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Question 1

Question Type: MultipleChoice

When would a procurement professional use the Pareto principle?

Options:

- A- when considering changing a supplier
- B- when conducting a value analysis
- C- when looking at whole-life-cycle costs
- D- when appraising a supplier

Answer:

A

Explanation:

The Pareto Principle can be used when considering changing a supplier. It helps to categories suppliers by how strategically important the item is that they provide to the business.

Question 2

Question Type: MultipleChoice

When conducting an ABC analysis- what category of items and type of suppliers would you typically find in the A category?

Options:

- A- low value items, transactional suppliers
- B- low value items, strategic suppliers
- C- high value items, strategic suppliers
- D- high value items, transactional suppliers

Answer:

C

Explanation:

A Category spend is high value and strategic suppliers. C category is low value, high volume of spend aka tail spend. The bits in the middle are B category.

For example when you have a baby you have to buy lots of stuff for it. Your A spend is the big, important and expensive purchases like the pram, cot, carseat. You spend a lot of time in this category because they're important purchases you want to get right. The Tail Spend / C are all the little bits like nappies, baby shampoo, sippy cups. The B category are the bits in between - the purchases are kinda important but aren't as strategic or important as A category. Toys may fall into this category.

Question 3

Question Type: MultipleChoice

When selecting a supplier on technical merit, its important that the supplier is a good 'functional fit' for the organisation. What is meant by 'functional fit'?

Options:

- A-** the supplier is able to adhere to the same ethical standards
- B-** the supplier is able to work at the same technical level as the buyer

C- the supplier shares a common supply chain

D- the supplier makes a similar profit to that of the buyer

Answer:

B

Explanation:

The correct answer is 'the supplier is able to work at the same technical level as the buyer'. It's about being able to integrate the businesses together in terms of IT systems and such like.

Question 4

Question Type: MultipleChoice

Scott is a procurement manager who is evaluating a bid from a supplier to provide a new IT system to his office that will be used by 100 employees. He is considering the total life-cycle costs. Which of the following should Scott consider? Select THREE

Options:

- A- Added value
- B- Maintenance
- C- Acquisition Costs
- D- Training
- E- Functional Fit

Answer:

A, C, D

Explanation:

total life-cycle costs include; acquisition costs, maintenance and training.

Added value and functional fit are quality criteria that should also be evaluated when selecting a supplier, but do not fall under total life-cycle costs.

Note: total life cycle costs and whole life asset management are the same thing. You may see both terms used in the exam. I think CIPS is moving more towards Whole Life Asset Management now as the preferred vocabulary but they're the same thing.

Question 5

Question Type: MultipleChoice

Sourcing products internationally involves extra considerations when looking at the price of the item. Which of the following are additional price considerations for international sourcing? Select TWO

Options:

- A- exchange rate
- B- total life cycle costs
- C- tariffs
- D- batch quantities
- E- tax

Answer:

A, C

Explanation:

Exchange rates and tariffs are associated with international sourcing.

The other options are concerns for both local sourcing and international sourcing.

Question 6

Question Type: MultipleChoice

Daniel is evaluating bids from new suppliers who are looking to supply his company XYZ Industries with components for manufacturing. Although price is important, Daniel wishes to consider 'added value'. Which of the following is considered an 'added-value solution'?
Select THREE

Options:

- A- innovation
- B- on time in full deliveries
- C- bulk discount
- D- sustainability
- E- cost plus pricing

Answer:

A, B, D

Explanation:

The correct answers are innovation, on time in full deliveries and sustainability.

The other options are pricing mechanisms rather than 'added value'. Added Value is giving the buyer something extra that's not necessarily financial. It can be as simple as delivering orders quicker than expected, or having a dedicated customer service phone line. Something that makes their lives a little easier.

Question 7

Question Type: MultipleChoice

Which of the following financial documents would show whether a supplier has sufficient funds to pay their subcontractors in the short term?

Options:

A- balance sheet

B- ESG policy

C- profit and loss account

D- cash flow statement

Answer:

D

Explanation:

A cash flow statement shows the money coming in and out. This would therefore show whether a supplier has enough money coming in, to be able to pay some of it out to a subcontractor.

P&L and Balance Sheets look more broadly at finances, rather than saying what's physically in the bank at a specific given time.

Do learn the difference between these three financial documents for the exam.

Balance Sheet: , Components, and Examples ([investopedia.com](https://www.investopedia.com))

Profit and Loss Statement Meaning, Importance, Types, and Examples ([investopedia.com](https://www.investopedia.com))

Cash Flow Statement: How to Read and Understand It ([investopedia.com](https://www.investopedia.com))

Question 8

Question Type: MultipleChoice

Ivan is an investor who is looking to invest in new businesses. He is reviewing several companies and working out what his equity would be. Which of the following does Ivan need to know to calculate shareholder equity? Select TWO.

Options:

- A- net profit
- B- net income
- C- total liabilities
- D- total assets

Answer:

C, D

Explanation:

Shareholder Equity = Total Assets - Total Liabilities

Question 9

Question Type: MultipleChoice

During the quality assurance of a supplier, Margaret is looking for an international standard that shows the supplier's commitment to sustainable procurement. What document should the supplier provide to show this?

Options:

A- ISO20400

B- ISO14000

C- ISO9001

D- ISO27000

Answer:

A

Explanation:

ISO 20400 is sustainable procurement.

14000 is environment

9001 is quality management

27001 is information security

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