

# **Free Questions for L4M4**

**Shared by Bowen on 04-10-2024**

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# Question 1

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**Question Type:** MultipleChoice

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In order to assess whether a company is able to meet its current liabilities, which financial ratio should you use?

## Options:

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- A- Return on Equity
- B- Acid Test
- C- Gearing Ratio
- D- Gross Profit Margin

## Answer:

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A

## Explanation:

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'Meet current liabilities' is a posh way of saying 'can you pay your bills'. You're therefore looking for a liquidity ratio- a ratio that looks at assets vs liabilities (i.e. money in the bank vs money owed out). The Acid Test is a liquidity ratio. It's sometimes called the 'quick ratio'. Both terms come up on the exam. The other options are financial ratios but aren't for liquidity.

## Question 2

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**Question Type:** MultipleChoice

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Which of the following would you use to work out a company's gearing ratio? Select TWO.

0current liabilities

### Options:

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A- net profit

B- shareholder equity

C- long term debt

D- gross sales

### Answer:

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A, C

## **Explanation:**

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Gearing measures how much of an organisation's long-term funding is made up of long term debt and loans. Therefore the correct answers are 'shareholder equity' and 'long term debt'.

There are many question about financial ratios that can come up on the exam. If you're unsure on them I suggest doing further reading outside of the study guide as this will help. I like this youtube video (I'm not associated with the makers of this video but think they're really good at explaining things to beginners) Gearing Ratio explained (youtube.com)

## **Question 3**

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### **Question Type: MultipleChoice**

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When working closely with a supplier, waste can be reduced which can lead to improved business functions and cost savings. Which of the following are wastes that can be removed from the supply chain? Select THREE.

### **Options:**

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**A-** Over-analyzing

**B-** Barriers

**C-** Motion

**D-** Waiting

**E-** Inventory

**Answer:**

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A, D, E

**Explanation:**

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The correct answers are; motion, waiting and inventory.

This is part of Ohno's 8 Wastes. You can remember this with the acronym Tim Woods; transportation, inventory, motion, waiting, over-production, over-processing, defects, skills.

This is only mentioned briefly in this module but comes up in other modules more in depth, so is worth memorising if you can.

## Question 4

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**Question Type:** MultipleChoice

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Elaine works for a British manufacturer of confectionary (sweets/ candy) items. One of the key ingredients is cocoa powder, which cannot be grown in the UK. Elaine therefore needs to look abroad for suppliers. Which of the following are risks that Elaine needs to consider when sourcing internationally? Select THREE

### Options:

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- A- currency exchange fluctuations
- B- shortened lead times
- C- ethical behavior
- D- export tariffs
- E- cultural differences

### Answer:

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A, C, E

### Explanation:

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The correct answers are; currency exchange fluctuations, ethical behavior and cultural differences.

Shortened lead times is not correct because sourcing internationally would result in longer lead times. Export tariffs is not correct as Elaine is importing the items into the UK, not exporting them.

## Question 5

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**Question Type:** MultipleChoice

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Dylan is looking to appoint a new supplier of paint to his manufacturing business. The paint will be used to paint buses and taxis and therefore needs to be high quality and durable. Which of the following should Dylan look for in terms of quality management when appraising the suppliers?

### Options:

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- A- ISO9001
- B- Carter's 10 Cs
- C- ESG
- D- conformance specification

### Answer:

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A

### Explanation:

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ISO9001 is Quality Management so is therefore the correct answer. The other options can be used to appraise suppliers but do not link directly or fully to Quality Management.

## Question 6

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**Question Type:** MultipleChoice

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Ji Yuan is a procurement manager who is looking for a new supplier to complete reactive maintenance activities throughout his property portfolio. The reactive maintenance will include an array of plumbing tasks as well as fixing electrical items. Suppliers therefore need to be extremely skilled and knowledgeable about a variety of tasks. Ji Yuan has done some initial research and doesn't believe that there are many suppliers who can complete this type of contract. What type of tender should he use?

### Options:

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- A- negotiated
- B- restricted
- C- open
- D- competitive dialogue



**Answer:**

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C

**Explanation:**

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Open tenders should be used when the buyer expects there to be little interest / fewer bids. The opportunity is advertised widely allowing any supplier that wishes to submit a bid the opportunity.

The other options limit the number of suppliers and Ji Yuan doesn't want to do that, because he risks getting no interest and no supplier.

## Question 7

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**Question Type: MultipleChoice**

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Compared with single sourcing, what is a key advantage to dual or multiple sourcing? Select TWO

**Options:**

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- A- It is easy to drive down costs
- B- There is a risk of failure to supply
- C- Economies of scale
- D- Supplier Loyalty
- E- Low risk of failure to supply

**Answer:**

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A, E

**Explanation:**

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The correct answers are 'it is easy to drive down costs' (as you can pit the suppliers against each other) and 'low risk of failure to supply' (if one supplier can't provide what you need, the other supplier might be able to).

Economies of scale and supplier loyalty are advantages of single-sourcing.

There is a risk of failure to supply is a risk associated with single sourcing.

There's a useful table of advantages and disadvantages of single / multi sourcing on p.22. Types of sourcing is a key topic for the exam.

## Question 8

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**Question Type: MultipleChoice**

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A supplier operates in a monopolistic market where the threat of entry is low. The product that they offer is key in manufacturing certain types of submarines and there is no known substitute for the product at present. What type of sourcing relationship is a buyer likely to have with this supplier?

**Options:**

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- A- single sourced
- B- sole sourced
- C- multiple sourced
- D- dual sourced

**Answer:**

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B

**Explanation:**

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This is sole sourcing as there is only one supplier in the marketplace.

Be careful not to confuse single sourcing and sole sourcing. Single sourcing is when a buyer chooses to work with only one supplier (usually to achieve economies of scale), sole sourcing, on the other hand, is when the buyer doesn't have a choice- they work with one supplier because there is only one supplier in the market.

Types of sourcing is a key concept for this exam.

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