CIPS Level 4 – Diploma in Procurement and Supply

Supplier Relationships [L4M6]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question
Q1. Which **ONE** of the following would a buyer want to exploit from a potential new entrant to a market?

   a. Smaller distribution network
   b. Insurance provision
   c. Economies of scale
   d. High switching cost

   LO: 1  
   AC: 1.3  
   Correct answer: C

Q2. In a recently created team, people start to push against the established boundaries and there is a conflict between team members' working styles causing some people to feel frustrated. This team is at which stage of its development?

   a. Forming
   b. Norming
   c. Performing
   d. Storming

   LO: 2  
   AC: 2.2  
   Correct answer: D

Q3. Which **ONE** of the following is used between stakeholders when protecting intellectual property rights (IPR)?

   a. Non-disclosure agreements
   b. Exclusion clauses
   c. Patent terms
   d. Secrecy Act conditions

   LO: 2  
   AC: 2.4  
   Correct answer: A
Q4. An engineering company (EngCo) is becoming concerned by the reducing number of its potential suppliers of components of X2ZZ, which is vital to the manufacture of its leading products. Over the years several suppliers have merged and some have exited the market. Which **ONE** of the following actions might open up new suppliers to EngCo through substitute products?

a. Change the specification  
b. Ease the commercial terms  
c. Shorten the supply chain  
d. Relax quality assurance

LO: 1  
AC: 1.3  
Correct answer: A

Q5. A leading pharmaceutical company (PharmCo) is concerned about the impact of market changes on its product portfolio. Following a recent review, it has highlighted both the tightening regulatory regime around consumer protection and exchange rate volatility as two key threats. The factors of most concern to PharmCo are ...

a. legislative and economic  
b. political and environmental  
c. economic and political  
d. environmental and legislative

LO: 1  
AC: 1.3  
Correct answer: A
Q6. Auto Group (AG) is an automotive manufacturer. It is an established business with a strong market share in its chosen markets, providing vehicles in the mid-range quality segment. AG has decided to launch a new lower specified vehicle range in the economy vehicle segment. Its strategy is to price low, which it can do because it can produce the vehicles relatively cheaply due to its previous investments in technology. Its source of competitive advantage is based on which recognised approach?

a. Product differentiation
b. Cost leadership
c. Brand differentiation
d. Cost reduction

LO: 1
AC: 1.3
Correct answer: B

Q7. Risk management in procurement and supply fundamentally focuses on understanding which of the following?

1. Security
2. Reward
3. Probability
4. Impact

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

LO: 2
AC: 2.3
Correct answer: C
Q8. A procurement officer is creating award criteria for a competitive tender and has decided to evaluate suppliers based on price and the suppliers' method statement for delivering the specification. Is this appropriate?

a. Yes, because a method statement is a requirement in all tenders
b. No, because price is a requirement in all tenders
c. No, because method statements are not easy to evaluate
d. Yes, because these both relate directly to the execution of the contract

LO: 2
AC: 2.1
Correct answer: D

Q9. Effective cost modelling involves which of the following? Select the THREE that apply

a. Supplier negotiation
b. Continuity planning
c. Differential pricing
d. Data gathering
e. Data analysis
f. Identify drivers

LO: 2
AC: 2.3
Correct answer: D, E & F
Q10. Which of the following are recognised conflict resolution approaches when dealing with key internal stakeholders, where a resolution must be agreed? Select the **TWO** that apply

  a. Avoiding
  b. Compromising
  c. Accommodating
  d. Maintaining
  e. Defending

LO: 2
AC: 2.2
Correct answer: B & C

Q11. At which stage of the relationship life cycle should a buyer focus mostly on monitoring the supplier against clearly stated standards?

  a. Onboarding
  b. Performance management
  c. Supplier development
  d. Mobilisation

LO: 1
AC: 1.1
Correct answer: B

Q12. Which **ONE** of the following is the appropriate approach for supplies which have high-cost impact/low-risk impact characteristics?

  a. Competitive tendering
  b. Joint venture
  c. Spot buying
  d. Strategic alliance

LO: 1
AC: 1.2
Correct answer: A
Q13. For a manufacturing organisation, significant added value can be achieved by maximising supply chain relationships and in particular by reducing inventory holding quantities. Which ONE of the following is an approach that such an organisation could use to achieve added value in this way?

a. Value for money (VFM)
b. Contract management (CM)
c. Just in time (JIT)
d. Total quality management (TQM)

LO 1
AC: 1.4
Correct answer: C

Q14. A global financial services organisation (FSO) has decided to outsource a significant part of its customer service operation. It has created a shortlist of four possible suppliers. The FSO has a range of specific needs in respect of service delivery and each will need to be evaluated when the final tenders are received. However, some of these needs are more important than others. Which ONE of the following will enable the FSO to undertake an effective evaluation of the final bids from the potential suppliers?

a. Pre-qualification questionnaire
b. Contract terms
c. Request for information
d. Weighted criteria

LO: 2
AC: 2.1
Correct answer: D
Q15. Power Generators Group (PGG) is a major manufacturer of large industrial diesel generators. Its business has been significantly impacted in recent years by the advancing government agenda in response to climate change and new environmental regulations. PGG is mostly impacted by which factors?

1. Economic
2. Political
3. Legislative
4. Social

   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: B

Q16. Accurate cost modelling is a useful aid for procurement professionals to gain a better understanding of which of the following?

1. Cost drivers
2. Potential cost savings
3. Cost targets
4. Cost-sharing opportunities

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

LO: 2
AC: 2.3
Correct answer: A
Q17. Partnership sourcing is highly effective and should be applied to all types of spend. Is this statement TRUE?

a. No, it will only apply to high value and high risk spend
b. Yes, it is well known to drive maximum value on all areas of spend
c. No, it should be implemented on contracts of high value and low risk spend
d. Yes, all suppliers should be treated like partners as it is good ethical practice

LO: 3
AC: 3.1
Correct answer: A

Q18. A project team has recently been established and team performance is improving. Team members are now working effectively together as a cohesive unit. This team has now reached the 'norming' stage of team development. Is this statement TRUE?

a. No, this is the forming stage of team development
b. Yes, it has taken a while and trust has now been established
c. No, this is the storming stage of team development
d. Yes, it takes the team time to learn roles and the skills of others

LO: 2
AC: 2.2
Correct answer: B

Q19. Partnerships often fail due to changes in the external market environment that impact on both the procurement organisation and its chosen partner. Which tools could be used to help monitor such changes? Select the TWO that apply.

a. Pareto analysis
b. Porter’s five forces
c. Whole life costing (WLC)
d. STEEPLE
e. Early supplier involvement (ESI)

LO: 3
AC: 3.3
Correct answer: B & D
Q20. Which of the following are recognised organisational culture types? Select the **THREE** that apply.

a. Power
b. Structure
c. Role
d. Task
e. Sector
f. Knowledge

LO: 3  
AC: 3.7  
Correct answer: A, C & D