option due to a longer payback period

Answer: ([SHOW ANSWER](#))

Detailed Explanation:

Project A's shorter payback period means the initial investment is recovered more quickly, which is often preferred in cost models. The higher initial cost is offset by substantial cash flows, making it the more viable option based on ROI. Reference: CIPS Level 4, Investment Appraisal Techniques.

NEW QUESTION: 40

Which of the following are main focuses of ISO 27001:2013 standard?

- 1. Confidentiality
- 2. Logistics
- 3. Process
- 4. Life cycle

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

Answer: ([SHOW ANSWER](#))

This International Standard (ISO 27001:2013) has been prepared to provide requirements for establishing, implementing, maintaining and continually improving an information security management system. The adoption of an information security management system is a strategic decision for an organization. The establishment and implementation of an organization's information security management system is influenced by the organization's needs and

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objectives, security requirements, the organizational processes used and the size and structure of the organization. All of these influencing factors are expected to change over time.

The information security management system preserves the confidentiality, integrity and availability of information by applying a risk management process and gives confidence to interested parties that risks are adequately managed.

It is important that the information security management system is part of and integrated with the organization's processes and overall management structure and that information security is considered in the design of processes, information systems, and controls. It is expected that an information security management system implementation will be scaled in accordance with the needs of the organization.

This International Standard can be used by internal and external parties to assess the organization's ability to meet the organization's own information security requirements.

The order in which requirements are presented in this International Standard does not reflect their importance or imply the order in which they are to be implemented. The list items are enumerated for reference purpose only.

ISO/IEC 27000 describes the overview and the vocabulary of information security management systems, referencing the information security management system family of standards (including ISO/IEC 27003[2], ISO/IEC 27004[3] and ISO/IEC 27005[4]), with related terms and definitions.

Reference:

- ISO/IEC 27001:2013 Information technology - Security techniques - Information security management systems - Requirements LO 3, AC 3.1

NEW QUESTION: 41

Outcome specifications should be used when:

- A. The quality of the goods is of no concern
- B. The specifying organisation has internal expertise in the design
- C. There are many ways to design the goods to reach the same performance result
- D. The specifying organisation wishes to use a branded good

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (from CIPS L4M2 - Specification Types) Outcome (or output) specifications define what outcome must be achieved, leaving suppliers freedom to decide how.

They are appropriate when multiple solutions can deliver the same performance.

* Option C directly reflects this.

* Options A, B, and D contradict the flexibility principle.

Relevant L4M2 references:

* "Performance and outcome-based specifications"

* "Encouraging innovation through output requirements"

NEW QUESTION: 42

A market has many buyers and suppliers. Loyalty is low and switching is common. Which market characteristic supports this behaviour?

- A. Supplier bargaining strength
- B. Increasing use of technology
- C. The availability of substitute products
- D. Barriers to market entry

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (from CIPS L4M2 - Market Dynamics) When substitute products are available, buyers can easily switch to alternatives, lowering loyalty and increasing price sensitivity.

Thus, Option C correctly identifies the key factor enabling frequent switching.

Relevant L4M2 references:

- * "Impact of substitute products on buyer behaviour"
- * "Porter's Five Forces - threat of substitutes"

NEW QUESTION: 43

Raheem, Head of Procurement, uses a performance specification for a new intelligent patient record IT system. Is this correct?

- A. Yes, as it helps to drive innovation
- B. Yes, as it tells the supplier the exact requirements
- C. No, this approach is difficult to manage
- D. No, as it will take too long to acquire the system

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (from CIPS L4M2: Specification Design) Performance specifications describe what the product or service must achieve, not how to achieve it.

CIPS recommends them when:

- * Innovation or supplier expertise is desired, and
- * Outcomes can be measured functionally.

For an intelligent IT system, suppliers can design innovative solutions if the focus is on performance outcomes rather than technical conformance.

Relevant CIPS L4M2 Sections:

- * Types of specifications (performance, conformance, output)
- * Encouraging innovation through supplier freedom

NEW QUESTION: 44

Gaskins Caskets (GC) is a manufacturing company that wants to identify new suppliers for a number of current parts. GC no longer has technical drawings for the parts and none of the engineers currently working for them have enough knowledge of the parts to write a specification. What could GC do to get accurate pricing from suppliers for these parts to compare to the existing parts?

- A. GC's engineers could estimate the specification and drawings that are sent to prospective suppliers
- B. GC could communicate a cost to the suppliers that must be met regardless of the final specification
- C. GC could send samples of the parts to prospective suppliers as part of the request for quotation
- D. GC could allow suppliers to develop and use their own specification as part of their cost proposal

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 45

Which of the following is an advantage of competitive benchmarking over other types of benchmarking?

- A. Limited access to competitor's data
- B. Similarity among processes
- C. Different corporate culture
- D. Cost effectiveness

Answer: ([SHOW ANSWER](#))

Competitive benchmarking

Competitive benchmarking is a direct competitor-to-competitor comparison of a product, service, process, or method. This form of benchmarking provides an opportunity to know yourself and your competition better; combine forces against another common competitor. An example of competitive benchmarking within the Department of Defense, might include contrasting Army and Air Force supply systems for Joint initiatives.

Within the private sector, two or more American car companies might benchmark for mutual benefit against common international competitor; or, rival chemical companies benchmark for environmental compliance.

Benefits

- Comparing like processes
- Know your competition better
- Possible partnership
- Useful for planning and setting goals
- Similar regulatory issues

Challenges

- Difficult legal issues
- Relatively low performance improvement
- Threatening
- Limited by trade secrets
- May provide misleading information
- May not get best-in-class comparisons
- Competitors could capitalize on your weaknesses

Source: USN Benchmarking Handbook
Reference: CIPS study guide page 50
LO 1, AC 1.3

NEW QUESTION: 46

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

Answer: (SHOW ANSWER)

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: CIPS study guide page 38-39

LO 1, AC 1.2

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NEW QUESTION: 47

When procuring an IT equipment, at which stage the buyer's expectations are translated into a technical specification?

- A. Installation
- B. Design
- C. In-service support
- D. Customer support

Answer: (SHOW ANSWER)

IT equipment is typically linked with through-life contracts. This type of contract not only deal with the specification and the price of a machinery, but also other stages such as design, manufacture, installation, in- service support, decommission and disposal. Among these stages, the design stage is when buyer's requirements are translated into technically correct specification.

Reference: CIPS study guide page 131

LO 3, AC 3.2

NEW QUESTION: 48

Which of the following is an useful tool for value engineering?

- A. SAMOA
- B. Kraljic Portfolio Matrix
- C. Star-burst method
- D. Kano model

Answer: (SHOW ANSWER)

Value Engineering (VE) is concerned with new products. It is applied during product development. The focus is on reducing costs, improving function or both, by way of teamwork-based product evaluation and analysis.

This takes place before any capital is invested in tooling, plant or equipment.

This is very significant, because according to many reports, up to 80% of a product's costs (throughout the rest of its life-cycle), are locked in at the design development stage. This is understandable when you consider the design of any product determines many factors, such as tooling, plant and equipment, labour and skills, training costs, materials, shipping, installation, maintenance, as well as decommissioning and recycle costs.

The Kano model is a theory for product development and customer satisfaction developed in the 1980s by Professor Noriaki Kano, which classifies customer preferences into five categories. Both Kano model and Value Engineering aims at optimising new product, so they can be combined together. CIPS L4M2 study guide consider Kano model is a tool of Value Engineering Example of Kano model (source: Wikipedia) Reference: CIPS study guide page 171-172 LO 3, AC 3.4

NEW QUESTION: 49

Which of the following is the purpose of benchmarking?

- A. To identify and adapt the best practices to improve organisation's performance
- B. To copy other organisation's intellectual properties, processes and practices
- C. To coerce all suppliers to sacrifice their profit
- D. To resist continuous improvement

Answer: (SHOW ANSWER)

According to US Department of the Navy, Benchmarking is a strategic and analytic process of continuously measuring an organisation's products, services, and practices against a recognised leader in the studied area.

Successful benchmarking will help you:

- Find who does the process best and close the gap

- Recognise the leading organisations in a process or activity
- Create performance standards derived from an analysis of the best in business
- Ensure that comparisons are relevant
- Measure your performance, your processes, and your strategies against best in business
- Measure business processes
- Assess performance over time
- Accelerate continuous process improvement (CPI)
- Establish more credible goals for CPI
- Establish actionable objectives
- Discover and clarify new goals
- Establish customer expectations of business standards set by the best suppliers in industry
- Help your organisation achieve breakthrough improvements
- Create a sense of urgency for change
- Increase customer satisfaction
- Become direction setting
- Provide a positive, proactive structured process

Benchmarking does not:

- Copy the other's processes
- Steal other business confidentiality
- Stop. Benchmarking is a continuous process.

Reference:

- CIPS study guide page 49-51
- The Department of the Navy Benchmarking Handbook

LO 1, AC 1.3

NEW QUESTION: 50

Which of the following would positively affect a buyer's company cash flow? Select TWO that apply.

- A.** The bank grants a loan to the buyer's company
- B.** Payment of dividends to the company's shareholders
- C.** A supplier reduces payment terms to payment on receipt
- D.** A customer agrees to pay the buyer's company upon purchase
- E.** The buyer's company offers sales discounts and promotions

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (from CIPS L4M2 - Financial Management in Procurement) Positive cash flow arises when money flows into the business:

- * A. Bank loan # immediate inflow of cash.
- * D. Customer pays upon purchase # quick revenue collection, improving liquidity.

The other options either delay or reduce available cash (outflows).

Relevant L4M2 references:

- * "Cash flow and working capital in procurement decision-making"
- * "Financial metrics in business case justification"

NEW QUESTION: 51

Honda of America Manufacturing is a well established automobile manufacturer. It purchases tens of thousands of materials and parts from suppliers, however, only few of them are strategic. To these suppliers, Honda's procurement manager requires them to send details of labour, materials, overhead cost and profit.

However, the suppliers are reluctant to submit such confidential information. Is the procurement manager's action appropriate?

- A. Yes, because the procurement manager can get a good insight from the market
- B. No, because no suppliers are willing to show sensitive information on their costs and profit.
- C. Yes, because strategies can be introduced for reducing cost and improving the supplier relationships.
- D. No, because procurement manager should conduct life-cycle analysis

Answer: C (LEAVE A REPLY)

With strategic suppliers, the aim should be to work co-operatively with them to find ways of reducing costs to achieve a target cost. It is necessary to work with the suppliers in carrying out open book costing by having first persuaded them of the need to do it. Open book can be used to establish a Target Cost, a Compensation Event value and can eventually be used to ensure the payment of actual costs to an organization. A number of forms of contract cater for this functionality of which only the NEC goes to into any great depth of methodology.

If the suppliers worry about leak of confidential information, procurement team can suggest them to sign a non-disclosure agreement. The buying organisation should also comply with data protection regulations. The Employer / individual responsible for a project's costs should ultimately take a pragmatic and sensible approach with regard to commercially or personally sensitive data provided by the contractor. The primary goal of all open book cost management is to provide Employer comfort and security in the accuracy of commercial data; this effectively means striking a balance between undertaking full audits and blind faith.

Reference: CIPS study guide page 32

LO 1, AC 1.2

NEW QUESTION: 52

A CPO is making a business case for acquiring a new computer system. He has set out objective, generated options, cost and benefit of each option and implementation plan. Which of the following elements should be included in the business case?

- A. Risk assessment
- B. Operation management
- C. Invitation to tender
- D. Contract management

Answer: (SHOW ANSWER)

Before a project commences (either capital purchase or switching to a new supplier), a business case should be developed. The business case outlines the why, what, how, and who necessary to decide if it is worthwhile continuing a project.

Basically, the following criteria can be applied to the assessment of a business case:

1. Objectives

This part describes why you are doing the project. The business objective answers the following questions:

- What is your goal?
- What is needed to overcome the problem?
- How will the project support the business strategy?

2. Option identification and selection

Identify the potential solutions to the problem and describe them in enough detail for the reader to understand.

For instance, if the business case and proposed solution makes use of technology, make sure to explain how the technology is used and define the terms used in a glossary. Since most problems have multiple solutions an option appraisal is often needed. This will explore the potential solutions and recommend the best option.

When writing the initial business case the option appraisal is likely to contain a long list of options and will cover many possibilities. As the project continues a number of options will be rejected.

The final business case may contain three to five options # the short list # that includes a do nothing or benchmark option.

3. Benefits and limitations

The benefits and limitations section describes the financial and non-financial benefits in turn. The purpose is to explain why you need a project.

For instance, to:

- Improve quality
- Save costs through efficiencies
- Reduce working capital
- Generate revenue
- Remain competitive
- Improve customer service
- Align to corporate strategy

The business case should also include any limitations since these present potential risk to the project.

4. Risk management

The risk assessment summarizes the significant project risks and opportunities and how they are managed.

The risks included should cover those that could arise from your project or the organization's ability to deliver change.

This section answers the following questions:

- What risks are involved?

- What are the consequences of a risk happening?
- What opportunities may emerge?
- What plans are in place to deal with the risks?
- Every project should include a risk log.

When writing a business case, make sure this is included as it explains how risk and opportunity are managed.

5. Implementation plan

The outline plan provides a summary of the main activities and overall timescale # project schedule # for the project.

Ideally, the project should be divided into stages with key decisions preceding each stage. Use this section to answer the following questions:

- What is required?
- How is it done?
- Who does what?
- When will things happen?

This outline plan lists the major deliverables and includes a brief project description plus accountabilities for each activity.

In the scenario, the CPO has set out objective, generated options, cost and benefit of each option and implementation plan. In order to make the business case more compelling, he should reinforce it with risk management.

Reference: CIPS study guide page 41-48

LO 1, AC 1.3

NEW QUESTION: 53

Which of the following are considered as direct costs in a construction company? Select TWO options

- A. Raw materials
- B. An employee is hired to work on a project, either exclusively or for an assigned number of hours
- C. The materials and supplies needed for the company's day-to-day operations.
- D. Advertising and marketing communication
- E. Clerical assistants who maintain the office

Answer: (SHOW ANSWER)

Direct costs are directly associated with the production of a good or service. In this question, 'An employee is hired to work on a project, either exclusively or for an assigned number of hours' and 'Raw materials' are directly related to producing the product.

Indirect costs are the general costs of the organisation - these costs cannot easily be attributed to specific products or services (also known as overheads). 'The materials and supplies needed for the company's day-to-day operations' or 'Clerical assistants who maintain the office' or 'Advertising and marketing communication' is example of indirect cost.

Reference: CIPS study guide page 25-26

LO 1, AC 1.2

NEW QUESTION: 54

When should procurement professional tolerate a risk?

- A. When the risk may disrupt the production
- B. When the risk imposes an existential threat
- C. When the risk causes some trivial annoyance
- D. When the risk breaks the relationship with the strategic supplier

Answer: (SHOW ANSWER)

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. Our 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 (such as some trivial annoyance). 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.

Terminating Risk is the simplest and most often ignored method of dealing with risk. It is the approach 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 business, then removing the risk should be the first option considered; rather than attempting the treat, tolerate or transfer it.

Reference: CIPS study guide page 144-145

LO 3, AC 3.3

NEW QUESTION: 55

Which of the following sources of information are considered as primary data? Select TWO that apply.

- A. The information about specific market sectors from trade associations
- B. Commercial publishers of market reports
- C. The collection of data from surveying customers
- D. RFI
- E. Reports in business magazines

Answer: (SHOW ANSWER)

The aim of this question is to check students' understanding of different types of data. There are 2 types of data:

- Primary data is the collection of original or raw data which are generated from field research. In this case, only RFI and surveys from customers are considered as primary data.
- On the other hand, secondary data is public information that has been collected by others. It is typically free or inexpensive to obtain and can act as a strong foundation to any research project - provided you know where to find it and how to judge its worth and relevance. Examples of secondary data are government statistics, industry associations, trade publications, published market reports, etc.

Reference: CIPS study guide page 22-24

LO 1, AC 1.2

NEW QUESTION: 56

Which of the following factors is most likely to be a barrier to new entrant in agriculture?

- A.** High margins
- B.** Capital requirement
- C.** Reputation within the industry
- D.** Brand recognition

Answer: (SHOW ANSWER)

Barriers to Entry to Agriculture: If stakeholders are going to address the need for new, conservation-minded farmers, they must understand the barriers these farmers encounter when transitioning into the profession. A review of the literature revealed a number of barriers-most of them structural-to entry to agriculture. While each barrier is distinct, they are all interconnected. Though not an exhaustive list, the following barriers are ones that were most frequently mentioned in the literature:

- Access to Affordable Land
- Startup Capital
- Lack of Agricultural Knowledge and Experience
- Lack of Knowledge about Farm Business Planning
- Discrimination
- Student Loans
- Limited Access to Markets
- Affordable Housing and Affordable Healthcare

Source: Exploring the Barriers to Entry to Agriculture: Challenges Facing Beginning Farmers in North Carolina - Kelley Robbins-Thompson Reference: CIPS study guide page 80-81 LO 2, AC 2.2

NEW QUESTION: 57

Which of the following is a potential driver of change in the manufacturing industry to help reduce costs and increase efficiency?

- A.** Visualisation

- B. Robotics
- C. Omnichannel
- D. E-commerce

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 58

Robert is a senior buyer at MMC Construction Ltd. His company is doing multiple development projects in the country, which increases procurement workload significantly. Meanwhile, most of the tasks are handled manually, which causes bottlenecks in the workflows. The procurement team is overwhelmed by the workload and complains from other departments. From previous experience, Robert knows that electronic system may help his procurement team. He writes a business case to submit to the senior management, in which he insists on the possible productivity improvement by adopting e-system in procurement. Is Robert's action reasonable?

- A. Yes, his reason may appeal the senior management
- B. Yes, productivity improvement is a mandatory element in every business case
- C. No, adopting e-system may make procurement department jobless
- D. No, there's no need to make a business case for new purchase

Answer: ([SHOW ANSWER](#))

Composing a compelling business case requires the proposer to write in the language of the approvers.

Generally, approvers are business executives or important shareholders whose major interest is the profitability of the firm. Business case proposer may embed the following contents:

- Return on investment: according to Investopedia, Return on Investment (ROI) is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. A business case would seem more attractive if the proposal is expected to have high ROI.
- Time to market: Time-to-market (TTM) refers to the time from which a company initially conceives a product or service idea to the point when the actual product or service is accessible to buyers in the market (Afonso et al., 2008). The speed at which companies can introduce products into the market is critical for sustaining competitive advantage, and the reduction of product development cycle time has become a strategic objective for many technology-driven firms.
- Customer satisfaction: Keeping existing customer to stay in the business can affect greatly on the profit margin of a firm. A new proposal that finds the way to innovate while keeping the current customers satisfied may gain the interest of senior management.
- Improving productivity: Productivity is the measure of how efficient and effective a firm is. Improving the productivity means that with the same or lesser input, better output is generated. Increasing productivity also improves the profitability of a company.
- Risk management: Any business activity contains inherent risks. For example, for a mining company to be truly responsible, it must keep all of its workers safe, healthy and motivated, meet the expectations of the local community and government for the region in which it is operating,

ensure it impacts on the environment positively if at all, as well as achieve the financial objectives set by its investors for both the short and long term. Managing risks well improves the production throughput and maintains customer satisfaction.

In the scenario, Robert is trying to convince the senior management to adopt e-procurement system by insisting on potential productivity improvement. This is the right approach. A business plan should engage and please senior management and directors. An appealing business case tells them how important things to the business (such as productivity, return on investment, customer satisfaction or costs) are affected by the plan.

Reference: CIPS study guide page 19-21

LO 1, AC 1.1

NEW QUESTION: 59

Category buyer Raheem has been tasked with receiving innovative bids from coaching and development service providers. How can he achieve this? Select TWO that apply.

- A. Apply early supplier involvement
- B. Invite a small group of suppliers
- C. Use a conformance-based specification
- D. Use an outcome-based specification
- E. Apply standards within the specification

Answer: ([SHOW ANSWER](#))

Detailed Explanation:

* A (Early supplier involvement): Engaging suppliers early fosters innovation by leveraging their expertise in developing solutions.

* D (Outcome-based specification): Focusing on outcomes rather than rigid inputs encourages creative and flexible proposals. Conformance specifications (C) restrict innovation, and standards (E) limit supplier flexibility. Reference: CIPS Level 4, Innovation in Procurement Specifications.

NEW QUESTION: 60

Would economies of scale be a barrier to entry for potential new entrants to a market?

- A. No, it makes the buyer more powerful they can force down prices in a price war
- B. No, the volume purchased by the buyer or industry is not important to the market
- C. Yes, it allows established competitors to squeeze new entrants with a price war
- D. Yes, it is an aggressive competitive strategy one firm's gain is another firm's loss

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 61

An example of a performance specification is a ...

- A. Brand name
- B. List of inputs
- C. Technical drawing
- D. List of outputs

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 62

A "modified re-buy" means ...

- A. The existing supplier should be asked to supply the requirement because it is a modified re-buy of the same item
- B. Both the specification and the market should be reviewed to manage the new circumstances
- C. The specification should not be considered for future treatment as a stock item because of the modification
- D. The existing specifications should be reviewed but not the supply market, as this type of purchase is complex

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 63

The procurement team of an IT hardware manufacturer has been set a target by senior management to reduce the rates paid to the sole supplier of a new and innovative power-saving battery. Which action should the procurement team first consider?

- A. Offering a framework agreement
- B. Agreeing rebate thresholds
- C. Dual or multiple sourcing
- D. Offering economies of scale

Answer: **C** ([LEAVE A REPLY](#))

Detailed Explanation:

Dual or multiple sourcing introduces competition, reducing the sole supplier's bargaining power and leading to cost reductions. Framework agreements (A) or economies of scale (D) may not address the immediate need to reduce rates. Reference: CIPS Level 4, Sourcing Strategies.

NEW QUESTION: 64

A company assembles its finished products from a wide selection of components. It is analysing these components to see which features are needed and whether any features can be removed to save costs. The.

eventual aim is to purchase fewer components but in larger quantities to lower price and reduce costs. Which of the following could result from this process?

1. Variety reduction
2. Value engineering
3. Ratio analysis
4. Standardisation

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 65

Halfords is a major bicycle and car parts retailer with long history in the market. Its suppliers are plentiful and there is no threat of forward integration. Some other smaller retailers are applying 3D-printing technology to make personalized bicycle parts but their market share is relatively low. 3D-printing technology is an example of which competitive force?

- A. Bargaining power of buyer
- B. Threat of substitute
- C. Rivalry within the industry
- D. New entrants may enter the market

Answer: ([SHOW ANSWER](#))

3D-printed parts can replace traditional metal parts. They are also more easily customised to fit customer's needs. This technology is an example of threat of substitute in Porter's Five Forces model.

Substitute goods or services that can be used in place of a company's products or services pose a threat.

Companies that produce goods or services for which there are no close substitutes will have more power to increase prices and lock in favorable terms. When close substitutes are available, customers will have the option to forgo buying a company's product, and a company's power can be weakened.

Reference:

- CIPS study guide page 85-96
- Porter's 5 Forces Definition: Analyzing Businesses (investopedia.com) LO 2, AC 2.2

NEW QUESTION: 66

Which of the following events would increase the number of suppliers in a particular market?

- A. Introduction of minimum wage regulations
- B. High and increasing levels of investment required to enter the market
- C. Requirement for all companies to have 10,000 or more employees
- D. De-regulation of a previously government-run industry

Answer: D (LEAVE A REPLY)

Comprehensive and Detailed Explanation (from CIPS L4M2 - Market Structure and Barriers to Entry) De-regulation removes government controls and barriers, allowing new competitors to enter, thereby increasing supplier numbers and competition.

The other options raise barriers to entry (more costs or requirements), thus reducing potential entrants.

Relevant L4M2 references:

- * "Barriers to market entry and exit"
- * "Impact of deregulation on supply market dynamics"

NEW QUESTION: 67

A global manufacturer is struggling to compete with rival firms investing heavily in advanced robotics. This would be the biggest barrier to entry in which market?

- A. Hospitality
- B. Finance
- C. Aerospace
- D. Insurance

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (from CIPS L4M2 - Market Entry Barriers) Aerospace manufacturing demands high capital investment (robotics, technology, safety).

This creates a strong barrier to entry, limiting new competitors.

Industries like hospitality or insurance require far less fixed investment.

Relevant L4M2 references:

- * "Capital intensity and technological barriers in markets"
- * "Examples of entry barriers in industrial sectors"

NEW QUESTION: 68

A company is planning the procurement of an IT system and wants to agree a through-life contract with the supplier to ensure ongoing system support. The first step in producing that specification should be to:

- A. Build a design
- B. Prepare tendering documents
- C. Identify the IT system supplier
- D. Define the user requirements

Answer: (SHOW ANSWER)

Writing a high-quality specification is very crucial in every purchase. In through-life management, it is even more important since the assets often have very high value. Defining user requirement is the first step to write a specification. Without doing this right, many problems may arise in later stages.

Reference: CIPS study guide page 132

LO 3, AC 3.2

NEW QUESTION: 69

Procurement provides the following information to a business case ...

- A. Estimated costs of bought-in goods
- B. Service level requirements
- C. Engineering specifications
- D. Internal recruitment requirements

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 70

Josh, a junior procurement analyst, was asked to analyse the cost breakdowns for some of the major category products that he purchases for the engineering company he works for. He has looked at various types of costs and has identified some correlations. Which of the following are correct?

- A. 1 and 2 only
- B. 1 and 4 only
- C. 1. Direct product costs tend to be variable costs for the organisation
- D. 2 and 3 only
- E. 3 and 4 only
- F. 3. Direct costs are also known as the overheads for the organisation
- G. 4. Indirect costs are also known as the marginal costs for the organisation
- H. 2. Indirect product costs tend to be fixed costs for the organisation

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 71

A buyer can use sources of information to review indirect costs associated with the manufacture of goods to support supplier negotiations. Is this statement true?

- A. No, because the supplier's quotation is the only source of information
- B. Yes, because the buyer can understand the cost build-up of the goods
- C. No, because the only information available is for direct costs
- D. Yes, because indirect costs are always variable

Answer: B ([LEAVE A REPLY](#))

Comprehensive and Detailed Explanation (from CIPS L4M2 - Cost Management and Analysis)

CIPS teaches that indirect costs (e.g. overheads, admin, factory costs) can be estimated by using:

- * Supplier financial statements,
- * Benchmarking,
- * Industry cost models.

Analysing these supports negotiations by revealing true cost drivers.

Therefore, Option B is correct - buyers can and should assess indirect costs when evaluating total cost and negotiating.

Relevant L4M2 references:

* "Understanding direct and indirect cost elements"

* "Cost analysis and should-cost models in business case preparation"

NEW QUESTION: 72

The finance department of a large organisation is collating budget information received from its various departments, including sales, marketing, and production. These budgets include forecast information on costs and revenues. The finance department will be using the information to establish which of the following?

- A. The level of market competition
- B. The volume of returns
- C. The predicted changes in the economy
- D. The expected profit levels

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 73

Which of the following factors would mean a buyer had high bargaining power in a competitive market?

Select TWO that apply.

- A. Many substitute products are available
- B. Buyers are demanding large volumes
- C. High switching costs for the buyer
- D. Products are highly differentiated
- E. Buyers are procuring a low volume of products

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 74

Buyers can ascertain the prices by examining information provided by primary and secondary sources of market data. Which of the following is a secondary source of market data?

- A. Supplier prices provided on price comparison websites
- B. Historical records of supplier prices on the buyer's database
- C. Price brochures provided by the supplier's sales team
- D. Suppliers' prices provided on the buyer's request for quotation

Answer: ([SHOW ANSWER](#))

Detailed Explanation:

Price comparison websites are secondary sources as they aggregate data collected from multiple suppliers.

Primary sources (like RFQs and brochures) come directly from the supplier. Reference: CIPS Level 4, Market Data Analysis.

NEW QUESTION: 75

A procurement manager is requested to source a major component. She needs information on suppliers' direct and indirect cost, fixed and variable costs to prepare for negotiations. Therefore, she collects 17 annual reports from potential suppliers who are competing in the same industry. In order to estimate an approximate value of fixed and variable costs in that industry, which of the following technique should be adopted by the procurement manager?

- A. Line of best fit
- B. Variance calculation
- C. Total cost of ownership
- D. Open-book costing

Answer: ([SHOW ANSWER](#))

Public annual reports can be a source of information that helps the procurement professional to analyse an industry's cost and revenue using the line of best fit. Line of best fit is one of the most important outputs of regression analysis. Regression refers to a quantitative measure of the relationship between one or more independent variables and a resulting dependent variable. Regression is of use to professionals in a wide range of fields from science and public service to financial analysis.

In this case, by collecting and analysing 17 annual reports, the procurement manager can find the line of best fit which goes approximately through the middle of the data points with an equal number of data points above and below it.

The slope of the line of best fit is the approximate variable costs the industry. The easiest way to calculate it is to take a point at the right-hand end of the line of best fit and note its cost and output levels. Divide the cost by the output and this gives an approximate figure for the cost per unit of output or variable cost. This gives an approximate value for the industry fixed and variable costs.

Reference: CIPS study guide page 99-100

LO 2, AC 2.3

NEW QUESTION: 76

Which of the following is a social factor that a buyer should take into account when reviewing responses to a specification?

- A. The available labour in the supplier's geographic location
- B. The logistical infrastructure available to the supplier
- C. The age of the machinery being used by the supplier
- D. The emissions produced by the supplier's machinery

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 77

What is the contribution of marketing function to the development of specification?

- A. Marketing ensures that conformance specification will never be used
- B. Marketing ensures that procurement function doesn't involve in developing specification
- C. Marketing provides ideas on customer's taste and market trends
- D. Marketing consults on technical requirements of the product

Answer: ([SHOW ANSWER](#))

Marketing plays a critical role in sales. The marketing department introduces products to the consumer, and creates strategic messaging that elevates appeal and ultimately drives sales. The feed-back and response from consumers is measured by the marketing team on a variety of levels. Ad-vertising is one means of seeing what performs and what does not perform. Marketers will note trends and demand in their specific markets. This plays into new product development, because the marketing team can work with product developers to create products based on that demand.

In development of specification, the role of marketing is largely the same. They provide the market insight so that right specification is developed and it matches the demands from customers.

Reference:

- CIPS study guide page 173-175

- Role of Marketing Management in New Product Development (chron.com)

LO 3, AC 3.4

NEW QUESTION: 78

What does the acronym RAQSCI stand for?

- A. Relationship, Ability, Quality, Service, Cost, Innovation
- B. Regulatory, Availability, Quality, Service, Cost, Innovation
- C. Regulatory, Availability, Quantity, Sustainability, Inventory
- D. Regulatory, Ability, Quality, Service, Cost, Inventory
- E. Relationship, Availability, Quantity, Sustainability, Cost, Innovation

Answer: B ([LEAVE A REPLY](#))

RAQSCI stands for Regulatory, Availability, Quality, Service, Cost, Innovation.

LO 1, AC 1.1

NEW QUESTION: 79

Which of the following is the technology that disrupts traditional retail?

- A. Self-Driving Cars
- B. Blockchain

C. E-commerce

D. Robotics

Answer: (SHOW ANSWER)

One of the biggest disruptors in retail has been e-commerce. According to a report by IDC, in the month of December 2018, which is also the holiday season in the west, the e-commerce sector globally, has grown by 20 percent.

LO 2, AC 2.2

NEW QUESTION: 80

What are the typical purposes of specifications in procurement and supply? Select TWO that apply.

A. To define the requirements

B. To provide supplier appraisal and selection

C. To define the bargaining strength of the buyer

D. To provide a means of evaluating the quality or conformance

E. To minimise the bargaining strength of the supplier

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) CIPS L4M2 explains that specifications in procurement serve several fundamental purposes, including:

- * Defining the requirement clearly - so that all stakeholders (user, buyer, supplier) have a shared understanding of what is needed.
- * Forming the technical basis for contracts and orders - what is being purchased.
- * Providing measurable criteria to assess quality and conformance - what will be inspected and tested.

Therefore:

- * A. To define the requirements - correct. This is one of the primary roles of a specification.
- * D. To provide a means of evaluating the quality or conformance - correct. Specifications set the criteria against which delivered goods/services are checked.

The other options do not reflect the core role of specifications:

- * B. Supplier appraisal and selection - this uses specifications indirectly but supplier appraisal is a separate process (using financial, capability, and performance criteria).
- * C. Define the bargaining strength of the buyer - bargaining strength is shaped by market structure and spend, not by the specification itself.
- * E. Minimise the bargaining strength of the supplier - not an explicit purpose of specification, and could actually backfire (e.g. over-specification reducing competition).

Relevant CIPS L4M2 areas:

- * Purpose and role of specifications in the procurement cycle
- * Specification as a basis for quality assurance and contract management
- * Links between specification and supplier evaluation

NEW QUESTION: 81

Sam has recently joined Spahn Farm Foods (SFF) as a procurement manager. She has instructed her team to develop and distribute a standard specification template for business stakeholders to use when requesting purchases. How would this benefit SFF?

- A. Use of a standard template would mean suppliers will be more willing to negotiate on the cost of the product
- B. Use of a standard template would allow buyers to quickly identify any missing information
- C. Use of a standard template would reduce the amount of negotiation required on the terms and conditions of the contract
- D. Use of a standard template would prevent fraudulent purchases from being made by stakeholders

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 82

Which of the following are likely to be disadvantages of using outcome-based specifications?

Select THREE that apply

- A. Time consuming to produce
- B. Stifling innovation
- C. Difficulty to measure performance
- D. Long time delay between action and result
- E. Responsibility for product failure falling to buyer
- F. Ambiguity of outcome

Answer: ([SHOW ANSWER](#))

An Outcome Based Specification (OBS) focuses on the desired outcome of a service in business terms, rather than a detailed technical specification of how the service is to be provided; this allows providers scope to propose innovative solutions that might not have occurred to the procurement team. Outcome should be distinguished from output, which is the measurable results of a set of inputs. The example of difference between outcome and output is written at the bottom of page 123 in the study guide.

Outcomes should be the starting point in making new specification. However, using outcome-based specification has some setbacks:

- First, it is not easy to measure the outcomes. Usually, outcome of a project is a statement like 'increase customer satisfaction', 'maintain ambient temperature' or 'provide a convenient way to do something'. They are not easy to measure as output.
- Second, sometimes the desired outcomes require time to be materialised
- Third, outcomes can be ambiguous

Reference: CIPS study guide page 122-123

LO3, AC 3.1

NEW QUESTION: 83

Which of the following are primary sources of market data for costs and prices? Select TWO that apply.

- A. Price comparison website
- B. Published economic indices
- C. Trade fairs
- D. Industry press
- E. Supplier marketing communications

Answer: C,E ([LEAVE A REPLY](#))

NEW QUESTION: 84

Which of the following might be the consequences of under-specification? Select TWO that apply:

- A. Few suppliers can supply the full range of features
- B. Additional cost to rework
- C. Unfit products or services
- D. Poor competition between suppliers
- E. Higher cost due to inessential features

Answer: ([SHOW ANSWER](#))

Main risks involved in an under-specified requirement

- * The product or service is not fit for use since it does not match the actual needs
- * Higher cost due to corrections or reworks (proposal evaluations, scope or work monitoring, change in insulation materials or systems, reduced productivity, etc.).
- * Higher operating cost on many fronts: process control, energy consumption, maintenance, etc.
- * Other problems like corrosion under insulation, mold development, safety-related concerns, etc.

LO 3, AC 3.3

NEW QUESTION: 85

Due to increasing demand, a local restaurant is requesting its fish vendor to supply larger quantity. The restaurant manager also asks the vendor whether it is possible to reduce the total price by 5%. This is known as...?

- A. Straight rebuy
- B. Capital purchase
- C. Modified rebuy
- D. New purchase

Answer: ([SHOW ANSWER](#))

There are three major types of buying situations, which are new purchase, modified rebuy and straight rebuy.

Three factors make the buying situations be different from the others, customers may face different problems in these situations.

A new purchase is a situation requiring the purchase of a product for the very first time.

A straight rebuy is when a company places a second order with a supplier that is identical to the first purchase it made.

A modified rebuy is when a company orders again from a supplier, but wants to change some aspect of the order, such as the quantity, packaging, product features, or delivery times. The scenario above is an example of modified rebuy.

Reference:

- What is a straight rebuy example?
- CIPS study guide page 3-4

NEW QUESTION: 86

Which of the following methods will enable a company to eliminate waste, lost time and lost material from its processes?

- A.** Lean principles
- B.** Over specification
- C.** Agile principles
- D.** Tendering process for routine items

Answer: A (LEAVE A REPLY)

Lean design is about maximising the value that a customer receives and at the same time minimising waste in delivering that value.

For an organisation to be 'lean' it must have had all non-essential resources removed (ie. anything that does not add value, see below). This is efficient and cost effective, in that the value/supply chain can theoretically do exactly what is needed of it and no more, but requires sound forecasting and planning of demand and supply. It is most suitable for industries with stable product specifications, long lead times and few impulse purchases.

Organisations which are 'agile' react as quickly as is practicable to provide a cost effective response to customer demand. This is based on flexibility in design, supply, production and distribution. It is most appropriate for products such as fast fashion and foodstuffs which must be on display and available when wanted by the customer.

Reference:

- CIPS study guide page 153-156
- Agile Supply (cips.org)

LO 3, AC 3.3

NEW QUESTION: 87

Which of the following agencies can produce a technical standard?

- A.** House of Lords
- B.** Marketing department
- C.** BSI
- D.** Department of State

Answer: (SHOW ANSWER)

Technical standards are often produced by a national or international body such as British Standard Institute (BSI) LO 3, AC 3.1

NEW QUESTION: 88

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

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

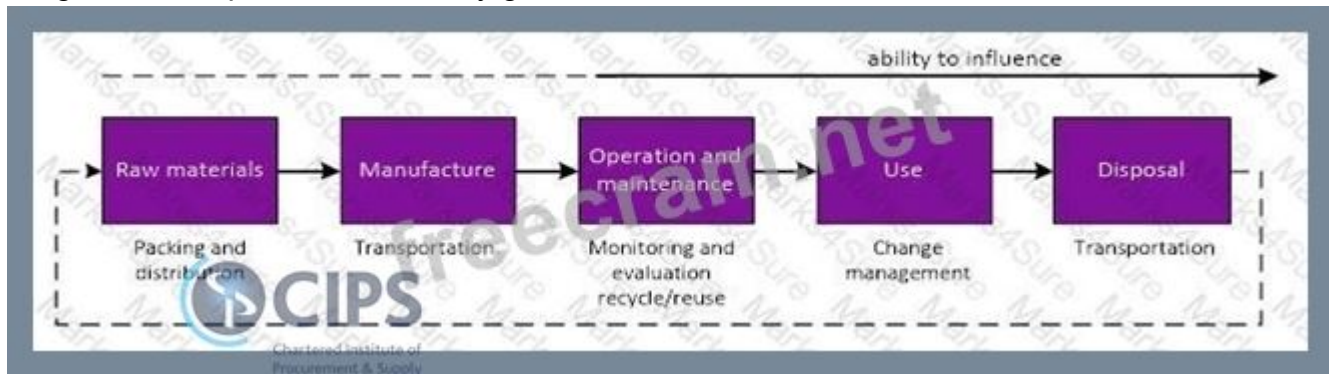
Answer: (SHOW ANSWER)

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: 89

When analysing competitive forces in a market, which of the following can be seen as a supplier having low bargaining power? Select TWO that apply.

- A. Low competition in the marketplace
- B. A high number of substitutes available
- C. High quality products
- D. Low switching costs between products
- E. Low levels of innovation

Answer: (SHOW ANSWER)

Comprehensive and Detailed Explanation (from CIPS L4M2 - Market Analysis) Supplier power is low when:

* Buyers can easily substitute products (Option B).

* Switching costs are low, so buyers can change suppliers without difficulty (Option D).
Low competition (A) or low innovation (E) strengthens supplier power, not weakens it. High quality (C) increases supplier leverage.

Relevant L4M2 references:

- * "Factors influencing supplier bargaining power"
- * "Porter's Five Forces model - supplier power and substitution"

NEW QUESTION: 90

A consulting firm in London had previously had static budgets. They were set once and locked in for the year.

This resulted in departments meeting their budgets early and doing virtually nothing the rest of the accounting period. To address this imbalance, the company tossed out the static budget and developed a new one for each department of the next 18 months. And each month, real sales figures are analyzed against the plan and the budget is adjusted accordingly. Then the company adds another month into the budgeting plan. What type of budget this company is using?

- A. Activity-based budget
- B. Rolling budget
- C. Incremental budget
- D. Zero-based budget

Answer: ([SHOW ANSWER](#))

A rolling budget is continually updated to add a new budget period as the most recent budget period is completed. Thus, the rolling budget involves the incremental extension of the existing budget model. By doing so, a business always has a budget that extends one year into the future. Think of continuous (rolling) budgets as waves rolling ashore on the beach. A new wave comes in each time, replacing the one that was there before. From a financial perspective, the wave is your budget, and the time between waves is longer! These reporting time frames can be monthly, quarterly, yearly, etc.

An incremental budget is a budget prepared using a previous period's budget or actual performance as a basis with incremental amounts added for the new budget period.

Zero-based budgeting (ZBB) is a method of budgeting in which all expenses must be justified for each new period. The process of zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period, regardless of whether each budget is higher or lower than the previous one.

Activity-based budgeting (ABB) is a system that records, researches, and analyzes activities that lead to costs for a company. Every activity in an organization that incurs a cost is scrutinized for potential ways to create efficiencies. Budgets are then developed based on these results.

Reference: CIPS study guide page 52-59

LO 1, AC 1.4

NEW QUESTION: 91

Which competitive forces influence markets in our modern environment?

- A. Manufacturing of goods and services
- B. Production companies and relationships
- C. Increased cost in supply and deliveries
- D. Bargaining strength of suppliers and buyers

Answer: (SHOW ANSWER)

Detailed Explanation:

The bargaining strength of suppliers and buyers is a key factor influencing market competitiveness, as outlined in frameworks like Porter's Five Forces. These forces dictate pricing, supply availability, and value delivery. Reference: CIPS Level 4, Market Analysis and Competitive Forces.

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NEW QUESTION: 92

Which of the following is the structured approach for defining customer requirements and translating them into technical specification?

- A. Kano model
- B. Thomas-Kilmann model
- C. Quality function deployment
- D. Mendelow's matrix

Answer: (SHOW ANSWER)

Quality function deployment (QFD) is a method to transform qualitative user demands into quantitative parameters, to deploy the functions forming quality, and to deploy methods for achieving the design quality into subsystems and component parts, and ultimately to specific elements of the manufacturing process.

Kano model of excitement and basic quality (Kano et al, 1984; Berger et al, 1993; Matzler et al, 1996) brings a different perspective for the analysis of improvement opportunities in products and services because it takes in consideration the asymmetrical and non-linear relationship between performance and satisfaction. The Kano model classifies customers requirements in five categories: basic requirements, performance requirements, attractive requirements, indifferent requirements and reverse requirements.

Mendelow's Matrix is a tool that may be used by an organisation to consider the attitude of their stakeholders at the start of a project or when they are setting out strategic objectives.

The Thomas Kilmann model identifies two dimensions when choosing a course of action in a conflict situation, these are assertiveness and cooperativeness. Assertiveness is the degree to which you try to satisfy your own needs. Cooperativeness is the degree to which you try to satisfy the other person's concerns.

Reference: CIPS study guide page 32

LO 1, AC 1.2

NEW QUESTION: 93

Variances occur when there are differences between the budgeted costs and the actual costs.

When are labour cost variances likely to arise?

When the sales prices change over time due to inflation

When there is more overtime than is expected

When a different wage grade of worker is used to complete a task than was planned for
When the supplier changes from manual to electronic invoicing systems for all transactions

A. 2 and 4 only

B. 2 and 3 only

C. 1 and 2 only

D. 1 and 3 only

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 94

Which of the following would be an example of direct costs for a decorating contractor?

A. Paint

B. Ladder

C. Van

D. Electricity

Answer: ([SHOW ANSWER](#))

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) CIPS L4M2 explains that direct costs are those that can be directly traced to a specific product, job, or project.

For a decorating contractor:

* Paint (A) is clearly a direct cost - it is consumed on specific jobs, and the quantity and cost can be directly allocated to each project.

Items such as:

* Ladder (B) - a piece of equipment used across many jobs. Its cost is typically spread over multiple projects; this makes it an indirect (overhead) cost.

* Van (C) - used for transport across many contracts, again an indirect or overhead cost.

* Electricity (D) - usually treated as an indirect or overhead cost, not allocated to a single job unless specially metered.

Understanding the difference between direct and indirect costs is important for whole-life costing and building a business case, because misclassifying them can distort unit costs and profitability.

Relevant CIPS L4M2 areas:

- * Cost classification: direct vs indirect, fixed vs variable
- * Costing and pricing in business cases
- * Whole-life cost and cost build-up analysis

NEW QUESTION: 95

Kelly Strong, a procurement manager, receives a quotation 5% over budget. Market prices of known materials are significantly lower than estimated. What should Kelly's next step be?

- A.** Request a 2% discount from the quotation price
- B.** Request that the office build is delayed
- C.** Accept the quotation from the supplier
- D.** Obtain a cost breakdown from the supplier

Answer: ([SHOW ANSWER](#))

Comprehensive and Detailed Explanation (from CIPS L4M2: Business Case & Cost Analysis)

When the quoted price seems higher than expected and market data suggests lower costs, CIPS advises to:

- * Seek a detailed cost breakdown to identify which components are inflating price.
- * This supports negotiation and ensures transparency, aligning with should-cost analysis and cost-based negotiation methods.

Options A and C would act prematurely; B (delay) is unnecessary.

Relevant CIPS L4M2 Sections:

- * Cost breakdown and cost analysis
- * Supplier pricing transparency and negotiation preparation

NEW QUESTION: 96

Which of the following may allow suppliers free to choose the materials, manufacturing process or delivery process?

- A.** Performance specification
- B.** Design specification
- C.** Technical specifications
- D.** Conformance specification

Answer: ([SHOW ANSWER](#))

The Performance Specifications define what the system being designed must do, and not how it must do it. In this step a list of needs and wants should be created. The needs are customer requirements, while the wants are engineering desires. If a buyer adopts performance specification, the supplier will be free to choose how to make and deliver the product.

A technical specification document outlines how you're going to address a technical problem by designing and building a solution for it.

A design specification is a detailed document providing a list of points regarding a product or process. For example, the design specification could include required dimensions, environmental factors, ergonomic factors, aesthetic factors, maintenance that will be needed, etc. It may also

give specific examples of how the design should be executed, helping others work properly (a guideline for what the person should do).

With conformance specification the buyer says what they want and how they want it and the supplier has to meet this Reference: CIPS study guide page 119-124 LO3, AC 3.1

NEW QUESTION: 97

The procurement team of a global supermarket has created a business case for a corporate social responsibility (CSR) sourcing strategy to meet the corporate objective of sustainability. This would require sourcing only from suppliers who meet ethical standards, a reduction in plastic, and using recycled material where possible.

Which of the following business benefits would be mentioned in the business case? Select TWO that apply:

- A. Fulfilment of a business objective
- B. Increased capacity
- C. Leverage of technology
- D. Improved brand equity
- E. Reduced cost

Answer: ([SHOW ANSWER](#))

Detailed Explanation:

A (Fulfilment of business objective): Aligning procurement practices with sustainability goals supports the overall corporate strategy.

D (Improved brand equity): Sustainable practices enhance reputation and consumer trust. Other options, like increased capacity or reduced costs, are secondary or unrelated to CSR initiatives.

Reference: CIPS Level 4, CSR and Sustainability.

NEW QUESTION: 98

In 2016, ANA Airlines had to cancel some of its flight. The airline said it had discovered the cracks to the jet engine turbine blades. What should ANA procurement team do next to solve this problem?

- A. Collect data to identify the root cause
- B. Generate options addressing the issue
- C. Analyse the situation and draw conclusion
- D. Assess the risks
- E. Define the ideal solution

Answer: ([SHOW ANSWER](#))

Cracks on the jet engine is a closed-end problem. A typical problem solving process has 8 steps:

Step 1: Define the Problem

- What is the problem?
- How did you discover the problem?
- When did the problem start and how long has this problem been going on?

- Is there enough data available to contain the problem and prevent it from getting passed to the next process step? If yes, contain the problem.

Step 2: Clarify the Problem

- What data is available or needed to help clarify, or fully understand the problem?
- Is it a top priority to resolve the problem at this point in time?
- Are additional resources required to clarify the problem? If yes, elevate the problem to your leader to help locate the right resources and form a team.
- Consider a Lean Event (Do-it, Burst, RPI, Project).
- Ensure the problem is contained and does not get passed to the next process step.

Step 3: Define the Goals

- What is your end goal or desired future state?
- What will you accomplish if you fix this problem?
- What is the desired timeline for solving this problem?

Step 4: Identify Root Cause of the Problem

- Identify possible causes of the problem.
- Prioritize possible root causes of the problem.
- What information or data is there to validate the root cause?

Step 5: Develop Action Plan

- Generate a list of actions required to address the root cause and prevent problem from getting to others.
- Assign an owner and timeline to each action.
- Status actions to ensure completion.

Step 6: Execute Action Plan

- Implement action plan to address the root cause.
- Verify actions are completed.

Step 7: Evaluate the Results

- Monitor and Collect Data.
- Did you meet your goals defined in step 3? If not, repeat the 8-Step Process.
- Were there any unforeseen consequences?
- If problem is resolved, remove activities that were added previously to contain the problem.

Step 8: Continuously Improve

- Look for additional opportunities to implement solution.
- Ensure problem will not come back and communicate lessons learned.
- If needed, repeat the 8-Step Problem Solving Process to drive further improvements.

ANA has already known what is going on, the next step they should adopt is collecting more information on the problem. If the airline is hurry to the solution, it may choose 'Generate options addressing the issue'. The crack on turbine blade can be welded, or the airline replaces a new blade. However, jumping to solution without knowing the root cause does not completely solve the problem. The root cause is unaddressed, then it may occur in the future. Therefore, the airline should still collect information to find the root cause, then remove it.

Reference: CIPS study guide page 13-21

NEW QUESTION: 99

Which of the following factors are likely to be direct barriers to a new entrant in a supply market?

- A. Threat of forward integration
- B. Value to price
- C. Brand identity
- D. Availability of substitutes
- E. Cost advantages

Answer: ([SHOW ANSWER](#))

There are many types of barriers to entry into a market. Some of these include:

- Economies of Scale: When manufacturing or selling at a large scale, companies are able to avail cost advantages because per unit costs of the product fall. So the more the company produces in quantity the more the benefit. When existing companies have this advantage, it can act as a barrier to entry because a new entrant will have to try to match the scale to achieve the same cost advantage as the existing company. This may not be possible at the initial stage.
- A Differentiated Product: If the product being sold by the existing company or companies is highly differentiated or enjoys strong brand loyalty, then this can act as a strong barrier to entry. The new entrant will have to invest in creating a product with newer and unique features and benefits that surpass those offered by the old company. In addition, there will need to be strong efforts to break existing brand loyalties and shift them to a new untested company.
- High Capital Costs: If an industry requires huge capital investments at the onset, then this will act as a barrier to entry for many of the potential entrants. Only those will attempt to enter the competitive fray who have the resources to make this high initial investment.
- Other Cost Advantages: Apart from those cost benefits that come from economies of scale, there are other advantages that an existing firm may enjoy. These include access to the best suppliers, an understanding of existing materials and knowledge of their quality, possession of any necessary and important patents, and proprietary information and technological knowledge. There are also learning advantages, achieved over years of business and experience.
- Cost of Switching: The cost associated with a consumer's move from one company or product or another is called the switching cost. If there are significant switching costs, then a new entrant may not be able to create means of removing these. Or, they may have to offer significant advantage to counter these switching costs at their own expense.
- Distribution Network: Often, distribution relationships are well established and may prove to be a strong barrier to entry for a new company. A new entrant will obviously need access to these distribution channels but will need to invest extra in order to engage distributors who have established relations with existing competitors.
- Suppliers: As with distributors, suppliers may be vital to the operations of a new business. Existing suppliers may have contracts or loyalties with existing companies and may prove to be difficult to form relationships with.

- Legal and Government Created Barriers: Government and regulatory requirements such as permits and licenses may be a strong barrier to entry. There may also be laws governing ways to conduct business that may conflict with a company's practices in other countries.

- Barriers to Exit: Interestingly, barriers to exit may act as a deterrent to entry by new companies. If a company is unable to easily leave a competitive environment in case business does not work out, then it will have to stay and compete even if that is a detrimental business practice. In this case, the company may choose to not enter the market in the first place.

Reference: CIPS study guide page 96

LO 2, AC 2.2

NEW QUESTION: 100

A manufacturing organisation has initiated a project focusing on costs, with a view to making significant savings. A procurement manager is leading the project. The initial data sources have focused on the cost of raw materials. Which of the following describes this cost?

- A. Indirect, fixed costs
- B. Direct, variable costs
- C. Indirect, variable costs
- D. Direct, fixed costs

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 101

Robert is a buyer at Pickton's Farm Products (PFP), a manufacturer of food products that are sold to supermarkets. Robert will be sourcing from local farmers to supply PFP with raw materials for PFP's products. What is a major supply chain risk that Robert needs to be aware of which is specific to this market?

- A. Extreme or unexpected weather conditions may affect the supplier's ability to supply PFP in line with quantity and timing requirements
- B. A supplier may deliver an incorrect quantity of materials to PFP, leading to PFP incurring storage charges
- C. The quality of goods received by PFP may be of varying quality and need to be returned to the supplier for replacement
- D. Suppliers to PFP may also supply other customers which they prioritise over PFP, leading to delays in PFP's production process

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 102

Robert is a senior buyer at MMC Construction Ltd. His company is doing multiple development projects in the country, which increases procurement workload significantly. Meanwhile, most of the tasks are handled manually, which causes bottlenecks in the workflows. The procurement team is overwhelmed by the workload and complains from other departments. From previous experience, Robert knows that electronic system may help his procurement team. He writes a

business case to submit to the senior management, in which he insists on the possible productivity improvement by adopting e-system in procurement. Is Robert's action reasonable?

- A. No, there's no need to make a business case for new purchase
- B. Yes, productivity improvement is a mandatory element in every business case
- C. No, adopting e-system may make procurement department jobless
- D. Yes, his reason may appeal the senior management

Answer: D (LEAVE A REPLY)

Composing a compelling business case requires the proposer to write in the language of the approvers.

Generally, approvers are business executives or important shareholders whose major interest is the profitability of the firm. Business case proposer may embed the following contents:

- Return on investment: according to Investopedia, Return on Investment (ROI) is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. A business case would seem more attractive if the proposal is expected to have high ROI.
- Time to market: Time-to-market (TTM) refers to the time from which a company initially conceives a product or service idea to the point when the actual product or service is accessible to buyers in the market (Afonso et al., 2008). The speed at which companies can introduce products into the market is critical for sustaining competitive advantage, and the reduction of product development cycle time has become a strategic objective for many technology-driven firms.
- Customer satisfaction: Keeping existing customer to stay in the business can affect greatly on the profit margin of a firm. A new proposal that finds the way to innovate while keeping the current customers satisfied may gain the interest of senior management.
- Improving productivity: Productivity is the measure of how efficient and effective a firm is. Improving the productivity means that with the same or lesser input, better output is generated. Increasing productivity also improves the profitability of a company.
- Risk management: Any business activity contains inherent risks. For example, for a mining company to be truly responsible, it must keep all of its workers safe, healthy and motivated, meet the expectations of the local community and government for the region in which it is operating, ensure it impacts on the environment positively if at all, as well as achieve the financial objectives set by its investors for both the short and long term. Managing risks well improves the production throughput and maintains customer satisfaction.

In the scenario, Robert is trying to convince the senior management to adopt e-procurement system by insisting on potential productivity improvement. This is the right approach. A business plan should engage and please senior management and directors. An appealing business case tells them how important things to the business (such as productivity, return on investment, customer satisfaction or costs) are affected by the plan.

Reference: CIPS study guide page 19-21

LO 1, AC 1.1

NEW QUESTION: 103

To strengthen its market presence, ABC Group decided to develop a new product. A cross-functional team was formed to discuss the scope and the functions of the product. They will also survey the potential customers to see what they like, what they love, and what they dislike. What is this process called?

- A. Value analysis
- B. Cash flow analysis
- C. Product standardisation
- D. Value engineering

Answer: ([SHOW ANSWER](#))

As you can see from the scenario, ABC Group is developing the new product. It might be using value engineering. The latter sentences confirm this: the cross-functional team in ABC is mapping the functions and surveying the customers. Their method is known as Kano model.

Reference: CIPS study guide page 171-172

LO 3, AC 3.4

NEW QUESTION: 104

As the lead procurement manager, you have been asked to compile a business case for a large project. Which of the following should you include in the business case?

- * Costs and risks
- * List of large suppliers
- * Business benefits
- * Informal recommendation

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

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 105

Datong is a defence and law enforcement equipment supplier. They are developing new product but largely concerns about the detailed specifications of components and the capability of supply market. Which of the following approach should Datong adopt in order to optimise the specification and shorten time to market?

- A. Request for quotation from potential suppliers
- B. Invite the supplier to tendering process
- C. Early supplier involvement
- D. Control the budget tightly

Answer: ([SHOW ANSWER](#))

To improve production process and reduce supply risk, Datong should collaborate with suppliers early in procurement cycle. Collaborating with suppliers in this way is often referred as Early Supplier Involvement (ESI)

'Request for quotation from potential suppliers': Quotations should only be requested if the buyer know exactly what they need. In this scenario, Datong is not yet sure about the specifications of product's components, request for quotation is not a good idea.

'Mapping out business plan': A business plan, as defined by Entrepreneur, is a "written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement." A business plan is not appropriate with improving production process and reducing supply risk.

'Budget controlling': Budget controlling largely concerns with dealing with budget variances. Tighter budget alone cannot lead to improved processes and fewer risks.

LO 3, AC 3.1

NEW QUESTION: 106

Which of the following are major factors when determining the bargaining power of buyers?

Select THREE that apply.

- A. Cash flow
- B. Interest costs
- C. Dependence of a buyer's purchase on a particular supplier
- D. Life cycle costs
- E. Switching costs
- F. Number of buyers relative to suppliers

Answer: ([SHOW ANSWER](#))

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NEW QUESTION: 107

When making a business case, the proposal has to consider financial costs, non-financial costs and opportunity costs. What is an opportunity cost?

- A. The cost of lost opportunities because of operational disruption or reputational damage
- B. Opportunity foregone by choosing to spend on one option instead of the other
- C. The expenditure incurred by investing in costly and opportunistic ventures such as mergers
- D. Opportunistic expenditure incurred in speculative Activities such as auctions

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 108

Housing Ltd is inviting a number of contractors to a tender for the construction of a commercial building. In the attachment to the invitation to tender, there is a document which describes the required materials and installation methods. This document is known as...?

- A. Functional specification
- B. Prescriptive specification
- C. Drawings
- D. Performance specification

Answer: ([SHOW ANSWER](#))

This question mentions about specification in construction. In this sector, specifications are written documents that describe the materials and workmanship required for a development. They do not include cost, quantity or drawn information and need to be read alongside other contract documentation such as quantities, schedules and drawings.

Specifications vary considerably depending on the stage to which the design has been developed, ranging from performance (open) specifications that require further development by a contractor or supplier, to prescriptive (closed) specifications for which the design is already complete when the project is tendered.

Prescriptive specifications typically contain detailed descriptions of the following components:

- General requirements relating to regulations and standards.
- The type of products and materials required.
- The execution and installation methods required.

Prescriptive specifications give the client much more certainty about the end product when making investment decisions (such as when they appoint the contractor), and place a greater burden on the designer to ensure proper installation rather than the contractor.

Reference:

- CIPS study guide page 116-120
- Prescriptive specification - Designing Buildings Wiki

LO 3, AC 3.1

NEW QUESTION: 109

ABC Ltd has enormous investment in facilities and machinery. It also employs skilled workforce. To be profitable, the company has to produce at massive quantity. Which sector does ABC Ltd belong to?

- A. Manufacturing
- B. Retail
- C. Construction
- D. Agriculture
- E. Finance

Answer: ([SHOW ANSWER](#))

In the scenario, ABC Ltd has the following characteristics:

- Large investment in facilities and machinery
- Access to skilled workforce
- Mass production.

This company is a manufacturer. Manufacturing is an industry that makes products from raw materials by the use of manual labour or machinery and that is usually carried out systematically with a division of labour.

Manufacturing requires investment in machinery and access to a suitably skilled workforce as well as materials and components.

Reference:

- CIPS study guide page 74-76
 - manufacturing | Definition, Types, & Facts | Britannica
- LO 2, AC 2.1

NEW QUESTION: 110

Which of the following would a buyer include when issuing an output specification to suppliers?

- A.** A requirements brief
- B.** The characteristics of the components
- C.** The manufacturing processes required
- D.** A product sample

Answer: A (LEAVE A REPLY)

Detailed Explanation:

An output specification defines the desired outcome or result of the procurement rather than specifying how the result should be achieved. A requirements brief outlines the goals, leaving flexibility for the supplier to propose solutions. Reference: CIPS Level 4, Output Specifications in Procurement.

NEW QUESTION: 111

Which of the following provides in-depth detail for both functional and non-functional requirements and covers assumptions, constraints, performance, dimensions, weights and reliability of a product?

- A.** Performance specification
- B.** Tolerance
- C.** Statement of work
- D.** Design specification

Answer: (SHOW ANSWER)

Design specification is a detailed document providing a list of points regarding a product or process. For example, the design specification could include required dimensions, environmental factors, ergonomic factors, aesthetic factors, maintenance that will be needed, etc. It may also give specific examples of how the design should be executed, helping others work properly (a guideline for what the person should do).

Performance specification is written requirement that describes the functional performance criteria required for a particular equipment, material, or product.

Tolerance is the permissible limit of a variable used to define a product Statement of work is the document that captures and defines all aspects of a project, including the activities, deliverables and the timetable for the project.

Reference: CIPS study guide page 118

LO 3, AC 3.1

NEW QUESTION: 112

Which of these purchases by a furniture manufacturing company are direct costs to the company? Select.

TWO that apply.

- A. Salary of the office accountant
- B. Advertising in a home interiors magazine
- C. Wages paid to the production line employees
- D. Utility bill from the electricity provider
- E. Purchase of the wood for furniture production

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 113

A buyer is reviewing the difference between the direct and indirect costs of a supplier's production costs The buyer is unable to reduce the supplier's indirect cost for production. Is this statement true?

- A. Yes, because the cost of utilities will always increase.
- B. No, because overheads always decrease with inflation
- C. Yes, because the machinery and staff costs don't change over time
- D. No, because a change in the buyer's specification could enable different machinery with a higher utilisation rate to be used

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 114

Which of the following market sectors is largely commodity-dependent, impacted by food standards and public health, impacted by climate change and population change, and driven by technology to improve production yield?

- A. Agriculture
- B. Services
- C. Finance
- D. Retail

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 115

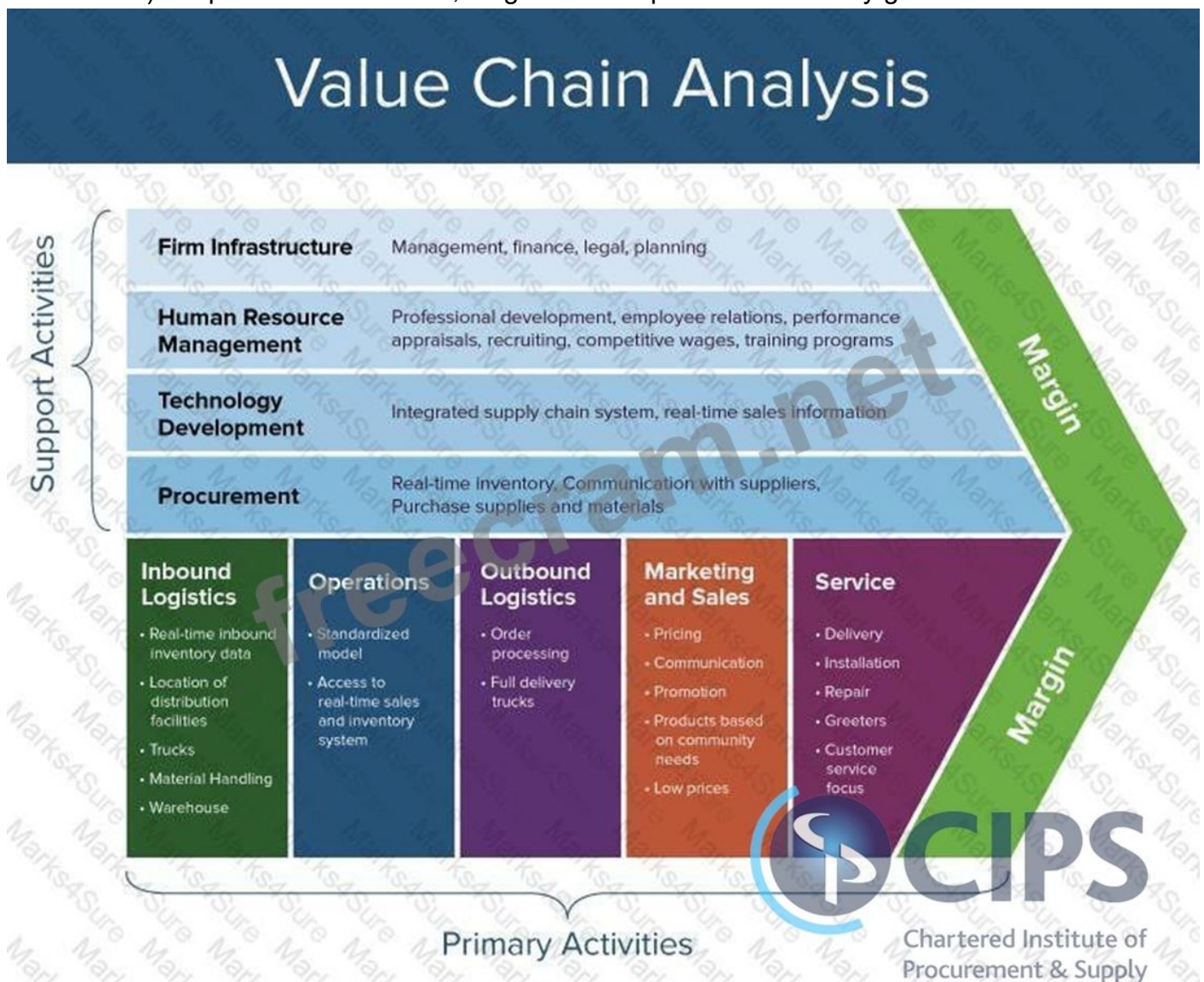
Which of the following activities are considered as primary activities of an organization according to Porter's value chain? Select TWO that apply:

- A. Maintenance
- B. Picking and delivery components
- C. Sourcing transportation services
- D. Trainees recruitment
- E. Assembly design

Answer: (SHOW ANSWER)

Primary activities consist of inbound logistics, operations, outbound logistics, sales & marketing, service.

Second activities consist of firm infrastructure, human resource management, technology development and procurement The following graph illustrate the value chain (Source: Smartsheet) Graphical user interface, diagram Description automatically generated



Picking and delivery components is inbound logistics.

Maintenance is an example of operations activity.

Sourcing transportation services is an activity of procurement

Assembly design is an activity in research and development (Technology) Recruiting is an activity of human resource management Reference: CIPS study guide page 71 LO 2, AC 2.1

NEW QUESTION: 116

The procurement officer for Hunter Manufacturing has been tasked to procure a new manufacturing software management system. They have consulted all relevant internal stakeholders and have the following high-level requirements: flexibility throughout the project, and the supplier to recommend the best solutions for building the system. Which type of specification should be developed?

- A. Conformance
- B. Technical
- C. Performance
- D. Design

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 117

A procurement manager decided to use a conformance specification in a request for quotation (RFQ) for the manufacturing of a specialist item designed by their company. The company does not have the capability to manufacture the item in-house, but requires the item to be made to their detailed specification. Was this the correct thing to do?

- A. Yes, as it means that the company will be able to get the most cost-effective price for the item from the chosen supplier
- B. No, as the item will be of non-standard construction and will not be able to be used by other competitors
- C. No, as it means that the chosen supplier will not be able to use their expertise and knowledge to manufacture the item
- D. Yes, as it means that the company will get exactly what it has specified and that the item meets its specific requirements

Answer: ([SHOW ANSWER](#))

Comprehensive and Detailed Explanation (paraphrased from CIPS L4M2 content) CIPS L4M2 clearly distinguishes between conformance and performance specifications.

* A conformance specification describes exactly what the item must be like - dimensions, materials, design drawings, tolerances, etc.

* It is appropriate when the buyer already has a detailed design and simply wants the supplier to manufacture to that design.

In this scenario:

- * The buyer's organisation has designed the specialist item and has a detailed specification.
- * They cannot manufacture it in-house, but they need the item exactly as designed.

This is precisely when CIPS says a conformance specification is appropriate: the purpose is to ensure the supplier delivers exactly what has been specified and that the item meets all the buyer's technical and functional requirements.

- * Option D matches this principle exactly.
- * Option A mentions cost-effectiveness, which might happen, but it is not the main reason for using conformance specifications.
- * Options B and C describe issues that are either irrelevant or are more associated with over-specification or missed innovation opportunities, not with the basic correctness of using conformance specifications in this situation.

Relevant CIPS L4M2 areas:

- * Types of specification: conformance vs performance vs outcome
- * When to use buyer-designed (conformance) specifications
- * Risks and benefits of restricting supplier design freedom

NEW QUESTION: 118

The first step in developing a business case, according to the procurement cycle is ...

- A.** appraise suppliers
- B.** contact the stakeholders
- C.** source the market
- D.** identify the need

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 119

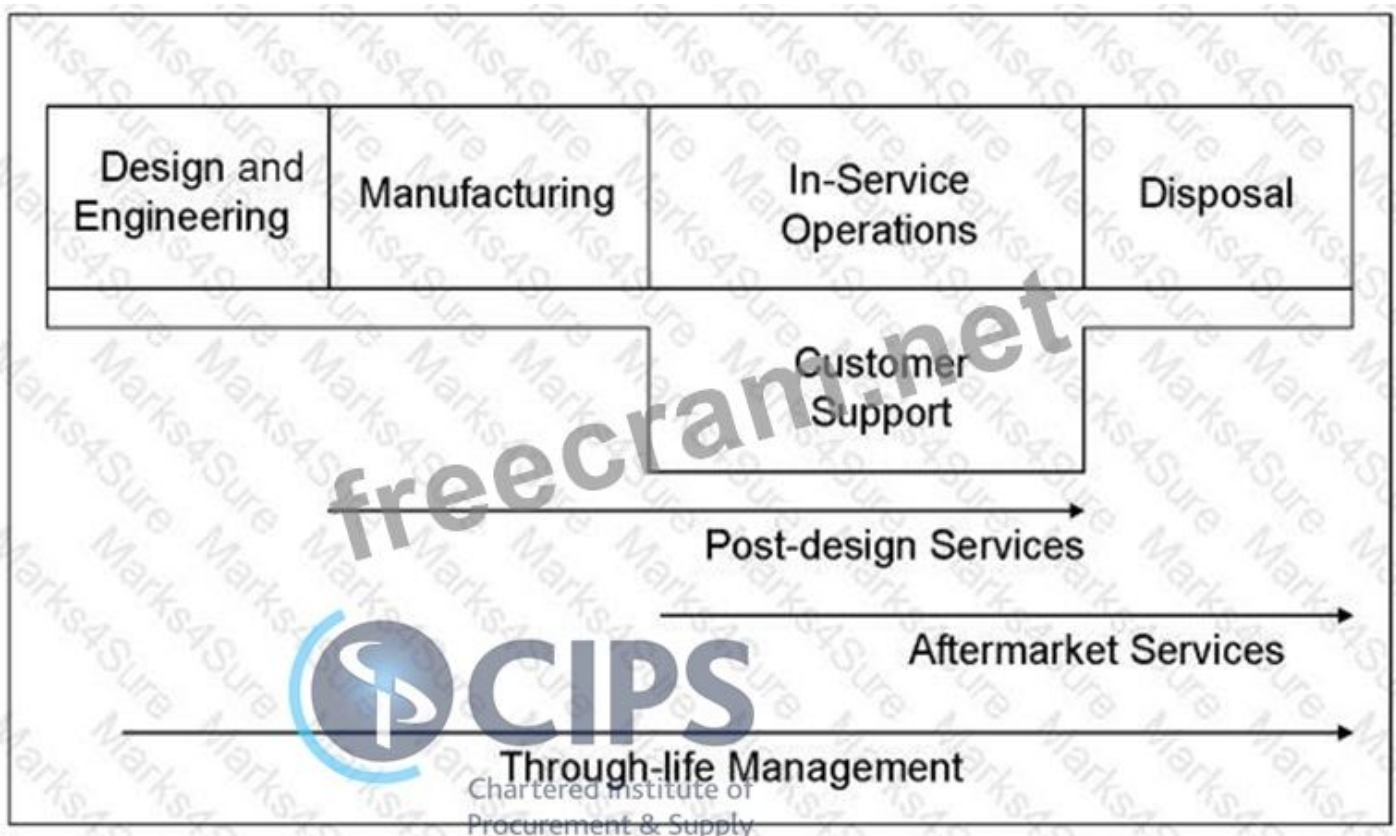
When procuring a machinery, at which stage buyer must check whether it is working to the standards set out in the design specification?

- A.** Installation
- B.** Maintenance and repair activities
- C.** Customer support
- D.** Manufacture

Answer: A ([LEAVE A REPLY](#))

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.

Diagram, table Description automatically generated



Source: Andrew Graves

The installation stage occurs in In-Service Operations. At this stage, the machinery is shipped and installed on the buyer's premises and check to ensure that it is working to the standards set out in the design specification.

Reference: CIPS study guide page 130

LO 3, AC 3.2

NEW QUESTION: 120

A company wants to purchase a piece of equipment that will achieve a particular level of output. It is inviting tenders and has written a conformance specification. Is this the right specification to issue with the invitation to tender?

- A. No, the supplier should have responsibility for the equipments performance
- B. Yes, it is always a good thing to issue a conformance specification
- C. No, it would be better to issue a performance specification
- D. Yes, suppliers will know exactly what to produce

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 121

What is the document that defines the activities, deliverables and timelines a supplier must carry out during contract performance?

- A. Statement of work
- B. Project initial document
- C. Framework agreement
- D. Work instruction

Answer: (SHOW ANSWER)

Statement of Work (SoW) is the document that captures and defines all aspects of your project. You'll note the activities, deliverables and the timetable for the project. It's an extremely detailed document as it will lay the groundwork for the project plan.

Project Initial Document is an important document and should precede any specification writing project. It sets out the scope of the project and it is the team's mandate from senior management. Work instructions are also called work guides, Standard Operating Procedures (SOPs), job aids or user manuals, depending on the situation. In any case, the purpose of work instructions is to clearly explain how a particular work task is performed.

Framework agreements are arrangements between one or more buyers and one or more suppliers that provide the terms governing contracts to be established for a certain period of time, in particular with regard to price and, where necessary, the quantity envisaged.

Reference: CIPS study guide page 124

LO 3, AC 3.1

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NEW QUESTION: 122

Which of the following is true in relation to estimating the costs associated with whole life asset management?

- A. The supplier's quoted price includes direct costs only and therefore other costs should be estimated
- B. All quoted prices are exaggerated and therefore discounts must be demanded to save costs
- C. Every purchase represents an 'iceberg of costs of which the price is the 'tip'
- D. The supplier's quoted price represents the true end final cost of purchase

Answer: (SHOW ANSWER)

NEW QUESTION: 123

An IT category buyer wishes to include social and environmental criteria within a supplier specification. The focus is on the avoidance of hardware manufacturing inputs that have been derived from 'conflict minerals', e.

g. from politically unstable areas. Is this the right approach?

- A. No, because this will prevent innovation opportunities
- B. Yes, as this means the lowest cost within the market will be achieved

- C. No, because this will be in breach of competition laws
- D. Yes, as this can enhance the reputation of the brand

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 124

Which of the following factors should be assessed to understand the competitiveness of a supply market?

- A. Presence of a minimum wage
- B. Gross National Product (GNP) of the country of manufacture
- C. Number of suppliers within the market
- D. Previous price paid for goods

Answer: ([SHOW ANSWER](#))

Comprehensive and Detailed Explanation (from CIPS L4M2 - Market Management) The number of suppliers and market concentration determine competitiveness.

A market with many suppliers tends to be more competitive; fewer suppliers increase supplier power and reduce price competition.

Hence, Option C correctly identifies a key factor in market competitiveness.

Relevant L4M2 references:

- * Section: "Assessing supply market structures"
- * Model: "Porter's Five Forces - Supplier Power"

NEW QUESTION: 125

As the lead procurement manager you have been asked to compile a business case for a large project. Which of the following should you include in the business case?

- * Costs and risks
- * List of large suppliers
- * Business benefits
- * Informal recommendation

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

Answer: ([SHOW ANSWER](#))

Comprehensive and Detailed Explanation (from CIPS L4M2 - Business Case Development) A robust business case must:

- * Quantify costs and risks (financial, operational, environmental).
- * Identify and justify business benefits (savings, value, compliance, performance).

Supplier lists or informal notes are not appropriate inclusions.

Thus, Option A (1 and 3 only) is correct.

Relevant L4M2 references:

- * "Structure and content of a business case"

* "Cost, risk, and benefit evaluation in justification"

NEW QUESTION: 126

Which of the following specific markets is most likely to have the lowest entry barrier?

- A. Retail
- B. Manufacturing
- C. Financial
- D. Agriculture
- E. Services

Answer: ([SHOW ANSWER](#))

Start-up costs are generally low in service industries, and the main requirement is a level of knowledge and skill in that particular service.

LO 2, AC 2.1

NEW QUESTION: 127

A company has a lists of items that make up 15% of total spend. These items also do not largely impact on quality of final product. The supply continuity is secured. Which of the following will be the most appropriate managing approach to purchase these items?

- A. Enhance supply continuity
- B. Simplify procurement process
- C. Build partnership with suppliers
- D. Drive down cost based on market competition

Answer: ([SHOW ANSWER](#))



Those items make up small portion of spend and the supply risk is low. So it is tactical item according to Kraljic portfolio matrix. Procurement should bundle these items into larger contracts, simplify procurement process.

LO 2, AC 2.1

NEW QUESTION: 128

XYZ Ltd operates in the plumbing and heating industry. The company has developed and patented a new range of alternative products, using a different material from conventional brass that offers substantial cost savings. XYZ Ltd plans to launch the full range of new products. Will this change the impact on competitive forces in the market?

- A. No, this development does not impact supplier bargaining power
- B. Yes, this development has created substitute products
- C. Yes, this development has created the threat of new entrants
- D. No, this development does not impact buyer bargaining power

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 129

XYZ Ltd is the largest consumer of brass in the country. It consumes 48% of all brass manufactured, while the second-largest consumes less than 10% of brass manufactured. Which force or power does XYZ Ltd possess?

- A. Buyer bargaining power
- B. Supplier bargaining power
- C. Threat of substitute force
- D. Market rivalry force

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 130

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 chain
- C. Value analysis
- D. Value engineering

Answer: ([SHOW ANSWER](#))

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: 131

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. \$1,675,000

B. \$1,875,000

C. \$1,700,000

D. \$2,025,000

Answer: (SHOW ANSWER)

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: -

$\$2,500,000 \times 25$

$/100 = -\$625,000$

25% of indirect costs was bought on credit. Cash flow out on indirect costs is: $-\$3,000,000 \times 75/100$

=

$-\$2,250,000$

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: 132

Which of the following are 'secondary sources' of data for costs and prices?

* Industry press

* Published economic indices

* Trade fairs

* Buyer's database on market data

A. 1 and 4 only

B. 3 and 4 only

C. 2 and 3 only

D. 1 and 2 only

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 133

A market has a considerable number of buyers and suppliers. Analysis of the market reveals that loyalty from buyers is relatively low and switching to alternative providers is commonplace. Which of the following market characteristics is supporting this type of buyer behaviour?

- A. Increasing use of technology
- B. Supplier bargaining strength
- C. Barriers to market entry
- D. The availability of substitute products

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 134

Aldar Properties is a property developer in UAE. In last month, it spent \$2,160 for 10 tons of steel. In this month, it had planned 10% increment in budget for steel comparing to last month. But the number of orders boosted and total spend on steel reached \$1,992.1 while Aldar has imported 11 tons. What is the main cost driver of steel budget?

- A. Both price and quantity variances
- B. Inflation
- C. Quantity variance
- D. Price variance

Answer: ([SHOW ANSWER](#))

In this question, you have to calculate price variance and quantity variance.

Last month, 1 tonne of steel costed \$216. This month, the price decreases to \$181.1. Price variance = (P1 - P2)

$$*Q2 = (\$216 - \$181.1) * 11 = \$383.9$$

$$\text{Quantity variance} = (Q1 - Q2) * P1 = -\$216$$

Price variance is greater than quantity variance, therefore, price variance is the main cost driver.

LO 1, AC 1.4

NEW QUESTION: 135

Sabic is a petrochemical manufacturer. It wants to digitalise its operation and is looking for new IT system.

The procurement manager approaches this matter with a through-life specification. He supposes that stating

"good quality" in the specification will be enough for quality standard section. Is the procurement manager's thought appropriate?

- A. Yes, because the specification should be concise.
- B. No, because "good quality" is an in-house jargon that suppliers are not familiar with
- C. Yes, because IT sector has its own standard of quality, therefore, suppliers may deliver good quality without any further explanation

D. No, because "good quality" is very ambiguous for suppliers to identify Sabic's re-requirement

Answer: (SHOW ANSWER)

Specifications for through-life contracts must be clear. They should use precise technical language and avoid any ambiguity as much as possible. In most cases, 'good quality' is ambiguous. The contractor doesn't know exactly which product the buying organisation needs and how to supply that product.

Other notices for description of requirement are:

- Short and simply description
- Clear definitions at the beginning of the documents
- Clarify abbreviations (if any), but abbreviations should be avoided as much as possible
- Avoid any 'slang'
- Use imperative forms of language whenever possible.

LO 3, AC 3.2

NEW QUESTION: 136

Why is the specification considered as the most important document in procurement?

- A.** It provides a mean to appraise the performance of supplier
- B.** It helps the buyer to gain at supplier's loss
- C.** It eliminates all possible supply risks
- D.** It always shifts the balance of bargaining power in favour of the buyer

Answer: (SHOW ANSWER)

Specification is the most important document in procurement because it sets out the quality which supplier must provide. If there is no spec or the spec lacks clarity and details, supplier's performance may vary and possibly lower than actual requirements. This puts the buyer at risks. On the other hand, if the spec is clear and detailed, the supplier is liable to provide 'fit for purpose' products or perform the service at required level of quality. This will ensure that the buyer achieve 'Right Quality'.

Reference:

- CIPS study guide page 116-130
- How fitness for purpose works - Evocurement

LO 3, AC 3.1

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