

CIPS Level 4 – Diploma in Procurement and Supply

Module 1 – Scope and Influence of Procurement and Supply

SAMPLE EXAM QUESTIONS

CONSTRUCTED RESPONSE QUESTIONS

Q1 INFONT Logistics International Ltd

INFONT is a reputable logistics company with headquarters at its multimillion dollar Distribution Centre located just ten miles from the country’s main sea port. The port handles all bulk imports and exports of its clients. INFONT also owns two warehouses within the country and has contracted an agent in each of the other five countries in the region. The services INFONT provides to its clients include warehousing, packaging and transportation of their finished products or production materials. It owns and operates transport vehicles, fork lift trucks and other material handling equipment (MHE). INFONT uses 10% of its warehouse space for its maintenance, repair and operational (MRO) requirements such as oils and tyres for the vehicles; pallets and plastic sheets for repacking split deliveries to clients; etc. In order to maintain the high level of service to its clients, a substantial part of the operating expenditure budget is allocated to staff and consultancy expenses. In addition significant capital expenditure is also spent on a range of storage and handling equipment, vehicles and IT infrastructure. INFONT’s agents are contractually required to maintain the same level of space for their MRO requirements.

Some well-known retailers and manufacturers are loyal clients and they rely on INFONT’s high quality logistics services for their own successful competition in the market. INFONT’s business is therefore stable and growing as exemplified in the data below extracted from its accounts and budgets:

Extracts from the Financial Statements and Budgets: Infont Logistics International Ltd

	Year 1 \$000	Year 2 \$000	Next Year (Plan) \$000
Turnover	33400	32800	30000
Gross Profit	9350	9840	9000
Operating Expenditure	4010	4920	6500
Capital Expenditure	1110	2060	9850

However, due to concerns over deteriorating agency service levels, INFONT has decided that next year it will not renew the contract with its agent in the neighbouring country. Instead it will purchase and directly operate its own warehouse in that country. This is a major decision that will require a complex analysis of INFONT’s budget which involves many categories of spend to be considered in acquiring and operating the new warehousing facility.

Describe **FIVE** distinctive features of capital procurements, using examples from INFONT scenario.

[25 marks]

LO: 1
AC: 1.1

Q2

(a) Identify the main stages of a sourcing process (also known as the purchasing or procurement cycle).

[9 marks]

LO: 2

AC: 2.1

(b) Describe **FOUR** benefits of using electronic systems in the sourcing process.

[16 marks]

LO: 2

AC: 2.3

Q3 Explain **FIVE** reasons why it is important to maintain effective governance standards within the procurement function.

[25 marks]

LO: 3

AC: 3.1

SAMPLE QUESTIONS

Q4 Milkshake Press

The executive board at Milkshake Press set its new three year business strategy to “increase profitability by improving effectiveness and efficiency across all business areas”. To help achieve this, a new head of procurement, Martina Schweer, was appointed to ensure that procurement activities were aligned to the new strategy. Martina arranged a meeting with the procurement team to start discussions about the strategy, but was surprised to learn that the team had not previously considered overall profitability beyond negotiating the lowest price with suppliers.

Milkshake Press is a brand of milkshake mix sold in cafes and retail outlets in the United Kingdom and China. With offices in China and the UK, Milkshake Press directly employs 250 staff and has a procurement team of eight, three of whom are based in China.

As part of the strategy Milkshake Press have developed a business plan which focussed on innovation. The most popular flavours were chocolate, banana, and strawberry and the brand has successfully increased its market share by 5%, by introducing new flavours like lime and cherry. They also undertook a successful re-branding exercise which increased their market share in China by 15%.

Discuss **FIVE** ways in which the objective of profitability at Milkshake Press, might impact on its procurement activities.

[25 marks]

LO: 4

AC: 4.3