Free Questions for L5M2

Shared by Le on 12-12-2023

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Question 1

Question Type: MultipleChoice

Leo LLP is a company which sources materials internationally, and then sells these on nationally at a small margin. Leo LLP has noted that there is a risk of exchange rate fluctuations making their purchases unviable. The CFO has declared that the only way to mitigate this risk is via hedging and that they should look at price fixing. is this correct?

Options:

A- yes- hedging is the only solution to mitigate the risk of adverse price movements
B- yes- this reduces the risk to 0
C- no- Leo LLP could do nothing and increase its prices instead
D- no- Leo LLP can take out insurance to mitigate this risk

Answer:

C

Explanation:

The correct answer is 3 'no Leo LLP could do nothing and increase its prices instead'. Firstly the CFO is wrong. There are other ways to mitigate this risk than hedging- hedging isn't the ONLY thing you can do. Therefore you automatically need to discount options that begin with yes. Then looking at the options that begin with no, insurance isn't going to help in this situtation. Therefore, by process of elimination you will be left with 'no Leo LLP could do nothing and increase its prices instead'.

This question is taken from p.95 - there is a section here describing alternatives to hedging. When dealing with currency fluctuations, an alternative to fixing a price is to build in a margin on your own prices. This margin acts as a buffer for if prices go up- your price can remain the same. Other alternatives to hedging suggested by CIPS include; negotiating long term contracts, buying out the supplier and ingredient substitution

Question 2

Question Type: MultipleChoice

Logistics Risks are caused by...

Options:

A- heightened ethical standards
B- customer expectations
C- extended supply chains
D- economic instability

Answer:

C

Explanation:

Extended supply chains create logistic risks. This is from p. 29. Types of risks is a popular exam topic but the questions are usually quite straightforward like this.

Question 3

Question Type: MultipleChoice

The triple bottom line is a way to refer to sustainability practices. Which of the following is included within the Triple Bottom Line? 1. People, 2. Profit, 3. Price, 4. Planet 5. Power.

Options:

A- 1,2 and 3
B- 1,3 and 5
C- 2, 4 and 5
D- 1,2 and 4

Answer:

D

Explanation:

Triple Bottom Line - people, profit and planet - options 1, 2 and 4. See p.45 for more details on sustainability

Question 4

Question Type: MultipleChoice

Which of the following statements is true about ISO9001? Select TWO.

Options:

A- it is based on the principle of continuous improvement
B- it encourages businesses to see quality from the viewpoint of the customer
C- it aims to ensure sustainability within the supply chain
D- It complements ISO 20400
E- it helps businesses to identify areas of potential risk and mitigate these accordingly

Answer:

A, B

Explanation:

ISO 9001 is Quality Management- answers 1 and 2 are correct. ISOs are a popular topic on this exam so be sure to revise them - and not only what the names of them are, but also the principles behind each ISO. ISO 9001 is discussed on p. 25 of the CIPS study guide.

Question 5

Question Type: MultipleChoice

Which of the following will you put into box 8?

Options:

A- audit
B- monitor
C- insurance
D- dual sourcing

Answer:

A

Explanation:

The correct answers are as follows:

	Remedy	Action
Supplier 1	Tolerate	Monitor
Supplier 2	Treat	Dual Sourcing
Supplier 3	Transfer	Insurance
Supplier 4	Terminate	Audit

Question 6

Question Type: MultipleChoice

Which organisation created the Decent Work Agenda?

Options:

A- UN
B- ISO
C- ILO
D- ETI

Answer:

C

Explanation:

This is from ILO- the International Labour Organisation - see p.49 of the textbook. You should recognise all four of these acronyms as they come up in this module UN= United Nations - they have the Guiding Principles, ISO = produce standards for business practices and ETI = Ethical Trading Initiative - they have a base code for labour practices.

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