

**CIPS Level 5 – Advanced Diploma in  
Procurement and Supply**

**Module 7 – Achieving Competitive Advantage  
Through the Supply Chain**

**SAMPLE EXAM QUESTIONS**

**OBJECTIVE RESPONSE QUESTIONS AND ANSWERS**

The correct answer will be identified as [key]

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Q1. When entering into cost plus pricing arrangements, agreeing which of the following with the supplier is the most important?

- a. Discount values
- b. Indexation
- c. Mark-up
- d. Rebate levels

LO: 3

AC: 3.2

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Q2. A manufacturing organisation is under pressure from its shareholders to improve financial performance. The CPO has identified its six key strategic supplier relationships. The organisation works collaboratively with all of these six suppliers. Which of the following approaches will help to achieve the shareholders' wishes?

- a. Risk-reward mechanisms
- b. Supplier rationalisation
- c. Product aggregation

d. Open book costing

LO: 3

AC: 3.2

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Q3. XTZ Chemicals (XTZ) wants to improve its profit margin on its major product lines. Because of competitive pressures XTZ cannot increase its pricing as this would result in lower sales volumes. It also knows that suppliers' costs are already very strictly managed. It will be negotiating with its key supplier and should aim for a reduction in which of the following?

a. The supplier's mark-up

- b. The supplier's lead times
- c. The supplier's minimum order quantities
- d. The supplier's payment terms

LO: 3

AC: 3.3

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Q4. Which of the following are most likely to lead to potential supply chain vulnerability?

1. Lack of visibility of all stages
2. Supplier's new premises
3. High dependency on a single supplier
4. Supplier appoints new Account Director

a. 1 and 2 only

**b. 1 and 3 only**

c. 3 and 4 only

d. 2 and 4 only

LO: 1

AC: 1.2

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Q5. Which of the following are most likely to feature within key performance indicators used to encourage supply chain improvements?

1. Supply chain staff selection
2. Supplier reduction
3. Process improvements
4. Quality enhancements

a. 1 and 2 only

**b. 3 and 4 only**

c. 1 and 3 only

d. 2 and 4 only

LO: 2

AC: 2.2

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Q6. A category manager has been advised to use benchmarking to help identify areas for improvement to improve competitive advantage. Is this a valid approach?

- a. Yes, benchmarking will identify best practice in the market
- b. Yes, benchmarking will always identify improvement opportunities
- c. No, benchmarking can only ever be used internally
- d. No, competitor information cannot be gathered through benchmarking

LO: 2

AC: 2.4

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Q7. Adopting a competitive approach with suppliers is generally reasonable where the buyer has supply options and the products are routine or leverage. Is this true?

- a. No, collaboration is always the best approach
- b. No, buyers should always be competitive to get the best deal
- c. Yes, as long as there genuinely are other supply options
- d. Yes, even for leverage products where there are no other supply options

LO: 3

AC: 3.3

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Q8. Effective supply chain management can create added value for the organisation in which of the following ways. Select **THREE** that apply.

- a. Quality improvements
- b. Risk elimination
- c. Reduction in total costs
- d. Shorter time to market
- e. Client retention
- f. Customer recruitment

LO: 1

AC: 1.2

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Q9. ANE Pharmaceuticals Group (ANEPG) has highly efficient operations. It is a very profitable organisation and its products are of very good quality. It prides itself on its organisation-wide focus on continuous improvement and customer focus. It continually seeks and implements improvements with opportunities taken to avoid waste and enhance quality. It introduced a Six Sigma approach some years ago and the philosophy has been adopted across the different functions within ANEPG. In adopting this approach, ANEPG's improvement cycle is most likely to include which of the following stages?

1. Define
2. Measure
3. Reduce
4. Save

a. 1 and 2 only

b. 1 and 3 only

c. 2 and 4 only

d. 3 and 4 only

LO: 2

AC: 2.2

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Q10. A major global corporation has a number of different and autonomous operating units.

Operational Unit 1 – has a management philosophy where all staff focus on achieving a high level of quality at the point of input, in other words the ethos is on ‘right first time’. In adopting this approach its senior management team is proud, as it claims, to have eliminated all waste.

Operational Unit 2 - implements processes designed to provide confidence that the right levels of quality will be achieved. It also has virtually reduced the need to hold inventories as it works in a highly integrated way with its key suppliers, which deliver stock precisely when required.

Operational Unit 3 – makes use of checks and other measures to ensure that quality standards are being met. This operational unit also works in a highly flexible way and so can respond very quickly to changes in the market.

Operational Unit 4 – uses physical audits to ensure compliance to quality standards has been achieved. This Unit has the closest supplier relationships working with some organisations on a joint basis, including risk-sharing. You are required to match the approach to quality and key area of focus to each Operational Unit.

Choose from these options and drag and drop your answers into the table below. [8]

You can only use each option once.

Key area of focus	Approach to quality
Agile	Quality assurance
Lean	Quality control
Just-In-Time	Quality inspection
Partnering	Total quality management

Operational Unit	Key area of focus	Approach to quality
1		
2		
3		
4		

[KEY]

Operational Unit	Key area of focus	Approach to quality
1	Lean	Total quality management
2	Just-In-Time	Quality assurance
3	Agile	Quality control
4	Partnering	Quality inspection

LO: 2

AC: 2.1