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Question 1

Question Type: MultipleChoice

Which of the following technology is likely to be an innovation in financial sector?

Options:

A- E-commerce

B- Robotics

C- E-auction

D- Blockchain

Answer:

D

Explanation:

Traditional financial systems operate with a centralised database, usually with a single point of authority. Blockchain technology, on the other hand, allows for a distributed database that holds a growing number of records. Instead of existing in one place, the ledger is continually updated and synchronised across multiple computers in a network. Therefore, any participant in the network with the proper authorisation can view the entire ledger -- without relying on an intermediary or any one authority.

Another key feature of blockchain technology is a "smart contract," which is a self-executing protocol that enforces a previously agreed arrangement. For example, a smart contract could trigger an automatic refund under certain conditions or the automatic payment of an agreed commission after a sale. These smart contracts can eliminate delays in traditional Finance processes, while increasing transparency and reducing reliance on middlemen to follow through on their commitments. Moreover, like other parts of a blockchain, smart contracts are immutable, so they can enhance accuracy in the financial statements.

LO 2, AC 2.1

Question 2

Question Type: MultipleChoice

Which of the following are typical social considerations throughout the contract life cycle? Select the TWO that apply.

Options:

A- Using recycled materials

B- Minimizing use of non-renewable resources

C- Support small local businesses

D- Managing waste

E- Health and safety

Answer:

C, E

Explanation:

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

LO 3, AC 3.2

Question 3

Question Type: MultipleChoice

In Kano model, which of the following types of requirement should be excluded from the product or service?

Options:

A- Must-be requirements

B- Performance requirements

C- Attractive requirements

D- Reverse requirements

Answer:

D

Explanation:

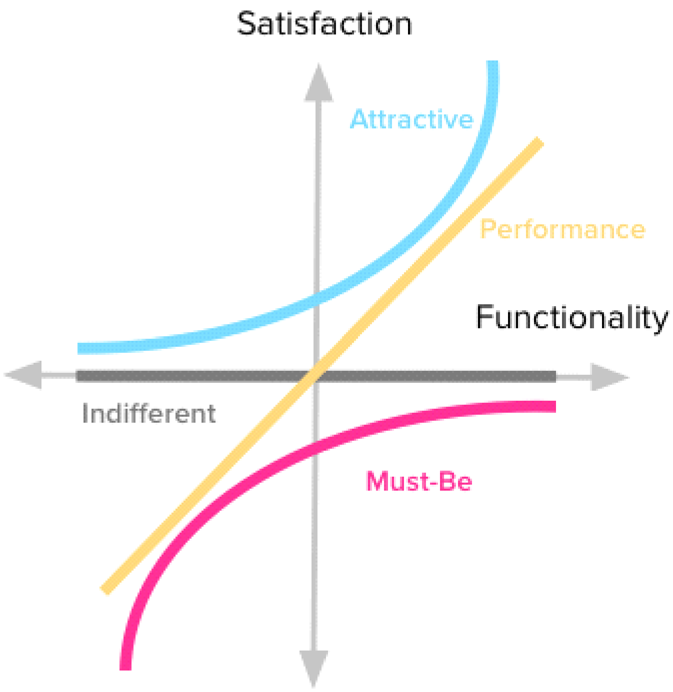
Kano model of excitement and basic quality (Kano et al, 1984; Berger et al, 1993; Matzler et al, 1996) brings a different perspective for the analysis of improvement opportunities in products and services because it takes in consideration the asymmetrical and non-linear relationship between performance and satisfaction. The Kano model classifies customers requirements in three categories (figure 3):

a) Basic Requirements (or Must-be requirement). The basic requirements fulfill the basic func-tions of a product. If they are not present or their performance is insufficient, customers will be extremely dissatisfied. On the other hand, if they are present or have sufficient performance, they don't bring satisfaction. Customers see them as prerequisites. For instance, for luxury automobiles, 'air bags' are considered basic. A customer won't feel satisfied if the automobile has 'air bag', however he/she will not buy it if ''air bag'' is not present.

b) Performance Requirements (or One-dimensional requirements). As for these requirements, satisfaction is proportional to the performance level -- the higher the performance, the higher the customer's satisfaction will be and vice-versa. Gas consumption in automobiles is an example of these requirements. Usually customers explicitly demand performance requirements.

c) Excitement Requirements (or Attractive requirements). These requirements are key to cus-tomer satisfaction. If they are present or have sufficient performance, they will bring superior satisfaction. On the other hand, if they are not present or their performance is insufficient, customers will not get dissatisfied. For instance, a surprise gift at the end of a dinner in a restaurant will certainly bring satisfaction, but it will not cause dissatisfaction if not offered. These requirements are not demanded nor expected by customers.

Two other types of requirements may be identified in the Kano model: neutral and reverse ones. Neutral requirements do not bring either satisfaction or dissatisfaction. Reverse require-ments bring more satisfaction if absent than if present.



- Integrating Kano model and QFD for Designing New Products

- CIPS study guide page 171-172

Question 4

Question Type: **MultipleChoice**

Which of the following are most likely to negatively affect the suppliers' bargaining power in a specific market? Select TWO that apply:

Options:

A- Many suppliers are intent on integrating buyers into their business

B- Substitute products are readily available in the market

C- There are no differences among suppliers' products

D- Buyers incur high cost when they change their suppliers

E- There are almost no threats of backward integration

Answer:

B, C

Explanation:

The bargaining power of supplier is a major determinant of the structure of an industry and also how much profit is available to organisation operating in that industry. Supplier is weak if:

- Substitutes are available and easy to access

- Suppliers are small and fragmented

- The industry is important to the seller

- The sellers' product or service is not an important of the industry's value chain

- The sellers' product or service is undifferentiated

- There are no significant switching costs

- There is no threat of forward integration.

Suppliers may have more power:

- If they are in concentrated numbers compared to buyers.

- If there are high switching costs associated with a move to another supplier.

- If they are able to integrate forward or begin producing the product themselves.

- If they have specific expertise or technology needed to manufacture goods.

- If their product is highly differentiated.

- If there are many buyers and none make up significant portions of sales.

- If there are no substitutes available.

- If there are strong end users who can exert power over the organization in favor of a supplier (This can be the case in labor situations).

In all of these cases, the bargaining power of suppliers is high to demand premium prices and set their own timelines.

LO 2, AC 2.2

Question 5

Question Type: **MultipleChoice**

Why should procurement professionals develop business case before seeking approval to purchase capital equipment?

Options:

A- Using business case will prevent new entrants from entering the supply market

B- A business case can be used as a replacement of purchase order

C- Business case is a tool that eliminates all risks associated with the project

D- Devising business case may prompt the procurement to consider different options

Answer:

D

Explanation:

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.

- CIPS study guide page 19-21

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

LO 1, AC 1.1

Question 6

Question Type: MultipleChoice

Which of the following methods will enable a company to eliminate waste, lost time and lost material from its processes?

Options:

A- Lean principles

B- Over specification

C- Agile principles

D- Tendering process for routine items

Answer:

A

Explanation:

Lean design is about maximising the value that a customer receives and at the same time minimis-ing waste in delivering that value.

For an organisation to be 'lean' it must have had all non-essential resources removed (ie. anything that does not add value, see below). This is efficient and cost effective, in that the value/supply chain can theoretically do exactly what is needed of it and no more, but requires sound forecasting and planning of demand and supply. It is most suitable for industries with stable product specifications, long lead times and few impulse purchases.

Organisations which are 'agile' react as quickly as is practicable to provide a cost effective response to customer demand. This is based on flexibility in design, supply, production and distribution. It is most appropriate for products such as fast fashion and foodstuffs which must be on display and available when wanted by the customer.

- CIPS study guide page 153-156

- Agile Supply (cips.org)

LO 3, AC 3.3

Question 7

Question Type: MultipleChoice

To improve the productivity, Plantation Ltd is planning to purchase a tractor, which it has never bought before. The project must be quick to catch up with the next growing season. Leanne, a jun-ior procurement staff at the company, assumes that she could skip market analysis stage to save time. Is this assumption reasonable?

Options:

A- No, the company assesses supplier's performance solely based on market analysis

B- Yes, Leanne just needs to purchase the tractor from her friend's company

C- No, market analysis will inform the company of the pricing as well as latest technology trends

D- Yes, the company has extensive experience in purchasing tractor

Answer:

C

Explanation:

Market analysis is a stage in CIPS Procurement and Supply Cycle. This stage informs the purchaser about the number of suppliers, the average pricing, and product trends. Even urgent purchase should undergo market analysis. Without undertaking this stage, the buying organisation may not purchase the right product, or they may purchase at higher price.

LO 2, AC 2.1

Question 8

Question Type: **MultipleChoice**

Ethan is the newly appointed CEO of ATT Group. He sees that the company is wasting financial resources on unnecessary spends. To solve this problem, Ethan requires all functional managers to prepare their department budget from scratch. Each spend must have justification or it will not be approved. Which budgeting method is Ethan using?

Options:

A- Value preposition budget

B- Zero-based budget

C- Incremental budget

D- Activity-based budget

Answer:

B

Explanation:

There are four common types of budgets that companies use: (1) incremental, (2) activity-based, (3) value proposition, and (4) zero-based.

Incremental budgeting takes last year's actual figures and adds or subtracts a percentage to obtain the current year's budget. It is the most common method of budgeting because it is simple and easy to understand.

Activity-based budgeting is a top-down budgeting approach that determines the amount of inputs required to support the targets or outputs set by the company. For example, a company sets an out-put target of $100 million in revenues. The company will need to first determine the activities that need to be undertaken to meet the sales target, and then find out the costs of carrying out these ac-tivities.

In value proposition budgeting, the budgeter considers the following questions:

- Why is this amount included in the budget?

- Does the item create value for customers, staff, or other stakeholders?

- Does the value of the item outweigh its cost? If not, then is there another reason why the cost is justified?

Value proposition budgeting is really a mindset about making sure that everything that is included in the budget delivers value for the business. Value proposition budgeting aims to avoid unneces-sary expenditures -- although it is not as precisely aimed at that goal as our final budgeting option, zero-based budgeting.

As one of the most commonly used budgeting methods, zero-based budgeting starts with the as-sumption that all department budgets are zero and must be rebuilt from scratch. Managers must be able to justify every single expense. No expenditures are automatically "okayed". Zero-based budgeting is very tight, aiming to avoid any and all expenditures that are not considered absolutely essential to the company's successful (profitable) operation. This kind of bottom-up budgeting can be a highly effective way to "shake things up". This is the method used in the scenario.

- CIPS study guide page 58

- Types of Budgets - The Four Most Common Budgeting Methods (corporatefinanceinstitute.com)

LO 1, AC 1.4

Question 9

Question Type: MultipleChoice

Which of the following is an advantage of competitive benchmarking over other types of bench-marking?

Options:

A- Limited access to competitor's data

B- Similarity among processes

C- Different corporate culture

D- Cost effectiveness

Answer:

B

Explanation:

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

LO 1, AC 1.3

Question 10

Question Type: **MultipleChoice**

Andrew is responsible for procurement of capital assets at Lumber Ltd. He is devising new business case for the purchase of a new band saw. The purchase price of the saw is $50,000. Andrew estimates that the machine will generate $10,000 per year of net cash flow. What is the payback period of this band saw?

Options:

A- 10 years

B- 5 years

C- 3 years

D- 4 years

Answer:

B

Explanation:

Payback period is the time in which the initial outlay of an investment is expected to be recovered through the cash inflows generated by the investment. It is one of the simplest investment apprais-al techniques.

Since cash flow estimates are quite accurate for periods in the near future and relatively inaccurate for periods in distant future due to economic and operational uncertainties, payback period is an indicator of risk inherent in a project because it takes initial inflows into account and ignores the cash flows after the point at which the initial investment is recovered.

The formula to calculate the payback period of an investment depends on whether the periodic cash inflows from the project are even or uneven.

If the cash inflows are even (such as for investments in annuities), the formula to calculate payback period is:

Payback Period = Initial Investment / Net Cash Flow per Period

When cash inflows are uneven, we need to calculate the cumulative net cash flow for each period and then use the following formula:

Payback Period =A + (B/C)

Where,

A is the last period number with a negative cumulative cash flow;

B is the absolute value (i.e. value without negative sign) of cumulative net cash flow at the end of the period A; and

C is the total cash inflow during the period following period A

Cumulative net cash flow is the sum of inflows to date, minus the initial outflow.

- Payback Period | Formulas, Calculation & Examples (xplaind.com)

- CIPS study guide page 44-47

LO 1, AC 1.3

Question 11

Question Type: MultipleChoice

Product development consists of various stages, including planning and analysis, design develop-ment, pre-production, production and maintenance. At which stages the opportunities for cost re-duction will be the greatest?

1. Planning stage

2. Pre-design stage

3. Detail design stage

4. Production stage

5. Logistics support stage

Options:

A- 2 and 3 only

B- 2 and 5 only

C- 1 and 2 only

D- 1 and 4 only

Answer:

C

Explanation:

Writing a specification and then procuring and using the product or service has a number of stages. The further on in the process you are, the less potential there is for cost reductions. Therefore, opportunities for cost reduction will be greatest in the two first stages: planning stage and pre-design stage.

LO 3, AC 3.1