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Question 1

Question Type: MultipleChoice

What information would you expect to find on a supplier's response to a 'Request for Information'? Select TWO

Options:

- A- detailed information regarding their costing structure
- B- their ethical and sustainability policies
- C- their capability and capacity to fulfil a contract
- D- their marketing strategy

Answer:

A, C

Explanation:

A RFI typically finds the following information from potential suppliers; ethical and sustainability policies and their capacity / capability to fulfil a contract. It could also include financial position, mission and vision.

Question 2

Question Type: MultipleChoice

Raja is a procurement manager who is keen to gain further insight into the current marketplace and whether local suppliers are capable to provide a service he is looking to procure. He wishes to test the market before he begins a formal tender process. What should Raja do?

Options:

- A- send out a RFI
- B- send out a RFQ
- C- speak with his current suppliers
- D- conduct an open competition

Answer:

A

Explanation:

Raja should send out a RFI- request for information; this will allow him to gain feedback from the marketplace prior to tender.

Speaking only with current suppliers will not provide all the information Raja requires.

He should not send out a request for quotation since he is still conducting market research

An open competition would be how he can procure, after he's completed his research

Question 3

Question Type: MultipleChoice

Which of the following items would you expect to find on a balance sheet? Select THREE

Options:

A- current assets

B- current liabilities

C- net product sales

D- stockholders' equity

E- gross product sales

Answer:

A, B, D

Explanation:

current assets, current liabilities and equity can be found on a balance sheet. Net and gross sales will be found on a profit and loss account.

Question 4

Question Type: MultipleChoice

For what type of purchase would you use a Futures Exchange?

Options:

- A- Tail Spend
- B- Capital Expenditure
- C- Commodity
- D- High value, high risk

Answer:

C

Explanation:

Futures exchanges are used to trade commodities. It's when a buyer and supplier agree a price and deal for something in the future. For example a carrot farmer may agree to sell his carrots to Gary in 3 months time when they're finished growing. It's used when the product / commodity isn't ready yet.

It's also used for hedging and other complex financial stuff- but you don't need to know that yet. Commodities and Future contracts are a big part of L5M4 to warn you though. Futures Contract Definition: Types, Mechanics, and Uses in Trading ([investopedia.com](https://www.investopedia.com/terms/f/futures-contract-definition/))

Question 5

Question Type: MultipleChoice

Why would you use a credit score to appraise a supplier?

Options:

- A-** to understand the level of risk the supplier poses to your organisation
- B-** to understand if their prices reflect market value
- C-** to find out how much money the supplier has in the bank
- D-** to find out if the supplier has any unethical business practices

Answer:

A

Explanation:

A credit rating generates a score which reflects 'the level of risk an organisation poses when dealing with other businesses'. It's saying how risky it is to loan them money or do business with them by looking at how good they are at paying people. So a high credit rating will say they're good at paying back their loans and paying their suppliers on time. A poor credit rating will say they often miss payments or pay late.

A credit rating will not tell you how much money they have, or details on their prices. Credit scores looks at purely financial data so wouldn't help you analyse whether their business practices are ethical or not.

Question 6

Question Type: MultipleChoice

In which type of market would you be most likely to find a 'perfect competition'?

Options:

A- monopoly

B- oligopoly

C- commodity

D- monopolistic competition

Answer:

B

Explanation:

An oligopoly. Perfect competition is a situation in a marketplace where there is plenty of competition. A monopoly or monopolistic competition would have 'imperfect competition'

Question 7

Question Type: MultipleChoice

Commodities can be traded on a stock exchange and are generally divided into one of four categories. Which of the following is not one of these four categories?

Options:

A- energy

B- livestock

C- metals

D- plastics

Answer:

D

Explanation:

Plastic is not a commodity. A commodity is something that is naturally occurring and plastic is manufactured. The other category of commodity is agriculture.

Question 8

Question Type: MultipleChoice

Which of the following are examples of secondary data? Select TWO

Options:

- A- economic indices
- B- trade fairs and exhibitions
- C- networking
- D- commissioned market research

E- comparison websites

Answer:

A, E

Explanation:

economic indices and comparison websites are secondary sources of data. The other three are examples of primary sources of data.

Primary= you get the data yourself

Secondary = you find the data from somewhere else

Question 9

Question Type: MultipleChoice

Which of the following is not a indices that measures economic data?

Options:

A- PPI

B- CPI

C- GDP

D- ISO

Answer:

D

Explanation:

ISO isn't an indices- it stands for 'International Labour Association'.

The others are all indices that measure economic data; consumer price index, producer price index and gross domestic product.

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