

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

**Module 5 – Commercial Negotiation**

**SAMPLE EXAM QUESTIONS**

**OBJECTIVE RESPONSE QUESTIONS AND ANSWERS**

The correct answer will be identified as [key]

Q1. A truly collaborative negotiation is typified by which of the following?

- a. All parties must have exactly the same goals
- b. Both parties understand each other's goals**
- c. One party is prepared to accommodate the other
- d. The parties will always find a compromise solution

LO: 1

AC: 1.2

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Q2. Which of the following is the best example of a BATNA (best alternative to a negotiated agreement)?

- a. A concession is made
- b. A contingency supplier**
- c. A marker is placed
- d. A walk-away point

LO: 1

AC: 1.2

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Q3. Distributive negotiations are most typically associated with which type of items?

- a. Routine**
- b. Bottleneck
- c. Leverage
- d. Strategic

LO: 1

AC: 1.2

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Q4. A category manager is having an unsuccessful negotiation with a supplier. A recess is called during which the category manager has decided to adopt a different approach when the negotiation reconvenes. As the meeting restarts the category manager reminds the supplier of its contractual obligations and says 'if we cannot reach agreement here today do not forget that I can serve notice to terminate the contract'. This is an example of which type of power?

- a. Expertise
- b. Coercive**
- c. Reward
- d. Reciprocity

LO: 1

AC: 1.3

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Q5. A procurement manager has been negotiating with a supplier for half an hour and is frustrated with the lack of progress. They are seeking a price reduction. After a short recess the procurement manager says to the supplier 'How about if we agree to increase the guaranteed volume for the first twelve months - by how much will you reduce the price?'. This is an example of which of the following?

- a. Threat
- b. Emotion
- c. Logic
- d. Bargaining**

LO: 3

AC: 3.2

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Q6. A supplier has provided a breakdown of its costs, which comprise \$250,000 fixed costs and \$75 per unit variable costs. Its total costs for Product X amount to \$800,000. It determines its pricing based on applying a fixed profit percentage of 25% of these costs, so the price is \$1 million. The 25% profit is known as ...

- a. mark-up
- b. margin
- c. absorption
- d. costed

LO: 2

AC: 2.2

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Q7. The supplier's break-even point is reached when its revenues exceed which of the following?

- 1. Opportunity costs
  - 2. Total fixed costs
  - 3. Equity costs
  - 4. Variable production costs
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- a. 1 and 2 only
  - b. 2 and 4 only
  - c. 1 and 3 only
  - d. 3 and 4 only

LO: 2

AC: 2.1

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Q8. Can closed questions be useful in a negotiation?

- a. Yes, because they are good to check understanding
- b. Yes, because they can encourage detailed responses
- c. No, because open questions should always be asked
- d. No, because closed questions only gather opinions

LO: 3

AC: 3.3

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Q9. Which of the following are most likely to be fixed costs for a manufacturing business? Select the **THREE** that apply

- a. Factory rent
- b. Full-time staff salaries
- c. Insurance premiums
- d. Components
- e. Casual Labour
- f. Marketing

LO: 2

AC: 2.1

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Q10. Which of the following are recognised forms of 'nonverbal communication'? Select **THREE** that apply.

- a. Hand gestures
- b. Body posture
- c. Informal communications
- d. Complex messaging
- e. Short Presentations
- f. Facial expressions

LO: 3

AC: 3.3

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