

CIPS Level – Diploma in Procurement and Supply

Module 4 – Ethical and Responsible Sourcing

SAMPLE EXAM QUESTIONS

OBJECTIVE RESPONSE QUESTIONS AND ANSWERS

The correct answer will be identified as [key]

Q1. Which of the following is the most effective measure for a procurement manager to identify potential risks in relation to a supplier's exposure to increases in interest rates?

- a. Acid test
- b. Gearing**
- c. Inventory days
- d. Turnover

LO: 2

AC: 2.3

Q2. A procurement organisation has a complex and very high spend requirement for which there are many suppliers, all with capacity and a desire to deliver the contract. Once awarded, the contract can be easily switched to an alternative source of supply. Price is just one consideration but other more qualitative factors are also important in deciding which supplier to award the contract to.

Which of the following describes the characteristics of the item and provides the best method of awarding the contract?

- a. Leverage and competitive tender**
- b. Strategic and eAuction
- c. Routine and supplier negotiations
- d. Bottleneck and framework agreement

LO: 3

AC: 3.1

Q3. Which of the following is the most useful to assess a supplier's liquidity?

- a. Current ratio**
- b. Earnings per share
- c. Profit margin
- d. Return on equity

LO: 1

AC: 1.3

Q4. Which of the following Incoterms applies to any form of transportation and carries the highest risk profile for the buyer?

- a. Free on board (FOB)
- b. Delivered duty paid (DDP)
- c. Ex-works (ExW)**
- d. Cost insurance and freight (CIF)

LO: 3

AC: 3.2

Q5. A major public body has a requirement to award a high value services contract. Procurement for the body is regulated. It has conducted market analysis and has identified many potential suppliers that could potentially deliver the contract. It has a clear specification. It is an important contract but the requirement is not urgent. The most important driver for the organisation is to find the best supplier. Given all of these factors which of the following approaches is likely to be the most appropriate?

- a. Direct award
- b. Restricted tendering**
- c. Negotiated procedure
- d. Competitive dialogue

LO: 1

AC: 1.2

Q6. Hi-Tech Products Inc (HTPI) has developed a new product, the patent for which has been registered worldwide. It has identified target customers and potential distributors for the product to be sold around the world. HTPI realises that profit margins will be tight and so finding the best suppliers will be key. It is open to ideas in terms of production processes and is keen to learn more from the supply market, before running a formal competition. Which of the following should HTPI conduct as a priority?

- a. Competitive negotiation
- b. Invitation to tender
- c. Request for information
- d. Supplier appraisal

LO: 2

AC: 2.2

Q7. Which of the following items found in a supplier's financial statements are relevant to gearing?

- 1. Long-term debt
- 2. Opening inventory
- 3. Short-term investments
- 4. Shareholder's equity

- a. 1 and 3 only
- b. 2 and 4 only
- c. 2 and 3 only

d. 1 and 4 only

LO: 2

AC: 2.3

Q8. Credit rating is a relevant selection criterion when running a competitive tender. Is this statement true?

- a. Yes, because credit rating will impact on the brand
- b. Yes, because the credit rating will impact the profitability for the supplier
- c. No, because credit ratings are unreliable
- d. No, because credit ratings should be undertaken after selection

LO: 1

AC: 1.3

Q9. Which of the following are examples of secondary data that might be useful to understand the market when sourcing? Select the **TWO** that apply.

- a. Government reports
- b. Supplier websites
- c. Focus groups
- d. Online surveys
- e. Customer questionnaires

LO: 2

AC: 2.1

Q10. Which of the following should be considered when calculating ratios relating to a supplier's liquidity? Select **TWO** that apply.

- a. Receivables
- b. Equity
- c. Reserves
- d. Payables
- e. Inventories

LO: 2

AC: 2.3
