CIPS Level 4 – Diploma in Procurement and Supply

Ethical and Responsible Sourcing [L4M4]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question
Q1. Which of the following is an 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  
Correct answer: B

Q2. A procurement organisation has a complex and very high spend requirement for a widget. It has many potential suppliers, all with the capacity and eagerness 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 sourcing characteristics of the widget and provides the best method of awarding the contract?

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

LO: 3  
AC: 3.1  
Correct answer: A
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  
Correct answer: A

Q4. Which **ONE** of the following INCOTERMS 2020 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  
Correct answer: C

Q5. A major public sector organisation has a requirement to award a high value services contract. Procurement for the public sector is highly regulated. The organisation has a clear specification and has already conducted a market analysis, identifying many potential suppliers that could deliver the contract. It is an important contract but the requirement is not urgent. The most important factor for the organisation is to find the best supplier. When considering all of these factors which **ONE** of the following approaches is the most appropriate?

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

LO: 1  
AC: 1.2  
Correct answer: B
Q6. Hi-Tech Products Inc (HTPI) has developed a new product. The patent for the product has been registered worldwide. HTPI 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. HTPI 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 **ONE** 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  
**Correct answer:** C

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

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  
**Correct answer:** D
Q8. A supplier’s 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 outlines the financial stability of the supplier

c. No, because credit ratings are unreliable

d. No, because credit ratings should be undertaken after selection

LO: 1  
AC: 1.3  
Correct answer: B

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  
Correct answer: A & B
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  
**Correct answer:** A & E

Q11. Which of the following INCOTERMS 2020 carries the lowest risk for the buyer and highest risk for the Supplier?

a. Delivered duty paid  
b. Free on board  
c. Ex-works  
d. Delivered at terminal

**LO:** 3  
**AC:** 3.2  
**Correct answer:** A
Q12. If a procurement professional believes that there are suspiciously low labour rates being used within their supply chain, this should raise concerns about which ONE of the following?

a. Bribery
b. Modern slavery
c. Fraudulent behaviour
d. Corruption

LO: 4
AC: 4.1
Correct answer: B

Q13. A large organisation is running a competitive tendering exercise which will lead to the award of a major contract. Bidders are required to submit extensive personal information about key staff who will be involved in the delivery of a long-term contract. What will be the most important legislative consideration for the procurement organisation throughout the tendering process?

a. Product liability
b. Discrimination
c. Health and safety
d. Data protection

LO: 3
AC: 3.1
Correct answer: D
Q14. An international airline has a contract for the supply of its staff uniforms. It is reviewing a new potential supplier, but the airline has some concerns as to whether the new proposed supply chain meets the airlines high standards on ethical and responsible sourcing. How can the airline ensure that all the supply chain parties meet its requirements?

   a. Undertake unannounced site visits
   b. Obtain questionnaires from all sub-contractors
   c. Complete checks on sub-contractors websites
   d. Ensure all supply chain parties have a published code of conduct

LO: 4
AC: 4.2
Correct answer: A

Q15. A supplier’s liquidity can be assessed using ratio analysis, based on information from a supplier’s financial statements. You can calculate the current ratio of the supplier, when comparing which of the following?

1. Current assets
2. Long-term debt
3. Current liabilities
4. Shareholders’ funds

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

LO: 1
AC: 1.3
Correct answer: D
Q16. Compared to using a local supplier, international sourcing arrangements should involve which additional considerations?
1. A clear specification
2. Contract terms and conditions
3. Cultural complexity
4. Exchange rate fluctuations.
   a. 1 and 2 only
   b. 2 and 3 only
   c. 3 and 4 only
   d. 1 and 3 only

LO: 1
AC: 1.2
Correct answer: C

Q17. Using secondary data is most likely to meet the specific requirements of the procurement organisation. Is this a TRUE statement?
   a. No, it has already been generated for another purpose
   b. Yes, it is available to meet all kinds of requirements
   c. No, it is generated by other organisations for their internal use
   d. Yes, it is highly confidential and bespoke data

LO: 2
AC: 2.1
Correct answer: A
Q18. Gearing is a key financial measure of an organisation’s profitability. Is this statement **TRUE**?

   a. Yes, it is used to evaluate the organisation's cost-to-income ratio
   b. No, it considers the organisation's balance of debt and equity
   c. Yes, it relates to the relationship between profits and interest paid
   d. No, it is a ratio used to determine the organisation's liquidity

LO: 2  
AC: 2.3  
Correct answer: B

Q19. Award criteria to determine the outcome of a competitive tender include which of the following? Select the **TWO** that apply.

   a. Branding  
   b. Price  
   c. Reputation  
   d. Distribution  
   e. Quality

LO: 1  
AC: 1.4  
Correct answer: B & E
Q20. Pre-qualification is used to determine if potential suppliers meet the procurement organisation's requirements in respect of which of the following? Select the THREE that apply.

a. Capability  
b. Capacity  
c. In-sourcing  
d. Financial stability  
e. Contract management  
f. Pricing schedules  

LO: 1  
AC: 1.5  
Correct answer: A, B & D