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**Shared by Kane on 06-06-2022**

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# Question 1

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**Question Type:** MultipleChoice

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Which of the following are macroeconomic factors that may have influence to the commercial negotiation? Select TWO that apply

## Options:

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- A- Equilibrium price
- B- Supply curve
- C- Unemployment rate
- D- Bargaining power of supplier
- E- Rising import tariffs

## Answer:

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C, E

## Explanation:

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There are many macro economic factors that could influence procurement in general and commercial negotiation in particular. Below are six factors that are agreed to be fairly significant:

- \* Economy growth rate
- \* Inflation rates
- \* Interest rates
- \* Currency exchange rate
- \* Unemployment rate
- \* Protectionism

LO 2, AC 2.2

## Question 2

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**Question Type:** MultipleChoice

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Katie is preparing a negotiation with a strategic supplier. Through deep market analysis, she realises that her company and the supplier have equal bargaining power. Via regular communication, Katie knows that both parties are arguing on amount of liquidated damages and neither party shall concede all of their requirements but some are negotiable. Katie and her counterpart from supplying company still

desire a long-term relationship and hope that the meeting between them will be a solution for current situation. Which of the following is the most appropriate approach that Katie should adopt to achieve the above outcome?

**Options:**

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- A- Avoiding approach
- B- Competing approach
- C- Compromising approach
- D- Accommodating approach

**Answer:**

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C

**Explanation:**

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Competing is assertive and uncooperative, a power-oriented mode. When competing, an individual pursues his or her own concerns at the other person's expense, using whatever power seems appropriate to win his or her position. Competing might mean standing up for your rights, defending a position you believe is correct, or simply trying to win. Competing will not allow long-term relationship to flourish.

Compromising is intermediate in both assertiveness and cooperativeness. When compromising, the objective is to find an expedient, mutually acceptable solution that partially satisfies both parties. Compromising falls on a middle ground between competing and accommodating, giving up more than competing but less than accommodating. Likewise, it addresses an issue more directly than

avoiding but doesn't explore it in as much depth as collaborating. Compromising might mean splitting the difference, exchanging concessions, or seeking a quick middle-ground position. It is a valid approach when long-term relationships are at stake and it is important to find some common ground on which to base an agreement. Both sides get something but not everything. Therefore, this is the most appropriate for this scenario.

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. In the scenario, both parties want to take the opportunity, then avoiding is not an appropriate solution.

Accommodating is unassertive and cooperative---the opposite of competing. When accommodating, an individual neglects his or her own concerns to satisfy the concerns of the other person; there is an element of self-sacrifice in this mode. Accommodating might take the form of selfless generosity or charity, obeying another person's order when you would prefer not to, or yielding to another's point of view. In the scenario, neither party shall concede all of their requirements, it is unnecessary to adopt this approach.

LO 1, AC 1.1

## Question 3

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**Question Type:** MultipleChoice

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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

**Options:**

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

**Answer:**

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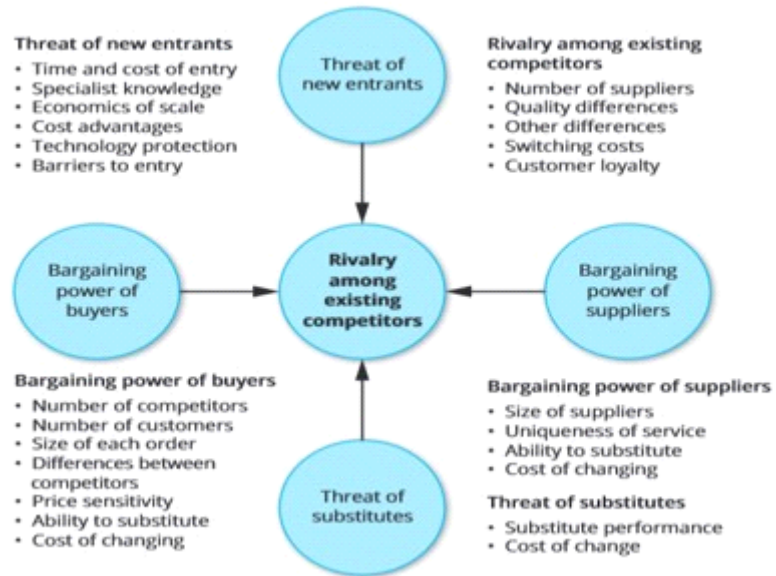
D, E

**Explanation:**

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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:



- 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

## Question 4

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**Question Type:** MultipleChoice

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Which of the following is a true statement regarding macroeconomic factors and their potential impact on negotiations?

### Options:

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- A-** Macroeconomic factors always directly influence the negotiations
- B-** Expectations on macroeconomic prospect are always correct
- C-** Changes in macroeconomic factors may affect businesses and individuals differently



**D-** Macroeconomic factors cannot be influenced by anyone's expectation or sentiment

**Answer:**

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C

**Explanation:**

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'Macroeconomic factors always directly influence the negotiations': This statement is false. For any given negotiation it is not the macroeconomic factor itself that necessarily influences the negotiation but the change or rate of change that factor.

'Changes in macroeconomic factors may affect businesses and individuals differently': This statement is true. Macroeconomic factors are factors that have general effects on the economy and many businesses may be completely unaffected or affected more or less than others in the same industry by a change in a factor.

'Macroeconomic factors cannot be influenced by anyone's expectation or sentiment': This statement is false. When it comes to macroeconomic factors another key consideration is expectation regarding what might happen to these factors, or specifically the measures, metrics or percentage rates associated with these factors in the future.

'Expectations on macroeconomic prospect are always correct': This statement is false. Expectations are not always correct.

LO 2, AC 2.2

## Question 5

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Question Type: MultipleChoice

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Personal power is only used in distributive approach. Is this statement true?

### Options:

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- A- Yes, because only distributive approach to negotiation requires strong personal power
- B- No, because personal power can be very helpful in integrative approach
- C- No, because only organisational power will optimise the negotiation outcomes
- D- Yes, because one party will abuse coercive power to maximise the gain

### Answer:

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B

### Explanation:

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Power, or more precisely perceptions of power, are critically important in understanding the commercial negotiation process. From a commercial negotiation point of view (under any circumstances, either integrative or distributive approach), CIPS is interested in power from both a personal and organisational perspective. When you are negotiating on behalf of your employer, you bring the power of your

organisation (its brand, reputation and purchasing spend) as well your own personal power (6 sources of personal power, based on French and Raven's power base model) to the negotiation.

In both integrative and distributive approaches, personal power plays an important role. It helps both parties push through negotiating barriers and secure commitment and final agreement

LO 1, AC 1.3

## Question 6

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**Question Type:** MultipleChoice

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Which of the following is considered a weakness of a 'dealer' style negotiator?

### Options:

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**A-** May shift position quickly

**B-** May be too assertive

**C-** Focuses on the facts and not the people

D- Very precise

**Answer:**

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A

**Explanation:**

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A useful and simple shorthand for preferred negotiation styles is summarised by four simple descriptors: 'warm', 'tough', 'logical' and 'dealer', which can be applied to describe individuals' dominant preferred style in most circumstances.

Warm - a people person

Tough - a hard-nosed negotiator

Logic - a numbers person

Dealer - a trader who loves bargaining

Strengths, weaknesses of dealer style are described below:

Strengths	Weaknesses	How to deal with them
Builds relationships	Tends to neglect detail	Try to understand their underlying interests
Effective communicator	May shift position quickly	Summarise and test their understanding frequently
Listens to the other party	May be superficial in personal relationships	Trade concessions
Interrelates issues easily and makes quick decisions	Agreements made can be difficult to implement	Do not move too easily
Creative/sees opportunities	Tends to neglect long-term goals	Separate facts from assumptions

LO 2, AC 2.4

## Question 7

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**Question Type:** MultipleChoice

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

### Options:

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- A- Monopsony
- B- Monopoly
- C- Monopolistic competition
- D- Perfect competition

### Answer:

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B

### Explanation:

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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

LO 2, AC 2.2

## Question 8

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**Question Type:** MultipleChoice

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

**Options:**

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- A- Positional-based
- B- Claiming value
- C- Interest-based
- D- Short-term wins
- E- Creating more value

**Answer:**

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C, E

**Explanation:**

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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.



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 weakness	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

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