

**CIPS Level 6 – Professional Diploma in
Procurement and Supply
Module 9 – Supply Network Design**

SAMPLE EXAM QUESTIONS

OBJECTIVE RESPONSE QUESTIONS AND ANSWERS

The correct answer will be identified as [key]

Q1. Technology has been a 'disruptive agent of change' for many years now, impacting both supply network design and structures. In business to consumer markets this change has had significant benefits for both the procurement organisation and its consumer customers. Which of the following is an example of such change?

a. Disintermediation

b. Insourcing

c. Outsourcing

d. Integration

LO: 1

AC: 1.2

Q2. ARC Engineering Group has undertaken a study of its supply chain networks, including detailed mapping and analysis. Its CPO has recognised that leveraging the most effective networks can create sustainable competitive advantage for the organisation. How might it achieve this?

1. Having the most suppliers

2. Being the lowest cost producer

3. Improving speed to market

4. Introducing more product lines

a. 1 and 2

b. 2 and 3

c. 3 and 4

d. 1 and 4

LO: 1

AC: 1.1

Q3. A call centre has 40 full-time employees (FTEs). All staff work some overtime on most days and the business itself is growing, so calls are forecast to increase significantly. The call centre's senior manager has been adopting a leading strategy. Has this been effective?

- a. No - staff should never have to work overtime
- b. Yes - all staff should be kept fully occupied every day
- c. Yes - staff will be encouraged to become more efficient
- d. No - there should be some spare capacity

LO: 2

AC: 2.1

Q4. Consumer Product International Group (CPIG) is a large multi-national organisation. It has a highly visible and recognisable brand around the world. Demand for its products is highly seasonal and, for some products, can be difficult to forecast accurately. The latter has become more challenging in recent years due to increasing competition and changing consumer needs. Its CPO is highly risk-averse and so the operations strategy is to work to always having maximum capacity potential, including holding inventories, even though this is rarely reached. What are the main trade-offs with this approach?

- 1. High fixed costs
- 2. High working capital needs
- 3. High mark-up
- 4. High revenue growth

a. 1 and 2

b. 3 and 4

c. 1 and 3

d. 2 and 4

LO: 2

AC: 2.3

Q5. Supply chain network configuration will be directly influenced by which of the following? Select ALL that apply

a. Residents

b. Local banks

c. Suppliers

d. Customers

e. The media

f. Tax authority

g. Consumers

LO: 1

AC: 1.2

SAMPLE QUESTIONS

Q6. A global group has several different individual businesses. Each business has a managing director who has a make versus buy decision to make, with input from the CPO. There is a key consideration of influence for each business and an important performance driver. These are set out below.

Business 1 – the key consideration is whether the requirement is core to the future long-term success of the business and consistent with its overall chosen direction. The performance driver is on meeting the very high standards of customers, to ensure the organisation's brand values are reflected and its positioning supported.

Business 2 - the key consideration is whether it is better to leverage the knowledge and expertise of the supply market as there are currently clear gaps in this area within the business. The performance driver is very much on ensuring customers' delivery expectations are met. Short timescales are common in the market and the ability to meet these is a source of competitive advantage.

Business 3 – the key consideration is around the potential benefits of removing high fixed costs and some overhead which could help the business. The performance driver is availability and reliability of the products.

Business 4 – the key consideration is the availability of suitable suppliers, their relative financial standing and how the business might handle business continuity. The performance driver is that forecasting is very difficult in this market as demand can be variable and unpredictable.

Business 5 – the key consideration is that the business has high volume requirements. Whilst the business has some potential to produce these volumes itself there could be issues around peak demand. The performance driver is individual unit pricing and the underlying breakdown of overheads per unit.

You are required, for each business, to recommend the main make/buy consideration for detailed consideration and suggest which performance driver should be prioritised.

Choose from these options and drag and drop your answers into the table below. [10]

You can only use each option once

Make/buy consideration	Performance driver
Capacity	Cost
Finances	Dependability
Resources	Flexibility
Risks	Quality
Strategy	Speed

Business	Make/buy consideration	Performance driver
1		
2		
3		
4		
5		

[KEY]

Business	Make/buy consideration	Performance driver
1	Strategy	Quality
2	Resources	Speed
3	Finances	Dependability
4	Risks	Flexibility
5	Capacity	Cost

LO: 1

AC: 1.2

Q7. Major FM (MFM) is a large facilities management organisation delivering high value and often long-term contracts for both public and private sector organisations. Several years ago it outsourced one of its largest operational units, Unit A, due to the need to cut costs. Initially, performance standards were maintained and Unit A was one of MFM's best performing contractors. However, due to lack of investment, performance is starting to decline. MFM needs Unit A as it is delivering a 20-year government contract and it does not have an alternative supplier. MFM's CPO has made a decision regarding Unit A, but before doing so had carefully analysed its capacity and fixed and variable costs. The CPO views it as the only viable option for the long-term delivery of the government contract and MFM's financial footing is now much stronger. Further, MFM's strategy is to grow both organically and through acquisition. The CPO has already identified areas of improvement for Unit A, in particular in how it arranges, controls and optimises tasks and workloads. Improving this will be a priority for the CPO. Currently Unit A is too reactive based on historical demand and responding to changes as they arise. The CPO would like Unit A to be much more proactive and focused on predicted activities.

i) Which of the following is mostly likely to have been the CPO's decision in respect of Unit A?

- a. Insourcing
- b. Offshoring
- c. Joint venturing
- d. Gain sharing

ii) The analysis undertaken by the CPO regarding Unit A was:

- a. macro analysis
- b. micro analysis
- c. competitor analysis
- d. break-even analysis

iii) MFM's approach to Unit A is known as:

- a. partnership integration
- b. vertical integration
- c. network integration
- d. resource integration

iv) Which of the following is the CPO's priority area of improvement for Unit A?

- a. Smoothing
- b. Resourcing
- c. Scheduling
- d. Levelling

v) The CPO wants Unit A to be more focused on which of the following regarding control?

- a. Supply
- b. Demand
- c. Push
- d. Transparency

LO 1:- i, ii, iii

LO3:- iv, v

AC 1.2:- i, iii

AC 1.3:- ii

AC 3.2:- iv

AC 3.3:- v