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Question 1

Question Type: MultipleChoice

Jenny is a procurement manager who works in the public sector. She has been charged with organising a tender to source new Xray machines for a hospital and to ensure that they receive 'value for money'. Which of the following should Jenny consider when drafting her ITT?

Options:

- A- Price only
- B- Equity
- C- Whole life costs
- D- Availability

Answer:

C

Explanation:

Jenny should consider whole life costing. Ensuring value for money means considering a combination of price and quality throughout the lifetime of the product. See p.65 for more on 'Achieving Value for Money'

Question 2

Question Type: MultipleChoice

Which of the following macro-environmental factors can affect supply chains?

Options:

- A- social, economic and cost
- B- environmental, ethical and cost
- C- political, economic and social
- D- environmental, ergonomic and social

Answer:

C

Explanation:

STEEPLE is what is used to analyse the macro-environment; the factors are; social, technological, economic, environmental, political, legislative and ethical. Details of this can be found on p.43-44. Note in the exam they won't necessarily be given in this order.

Question 3

Question Type: MultipleChoice

Brian Air is a company that is trying to break into the air transport market. Which of the following could be barriers to entry for Brian Air?
Select THREE

Options:

- A-** economies of scale
- B-** access to capital
- C-** licences and permits
- D-** health and safety

E- ethical sourcing

Answer:

A, B, C

Explanation:

Barriers to entry are economies of scale (in the air travel industry you can't just start off small and grow), access to capital (you need to already have a lot of money to buy airplanes) and licences and permits (you need to ensure you have the correct licences to fly planes). These are listed on p.41. Other barriers include; strong brand identity already dominant in the market, high switching costs for buyers, access to distribution networks and government policy.

Question 4

Question Type: MultipleChoice

Which of the following statements are true of a market place which is considered a 'perfect competition'? Select TWO.

Options:

- A- there are no barriers to entry
- B- suppliers are selling differentiated products
- C- competition is at its highest level possible
- D- competition is not strong

Answer:

A, C

Explanation:

In a 'perfect competition' there are no barriers to entry or exit, and competition is at its highest possible level. For more information on different types of market see p.40

Question 5

Question Type: MultipleChoice

In the 1990s a company spent a lot of time and money developing a device that you could carry around that could play CDs. The product spent a long time in development but when it was released the sales figures were very disappointing. This was in part due to the fact another product was released at a similar time which had much more developed technology and could play music without the

cumbersome size of a portable CD player. Which of the following did the company not consider when developing the product?

Options:

- A- threat of substitution
- B- threat of new entrant
- C- rivalry among existing competitors
- D- power of buyers

Answer:

A

Explanation:

The portable CD player has been replaced with a substitute product. This threat wasn't considered by the company and this resulted in poor sales. There are many questions in the exam on Porter's 5 Forces - see p. 39

Question 6

Question Type: MultipleChoice

You work at XYZ manufacturers and a competitor has just released a rival washing machine to the product that you make. This model is proving popular with customers. What competitive force is at play?

Options:

- A- threat of substitution
- B- threat of new entrant
- C- supplier power
- D- buyer power

Answer:

B

Explanation:

This is a threat of a new entrant. The competitor has now entered the washing machine market and is competing directly with you. This is not a threat of substitution as it is the same product. A substitution would be if they invented a new product that washed clothes and people started buying this instead of washing machines. There are many questions in the exam on Porter's 5 Forces - see p. 39

Question 7

Question Type: MultipleChoice

Which of the following are primary activities, according to Porter's Value Chain? Select THREE.

Options:

- A- Procurement
- B- Operations
- C- Marketing and Sales
- D- Human Resources
- E- Inbound Logistics

Answer:

B, C, E

Explanation:

This Question: refers to

Porter's Value Chain (p.35). There's a couple of questions on this in the exam so try to learn it. Primary activities are; inbound logistics, operations, outbound logistics, marketing and sales, after sales- service

Question 8

Question Type: MultipleChoice

Which of the following are elements of a business that can develop a company's competitive advantage? Select THREE.

Options:

- A- cost focus
- B- cost leadership
- C- human resource management
- D- organisation culture
- E- natural resources

Answer:

C, D, E

Explanation:

This is one of those questions you have to read carefully- it asks for 'elements of a business'. Cost focus and cost leadership are ways a company can improve their competitive advantage, but they're not elements of a business. The other three options are. Porter created a list of elements of a business that can help a company's competitive advantage- these can be found on p.33-34

Question 9

Question Type: MultipleChoice

A supermarket is struggling with sales and has done an analysis on its competitors. It has discovered that it has two major competitors; one provides groceries at a much cheaper price and another that provides only organic products. The supermarket has decided that it wants to continue providing groceries to a wide target audience but that it will compete by offering superior customer service. What is the supermarket's source of competitive advantage?

Options:

A- cost leadership

B- differentiation

C- cost focus

D- differentiation focus

Answer:

B

Explanation:

This is differentiation as the target market is broad. Differentiation focus would be if the supermarket was targeting a niche market. There's a couple of questions on Porter's Generic Strategies in the exam- there's a useful diagram of this on P.13

Question 10

Question Type: MultipleChoice

Barry is a procurement manager at Sea Biscuits, a company which manufactures biscuits in the shape of dolphins and starfish. He works in an office that orders stationary regularly for its 100 person workforce. Stationary is a low-spend category item and Barry often orders stationary from different suppliers based on which supplier can provide the item the cheapest at that point in time. According to the Kraljic matrix, what type of suppliers provides stationary to Barry?

Options:

A- leverage

B- strategic

C- routine

D- Bottleneck

Answer:

C

Explanation:

Stationary is a routine item; it is ordered often (as Barry uses different suppliers), it is a low category spend, and low risk to the business' operations (a late delivery of pens isn't going to stop the company making its biscuits). There are lots of questions on Kraljic in the exam - do revise this topic and ensure you understand each of the four quadrants of the matrix (see p.20)

Question 11

Question Type: MultipleChoice

A manufacturing company which produces showers struggles to get hold of a certain part called a mixer valve. It is impossible to make the showers without the mixer-valve and there is only one supplier in the market that produces them. The good news is they aren't very expensive to buy. What type of supplier is the supplier of mixer valves?

Options:

A- leverage

B- strategic

C- routine

D- bottleneck

Answer:

D

Explanation:

This is a bottleneck supplier- refer to the Kraljic matrix on p.20; these types of supplier hold a monopoly in the marketplace and provide low-value items. There are lots of questions on Kraljic in the exam - do revise this topic and ensure you understand each of the four quadrants of the matrix

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