



**Free Questions for L4M8 by certsdeals**

**Shared by Buckner on 22-07-2024**

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# Question 1

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**Question Type:** MultipleChoice

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What happens in the public sector, regarding providing feedback?

## Options:

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**A-** Explanation:

A sector is an area of an industry, e.g., private, public or third sector.

A public sector is a sector of the economy that is owned, finance and run by the government. This sector is financed with tax payer's money. And therefore owe the general public an ethical explanation towards all investment and decision.

Once the supplier that is awarded the contract has accepted, the buyer can tell the unsuccessful bidders. This usually happens through email or letter. The public sector is more likely to give feedback to unsuccessful bidders and also have to respond to any stakeholders that request information on why a supplier is not successful.

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Refer to the question column for response

## Answer:

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A

## Question 2

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Question Type: MultipleChoice

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What are the reasons that a contract can legally be terminated?

### Options:

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**A-** Explanation:

A contract is written or verbal agreement, made between two or more parties that are legally enforceable. For a contract to be legally binding it must include intention of parties entering into the contracts. All parties must have the capacity to contract or be contracted. They must be of a sound mind, there should be a promise (offer) for performance from the other party and an exchange (consideration) of one thing for another within an agreement for contract to be binding, there must be an acceptance of the offeror's offer by the offeree. There are many reasons contract can legally be terminated, including non-performance by one or both parties, a significant change in the requirement.

There are several reasons contract can legally be terminated, including non-performance by one or both parties; breach of material, failure to meet service level agreement, ethical breaches, a significant change in the requirement of either party caused by ethical change in the market, change in Demand, obsolescence, contract completion. The procurement professionals should get an exit strategy that should encourage a stress free disengagement should incase there are no profitable reason to continue with the contract.

### Answer:

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A

## Question 3

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**Question Type:** MultipleChoice

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Explain which company you would award the contract to base on the weighted score card in table below.

Criteria	Weighting	Option					
		Company A		Company B		Company C	
		Score	Total	Score	Total	Score	Total
Cost	5	5	25	3	15	4	20
Service level	4	3	12	5	20	2	8
Ease of termination	4	2	8	5	20	5	20
Contract length	2	4	8	4	8	3	6
Financial strength	3	4	12	5	15	3	9
	<b>TOTAL:</b>		65		78		63

### Options:

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**A-** Explanation:

A weighted score card is a tool with a systematic and a fair process for selecting supplier, based on predetermined criteria

a. This tool can help make the decision by presenting a fair display of how all suppliers did in the process. The values of these weights are based on their importance. The supplier with the highest score card is considered the most suitable to be awarded the contract.

In the table above, cost is considered more than all other criteria. Contract length is the lowest which is weighted 2

Base on the weighted score card as presented above, company B scored 78 while company A and company C scored 65 and 63 respectively.

Company A, having scored the highest (78) should be awarded the contract.

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Refer to the question column for response

**Answer:**

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A

## Question 4

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**Question Type:** MultipleChoice

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Looking at stage 8 of the procurement and supply cycle, what does TCA mean?

**Options:**

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**A-** Explanation:

When evaluating offers, it is important to remember that the best price may not be the lowest. To ascertain that; the total cost of Acquisition TCA (the cost a buyer bears for placing orders and re-ceiving a product from a supplier) should be uncovered and compare against offers received. Things to consider that might make up the total cost of acquisition are;

- 1) logistics and handling costs
- 2) Cost of requisition
- 3) Rework
- 4) stock cost
- 5) Delay
- 6) Inspection
- 7) customer services
- 8) consumables
- 9) Training & support

\*

Refer to the question column for response

**Answer:**

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A

## Question 5

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**Question Type: MultipleChoice**

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Explain which factors should be considered when deciding the quantity of a product to order.

## Options:

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### A- Explanation:

When reviewing supplier's response the procurement professional should consider the right quantity of product or service that has to be ordered at anytime as against the price to decide how to gain the best cost.

Factors to consider include the following

- (1) Cost of inventory
- (2) cost of insurance
- (3) cost of transportation.

These three should be considered against price.

Note: Incoterms are versatile and procurement professionals should understand how they are applied and what point the risk transfers from being the supplier's responsibility to being the buyer's responsibility. It is important to consult the ICC for the most recent definitions, but in the following questions (101-111) you can understand the rules.

Note: sharpen your knowledge on INCOTERMS. Please consider the following Objective Re-sponse questions

## Answer:

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A

## Question 6

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**Question Type:** MultipleChoice

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What are advantages and disadvantages of the two types of specifications?

### Options:

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**A-** Explanation:

Once the need is understood, the procurement professional develops the specifications while working together with stakeholders and colleagues to ensure that the final design is fit for purposes that it meets the generated need.

Specification can be focus on performance or conformance.

Performance specification states what the product or service must do or how it should perform but leave the supplier the freedom to achieve this, however they wish.

Performance specification brings the following advantages; it allows supplier innovation, promote competition in the market place, shorter document, quick to prepare. The disadvantage of performance specification is that buyers may not know exactly what they will be getting.

Conformance specification gives clear instructions to the supplier about what is required and how it should be achieved. Examples of conformance specifications are chemical formulae, recipes and technical drawings. Conformance specification specifies which standards a requirement must meet or exceed. The advantage of using it is; buyers know exactly what they will get. It has the following disadvantages; the buyer bears the risk, it does not encourage supplier to innovate, take longer and complex documentation.

### Answer:

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A

## Question 7

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**Question Type: MultipleChoice**

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Explain why you think quality should be investigated before working with potential supplier?

**Options:**

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**A-** Explanation:

Quality is fitness for purpose. It is important that quality is investigated by procurement professionals before forming relationship with potential supplies.

If quality is not investigated before selecting supplier the organization might stand the risk of facing the following disadvantages;

Reputational Damages

Cost of Rework

Cost of Downtime

Cost of Material

Cost of being stocked with the wrong supplier

Cost of being stocked in a project that may not come to an end at the forecasted time.

How buyer can choose a supplier with a good quality culture is first by defining the quality of the product or services to be carried out .Having knowledge of the product or service quality, supplies can rightly select and evaluated supplier with total quality management (TQM) in their system, ISO 9001 accreditation. TQM includes everyone in the organization with knowledge on the required quality; there would be little or no rejection/reworks. Thus is an added value to the organization.

**Answer:**

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A

## Question 8

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Question Type: MultipleChoice

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Use the balance sheet below to work out the correct ratio for coffee Time and explain whether the company appears to have enough assets to cover it liability.

**Coffee Time  
Balance sheet  
December 2012**

**ASSETS**

<b>Current assets</b>	<b>S</b>
Cash in bank	26,758
Cash in hand	287
Accounts receivable	72,160
Inventory	34,650

**LIABILITIES**

<b>Current Liabilities</b>	<b>S</b>
Wages payable	21,850
Note payable	3000
Account payable	53,870
Interest	7200

Prepaid expenses	3750	Taxes	19,000
		Warranty liability	1300
<b>TOTAL CURRENT ASSETS</b>	<u><b>137,605</b></u>		
<b>Non-Current assets</b>	<b>\$</b>	<b>TOTAL CURRENT</b>	<u><b>106,220</b></u>
<b>LIABILITIES</b>		<b>Non-current liability</b>	
Land	82,000	Long-term depts. Owed	217,737
Building	185,000		
Equipment	52,650	<b>TOTAL LIABILITIES</b>	<u><b>323,957</b></u>
		<b>NET ASSETS</b>	<u><b>159,298</b></u>
Depreciation	(16,000)		
<b>TOTAL</b>	<u><b>303,650</b></u>		
<b>Other assets</b>	<b>\$</b>		
Intangible asset	42,000		
<b>TOTAL ASSETS</b>	<u><b>\$483,255</b></u>		

### Options:

A- Explanation:

The current ratio is one of the two was to determine organizations liquidity (how quickly its assets can be converted into cash)

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liability}}$$

From the table above;

Current Assets = \$137,605

Current liability = \$106, 220

$$\therefore \text{current ratio} = \frac{\$137,605}{\$106,220} = 1.3$$

A current ratio of 1 shows that the organization has enough assets to repay (cover) its liability. Buyers can be encouraged to deal with these suppliers after if they are considered proven and strong in other areas.

**Answer:**

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A

## Question 9

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**Question Type:** MultipleChoice

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How can procurement professionals select suppliers?

### Options:

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**A-** Explanation:

During the sourcing stage of the procurement cycle, the procurement professional needs to identify and select suppliers to fulfill the business needs. Supplier selection involves evaluating suppliers against predetermined criteria to assess their suitability in working with the buying organization. Suppliers can be evaluated according to Carter's 10Cs which are as follows: (1) Competency (2) capacity (3) consistency (4) control (5) cost (6) commitment (7) cash (8) Clean (9) culture (10) communication.

Procurement professionals can decide to evaluate and select suppliers based on the overall strategy and the business objectives. After that, the most suitable suppliers receive the documentation (Invitation to tender/ request for quotation).

### Answer:

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A

## Question 10

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**Question Type:** MultipleChoice

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What are the definitions of a new buy and a modified re-buy?

## Options:

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### A- Explanation:

A new buy is the purchase of goods and services by an organization or an individual for its first time. For example a transport organization for the very first time contracting the purchase of a Lorry out to an external supplier. In situations like this, it is advisable to start the procurement cycle from the very first stage. Which is understanding the need and developing high level specification.

Modified re-buy is the purchase of goods or services that an organization has bought before there was a need but with changes to the specification or supplier or quantity or quality. In carrying out modified re-buy, procurement professional should start from the very first stage of the procurement cycle to justify the added need and follow through. Not in all cases that buyer would have to start from understanding the need. In a situation where the changes required is a change of supplier, the organization will start from its preferred suppliers list and contract the next ranking supplier as the case may be.

## Answer:

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A

## Question 11

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### Question Type: MultipleChoice

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What is needed for a contract to be binding?

### Options:

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#### A- Explanation:

A contract is written or verbal agreement, made between two or more parties that is legally enforceable. For a contract to be legally binding it must include intention of parties entering into the contracts. All parties must have the capacity to contract or be contracted. They must be of a sound mind, there should be a promise (offer) for performance from the other party and an exchange (consideration) of one thing for another within an agreement for contract to be binding, and there must be an acceptance of the offeror's offer by the offeree.

### Answer:

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A

## Question 12

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### Question Type: MultipleChoice

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Describe five types of contract terms that a procurement professional should create with a supplier when forming an agreement.

### Options:

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#### A- Explanation:

Terms are the right and duties agreed which are then documented in a contract. Five types of contract terms that a procurement

professional should create with a supplier when forming an agreement includes;

Price term is when the buying organization wants to protect its budget and spending, it includes price terms in the contract, for the buyer to buy goods or services in response to a need they sometimes enshrine a bespoke specification in the contract.

Payment Term is to specify when and how the buyer will pay the supplier. The buyer may include a payment term in the contract.

Warranty is when the buyer requires a promise from the supplier that the product or service will meet the specified need in the contract.

Time is of the essence term is included in the contract to detail when a product or service should be delivered and explains the potential losses of business if time is not observed.

## **Answer:**

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A



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