

**CIPS Level 4 – Diploma in Procurement and  
Supply**

**Module 2 – Defining Business Need**

**SAMPLE EXAM QUESTIONS**

**OBJECTIVE RESPONSE QUESTIONS AND ANSWERS**

The correct answer will be identified as [key]

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Q1. For a manufacturing organisation, which of the following would create direct costs?

- a. Brand advertising
- b. Components**
- c. Executive cars
- d. Stationery

LO: 1

AC: 1.2

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Q2. An output specification focuses mostly on ...

- a. design
- b. innovation
- c. performance**
- d. technicalities

LO: 3

AC: 1.3

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Q3. Which of the following are commonly used in conjunction with an output-focused specification?

- a. Key performance indicators**
- b. Clear conformance standards
- c. Detailed technical requirements
- d. Product brand names

LO: 3

AC: 3.1

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Q4. A procurement organisation is keen to maximise innovation available within the supply market in the execution of an upcoming significant contract opportunity. Which of the following will enable the organisation to achieve this goal?

- a. Using an outcome focused specification
- b. Applying a precise performance framework
- c. Establishing transparent selection criteria
- d. Allowing variations to occur

LO: 3

AC: 3.1

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Q5. A procurement manager is inputting into a specification for a new product. They have already assessed the availability of suppliers and their relative market influence, and have determined that the sources of supply are plentiful. What other factor will be important to consider in respect of competitive market forces?

- a. Competitive rivalry
- b. Power of buyers
- c. Strength of suppliers
- d. Supply chain impact

LO: 2

AC: 2.2

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Q6. Zam Manufacturing Group (Zam) has a non-complex range of components which are readily available for an extensive range of suppliers. The manufacturing process is simple and highly efficient. Zam's profit margins are high. The Zam CPO's main concern is the vast array of products it both buys and manufactures. Which of the following should be a priority action for Zam?

- a. Value analysis
- b. Value engineering
- c. Implement standardisation
- d. Process re-engineering

LO: 3

AC: 3.4

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Q7. Which of the following are common barriers to entry that could affect competition in a market?

1. Set-up costs
2. Direct labour costs
3. Customer switching costs
4. Inventory holding costs

a. 1 and 2 only

b. 3 and 4 only

c. 2 and 3 only

d. 1 and 3 only

LO: 2

AC: 2.2

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Q8. An organisation has a very clear idea of the service it wants and has described the process precisely in terms of how the supplier must deliver it. It is intending to produce an 'outcome-focused specification'. Is this the right specification approach for the organisation to use?

a. No - with an outcome-focussed specification approach, the supplier will decide how to deliver the service

b. No - the best approach would be an open specification

c. Yes - this specification approach allows for maximum innovation from the supplier

d. Yes -this specification approach states expressly how the service should be delivered

LO: 3

AC: 3.1

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Q9. Which of the following are typical environmental considerations throughout the contract life cycle? Select the **TWO** that apply.

- a. Energy usage in manufacturing
- b. Recyclable packaging
- c. Customer demand
- d. Employee welfare
- e. Standards of ethical behaviour

LO: 3

AC: 3.2

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Q10. Which of the following are typically found within conformance specifications? Select **TWO** that apply.

- a. Functions
- b. Drawings
- c. Outcomes
- d. Samples
- e. Outputs

LO: 3

AC: 3.1

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