



**Free Questions for L4M5 by dumpshq**

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# Question 1

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## Question Type: MultipleChoice

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XYZ Ltd is importing goods from overseas. They prefer to pay their supplier in their own currency. Which of the following is a true statement?

### Options:

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- A- Supplier will receive less if XYZ's currency appreciates
- B- XYZ has an advantage in negotiating discounts if their currency appreciates
- C- XYZ is able to pay less if their currency depreciates
- D- XYZ has to pay more if their currency depreciates

### Answer:

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B

### Explanation:

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The effect of a change of relative exchange rates will be determined by which currency you pay your supplier in.

Currency you pay supplier	Change	Likely impact
Yours	Your currency appreciates	Supplier gets more: when converted to their currency they make more profit – buyer is in a strong position to negotiate discounts.
Yours	Your currency depreciates	Supplier gets less: when converted to their currency they make less profit – buyer is in a weak position to negotiate discounts.
Theirs	Your currency appreciates	Supplier's product becomes cheaper for you to buy, as you pay in their currency which has weakened. You may underspend budget or choose to buy more.
Theirs	Your currency depreciates	Supplier's product becomes more expensive for you to buy, as you pay in their currency which has strengthened. You may overspend budget or need to buy less.

**Note: 'Theirs' can also refer to third-party trading currency if used, e.g., US\$.**

LO 2, AC 2.2

## Question 2

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Question Type: MultipleChoice

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Cost and price analysis is very important for buyers when they are preparing for a negotiation with supplier. Which of the following is a benefit of knowing supplier's fixed costs?

**Options:**

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- A-** The buyer would be able to know the right volume to reach break-even point
- B-** The buyer would be able to know the point at which the supplier would reject the offer
- C-** With the sole understanding of supplier's fixed cost, the buyer would be able to know the volume at which supplier maximises their profit in short-run
- D-** The buyer would be able to get a comprehensive picture of supplier's efficiency

**Answer:**

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A

**Explanation:**

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Knowing supplier's fixed and variable costs is beneficial for the buyer in a negotiation. With these insights, the buyer would know the volume at which the supplier reaches break-even points and then offers significant discount due to economies of scale.

LO 2, AC 2.1

## Question 3

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**Question Type:** MultipleChoice

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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

**Options:**

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- A-** 2 and 4 only
- B-** 3 and 4 only
- C-** 1 and 2 only
- D-** 1 and 3 only

**Answer:**

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B

## **Explanation:**

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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.

- CIPS study guide page 117-118

- What Are the Key Macroeconomic Indicators? | IG EN

LO 2, AC 2.2

## Question 4

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**Question Type:** MultipleChoice

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A senior buyer analyses the supply market and he realises that his organisation is treated as Exploit according to supplier's perspective model. What does he need to do?

**Options:**

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- A- Adopt opaque processes
- B- Increase the spend value
- C- Raise the transactional costs to do business
- D- Pay the suppliers on time

**Answer:**

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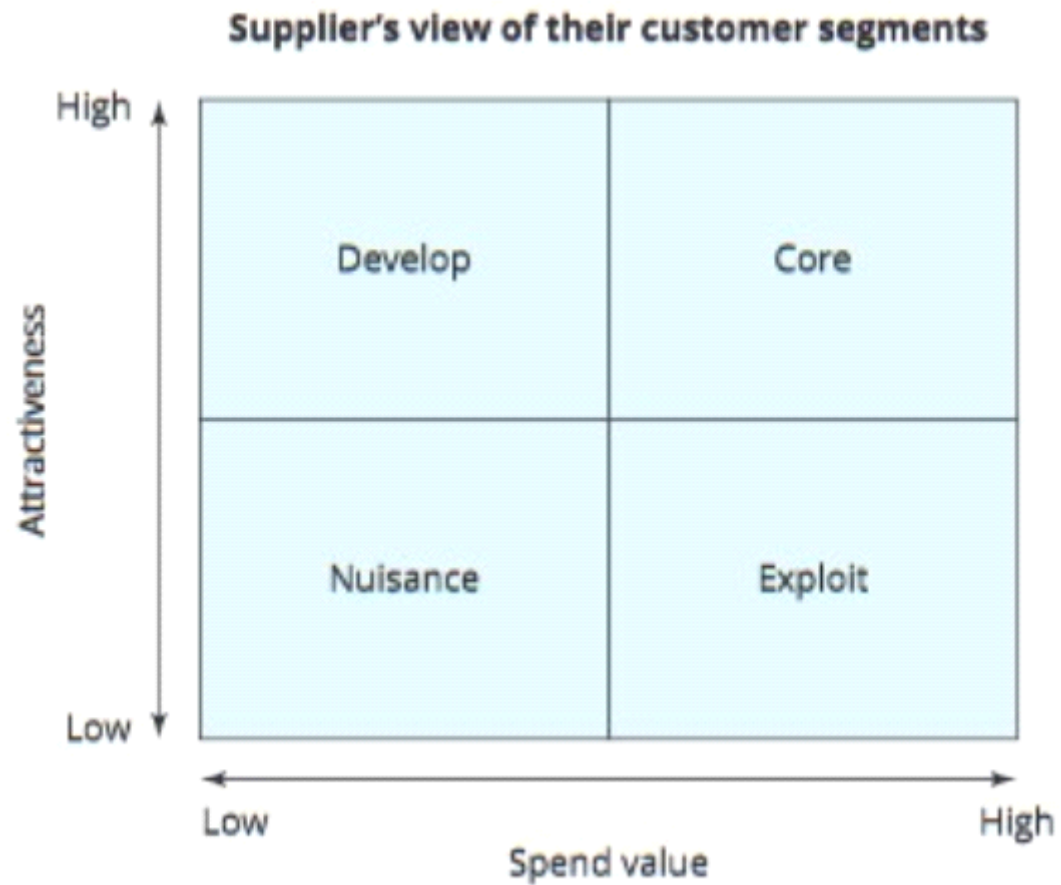
D



## Explanation:

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The supplier's perspective model has two axes: Spend value and Attractiveness:



Exploit is the quadrant where the buyer has high spend but low attractiveness. Overarching supplier objective would be: 'Milk this customer and charge a high price to compensate for all the pain they put us through'.

The buyer should increase its attractiveness to raise the position to Core customer. To do this, a buyer may:

- Simplify procurement processes
- Simplify contracting processes
- Use clear and concise documentation
- Eliminate onerous supplier terms and conditions
- Make the payment on time
- Use transparent processes
- Promote ethical behaviours

LO 1, AC 1.4

## Question 5

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**Question Type:** MultipleChoice

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After studying Thomas-Kilmann 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?

**Options:**

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

**Answer:**

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B

**Explanation:**

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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

## Question 6

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**Question Type:** MultipleChoice

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Sally is negotiating with an oversea 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?

### Options:

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

### Answer:

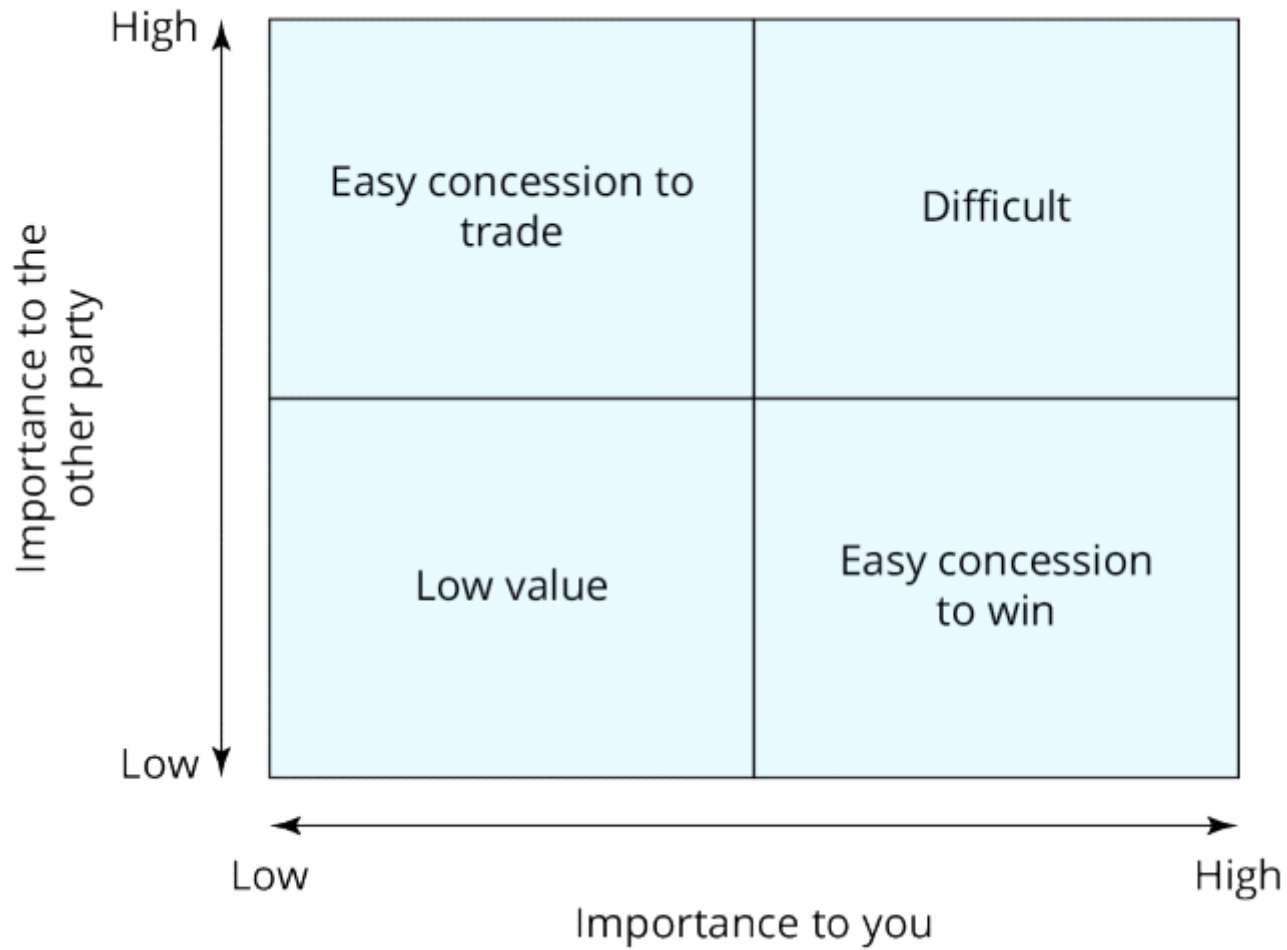
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B

**Explanation:**

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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 terms. 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:



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



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