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Question 1

Question Type: MultipleChoice

A procurement professional is negotiating with a supplier on cleaning service. She realises that there are huge cost-saving opportunities if the supplier agrees to reduce its mark-up and unnecessary employee benefits. Supplier's mark-up and employee benefits are examples of which of the following?

Options:

- A- Spend waterfall
- B- Spend cube
- C- Spend tree
- D- Addressable spend

Answer:

D

Explanation:

A key consideration when seeking to negotiate prices is to establish what proportion of the spend is addressable by procurement action such as negotiation. Addressability of spend is influenceable through negotiations or application of other saving effort or leverage with suppliers.

LO 2, AC 2.1

Question 2

Question Type: MultipleChoice

One difference between perfect competition and monopolistic competition is that...?

Options:

- A- In perfect competition, firms produce slightly differentiated products
- B- A perfectly competitive industry has fewer firms.
- C- Monopolistic competition has no barriers to entry
- D- Firms in monopolistic competition face a downward-sloping demand curve

Answer:

D

Explanation:

Monopolistic competition exists in market where there are many competing producers but they will try to use product differentiation. Although their products may be very similar, their ability to differentiate means that they can act as monopolies in short run, irrespective of the actions of their competitors.

In perfect competition, there are no barriers to entry to the market or exit from the market. In monopolistic competition, there tend to be fewer barriers to entry or exit in these markets than in oligopolistic markets, but it doesn't mean that there are absolutely no barriers to entry in monopolistic competition.

In perfect competition, the demand curve is perfectly elastic, which means that it will be horizontal. Otherwise, in monopolistic competition market, the demand curve will have normal downward slope.

LO 2, AC 2.2

Question 3

Question Type: MultipleChoice

Representatives from South African Department of Health is negotiating the price of hospital drugs with US pharmaceutical companies. Which of the following are most likely to be macro factors that influence the outcomes of the negotiation? Select TWO that apply.

Options:

- A- Forward integration
 - B- Digitalisation of medicine
 - C- Order quantity
 - D- Regulations on health and safety
- Switching costs of buyer

Answer:

B, D

Explanation:

All one-to-one commercial negotiations between a specific purchaser and a specific supplier take place within an industrial market and a larger business environment characterised by multiple forces which both parties typically have little control over. STEEPLE framework highlights the 6 main external influences on a business:

Factors	Risks
Socio-cultural	How changes affect demands or expectations of customers, suppliers or other stakeholders
Technological	Are there opportunities for development – or risks of obsolescence
Economic	How changes affect product demand and/or supply and cost of inputs?
Environmental (or 'ecological')	Which factors may cause supply problems, compliance issues, market pressure or risk to reputation
Political	What are the likely implications of policies or changes in policy
Legal	How organisation need to adapt policies and practices in order to comply?
Ethical	Which issues may cause market pressure or reputational risk

Particularly, pharmaceutical industry is a heavily regulated sector, therefore, legal and regulatory matters in the industry is highly important. Otherwise, technological trends also permeate into pharmaceutical companies, technologies like digitalisation may transform the balance of power in such negotiation.

LO 1, AC 1.3

Question 4

Question Type: MultipleChoice

Stalemate is more likely to happen if both parties trade more variables in a commercial negotiation. Is this assumption true?

Options:

- A- No, because the party who offers more variables will have lower bargaining power
- B- Yes, because the negotiation will last endlessly if there are too many variables
- C- No, because more variables will facilitate more possible negotiated outcomes
- D- Yes, because more variables will cause more conflicts of interest

Answer:

C

Explanation:

Negotiation variables such as price or contract length, etc are that can be traded with TOP in a negotiation. The more variables you can identify, the better. The more variables you can identify and articulate, the lower the chances of the negotiation reaching deadlock as

more possibilities are facilitated regarding more creative solutions.

Below are examples of negotiation tradeables in buying professional services:

Negotiation tradeables example - buying professional services	
Base price: day rate per staff grade	Seniority/experience level of staff
Volume discounts against base day rates	Treatment of expenses incurred

Negotiation tradeables example - buying professional services	
Length of contract/termination notice	Willingness to act as reference site
Lead time to start project	Knowledge transfer to client
Dedicated named staff	Contract management and reporting
Flexibility of hours and response time	Legal contract Ts and Cs
Exclusivity of supply	Working location and hours

LO 2, AC 2.3

Question 5

Question Type: MultipleChoice

Leitax is a consumer electronics firm with headquarters in the US and with a global sales presence. The company maintains seven to nine models in its product portfolio, each of which has multiple SKUs. Product life ranges from fifteen to nine months and is getting shorter. The demand planning and master planning processes at the company were ill-defined. Data relevant to forecasting were usually inaccurate, incomplete, or unavailable and the lack of objectives and monitoring mechanisms for the demand planning process meant that process improvement could not be managed. Support for supply management was equally ill-defined, as master production schedules were sporadic and unreliable and suppliers had learned to mistrust them. Leitax's newly appointed Supply chain director, Jessica realises that the "buy-in" of different functional groups was critical to the improvement of demand planning. She invites relevant stakeholders to a meeting so that they can express their opinions openly. What tactic is Jessica using?

Options:

- A- Coalition
- B- Pressure
- C- Consultation
- D- Persuasion

Answer:

A

Explanation:

There are nine commonly used influence tactics:

1. Rational persuasion includes using facts, data, and logical arguments to try to convince others that your point of view is the best alternative. This is the most commonly applied influence tactic.
2. Legitimizing
3. Personal appeals
4. Exchange
5. Ingratiation
6. Pressure refers to exerting undue influence on someone to do what you want or else something undesirable will occur.
7. Coalitions refer to a group of individuals working together toward a common goal to influence others.
8. Inspirational appeals
9. Consultation refers to the influence agent's asking others for help in directly influencing or planning to influence another person or group.

In the scenario, there is a problem with demand forecasting and supply chain planning in Leitax. The new Supply chain director invites the stakeholders to a meeting to find the solution. She is using coalition tactics.

- CIPS study guide page 163-168

- Cross-Functional Alignment in Supply Chain Planning: A Case Study of Sales and Operations Planning

- 13.3 The Power to Influence -- Organizational Behavior (umn.edu)

LO 3, AC 3.2

Question 6

Question Type: MultipleChoice

Telephone is most likely to be used for which of the following negotiations?

Options:

A- High value contract

B- Contract for purchasing a specialised product

C- Routine transactions

D- Complex one-off purchase

Answer:

C

Explanation:

Many commercial negotiations could be considered routine or just not worth the investment for buyers, and using the phone can make more sense and can be more immediate.

LO 2, AC 2.4

Question 7

Question Type: MultipleChoice

Which of the following is the most appropriate approach to investors or shareholders who have high level of influence but low interest in the running of business?

Options:

- A-** Engage and keep them satisfied
- B-** Engage and consult with them regularly
- C-** Keep these people inform through general communication media

D- Manage them closely

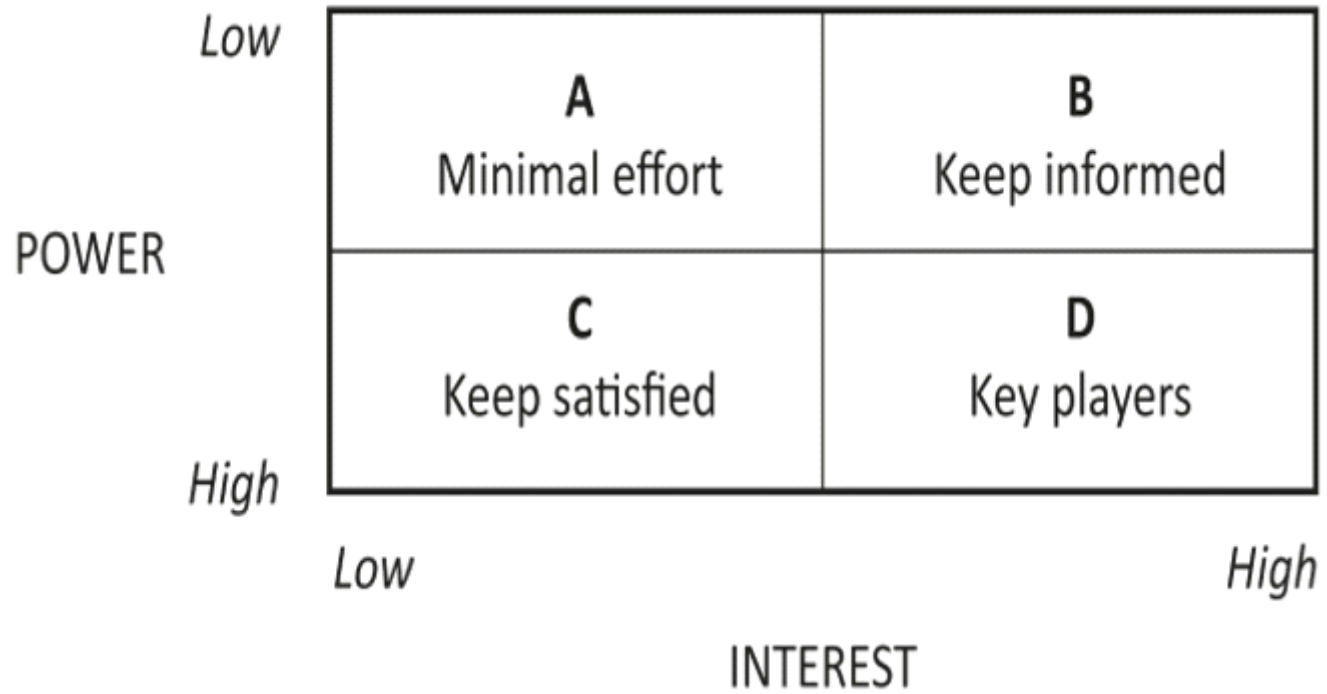
Answer:

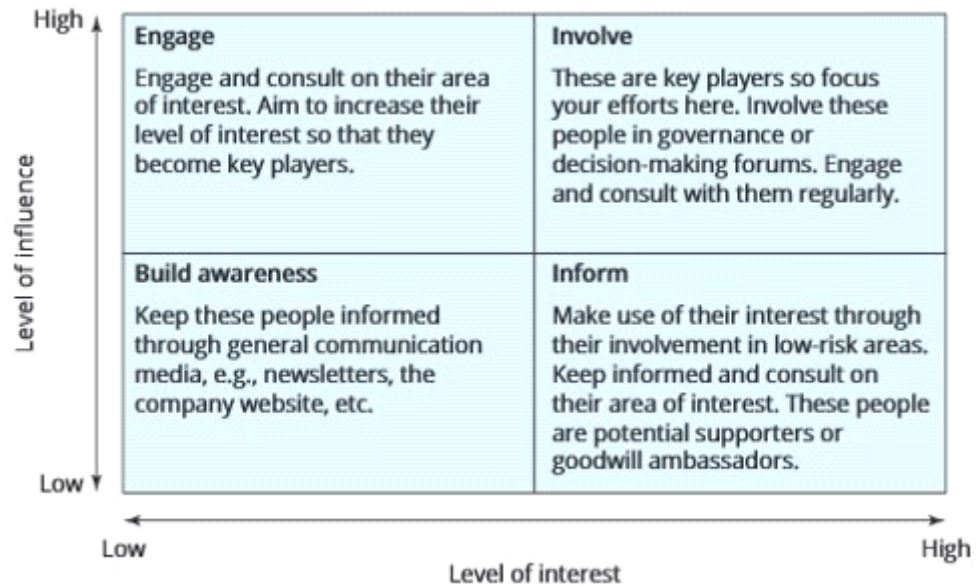
A

Explanation:

Investors or shareholders who have high level of influence but low interest belong to 'Keep satisfied' quadrant of Mendelow's Stakeholder Matrix.

You may read 2 versions from L4M1 and L4M5 here:





LO 1, AC 1.1

Question 8

Question Type: MultipleChoice

Which of the following are examples of non-verbal negotiation? Select THREE that apply.

Options:

- A- Asking the supplier to repeat their proposal
- B- Getting messages across with facial expressions
- C- / Speaking softly with long pauses
- D- Communicating with the other party by using gestures
- E- Explaining to the supplier about the scope of the project
- F- Using the body language

Answer:

B, D, F

Explanation:

Nonverbal communication is important because it gives us valuable information about a situation including how a person might be feeling, how someone receives information and how to approach a person or group of people.

There are several types of nonverbal communications you should be aware of, including:

1. Body language

Body language is the way someone situates their body naturally depending on the situation, the environment and how they are feeling.

Example: Someone might cross their arms if they are feeling angry or nervous.

2. Movement

The way you move your arms and legs such as walking quickly or slowly, standing, sitting or fidgeting, can all convey different messages to onlookers.

Example: Sitting still and paying attention in a meeting conveys respect and attention.

3. Posture

The way you sit or stand can also communicate your comfort level, professionalism and general disposition towards a person or conversation.

Example: Someone might slouch their shoulders if they feel tired, frustrated or disappointed.

4. Gestures

While gestures vary widely across communities, they are generally used both intentionally and unintentionally to convey information to others.

Example: Someone in the United States might display a "thumbs up" to communicate confirmation or that they feel positively about something.

5. Space

Creating or closing distance between yourself and the people around you can also convey messages about your comfort level, the importance of the conversation, your desire to support or connect with others and more.

Example: You might stand two to three feet away from a new contact to respect their boundaries.

6. Paralanguage:

Paralanguage includes the non-language elements of speech, such as your talking speed, pitch, intonation, volume and more.

Example: You might speak quickly if you are excited about something.

7. Facial expressions

One of the most common forms of nonverbal communication is facial expressions. Using the eyebrows, mouth, eyes and facial muscles to convey can be very effective when communicating both emotion and information.

Example: Someone might raise their eyebrows and open their eyes widely if they feel surprised.

8. Eye contact

Strategically using eye content (or lack of eye contact) is an extremely effective way to communicate your attention and interest.

Example: Looking away from someone and at the ground or your phone may convey disinterest or disrespect.

9. Touch

Some people also use touch as a form of communication. Most commonly, it is used to communicate support or comfort. This form of communication should be used sparingly and only when you know the receiving party is okay with it. It should never be used to convey anger, frustration or any other negative emotions.

Example: Placing your hand on a friend's shoulder may convey support or empathy.

- CIPS study guide page 174-175

- Nonverbal Communication Skills: Definition and Examples

LO 3, AC 3.3

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