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# Question 1

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**Question Type:** MultipleChoice

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There are three main areas where third party suppliers are used in risk management. What are they?

## Options:

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- A- contract negotiations
- B- supply chain management
- C- credit ratings
- D- risk auditing
- E- disaster recovery

## Answer:

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C, D, E

## Explanation:

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3 4 and 5 are the correct answers. This is from p. 79 of the textbook - each of these three areas is then covered in detail throughout chapter 2.2.

## Question 2

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**Question Type:** MultipleChoice

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What would happen if a company enacts its Contingency Agreement following a natural disaster?

### Options:

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- A- they will receive a financial pay-out
- B- they will receive operational help from a third party
- C- they will be able to claim on insurance
- D- they will be able to breach any contracts that it has

### Answer:

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B

### Explanation:

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They will receive operational help from a third party is the correct answer. Unlike insurance, a contingency plan provides operational help, not just financial. This could be in providing an emergency workspace, helping to get IT systems back up and running or providing emergency air freight. This is explained on p.91-92 of the study guide

## Question 3

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### Question Type: MultipleChoice

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Robot Ltd manufactures high end robots. A lot of value is tied up in the stock that it holds within its warehouse as each robot is worth several thousand pounds. The company has decided to enlist the services of a third party provider for disaster recovery, to help them shape a plan for if something were to happen to the stock, such as a flood. Is this the correct thing for Robot Ltd to do?

### Options:

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- A- yes- a 3rd party can provide broader experience and expertise
- B- yes- a third party is a cheap option for disaster recovery planning
- C- no- Robot Ltd should create a cross-functional team to draw up the plan as internal stakeholders will understand the risks better than a 3rd party
- D- no - a 3rd party can only help in the solution stage of disaster recovery, not the planning stage

**Answer:**

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A

**Explanation:**

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The correct answer is 1 - the 3rd party can provide broader experience and expertise. They can advise on best practice and will know how to advise Robot Ltd as they will have experience across a wide range of companies. This is explained on p.91 of the study guide

## Question 4

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**Question Type: MultipleChoice**

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Zara is a procurement manager who is thinking about working with a new supplier to source buttons for her clothes manufacturing business. Her manager has asked her to do some due diligence on the supplier's financial stability. What should she do?

**Options:**

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**A-** use an outsourced third-party credit rating agency

- B-** use an outsources third-party risk management consultant
- C-** conduct a credit check on the supplier based on the information provided by them in the tender
- D-** conduct a risk assessment based on the information provided by the supplier in the tender

**Answer:**

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A

**Explanation:**

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She should use a credit rating agency for this. She should not do this herself as she won't have access to accurate information like an agency will. The supplier may not have been truthful in their tender. For information on Credit Rating Agencies see p.79

## Question 5

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**Question Type:** MultipleChoice

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Which of the following FIDIC Contracts would be suitable for a contract for offshore wind projects?

### Options:

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- A- Construction Contract
- B- Measured Term Contract
- C- Minor Works Contract
- D- Yellow Book Contract

### Answer:

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D

### Explanation:

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This is the Yellow Book. This is briefly mentioned on p.74 and can often be missed by students. There is a question in the exam about which type of FIDIC contract can be used for construction projects and this is NOT explained in the study guide - so here is a link to FIDIC so you can revise this before the exam: [https://fidic.org/sites/default/files/FIDIC\\_Suite\\_of\\_Contracts\\_0.pdf](https://fidic.org/sites/default/files/FIDIC_Suite_of_Contracts_0.pdf)

## Question 6

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**Question Type:** MultipleChoice

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Khalid is a procurement manager who works at a manufacturing organisation based in the UK. The organisation creates building fabric materials by converting raw materials such as steel into useable items in the construction industry. Khalid sources most of his steel internationally due to competitive prices. On one occasion with his usual supplier, the ship that is carrying the materials sinks due to an unexpected storm. Which clause would be activated within the contract?

### Options:

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- A- force majeure
- B- liability clause
- C- transportation clause
- D- breach of contract

### Answer:

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A

### Explanation:

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this is an example of force majeure. Force majeure is a popular exam topic and comes up in chapter 2.1 p. 66. A force majeure is when an event, such as a storm, happens which affects the delivery of the contract, but over which neither party has any control.



## Question 7

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**Question Type:** MultipleChoice

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Jan is a chef who has created a new type of curry. She is worried that another chef may steal her curry recipe so is wanting to protect this. Which type of IP protection should Jan take out?

**Options:**

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- A- copywrite
- B- patent
- C- trademark
- D- trade secret

**Answer:**

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D

**Explanation:**

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Trade secrets are used for recipes- they're suitable for confidential information that gives an organisation a competitive edge. For a detailed of the four types of IP cover see p. 64 of the study guide

## Question 8

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**Question Type:** MultipleChoice

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What is the purpose of an indemnity clause within a contract?

### Options:

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- A- to assign risk to each party
- B- to ensure both parties are adequately insured if something were to go wrong
- C- to transfer risk from one party to another
- D- to explain what would happen in the case of a force majeure

### Answer:

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C

### Explanation:

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Indemnity clauses transfer risk from one party to another. It is an arrangement whereby one party promises to compensate the other party for a trigger event. An example of an indemnity clause could be a construction firm is building a new bridge and the project is supposed to be completed by 1st June. An indemnity clause may state that should the bridge not be ready by this date, the construction firm will compensate the buyer by X amount. See p.61 for more information on indemnity.

## Question 9

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**Question Type: MultipleChoice**

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Kieran works in the manufacturing industry and his company have just implemented LEAN production processes. Will this increase or decrease the risks in relation to security of supply?

### Options:

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- A-** increase security of supply risks as this is a tried and tested risk reducing process
- B-** increase security of supply risks as there is less buffer stock held on site
- C-** decrease security of supply risks as there will be increased efficiencies
- D-** decrease security of supply risks as there is less buffer stock

**Answer:**

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B

**Explanation:**

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2 'increase security of supply risks as there is less buffer stock held on site' is the correct answer. With Lean manufacturing there is little or no buffer stock held. This means that if a supplier doesn't deliver on time, the whole manufacturing process will have to come to a stop until new supplies arrive. A risk of Lean Manufacturing is that you become too reliant on suppliers, and if there is a scarcity of resources or an issue with the supply chain, you are more exposed. See p.26-27 for more information on Security of Supply Risks.

## Question 10

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**Question Type: MultipleChoice**

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Which of the following are factors which can lead to a supplier becoming insolvent? Select THREE

**Options:**

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**A-** fraudulent activity

- B-** attrition of key employees
- C-** uncontrolled expenditure
- D-** increased market share
- E-** a high financial ratio

**Answer:**

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A, B, C

**Explanation:**

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1 2 and 3 are factors which can lead to a supplier becoming insolvent. 4- increased market share is a good thing, as it indicates the supplier is doing better than their rivals. A high financial ratio is also a good thing as it shows they have more assets than debt - so this is not a sign of insolvency. See p.24 for 'Supplier Risks'

## Question 11

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**Question Type:** MultipleChoice

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According to Kid Sadgrove, fraud can take place when four pre-conditions exist. Which of the following is not one of those pre-conditions?

**Options:**

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A- motive

B- access

C- opportunity

D- attractive assets

**Answer:**

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B

**Explanation:**

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access is not a pre-condition. The other three are. The fourth pre-condition not mentioned is lack of controls. This is from p.20 of the study guide

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