Defining Business Needs
[L4M2]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question
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
Correct answer: B

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Q2. An output specification focuses mostly on ...

a. design

b. innovation

c. performance

d. technicalities

LO: 3
AC: 1.3
Correct answer: C

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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
Correct answer: A
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
Correct answer: A

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
Correct answer: B
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
Correct answer: C

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
Correct answer: D
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-focused 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  
Correct answer: A

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  
Correct answer: A & B
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  
Correct answer: B & D

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Q11. Which of the following is most typically a feature of a 'straight re-buy' purchase? There will be ...

a. an existing specification
b. a detailed business case
c. a revised requirements document
d. a new competitive tender

**LO:** 1  
**AC:** 1.1  
Correct answer: A

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Q12. The key difference between value analysis and value engineering is that ...

a. value analysis is a risk management tool used in projects.
b. value engineering mostly relates to new products.
c. value analysis will improve relationships with stakeholders.
d. value engineering is compulsory in most organisations.

**LO:** 3  
**AC:** 4.3  
Correct answer: B
Q13. Major Manufacturing Group (MMG) has very specific requirements for a component used in the production of its best-selling engine. Whilst it has approached other suppliers in the past it has always used the same supplier as it is the only one in the market which can deliver the brand that MMG has specified. Which type of specification has MMG produced?

a. Functional specification.
b. Output specification.
c. Conformance specification.
d. Outcome specification.

LO: 3
AC: 1.2
Correct answer: C

Q14. International Power Group (IPG) is reviewing its approach to producing specifications to meet its future requirements. Whilst ensuring that the goods and services it requires are fit for purpose the IPG board is prioritising environmental criteria. Reducing which of the following will be the greatest priority for the IPG board?

a. Unemployment.
b. Poverty.
c. Overheads.
d. Pollution.

LO: 3
AC: 2.6
Correct answer: D
Q15. A procurement organisation always uses outcome focused specifications and seeks to remove all barriers that prevent new suppliers from bidding for its contracts. Which of the following competitive forces is the organisation focusing on?

1. Availability of substitutes.
2. Bargaining strength of buyers.
3. Threat of entry.

   a. 1 and 2
   b. 2 and 3
   c. 3 and 4
   d. 1 and 3

LO: 2
AC: 2.2
Correct answer: D

Q16. Which of the following should be given priority when conducting a total cost of ownership assessment when purchasing a major capital asset item?

1. Advertising costs
2. Servicing costs
3. Maintenance costs
4. Legal costs

   a. 1 and 2
   b. 2 and 3
   c. 3 and 4
   d. 1 and 3

LO: 1
AC: 2.4
Correct answer: B
Q17. Using a Request For Information (RFI) is an effective method of gathering information from the supply market before running a tender on a major procurement project. Is this true?

a. Yes, it can issued to a number of companies with experience in the sector.

b. No, it is used to generate specific quotes from bidders wanting to deliver the contract.

c. Yes, it is part of the contractual process and establishes terms with the winning bidder.

d. No, it is used to help evaluate bidders at the selection stage of a tender.

LO: 2
AC: 3.3
Correct answer: A

Q18. All of the costs of a major automotive manufacturer can be classified as being 'direct costs'. Is this correct?

a. Yes, whether the costs are fixed or variable.

b. No, only those costs involved in making the end product.

c. Yes, because all manufacturers only have direct costs.

d. No, only components and energy costs.

LO: 1
AC: 2.2
Correct answer: B
Q19. Which of the following are recognised forms of ‘acceptance testing’? Select the THREE that apply.

a. End-user testing  
b. Field testing  
c. Supplier testing  
d. Competitive testing  
e. Operational testing  
f. Market testing

LO: 3  
AC: 2.4  
Correct answer: A, B & E

Q20. Information generated through Purchase Price Cost Analysis can be useful to the purchaser, by helping to identify which of the following costs relating to the supplier? Select the TWO that apply.

a. External costs.  
b. Budgeted costs.  
c. Direct costs.  
d. Market costs.  
e. Indirect costs

LO: 2  
AC: 3.1  
Correct answer: C & E

Learning outcome (LO)  Assessment criteria (AC)  The correct answer is listed below each question