

CIPS Level 4 Diploma in Procurement and Supply - Module 5

1. Which of the following are tools that help procurement visualise cost breakdowns of products and services purchased from supplier?

1. Spend candlesticks
2. Spend tree
3. Aggregate expenditure model
4. Spend waterfall

A. 2 and 4 only

B. 3 and 4 only

C. 1 and 2 only

D. 1 and 3 only

Answer(s): A

2. Premium pricing strategies used by suppliers are characterised by which of the following?

Select

TWO that apply.

A. Products are charged at a price based on supplier's reputation

B. This strategy is often used when supplier attempts to enter new market

C. Price is based on cost structures

D. Typically found in the early part of the product life cycle

E. Premium price is determined by variable costs only

Answer(s): A D

3. A purchasing manager is having a negotiation with a supplier to extend the duration of the contract. In order to persuade the supplier to cut the cost by 10%, she promises to shorten the payment period from 45 days to 30 days for each delivery. The supplier's representative does not agree the offer and clearly states that his proposed price is already lower than the market price. The purchasing manager has used which type of power?

A. Reward

B. Expertise

C. Coercive

D. Informational

Answer(s): A

4. According to Professor Gavin Kennedy, in which of the following forms of dispute resolution, both parties will voluntarily exchange their ideas and beliefs?

A. Litigation

B. Persuasion

C. Negotiation

D. Gambling

Answer(s): C

5. Sumitomo Rubber Industries (SRI) is a Japan-based tyre manufacturer. In order to increase production, SRI is sourcing rubber from Southeast Asian firms.

Which of the following micro factors are most likely to shift the balance of power to supplier? Select TWO that apply

A. SRI's purchase amount makes significant proportion of supplier revenue

B. Costs of changing suppliers are high

C. Rubber from different suppliers is virtually similar

D. SRI sets up its own rubber plantation

E. There are no close substitutes for rubber

Answer(s): B E

6. Which of the following are most likely to be sources of conflict that can emerge from the process of commercial negotiations? Select TWO that apply.

A. Differences in conflict management style

B. Differences in culture

C. Types of purchase

D. Standard terms and conditions

E. Line of the best fits

Answer(s): A B

7. In airline industry, suppliers prefer to adopt dynamic pricing in order to constantly monitor and change their fares in response to market conditions. Dynamics pricing is based on which costing method?

A. Activity-based costing

B. Cost plus costing

C. Absorption costing

D. Marginal costing

Answer(s): D

8. The trust is built based on the other party's professional qualifications or proven or certified technical capability or experience is known as...?

A. Goodwill trust

B. Contractual trust

C. Irrevocable Trust

D. Competence trust

Answer(s): D

9. Can a party gain huge advantages in negotiation from setting room layout?

A. Yes, because the host can freely manipulate the other party's mind through setting room layout

B. No, because the advantages gained from manipulating room layout are short-lived

C. Yes, because the other party can capitulate to the host

D. No, because room layout contributes nothing to the negotiation outcomes

Answer(s): B

10. Economic growth can be measured by...?

A. The PPI

B. GDP

C. The CPI

D. SBLI

Answer(s): B

11. Which of the following is considered a strength of a 'logical' style negotiator?

A. Assertive

B. Methodical

C. Friendly and accessible

D. Interrelate issues easily and make quick decisions

Answer(s): B

12. Which of the following are most likely to turn buying organisation into an unattractive customer in supplier's perspective? Select TWO that apply.

A. Demands for kickback

B. Reduced paperwork in procurement processes

C. Adopting clear and concise CSR policies

D. Unclear tender award criteria

E. Using SRM technology

Answer(s): A D

13. Which type of question should be used to receive affirmation on statement?

A. Open

B. Closed

C. Leading

D. Narrow

Answer(s): B

14. According to Fiona Dent and Mike Brent, which of the following are characteristics of Push approach?

Select TWO that apply.

A. Inspirational

B. Persuasion

C. Collaborative

D. Seeking commitment

E. Directive

Answer(s): B E

15. Rose is a senior buyer from a skiing equipment retailer. Rose is concerned about the current ski boot shortage and the number of invoicing problems from a key supplier. She has decided to have a video conference with Victor, CEO of the supplier. Initially, she intends to threaten Victor with contract termination unless he can improve the situation. However, she is a little wary of doing this as the switching costs are high. Eventually, she decides to seek solutions by encouraging the other party to offer their views and ideas. Rose also prepares some ideas to discuss with Victor.

Which of the following is the persuasion method that Rose intends to use in the forthcoming conference?

A. Directive (push)

B. Persuasive reasoning (push)

C. Collaborative (pull)

D. Visionary (pull)

Answer(s): C

16. During a negotiation, a procurement manager suggests that the two companies should split the difference which would benefit both the supplier and buyer.

Which persuasion method is she using?

A. Compromise

B. Threat

C. Good cop/bad cop

D. Logic

Answer(s): A

17. Which of the following is the best description of direct cost?

A. Direct costs are only variable raw materials that constitute a product

B. Direct costs include raw materials, labour and overheads

C. Direct costs include only raw materials and labour of making the final product

D. Direct costs include raw materials, labour and other expenses attributable to the final product

Answer(s): D

18. A procurement professional is preparing for a negotiation with supplier. She is setting targets for price which her company is seeking to achieve.

Which of the following acronyms can help her identify limits before engaging in the negotiation?

A. MIL

B. RAQSCI

C. TIMWOOD

D. PPCA

Answer(s): A

19. Which of the following should be done when undertaking a reflection activity on negotiation? Select TWO that apply.

A. Identify areas in your skill set where you need to improve

B. Gloss over areas where you need to improve your skills or performance

C. Be overly modest about your contribution to the outcomes of negotiation

D. Use generalised or ambiguous language when describing your strengths and development areas

E. Be honest and objective about your skills

Answer(s): A E

20. Which of the following is the definition of safety margin?

A. The difference between current or forecasted sales and sales at the break-even point

B. The amount of revenue that remains after subtracting costs directly associated with production

C. The production level at which total revenues for a product equal total expenses

D. The incremental money generated for each product/unit sold after deducting the variable costs

Answer(s): A
