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Question 1

Question Type: MultipleChoice

The Kraljic Model is most useful for which aspect of procurement?

Options:

- A- category management
- B- cost analysis
- C- risk management
- D- cost reduction

Answer:

A

Explanation:

The Kraljic model 'plays a key part in category management' p.19 of the textbook. Category Management = the spend in an organisation, broken down into categories of related products (e.g. IT, facilities management, marketing). Each of these categories could be plotted on the Kraljic Matrix.

Question 2

Question Type: MultipleChoice

Beyond Say is a manufacturer of diamond rings. It sources a lot of different parts to create its products including diamonds, gold, cardboard boxes for the rings to go in, as well as stationary and copier paper for the offices. Although it doesn't buy many diamonds, these represent a large part of Beyond Say's spend. Which category of spend would diamonds represent?

Options:

A- Option

B- Option

C- Option

D- It isn't possible to tell

Answer:

A

Explanation:

This is category 'A' spend in the ABC model - they represent a large value and a small number of purchases / suppliers. See p.17 for more information on the ABC Analysis

Question 3

Question Type: MultipleChoice

Supplier development should be undertaken with all suppliers that a buyer uses. Is this statement TRUE?

Options:

- A-** yes- it is important to develop all relationships
- B-** yes- this will improve efficiencies for the buyer
- C-** no- supplier development should only be done with strategic suppliers
- D-** no- supplier development should only be done with tactical suppliers

Answer:

C

Explanation:

Supplier development is time-consuming and resource-intensive so should only be done with strategic suppliers. P.14

Question 4

Question Type: MultipleChoice

Which of the following would you use to qualify new suppliers? Select THREE.

Options:

A- commitment

B- clean

C- collection

D- cost

E- call

Answer:

A, B, D

Explanation:

This is based on a real exam question- it's looking to see if you can remember Carter's 10 Cs. These are; cash, cost, consistency, culture, clean, communication, competency, capacity, commitment and control. (p.12 in the text book)

Question 5

Question Type: MultipleChoice

Which of the following is characteristic of an adversarial relationship?

Options:

- A- The communication is always poor
- B- The price is more important than the quality of the product
- C- They are only used for one-off purchases
- D- The outcome of the deal is more important than the long term relationship

Answer:

D

Explanation:

In an adversarial relationship 'the outcome of the deal... is more important than maintaining the relationship over a long-term period' p.7. They can be characterised by poor communication and can be used for one-off purchases but be careful for words in answers such as 'only' and 'always', as these can be misleading; adversarial relationships aren't always for one-off purchases, and communication isn't always poor. The other answer is incorrect (price is more important) because it doesn't describe the relationship, which is what the question asked.

Question 6

Question Type: MultipleChoice

The Pareto Principle is sometimes also known as what?

Options:

A- Five Forces

B- JIT

C- ABC Analysis

D- Cost Engineering

Answer:

C

Explanation:

Pareto is the 80:20 rule- this can be adapted to talk about supplier relationships, where instead of having 2 categories there are now 3 (A B and C). CIPS use the terms Pareto and ABC interchangeably. See p.16 for further information

Question 7

Question Type: MultipleChoice

A doctor's surgery requires a complex database system to manage all of its patients data, which is highly sensitive. The system also needs to link to other departments of the health service such as physiotherapy and intensive care. The Manager of the surgery is considering outsourcing the management of the database to an IT company. What is the Manager's main motivation for doing this?

Options:

- A- The supplier is an expert in their field
- B- This will result in economies of scale
- C- This will free-up internal resources
- D- This will result in cost-savings

Answer:

A

Explanation:

The reason for outsourcing in this example is that the IT firm is an expert in their field. The requirement is complex and important and this is the reason why it is not being delivered in-house. The other answers given CAN be reasons for out-sourcing, but don't relate to this example. For a full list of reasons a company could use outsourcing see p. 4-5

Question 8

Question Type: MultipleChoice

Which of the following relationship types require the most investment from the buyer?

Options:

- A- partnership
- B- strategic alliance
- C- single source
- D- adversarial

Answer:

A

Explanation:

Partnerships require the most investment out of those listed. The only relationship type that requires more investment than Partnerships is Co-Destiny. See p.9 for more information on this

Question 9

Question Type: MultipleChoice

ABC is a company which sources a vital component from a supplier. There are only a few suppliers in the industry and without this component, ABC would not be able to produce their final product. What type of relationship should ABC seek to develop with their supplier?

Options:

- A- outsource
- B- strategic alliance
- C- transactional
- D- arms length

Answer:

B

Explanation:

As the component is vital to their business, ABC should seek a collaborative relationship with the supplier. There are three types of collaborative relationship (co-destiny, partnership and strategic alliance). Of these only strategic-alliance is given as an option.

Remember - strategic purchase = collaborative relationship with supplier. There are many questions on the Relationship Spectrum on the exam. See p.5 for more details

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