

CIPS Level 4 Diploma in Procurement and Supply - Module 2

1. The position of a product in its life cycle can affect the price that suppliers set. Is this statement correct?

A. No, in market economy, the state decides the price of all goods and services

B. Yes, each stage in product life cycle requires different levels of investment in promotion and distribution

C. No, customer's perception of value is the ultimate determinant of the suppliers' price

D. Yes, it is always the only factor determining the price

Answer(s): B

2. A CPO is making a business case for acquiring a new computer system. He has set out objective, generated options, cost and benefit of each option and implementation plan. Which of the following elements should be included in the business case?

A. Risk assessment

B. Operation management

C. Invitation to tender

D. Contract management

Answer(s): A

3. What is the document that defines the activities, deliverables and timelines a supplier must carry out during contract performance?

A. Statement of work

B. Project initial document

C. Framework agreement

D. Work instruction

Answer(s): A

4. A procurement manager is writing a conformance specification for a non-core component. She thinks that if the requirements in specification are higher than ISO standards, her company can achieve greater cost-savings. Is the procurement manager's opinion correct?

A. No, because higher specification may incur additional costs for the buyer

B. No, because higher requirements in specification, the greater bargaining power of buying organisation

C. Yes, because optimising the specification is the only method to achieve value for money

D. Yes, because higher requirements will help buying organisation find the best supplier

Answer(s): A

5. British Steel needs to source a set of instruments that will improve quality of steel. Without these instruments British Steel will loss control of the temperature. The bucket may freeze up, or if it is too hot it leaks out of the casting process, damaging the machine. There is limited supply on the market and quality varies greatly.

Which of the following will be the most appropriate managing approach to procure these items?

A. Bundle these instruments into larger contract

B. Leverage market competition to drive down cost

C. Seek continuity of supply

D. Form partnership with supplier

Answer(s): D

6. Thani Ltd is a fast growing logistics company with a fleet of 20 tractors. To meet Net Zero objective, the company needs to electrify its fleet. Angelica is assigned to investigate the market price of electrifying services. After the investigation, she realises that the current market price is very expensive and unsustainable for her company. She decides to break down the costs before negotiating with the suppliers.

Which internal stakeholders may help Angelica estimate the breakdown of costs? Select 2 that apply.

A. Sales and Marketing department

B. Engineering department

C. Finance department

D. Commercial agency

E. Suppliers

Answer(s): B C

7. Which of the following are the causes of material cost variance?

1. The buyer updates purchase-to-pay system to track payment and delivery
2. An unprocessed goods received note is missing
3. The employees must work overtime to catch up with the customers' orders
4. The purchase is made in emergency

A. 2 and 4 only

B. 1 and 4 only

C. 1 and 3 only

D. 2 and 3 only

Answer(s): A

8. What does the acronym RAQSCI stand for?

A. Relationship, Ability, Quality, Service, Cost, Innovation

B. Regulatory, Availability, Quality, Service, Cost, Innovation

C. Regulatory, Availability, Quantity, Sustainability, Inventory

D. Regulatory, Ability, Quality, Service, Cost, Inventory

E. Relationship, Availability, Quantity, Sustainability, Cost, Innovation

Answer(s): B

9. Which of the following standards specifies requirements for a quality management system?

A. ISO 27001

B. ISO 9001:2015

C. ISO 22000:2018

D. ISO 14001:2015

Answer(s): B

10. Housing Ltd is inviting a number of contractors to a tender for the construction of a commercial building. In the attachment to the invitation to tender, there is a document which describes the re- quired materials and installation methods. This document is known as...?

A. Functional specification

B. Prescriptive specification

C. Drawings

D. Performance specification

Answer(s): B

11. A purchaser is looking for alternative supplies if there is a major disruption to their supply chain, including logistics, manufacturing and all support services.

Which of the following method is that purchaser applying?

A. Treat the risk

B. Terminate the risk

C. Tolerate the risk

D. Transfer the risk

Answer(s): A

12. A procurement team is categorising their purchased items into four quadrants of Kraljic's supply chain portfolio matrix. They realise that there are some low-value items which come from very few suppliers in the market. The organisation is critically dependent on these suppliers. The team plans to reduce the dependence by finding alternative sources. Is this a right course of action?

A. Yes, the organisation needs to reduce the supply risks

B. No, the organisation should run competitive biddings to exploit the competition

C. No, there is no way to escape this dependency

D. Yes, this action will dramatically increase the supplier's bargaining power

Answer(s): A

13. Which of the following is the structured approach for defining customer requirements and translating them into technical specification?

A. Kano model

B. Thomas-Kilmann model

C. Quality function deployment

D. Mendelow's matrix

Answer(s): C

14. Which of the following factors might prompt an organisation to procure an alternative product? Select THREE that apply:

A. Brand loyalty

B. Relative value to money between options

C. Buying organisation's propensities to change

D. Easy access to distribution channel

E. Threat of retaliation

F. Switching cost

Answer(s): B C F

15. XYZ Ltd is producing an engine which consists of many components. The procurement manager wants to find cost reduction opportunities and minimise part varieties.

Which of the following may help her to achieve these objectives?

1. Value analysis

2. Segment analysis

3. Variety reduction

4. Standardisation

A. 2 and 3 only

B. 1 and 3 only

C. 3 and 4 only

D. 1 and 4 only

Answer(s): D

16. Which of the following sources of information are considered as primary data? Select 2 that apply.

A. The information about specific market sectors from trade associations

B. Commercial publishers of market reports

C. The collection of data from surveying customers

D. RFI

E. Reports in business magazines

Answer(s): C D

17. At which stage of through-life contract management, procurement team needs to identify sources of risk and the ways to mitigate them?

A. Specification stage

B. Supplier relationship stage

C. Tendering stage

D. Contracting stage

Answer(s): B

18. Which of the following are recognised competitive strategies?

1. Winning new business at all cost

2. Getting more customers' attention
3. Creating stand-out products and brands
4. Focusing on niche market
5. Acquiring competitors

A. 3 and 4 only

B. 3 and 5 only

C. 1 and 2 only

D. 2 and 5 only

Answer(s): A

19. Robert is a senior buyer at MMC Construction Ltd. His company is doing multiple development projects in the country, which increases procurement workload significantly. Meanwhile, most of the tasks are handled manually, which causes bottlenecks in the workflows. The procurement team is overwhelmed by the workload and complains from other departments. From previous experience, Robert knows that electronic system may help his procurement team. He writes a business case to submit to the senior management, in which he insists on the possible productivity improvement by adopting e-system in procurement. Is Robert's action reasonable?

A. No, there's no need to make a business case for new purchase

B. Yes, productivity improvement is a mandatory element in every business case

C. No, adopting e-system may make procurement department jobless

D. Yes, his reason may appeal the senior management

Answer(s): D

20. Which of the following are typically included in a conformance specification? Select 2 that apply.

A. Product functions

B. Product dimensions

C. Brand name

D. List of outcome

E. Packaging requirements

Answer(s): B E
