Free Questions for L4M2

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Question 1

Question Type: MultipleChoice

Which competitive forces influence markets in our modern environment?

Options:

A- Manufacturing of goods and services
B- Production companies and relationships
C- Increased cost in supply and deliveries
D- Bargaining strength of suppliers and buyers

Answer:

D

Explanation:

The bargaining strength of suppliers and buyers is a key factor influencing market competitiveness, as outlined in frameworks like Porter's Five Forces. These forces dictate pricing, supply availability, and value delivery. Reference: CIPS Level 4, Market Analysis and Competitive Forces.

Question 2

Question Type: MultipleChoice

A company is evaluating two investment projects: Project A and Project B. Project A has a high initial cost but generates substantial cash flows over time. Project B has a lower initial cost but generates modest cash flows consistently. The company's cost model indicates a payback period of three years for Project A and a payback of four years for Project B. Which of the following statements is correct regarding the cost models and cash flow profiling for these projects?

Options:

A- Project A has a shorter payback period, making it a quicker return on investment compared to Project B
B- Project A's higher initial cost is a disadvantage, and its payback period should be extended for

better profitability

C- Project B's lower initial cost allows for faster profit realisation, making it the better investment choice

D- Project B's modest and consistent cash flows make it a risky investment option due to a longer payback period

Answer:

A

Explanation:

Project A's shorter payback period means the initial investment is recovered more quickly, which is often preferred in cost models. The higher initial cost is offset by substantial cash flows, making it the more viable option based on ROI. Reference: CIPS Level 4, Investment Appraisal Techniques.

Question 3

Question Type: MultipleChoice

Which of the following positively affects a buyer's company cash flow? Select TWO that apply:

Options:

A- A customer agrees to pay the buyer's company upon purchase

B- Buyer's company offers sales discounts and promotions

C- A supplier reduces its payment terms to payment on receipt

D- The bank grants a loan to the buyer's company

E- Payment of dividends to the buyer company shareholders

Answer:

A, D

Explanation:

A (Customer payment upon purchase): Immediate payments improve cash flow.

D (Loan): Loans provide cash inflow, though they may increase liabilities.

Options like supplier payment on receipt (C) negatively impact cash flow, and sales promotions (B) may increase expenses. Reference: CIPS Level 4, Financial Management in Procurement.

Question 4

Question Type: MultipleChoice

Which of the following events would increase the number of suppliers in a particular market?

Options:

A- Introduction of minimum wage regulations

B- High and increasing levels of investment required to enter the market

C- Requirement for all companies to have 10,000 or more employees

D- De-regulation of a previously government-run industry

Answer:

D

Explanation:

De-regulation removes barriers to entry, encouraging new suppliers to enter the market. Other factors, like high investment or stringent requirements, limit supplier participation. Reference: CIPS Level 4, Market Entry and Supply Chain Factors.

Question 5

Question Type: MultipleChoice

Which of the following would a buyer include when issuing an output specification to suppliers?

Options:

A- A requirements brief

B- The characteristics of the components

C- The manufacturing processes required

D- A product sample

Answer:

A

Explanation:

An output specification defines the desired outcome or result of the procurement rather than specifying how the result should be achieved. A requirements brief outlines the goals, leaving flexibility for the supplier to propose solutions. Reference: CIPS Level 4, Output Specifications in Procurement.

Question 6

Question Type: MultipleChoice

Buyers can ascertain the prices by examining information provided by primary and secondary sources of market data. Which of the following is a secondary source of market data?

Options:

A- Supplier prices provided on price comparison websites
B- Historical records of supplier prices on the buyer's database
C- Price brochures provided by the supplier's sales team
D- Suppliers' prices provided on the buyer's request for quotation

Answer:

A

Explanation:

Price comparison websites are secondary sources as they aggregate data collected from multiple suppliers. Primary sources (like RFQs and brochures) come directly from the supplier. Reference: CIPS Level 4, Market Data Analysis.

Question 7

Question Type: MultipleChoice

A company has installed a new piece of capital equipment but needs to arrange a maintenance contract for three years. The company wants to know as accurately as possible what this price will be for the full contract. What would be an appropriate type of pricing mechanism to use when asking suppliers to quote prices?

Options:

A- Fixed price with adjustment for inflation

B- Fixed price

C- Cost plus percentage fee

D- Cost plus fixed fee

Answer:

A

Explanation:

A fixed price with adjustment for inflation provides cost predictability while accounting for potential increases due to inflation. This strikes a balance between fixed costs and market realities. Reference: CIPS Level 4, Pricing Strategies.

Question 8

Question Type: MultipleChoice

Which of the following are advantages of zero-based financial budgeting?

Use of previous year figures

Emphasis on short-term planning

Budget treated as flexible

Focus on operational issues

Options:

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

Answer:

C

Explanation:

Zero-based budgeting emphasizes starting from scratch and justifying all expenses.

3 (Budget flexibility): Ensures resources are allocated dynamically based on needs.

4 (Focus on operational issues): Encourages alignment with operational priorities rather than historical trends.

Using prior figures (1) is contrary to zero-based budgeting principles. Reference: CIPS Level 4, Financial Planning and Budgeting.

Question 9

Question Type: MultipleChoice

The procurement team of an IT hardware manufacturer has been set a target by senior management to reduce the rates paid to the sole supplier of a new and innovative power-saving battery. Which action should the procurement team first consider?

Options:

A- Offering a framework agreement
B- Agreeing rebate thresholds
C- Dual or multiple sourcing
D- Offering economies of scale

Answer:

C

Explanation:

Dual or multiple sourcing introduces competition, reducing the sole supplier's bargaining power and leading to cost reductions. Framework agreements (A) or economies of scale (D) may not address the immediate need to reduce rates. Reference: CIPS Level 4, Sourcing Strategies.

Question 10

Question Type: MultipleChoice

An IT department has tasked procurement to help produce a conformance specification for new company laptops. Which factor is common within a conformance specification?

Options:

A- Meets the operational requirements
B- Tends to be short and specific
C- Allows flexibility in the offering
D- Meets the specification standard

Answer:

D

Explanation:

Conformance specifications outline specific technical standards or requirements that a product must meet. These ensure uniformity and compliance but do not allow flexibility for suppliers to innovate. Reference: CIPS Level 4, Specification Standards.