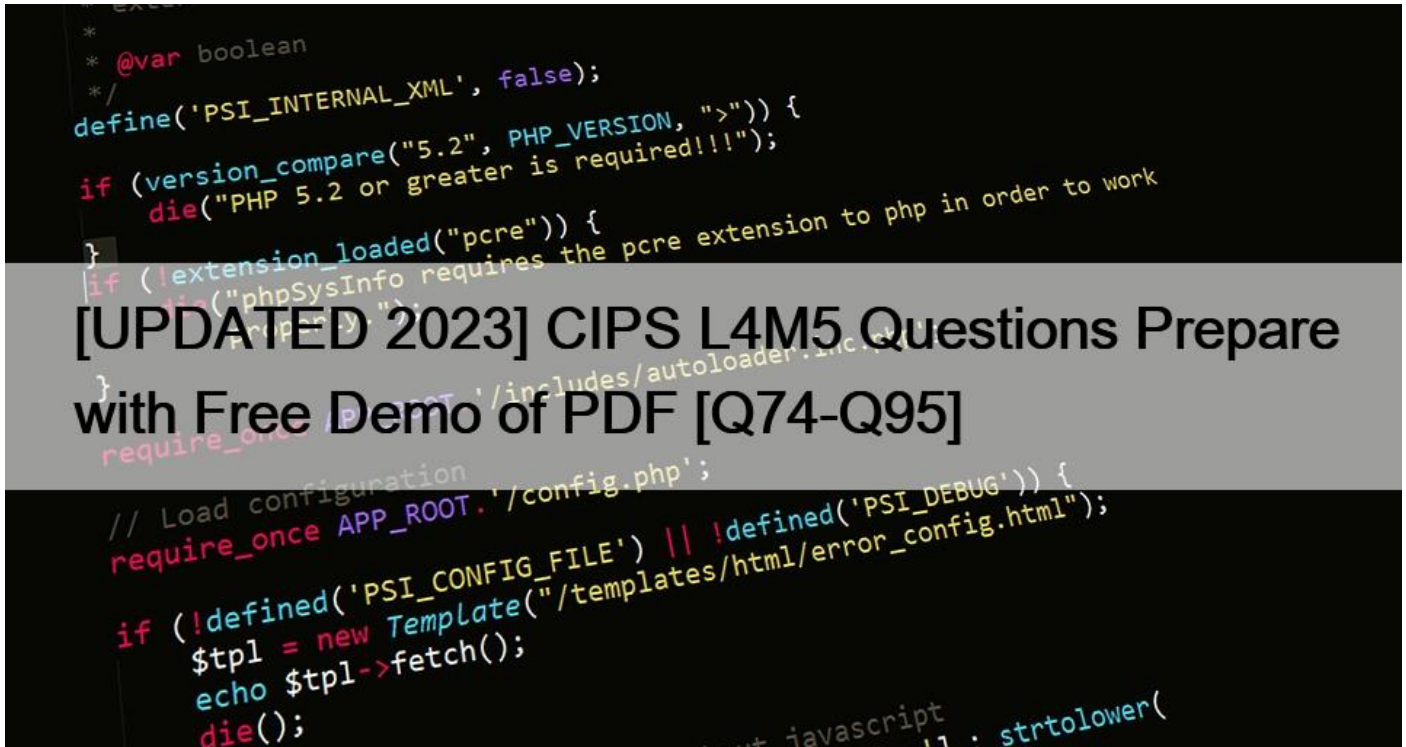


[UPDATED 2023 CIPS L4M5 Questions Prepare with Free Demo of PDF [Q74-Q95]



[UPDATED 2023] CIPS L4M5 Questions Prepare with Free Demo of PDF
NEW 2023 Certification Sample Questions L4M5 Dumps & Practice Exam

CIPS L4M5 exam covers a wide range of topics related to commercial negotiation, including negotiation planning, strategies, tactics, and techniques. Candidates are also tested on their understanding of the legal and ethical considerations that come into play during negotiations, as well as their ability to manage conflicts and build long-term relationships with suppliers. L4M5 exam is suitable for professionals who are involved in procurement, supply chain management, and contract management roles, as well as those who are looking to advance their careers in these areas.

Q74. Which of the following method should be used in negotiation if both parties want to communicate verbally and non-verbally without having to meet face-to-face?

- * Web conferencing
- * Telephone
- * Teleconferencing
- * In-person meeting

Explanation

Using webcams in a web conference means you are able to communicate both verbally and non verbally.

Over the phone, you cannot see TOP, the only cue/signal you have regarding their mood, interest and attitude is person's

voice, intonation and any delay.

A teleconference is a telephone meeting among two or more participants involving technology more sophisticated than a simple two-way phone connection.

In-person meeting requires you and TOP to be in the same place at the same time.

LO 2, AC 2.4

Q75. Which of the following are factors that might shift the demand curve for a consumer good to the right?

1. Prices of complementary goods decrease
 2. Price of the consumer good decreases
 3. Customers' expectation of higher prices in the future
 4. Consumer tastes shift toward substitute products
- * 3 and 4 only
 - * 4 and 2 only
 - * 1 and 3 only
 - * 1 and 2 only

Explanation

A shift in demand occurs when an influencing factor other than price changes. Those factors are:

• The income of buyers

• The tastes and preferences of buyers

• The prices of other goods and services, especially substitutes and complements

• Expectations of buyers about the future

In this question:

• Prices of complementary goods decrease; will lead to quantity demanded for that complement rising, then demand for consumer good will increase accordingly.

• Price of the consumer good decreases; will increase the quantity demanded for that good, but it will not shift the demand curve

• Customers' expectation of higher prices in the future; in this scenario, customers tend to buy more to store in present, which leads to demand curve shifting to the right

• Consumer tastes shift toward substitute products; Demand for substitutes will rise, so demand for that consumer good will decrease and the demand curve shifts to the left.

LO 2, AC 2.2

Q76. A procurement professional is negotiating with a supplier on cleaning service. She realises that there are huge cost-saving opportunities if the supplier agrees to reduce its mark-up and unnecessary employee benefits.

Supplier's mark-up and employee benefits are examples of which of the following?

- * Spend waterfall
- * Spend cube
- * Spend tree
- * Addressable spend

Explanation

A key consideration when seeking to negotiate prices is to establish what proportion of the spend is addressable by procurement action such as negotiation. Addressability of spend is influenceable through negotiations or application of other saving effort or leverage with suppliers.

LO 2, AC 2.1

Q77. Where can we find the data on macroeconomics?

1. From trade journal
 2. From supplier's marketing catalogue
 3. From stock exchange market
 4. From government's statistics
- * 2 and 4 only
 - * 3 and 4 only
 - * 1 and 2 only
 - * 1 and 3 only

Explanation

Macroeconomic indicators are statistics or data readings that reflect the economic circumstances of a particular country, region or sector. They are used by analysts and governments to assess the current and future health of the economy and financial markets.

Macroeconomic indicators will vary in their meaning and the impact that they have on the economy, but broadly speaking there are two main types of indicator.

• Leading indicators, which forecast where an economy might be heading. They are often used by governments to implement policies because they represent the first phase of a new economic cycle. These include the yield curve, interest rates and share prices.

• Lagging indicators, which reflect an economy's historical performance and only change after a trend has been established. They are used to confirm a trend is underway. These include gross domestic product (GDP), inflation and employment figures.

There is also the category of coincident indicators, but these are generally grouped in with lagging indicators as they either happen at the same time or after an economic shift.

The best macroeconomic indicator to watch will heavily depend on your personal preferences, what positions you are taking and which country your portfolio is focused on. However, there are some very common indicators that most traders and investors will keep an eye on.

For simplicity's sake, we have split these out into leading and lagging indicators.

Top leading indicators:

1. The stock market
2. House prices
3. Bond yields
4. Production and manufacturing statistics
5. Retail sales
6. Interest rates

Top lagging indicators:

1. GDP growth rates
2. The Consumer Price Index (CPI) and inflation
3. Currency strength and stability
4. Labour market statistics
5. Commodity prices

A procurement professional may find stock market data from the security exchange, while most lagging indicators (such as GDP, CPI, unemployment rate, currency and inflation rate, etc) can be found from government statistics data.

Q78. After studying Thomas-Kilman conflict resolution model and considering different approaches carefully, the procurement team of XYZ Ltd. decides to adopt an avoiding approach to the upcoming negotiation with one of their suppliers. Which of the following will be the objective of XYZ procurement team in this negotiation?

- * Yielding the supplier's point of view
- * Postponing the issue
- * Seeking a quick middle-ground position
- * Confronting and trying to find a creative solution immediately

Explanation

Avoiding is unassertive and uncooperative. When avoiding, an individual does not immediately pursue his or her own concerns or those of the other person. He or she does not address the conflict. Avoiding might take the form of diplomatically sidestepping an issue, postponing an issue until a better time, or simply withdrawing from a threatening situation.

LO 1, AC 1.1

Q79. Which of the following are most likely to be macro factors that may influence the balance of power in commercial negotiation? Select THREE that apply.

- * Economic growth rates

- * Disruptive technologies
- * Purchasing spend volume
- * Sustainability of natural resources
- * Intensity of competition in a industry
- * Number of substitute products or services

Explanation

All one-to-one commercial negotiations between a specific purchaser and a specific supplier take place within an industrial market and a larger business environment characterised by multiple forces which both parties typically have little control over. STEEPLE framework highlights the 6 main external influences on a business:

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Factors	Risks
Socio-cultural	How changes affect demands or expectations of customers, suppliers or other stakeholders
Technological	Are there opportunities for development – or risks of obsolescence
Economic	How changes affect product demand and/or supply and cost of inputs?
Environmental (or 'ecological')	Which factors may cause supply problems, compliance issues, market pressure or risk to reputation
Political	What are the likely implications of policies or changes in policy
Legal	How organisation need to adapt policies and practices in order to comply
Ethical	Which issues may cause market pressure or reputational risk

LO 1, AC 1.3

Q80. JCB is a large manufacturer of heavy machinery. The CPO is going to a negotiation with a Chinese supplier about procuring some major components. He is wondering about balance of power in the negotiation. Which of the following micro factors are most likely to shift the balance of power towards the buying organisation in this commercial negotiation? Select TWO that apply

- * Buyers purchase in small volumes
- * Suppliers are more concentrated than buyer
- * Eruption of epidemic in supply market
- * JCB's switching costs are low
- * These components are highly standardised

Explanation

There are many factors that can influence the balance of power in a negotiation. These factors are classified into 3 levels:

Macro level: STEEPLE framework: social, technological, economic, environment, political, legal and ethical

Micro level: Porter's five forces:

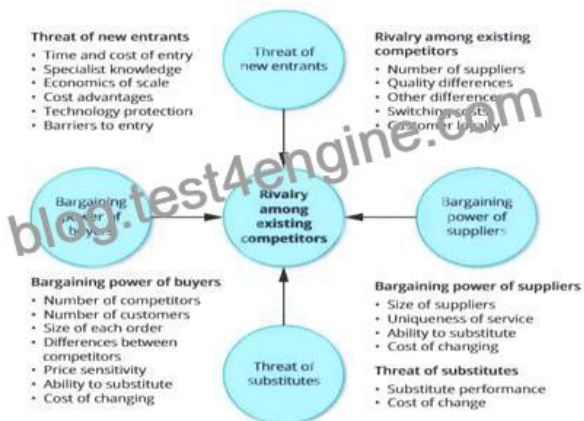


Diagram Description automatically generated

One-to-one buyer-supplier dynamics.

The question asks about the micro factors that increases buyer's bargaining power. Among 5 answers, only 2 are likely to increase buyer's power:

JCB's switching costs are low: Buyer may easily switch its suppliers anytime

These components are highly standardised: The products are not different any more, buyer may choose to buy from any supplier available.

Other answers cannot be correct because:

Suppliers are more concentrated than buyer: Suppliers are forming oligopoly market, their bargaining power tend to be greater.

Eruption of epidemic in supply market: this is a macro factor. Eruption of epidemic may cause factories closed and disruptions on supply chain.

Buyers purchase in small volumes: Buyer will be seen as less potential to suppliers. Buying organisation may have difficulties to deal better price with suppliers.

LO 1, AC 1.3

Q81. Which of the following are the most typical characteristics of integrative approach to negotiation? Select TWO that apply.

- * Positional-based
- * Claiming value
- * Interest-based
- * Short-term wins
- * Creating more value

Integrative approach to negotiation used when the interested parties are attempting to create more of something of value to share, also known as collaborative approach or win-win. Integrative, interest-based negotiation can facilitate constructive, positive relationship and establishes contracts between parties on a foundation of goodwill. In integrative bargaining, both parties seek to 'expand the pie' by creating more value for both the buyer and the seller. Integrative negotiation 'shares

the pie; and is interest rather than positional based.

In distributive bargaining, the focus is on claiming value and getting as much of the pie as parties can.

Table Description automatically generated

Characteristics	Distributive view	Integrative view
Goal	Get as much of the pie as you can	Expand the pie so both parties can get more
Guiding principle	Win-lose	Win-win
Negotiation focus	Positions – keep interests confidential as may expose weaknesses	Interests – move away from positions ASAP to create movement
Information sharing	Low, 'need to know' only	High if helpful to TOP and not damaging to your interests
Dealing with issues	One at a time, 'thank and bank'	Discussion of several issues at a time; 'get all the issues on the table'
Solution sought	Conformance based; binary yes/no; 'you're either with us or against us'	Performance-based; creative solution that satisfies most of both sides' interests
Relationship with TOP	Short-term/once-off	Long term/regular engagement

LO 1, AC 1.2

Q82. Which of the following are most likely to be sources of conflict that can emerge from the process of commercial negotiations? Select TWO that apply.

- * Differences in conflict management style
- * Differences in culture
- * Types of purchase
- * Standard terms and conditions
- * Line of the best fits

There are multiple sources of divergent positions that can arise in situations where money is exchange for goods and services. There are 2 different types of sources. Those that arise from the content or subject matter of the negotiation (what is being negotiated) and those that arise from the process of negotiation (how it is being negotiated).

Sources of divergent positions; the process of negotiation:

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Sources of divergent positions/conflict	Examples
Agenda and governance	<ul style="list-style-type: none"> Who decides what can be negotiated, how the meeting is chaired and governed, and how much time is allowed? Lack of faith in confidentiality from TOP (notwithstanding the existence of NDA, non-disclosure agreements)
Conflicting negotiation styles of participants	<ul style="list-style-type: none"> Participants adopt very different styles, e.g., one party adopts win-win style while other side adopts win-lose style.
Cultural differences	<ul style="list-style-type: none"> Misunderstandings between parties based on local or organisational customs, traditions or conventions. Unintended insults or offence made regarding symbols, forms of address (e.g., using 'Mr'/'Ms' versus first name), punctuality, dress codes, attitude, etc.

Sources of divergent positions/conflict	Examples
Timescales/location	<ul style="list-style-type: none"> Different views as to where and how negotiation meetings should take place 'at home or away' and time zone differences How many meetings are required
Negotiation medium	<ul style="list-style-type: none"> Different views of participants regarding use of phone/teleconference, face-to-face meetings/negotiation by e-mail, etc.
Team size and make-up	<ul style="list-style-type: none"> Different views regarding who should be present at negotiation meetings and the role of technical, legal, stakeholder representatives
How negotiation will be closed out	<ul style="list-style-type: none"> How will we know when negotiations are over? Is there a time limit or agreed objectives that both sides are aiming for? What is default position if negotiations fail?

Line of best fits is the line that goes approximately through the middle of the data points with an equal number of data points above and below it. Line of best fits is a method of calculating medium value instatistics.

Standard terms and conditions are basic terms and conditions of business governing transactions that do not have a definitive contract, usually designed to be included in form documents such as orders. While there may be conflicts regarding standard terms and conditions, they are about the content of negotiation, not the process.

Type of purchase: when buying organisation makes an decision to purchase an item, a buyer is faced with three possible scenarios. The item to be bought could be a straight re-buy, a modified re-buy or a new purchase. Decision on type of purchase is purely an internal decision.

Q83. Jane is planning for a forthcoming negotiation with a key supplier. She has learned what are important to the supplier and what are important to her company from previous contracts between them. In order to avoid negotiation deadlocks, she has set up several concession plans. But Jane has little experience in dealing with suppliers and doesn't know when to trade these concessions. When is the best time in a negotiation to trade concessions?

- * In the testing phase
- * In the proposing phase
- * At bargaining stage
- * At opening stage

Explanation

The question asks about the point in time when Jane should make concessions with the supplier. These concessions should be traded after preliminary stages such as opening, testing and proposing are over and proposals move from being tentative and general to being more definite and specific. This stage is called bargaining phase. The bargaining phase is the meat of the negotiation.

negotiation meeting.

LO 3, AC 3.1

Q84. Should a buyer use closed questions in a negotiation?

- * Yes, because closed questions help to reconfirm certain facts
- * Yes, because they urge the supplier to provide more detailedExplanation::
- * No, the buyer should maximise the use of open questions
- * No, supplier will consider closed questions as provocation

Asking questions the right way is both an art and a science. Ask the question the wrong way, and the other negotiator might act like a turtle, becoming defensive and withdrawing into their shell. Ask the question the right way, and the other negotiator might spill the beans.

Closed Questions: How and when to use them?

Closed questions are those that require a short and focused answer, and are especially helpful in the beginning stages of the negotiation to encourage interaction. They can be used to clarify a point, or to reconfirm certain facts. For example, you can use a closed question to confirm the amount of units the company can produce in a week, or to clarify that what they are really saying is that they don't feel comfortable outsourcing their accounts to India. Most closed questions only require a simple yes or no response, so there really isn't much room for misinterpretation; great for finding out where both you and they stand.

Q85. Which of the following are most likely to turn buying organisation into an unattractive customer in supplier's perspective? Select TWO that apply.

- * Demands for kickback
- * Reduced paperwork in procurement processes
- * Adopting clear and concise CSR policies
- * Unclear tender award criteria
- * Using SRM technology

Becoming a preferred customer to supplier's perspective can increase the purchaser's leverage in negotiation.

Beside the size of buying organisation or its spend, the following may be sufficient to differentiate the buyer from other buying organisations:

Simple procurement processes: Using SRM technology may help to simplify the process
Simple contracting processes
Clear and concise documentation: Reduced paperwork helps both supplier and buyer save their time and resources.

Absence of onerous supplier terms and conditions

On-time payment

Transparent processes: Unclear tender award criteria can be seen as opaque. Suppliers who attended the tendering processes cannot know the reasons why their bids are rejected and hesitate to attend other tendering.

Ethical behaviour: Suppliers may prefer a buyer who adopts CSR policy because they can predict potential customer's behaviour. Demands for kickback are unethical behaviours.

Q86. Ma Bell was the sole provider of landline telephone service to most of the US in 1980s. This is an example of?

- * Monopsony
- * Monopoly

- * Monopolistic competition
- * Perfect competition

Explanation

A monopoly exists when only one company can supply an essential product or service in a given region because of significant barriers to entry for any competitor. The barriers can be legal, regulatory, economic, or geographic. Ma Bell case is an example of monopoly. The company was broken up in 1982.

A monopsony is a market structure in which a single buyer substantially controls the market as the major purchaser of goods and services offered by many would-be sellers.

Pure or perfect competition is a theoretical market structure in which the following criteria are met:

• All firms sell an identical product (the product is a commodity; or homogeneous;).

• All firms are price takers (they cannot influence the market price of their product).

• Market share has no influence on prices.

• Buyers have complete or perfect information-in the past, present and future-about the product being sold and the prices charged by each firm.

• Resources for such a labor are perfectly mobile.

• Firms can enter or exit the market without cost.

Monopolistic competition characterizes an industry in which many firms offer products or services that are similar, but not perfect substitutes. Barriers to entry and exit in a monopolistic competitive industry are low, and the decisions of any one firm do not directly affect those of its competitors. Monopolistic competition is closely related to the business strategy of brand differentiation

Q87. Which of the following are examples of connected stakeholders in a private organisation? Select TWO that apply.

- * Customers
- * Local community
- * Media
- * Government
- * Shareholders

Connected stakeholders are those who, by contractual or commercial relationships, have a significant stake in organisation activity. As a general rule, connected stakeholder (with the exception of suppliers) have a low level of influence on procurement negotiations.

Examples of connected stakeholders are: suppliers, customers, bank where the organisation opens its account, shareholders.

Q88. Which of the following are examples of non-verbal negotiation? Select THREE that apply.

- * Asking the supplier to repeat their proposal
- * Getting messages across with facial expressions
- * / Speaking softly with long pauses
- * Communicating with the other party by using gestures
- * Explaining to the supplier about the scope of the project
- * Using the body language

Explanation

Nonverbal communication is important because it gives us valuable information about a situation including how a person might be feeling, how someone receives information and how to approach a person or group of people.

There are several types of nonverbal communications you should be aware of, including:

1. Body language

Body language is the way someone situates their body naturally depending on the situation, the environment and how they are feeling.

Example: Someone might cross their arms if they are feeling angry or nervous.

2. Movement

The way you move your arms and legs such as walking quickly or slowly, standing, sitting or fidgeting, can all convey different messages to onlookers.

Example: Sitting still and paying attention in a meeting conveys respect and attention.

3. Posture

The way you sit or stand can also communicate your comfort level, professionalism and general disposition towards a person or conversation.

Example: Someone might slouch their shoulders if they feel tired, frustrated or disappointed.

4. Gestures

While gestures vary widely across communities, they are generally used both intentionally and unintentionally to convey information to others.

Example: Someone in the United States might display a "thumbs up" to communicate confirmation or that they feel positively about something.

5. Space

Creating or closing distance between yourself and the people around you can also convey messages about your comfort level, the importance of the conversation, your desire to support or connect with others and more.

Example: You might stand two to three feet away from a new contact to respect their boundaries.

6. Paralanguage:

Paralanguage includes the non-language elements of speech, such as your talking speed, pitch, intonation, volume and more.

Example: You might speak quickly if you are excited about something.

7. Facial expressions

One of the most common forms of nonverbal communication is facial expressions. Using the eyebrows, mouth, eyes and facial

muscles to convey can be very effective when communicating both emotion and information.

Example: Someone might raise their eyebrows and open their eyes widely if they feel surprised.

8. Eye contact

Strategically using eye contact (or lack of eye contact) is an extremely effective way to communicate your attention and interest.

Example: Looking away from someone and at the ground or your phone may convey disinterest or disrespect.

9. Touch

Some people also use touch as a form of communication. Most commonly, it is used to communicate support or comfort. This form of communication should be used sparingly and only when you know the receiving party is okay with it. It should never be used to convey anger, frustration or any other negative emotions.

Example: Placing your hand on a friend's shoulder may convey support or empathy.

Q89. Which of the following will help to indicate personality preferences in four dimensions?

- * Thomas-Kilmann Conflict Resolution model
- * Intelligence quotient
- * Mill's RESPECT mnemonic
- * Myers-Briggs Type Indicator

The Myers-Briggs Type Indicator (MBTI) is an introspective self-report questionnaire indicating differing psychological preferences in how people perceive the world and make decisions. MBTI indicates personality preferences in four dimensions.

The Thomas-Kilmann Conflict Mode Instrument (TKI) is a conflict style inventory, which is a tool developed to measure an individual's response to conflict situations.

Mill's RESPECT mnemonic is set out by Harry A. Mills which describes seven steps to agreements. An intelligence quotient (IQ) is a total score derived from a set of standardized tests designed to assess human intelligence.

Q90. Which of the following are most likely to be indirect costs of a garment manufacturer? Select THREE that apply.

- * Packaging material
- * Textile
- * Zips pads
- * Maintenance materials
- * Utilities
- * Depreciation of machinery

Indirect costs are those costs that are not directly attributable to production. Examples of indirect costs including the following:

Indirect labour: This covers every person in the factory who does not directly perform a production operation such as managers, supervisors, engineers, store personnel, clerks, maintenance staff, porters, canteen staff, security and cleaners etc.

Expenses: Included in this element is every fixed and variable expenses incurred in operating the factory, such as rent, rates, utilities, insurance, depreciation, maintenance, air conditioning and the various types of energy generation required by a clothing factory.

Indirect materials: Also known as consumables, this element contains all the materials not directly connected to the makeup of a garment. Some of the typical items involved are office materials, spare parts, marker paper, maintenance materials, chalk & pins.

Direct costs are those costs of a product/service directly attributable/traceable to its production. Examples of direct costs including the following:

Direct Materials: Direct materials are all the materials and trimmings which go into the construction and finish of the garment. Typically, these materials would include cloth, lining, fusible, zips pads, tapes, labels, tickets, hangers and packaging materials.

Direct Labour: This cover the cost of all the labor directly involved in producing the garment and could include cutting, fusing, regular sewing, special machine operations, pressing, finishing, inspection and packing. Labor of all types and grade has a direct overhead which include holiday pay, sick pay, fringe benefits etc and the statutory payments made by the employer for each employee. This is usually expressed as a percentage of salary and when this percentage is added to the employee's wage, it becomes the basis for calculating direct labor costs.

Q91. Which of the following is the first step in the development of negotiation strategies?

- * Determining your BATNA
- * Developing scenarios around possible options
- * Recognising TOP's needs and wants
- * Defining overarching objectives

Developing specific negotiation strategies in areas where risk or spend is high involves analysing a wide range of objectives and variables within the context of the organisation's business requirements. The first stage in any negotiation preparation is to define your overall objectives which may be related to a single variable such as price in the case of a standardised requirement, or many variables in the case of capital equipment. Your negotiating strategies and tactics will all be focused on achieving overall objectives.

Q92. Which of the following is the definition of safety margin?

- * The difference between current or forecasted sales and sales at the break-even point
- * The amount of revenue that remains after subtracting costs directly associated with production
- * The production level at which total revenues for a product equal total expenses
- * The incremental money generated for each product/unit sold after deducting the variable costs

As a financial metric, the margin of safety (safety margin) is equal to the difference between current or forecasted sales and sales at the break-even point. The margin of safety is sometimes reported as a ratio, in which the aforementioned formula is divided by current or forecasted sales to yield a percentage value. The figure is used in both break-even analysis and forecasting to inform a firm's management of the existing cushion in actual sales or budgeted sales before the firm would incur a loss.

This is a question that a student met in her actual exam. The margin of safety is not even mentioned in the CIPS study guide.

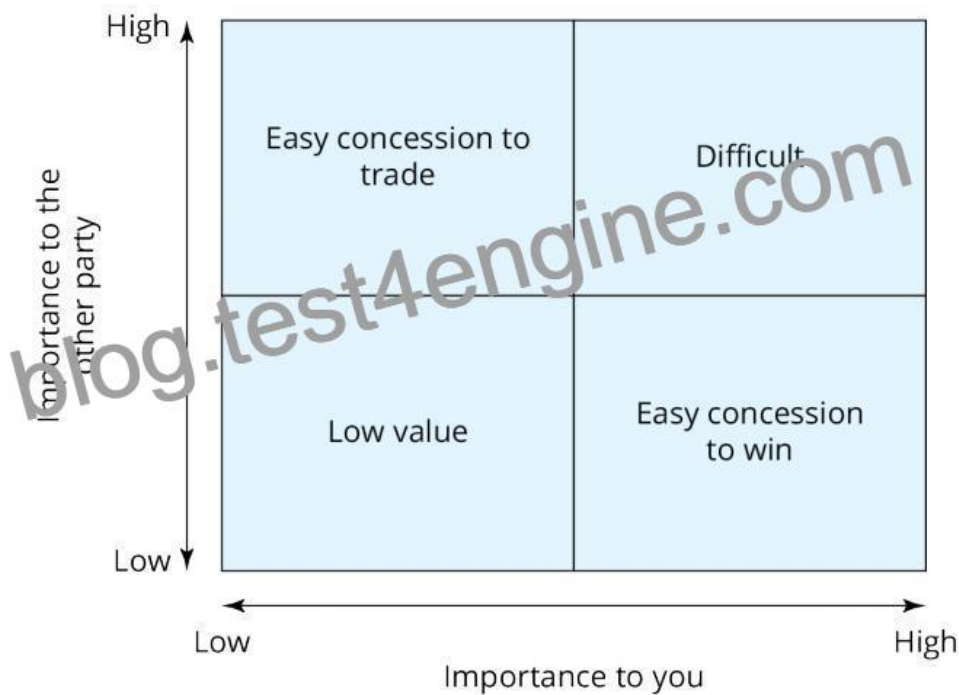
Q93. Sally is negotiating with an overseas supplier on the price and payment period. Her company and the supplying organisation are equal in bargaining power. The supplier says that they are investing in new facilities and machinery so the payment period should not be longer than 30 days. Sally knows that her company often pays the suppliers after 45 days from the delivery, but at the moment the company has positive cash flow and it is able to pay immediately. Which of the following should be Sally's concession plan?

- * Contend on the normal payment period
- * Shorten payment period but ask for a discount
- * Agree with supplier's payment period without any further demand
- * Demand for a discount without any other concessions

Explanation

In the scenario, the length of payment period is particularly important to the supplier as they are investing new facilities. Otherwise, the buyer's company has a positive cash flow position and budget is available for a shorter payment term. So this tradeable (payment period) is important to supplier but it is not a significant problem with the buyer. This tradeable will fall within 'Easy concession to trade' quadrant in the following matrix:

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If the tradeable fall within this quadrant, Sally should shorten the payment period in supplier's favour and try to win as many concessions as possible in return. Asking for a discount may be a reasonable trade-off.

LO 2,AC 2.3

Q94. What is the most likely outcome when two organisations with adversarial relationship negotiate with each other?

- * Deadlocked
- * Lose lose
- * Win lose
- * Win win

An adversarial relationship in purchasing and supply arises when identical or equivalent good or services are available from competing suppliers and buyers/sellers are trying to gain an advantage over each other. Low levels of trust are characteristic of adversarial relationships. The outcome when two organisations with adversarial negotiate is most likely to be win-lose.

Q95. At which stage in a negotiation would questions be asked to obtain missing information?

- * The bargaining stage
- * The proposing stage
- * The opening stage
- * The testing stage

There are 5 key phases of negotiation:

The opening phase: confirm understanding and get the issue on the table
The testing phase: check assumption and confirm understanding
The proposing phase: asking 'if';
The bargaining phase: using tradeables
The agreement and closing phase
The testing could take the form of questions following a presentation by either side or questions on a tender or proposal

document received by the buyer from the potential supplier. The testing phase is necessary to confirm that your approach and objectives are appropriate for the negotiation situation you now find yourself in.

Careful listening, observation and interpretation of TOP's responses may give indication of the following:

Areas where TOP is willing and unwilling to make concessions

What factors or issues TOP places a high value on

If there are any non-commercial or emotional factors that may be pertinent TOP's underlying interests; why they are taking the position they are.

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