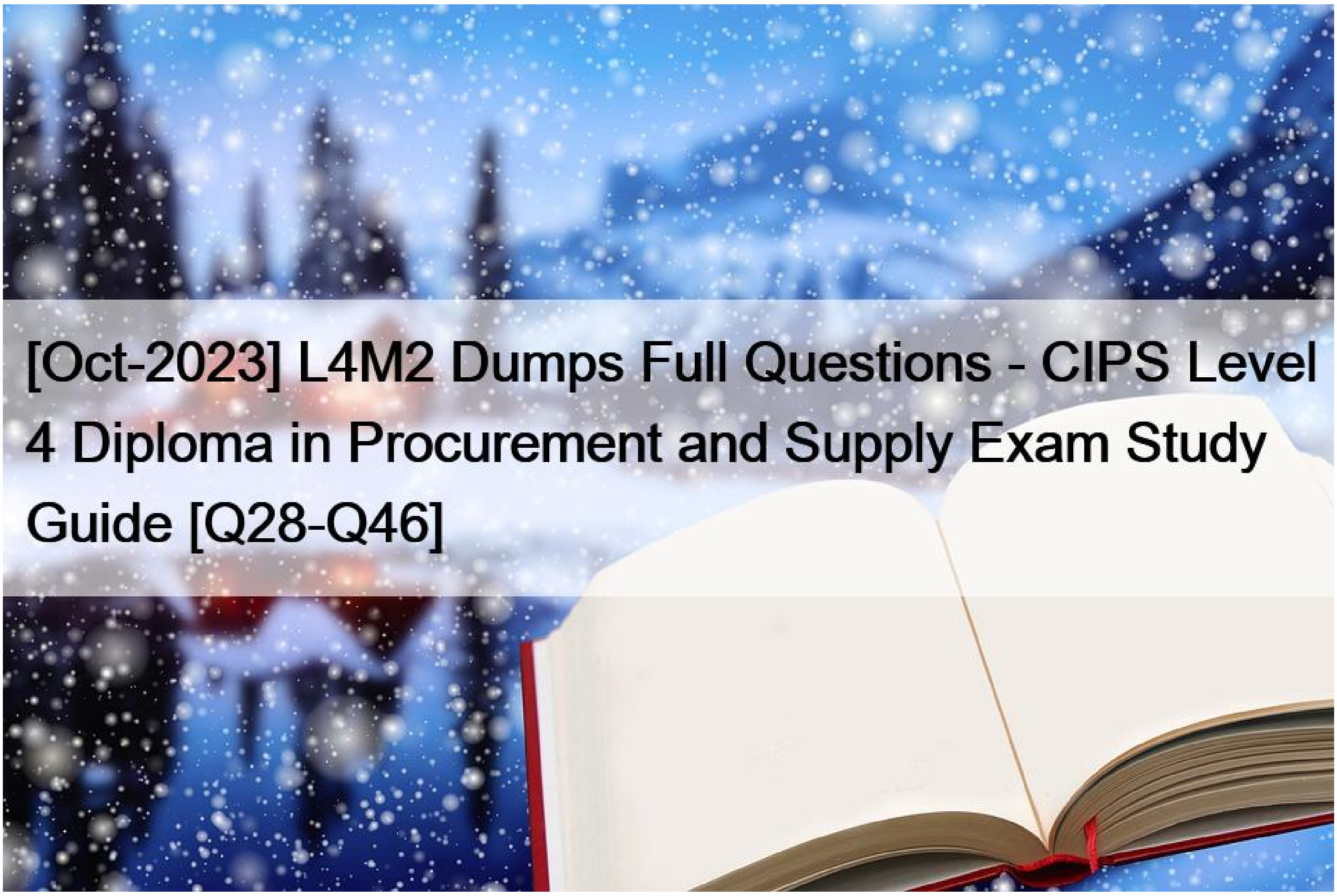
[Oct-2023 L4M2 Dumps Full Questions - CIPS Level 4 Diploma in Procurement and Supply Exam Study Guide [Q28-Q46



[Oct-2023] L4M2 Dumps Full Questions - CIPS Level 4 Diploma in Procurement and Supply Exam Study Guide
Exam Questions and Answers for L4M2 Study Guide

CIPS Level 4M2 Defining Business Needs module is an essential part of the CIPS Level 4 Diploma in Procurement and Supply. This module equips learners with the skills and knowledge needed to identify and analyze organizational needs, and to develop effective procurement strategies that meet those needs. By taking this module, learners will be able to demonstrate their expertise in procurement and supply chain management, and enhance their career prospects in this field.

To prepare for the CIPS L4M2 exam, candidates are advised to review the official exam syllabus, which outlines the key topics and concepts that will be covered in the test. They can also take advantage of various study materials, such as textbooks, online courses, and practice exams, to help them prepare for the exam.

NO.28 Which of the following bodies provides standards for the products and services in the US?
* ISO

* ANSI
* AFNOR
* BSI

ANSI is the American National Standards Institute. It is responsible for providing technical stand-ards in the US LO 3, AC 3.1

NO.29 A buyer in Housing Authority is considering using performance specification in upcoming social housing project. What should buyer be aware when using this type of specification?
* In performance specification, specific brands and preferred suppliers must be appointed to avoid the competition
* Using performance specification means that the buyer will bear all the risks regarding the fitness for purpose of the facility.
* The buyer must be able to clearly define the performance metrics to ensure that the of-fered solution will achieve the desired outcome
* The buyer must be able to define the materials to be used, the execution and installation methods required and the specific design of the building

In construction, specifications are written documents that describe the materials and workmanship required for a development. They do not include cost, quantity or drawn information but 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 design by a contractor or sup-plier, to prescriptive (closed) specifications where the design is already complete when the project is tendered.

Prescriptive specifications give the client more certainty about the end product when they make their final investment decision (i.e. when they appoint the contractor), whereas a performance specification gives the contractor and suppliers more scope to innovate and adopt cost effective methods of work, potentially offering better value for money.

Typically, performance specifications are written on projects that are straight-forward, standard building types, whereas prescriptive specifications are written for more complex buildings, or buildings where the client has requirements that might not be familiar to contractors and where certainty regarding the exact nature of the completed development is more important to the client.

Performance specification has some disadvantages:

– Well-defined performance metrics are needed to ensure that the specified performance will achieve the desired outcome

– Require reliable, practical, economical tests of performance

– Evaluations are subjective and require additional time and effort to complete Therefore, if a performance specification is used, the buying organisation will have to ensure that they are able to define and conduct tests on whether supplier’s solution can deliver the desired out-come.

Reference:

– CIPS study guide page 118-121

– Performance specification – Designing Buildings Wiki

– Partnership for Public Procurement (cips.org)

LO 3, AC 3.1

NO.30 Which of the following are typical social considerations throughout the contract life cycle? Select the TWO that apply.

* Using recycled materials
* Minimizing use of non-renewable resources
* Support small local businesses
* Managing waste
* Health and safety

The following are typical social criteria in procurement:

* Reducing unemployment

* Preventing the use of child labour

* Preventing discrimination on the grounds of race, religion, disability, sex or sexual orientation

* Encouraging good employment practice

* Reducing local unemployment

* Reducing social exclusion

* Promoting training opportunities for the young or disadvantaged

* Encouraging access to work for people with disabilities

Reference:

LO 3, AC 3.2

NO.31 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?

* Value analysis
* Cash flow analysis
* Product standardisation
* Value engineering

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:

LO 3, AC 3.4

NO.32 Which of the following is the process for improving the value of a new product or service?

* Value engineering
* Porter’s Five Forces
* Planning and design
* Value analysis

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 under-standable 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.

Reference:

LO 3, AC 3.4

NO.33 Which of the following is an advantage of competitive benchmarking over other types of bench-marking?
* Limited access to competitor’s data
* Similarity among processes
* Different corporate culture
* Cost effectiveness
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:

LO 1, AC 1.3

NO.34 What does the acronym RAQSCI stand for?
* Relationship, Ability, Quality, Service, Cost, Innovation
* Regulatory, Availability, Quality, Service, Cost, Innovation
* Regulatory, Availability, Quantity, Sustainability, Inventory
* Regulatory, Ability, Quality, Service, Cost, Inventory
* Relationship, Availability, Quantity, Sustainability, Cost, Innovation

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

LO 1, AC 1.1

NO.35 What is the output of regression analysis?
* Forecasting process
* Dependent variables
* Line of best fit
* Independent variables

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 com-plete 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

NO.36 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…?
* Straight rebuy
* Capital purchase
* Modified rebuy

* New purchase

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 as-pect 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

NO.37 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?

* Legal issues regarding intellectual property
* Unfair competition
* Difference of corporate cultures across companies
* Benchmarking can only be undertaken within an industry

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

NO.38 Why should procurement professionals develop business case before seeking approval to purchase capital equipment?
* Using business case will prevent new entrants from entering the supply market
* A business case can be used as a replacement of purchase order
* Business case is a tool that eliminates all risks associated with the project
* Devising business case may prompt the procurement to consider different options
A business case is developed during the early stages of a project and outlines the why, what, how, and who necessary to decide if it is worthwhile continuing a project. One of the first things you need to know when starting a new project are the benefits of the proposed business change and how to communicate those benefits to the business.

Preparing the business case involves an assessment of:

– Business problem or opportunity

– Benefits

– Risk

– Costs including investment appraisal

– Technical solutions

– Timescale

– Impact on operations

– Organizational capability to deliver the project outcomes

These project issues are an important part of the business case. They express the problems with the current situation and demonstrate the benefits of the new business vision. Making business case with multiple options and choices also prompts the procurement and senior management to consider alternatives. As a result, the organisation may opt out the best option.

The business case brings together the benefits, disadvantages, costs, and risks of the current situa-tion and future vision so that executive management can decide if the project should go ahead.

Reference:

– CIPS study guide page 19-21

– How to Write a Business Case – Template & Examples | Adobe Workfront

LO 1, AC 1.1

NO.39 Which of the following are recognised competitive strategies?

1. Winning new business at all cost

2. Getting more customers’ attention

3. Creating stand-out products and brands

4. Focusing on niche market

5. Acquiring competitors
* 3 and 4 only
* 3 and 5 only
* 1 and 2 only
* 2 and 5 only

“A firm’s relative position within its industry determines whether a firm’s profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus.” (Reference: Porter, Michael E., “Competitive Advantage”. 1985, Ch. 1, pp 11-15. The Free Press. New York.) Creating stand-out products and brands is considered as Differentiation. An organisation that is not clear about which of these three strategies to use is described as ‘stuck in the middle’ LO 2, AC 2.1

NO.40 Buyers are more powerful than the supplier when they are purchasing from monopoly market. Is this statement true?
* False, the buyer will be unable to track and manage supplier’s performance
* False, buyer will lack negotiating power on cost if the supplier has a monopoly in the market
* True, suppliers in monopoly market produce homogenous products
* True, in monopoly market, buyer’s switching costs from the incumbent supplier to an-other are relatively low

A monopoly is a market with a single seller (called the monopolist) but with many buyers. In this market, the bargaining power of supplier is higher than of buyer since the supplier is the only seller.

Reference:

– CIPS study guide page 88-92

– Bargaining Power of Suppliers – Factors that Give Suppliers Power (corporatefinanceinsti-tute.com)

– Monopoly – Understanding How Monopolies Impact Markets (corporatefinanceinstitute.com) LO 2, AC 2.2

NO.41 Which of the following indicates types of waste that procurement department concentrates on when adopting Lean methods?
* DOWNTIME
* VA/VE
* OWN-IT
* SCAMPER

Copious amounts of waste can occur in the workplace, particularly in a manufacturing process, but do you know what the eight most commons wastes are and how they impact your organization?

Taiichi Ohno, considered the father of Toyota Production System, created a lean manufacturing framework, which was based on the idea of preserving (or increasing) value with less work. Any-thing that doesn’t increase value in the eye of the customer must be considered waste, or “Muda”, and every effort should be made to eliminate that waste. The following 8 lean manufacturing wastes, mostly derived from the TPS, have a universal application to businesses today. The acro-nym for the eight wastes is DOWNTIME. Downtime stands for:

– Defects

– Overproduction

– Waiting

– Not utilizing talent

– Transportation

– Inventory excess

– Motion waste

– Excess processing

OWN-IT is the acronym for the process of collecting and analysing the data and information needed in any field SCAMPER is acronym for options addressing the underlying issues and achieving target VA/VE is value analysis and value engineering LO 3, AC 3.4

NO.42 When a procurement manager considers a substitution, the number and nature of additional func-tions that substitute provides should be taken into account carefully. Which of the following ratio could help the procurement manager to make the right decision?
* Value to price ratio
* Price to Earnings ratio
* Reserve requirement ratio
* Price to book value ratio

One product substitutes for another if it offers buyers an inducement to switch that exceeds the cost or overcomes the resistance to doing so. A substitute offers an inducement to switch if the substitute provides the buyer with more value relative to its price than the product currently being used. There is always some cost of switching to a substitute because of the disruption and potential reconfiguration of buyer activities that must result, however. The threat of a substitute will vary depending on the size of the inducement relative to the required switching costs.

In addition to relative value to price and switching cost, the pattern of substitution is influenced by what I term the buyer’s propensity to switch. Faced with equivalent economic inducements for substitution, different buyers will often evaluate substitution differently. The threat of substitution, then, is a function of three factors:

* The relative value/ price of a substitute compared to an industry’s product

* The cost of switching to the substitute

* The buyer’s propensity to switch

Porter, Michael E.. Competitive Advantage: Creating and Sustaining Superior Performance (p. 278). Free Press. Kindle Edition.

The price-to-book ratio compares a company’s market value to its book value. The market value of a company is its share price multiplied by the number of outstanding shares. The book value is the net assets of a company.

The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

The reserve ratio is the portion of reservable liabilities that commercial banks must hold onto, rather than lend out or invest. This is a requirement determined by the country’s central bank, which in the United States is the Federal Reserve. It is also known as the cash reserve ratio.

LO 2, AC 2.2

NO.43 Which of the following are considered as direct costs in a construction company? Select TWO op-tions
* Raw materials
* An employee is hired to work on a project, either exclusively or for an assigned number of hours
* The materials and supplies needed for the company’s day-to-day operations.
* Advertising and marketing communication
* Clerical assistants who maintain the office

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:

LO 1, AC 1.2

NO.44 Which of the following factors are likely to be direct barriers to a new entrant in a supply market?
* Threat of forward integration
* Value to price
* Brand identity
* Availability of substitutes
* Cost advantages

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 ad-vantage 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 bene-fits 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 dis-tribution 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. Exist-ing 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:

LO 2, AC 2.2

NO.45 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?
* Enhance supply continuity
* Simplify procurement process
* Build partnership with suppliers
* Drive down cost based on market competition

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

NO.46 Synergy Ltd is a fast-growing tool and hardware retailer. The company’s customer services team has been using Excel worksheets to manage customer relationships. When the company is expend-ing its market presence, this way of working leads to poorer customer services as the database is scattered around in spreadsheet, leading to patchy and inconsistent conversations with customers. The company decides to purchase a CRM system. What requirement should Synergy’s procurement team take into account in the specification for CRM system?

* Total number of the supplier’s employees
* The ability to import bulk data from Excel spreadsheets
* The relative size of the potential suppliers to Synergy
* The form and reference number of the purchase order

The purpose of this Question:

to actionable requirements before communicating with the suppliers. The scenario suggests that Synergy Ltd’s customer services team is using Excel spreadsheets, they lack a centralised customer database. This leads to problems in communications with customers.

A CRM system can solve the communication problem. But a Question: 100

will the previous data be imported? If the CRM system can support bulk import from Excel tables, it will save a lot of time.

Reference:

LO 1, AC 1.1

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