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NEW QUESTION: 1

OMK is a Russian steel firm that is expanding market abroad. It plans to build a steel plant in a foreign country. Due to intricate technical requirements, the plant design will be very complex. Procurement department or technical department alone cannot draft the specification. OMK senior management decides that this task must be treated as a project. Which of the following should be done before writing the specification for new steel plant?

- A. Develop the performance framework for the supplier
- B. Draft the terms and conditions for plant construction contract
- C. Invite suppliers to the tendering process
- D. Develop project initial document

Answer: D (LEAVE A REPLY)

The writing of a complex specification should be treated as a project because it requires the brain power from different stakeholders. Many tools and processes of project management can be applied to complex specification development. Before engaging with the stakeholders and implementing the project, the project initial document should developed.

A Project Initiation Document (PID) is one of the most important components of project management, which forms the foundation for a company project. It is a reference point during the entire project, for the client as well as for the project team.

A PID bundles documentation into a logical reference work that collects all important information needed to start and run a project from a good foundation.

After that, Project Initiation Document must be transferred to all stakeholders, including business sponsors.

This forms the basis for the project management. The documentation from which the PID is composed include the business case in which the project's justification can be found, the communication plan and the project plan.

The PID is composed out of collected information and includes, among others, the following components:

- Project goal(s); what do you want to achieve with the project?
- Project size; how large is the project, how long does it take and how many people are involved?
- Project organisation; who are involved in the project, what are their tasks, responsibilities and authority?
- Limits and risks; what can cause a project to stagnate and are there risks related to the project?
- Stakeholders; who has a stake in the success of the project?
- Project checks and frame reporting; by carefully taking into account evaluation moments, it is clear to everyone what sample tests can be carried out during the process.

In addition, it is important that the Project Initiation Document also contains the following information:

- The background and occasion of the project, which together provide information about the con-text.
- The project organisational structure, which describes who has which management responsibility in the project.
- The project quality plan, describing who controls the quality of the products to be delivered and how it will take place.
- The total project planning, including the duration of all activities.
- The exception process, which describes how exceptions are dealt with and the steps of the escalation procedure.
- The risk log, including the measures that will be taken when there are unforeseen risks.
- The documentation structure of the project, in which the encoding and storage of all documents and products to be provided by the project has been recorded in advance.

NEW QUESTION: 2

A company is analysing its existing product's components and aims at reducing costs without damaging customer value proposition. They want to check which components are critical and which are unnecessary.

Which of the following should be adopted by the company?

- A. Under specification
- B. Value engineering
- C. Value analysis
- D. Variety reduction

Answer: C (LEAVE A REPLY)

In marketing, a customer value proposition (CVP) consists of the sum total of benefits which a vendor promises a customer will receive in return for the customer's associated payment (or other value-transfer).

Value analysis is concerned with existing products. It involves a current product being analysed and evaluated by a team, to reduce costs, improve product function or both. Value Analysis exercises use a plan which step- by-step, methodically evaluates the product in a range of areas. These include costs, function, alternative components and design aspects such as ease of manufacture and assembly.

Value engineering is concerned with new products. It is applied during product development. The focus is on reducing costs, improving function or both, by way of teamwork-based product evaluation and analysis. This takes place before any capital is invested in tooling, plant or equipment.

In this scenario, the company's objective is cost reduction, then value analysis or value engineering is more likely to be applied. The products are existing, so value analysis is the best option.

LO 3, AC 3.4

NEW QUESTION: 3

Warwickshire Ambulance Service (WAS) is an NHS Trust. It operates throughout Warwickshire and the neighbouring areas. It has three core areas of activity, namely the provision of Emergency Ambulance Services, routine Patient Transport Services, and Logistic Medical Services. The agency is working towards higher service level through benchmarking. Which of the following is the benefit of benchmarking to WAS?

- A. Benchmarking is a panacea for all WAS's problems
- B. It will help WAS create performance standards derived from an analysis of the best in business
- C. It helps WAS identify better ways to deliver service through a cookbook process
- D. It will help WAS analyse the competitors in the industry

Answer: B (LEAVE A REPLY)

Benchmarking is 'the pursuit by organisations of enhanced performance by learning from the successful practices of others. Benchmarking is a continuous activity; key internal processes are adjusted, performance is monitored, new comparisons are made with the current best performers and further changes are explored.

Where information about these key processes is obtained through a co-operative partnership with specific organisations (rather than via a third party such as an independently-maintained database), there is an expectation of mutual benefit over a period of time.

Text Description automatically generated

Successful benchmarking will help you . . .

- find who does the process best and close the gap.
- recognize the leading organizations in a process or activity.
- create performance standards derived from an analysis of the best in business.
- ensure that comparisons are relevant.
- measure your performance, your processes, and your strategies against best in business.
- measure business processes.
- assess performance over time.
- accelerate continuous process improvements (CPI).
- establish more credible goals for CPI.
- establish actionable objectives.

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- establish customer expectations of business standards set by the best suppliers in industry.
- help your organization achieve breakthrough improvements.
- create a sense of urgency for change.
- increase customer satisfaction.
- become direction setting.
- provide a positive, proactive, structured process.



The Department of the Navy Benchmarking Handbook: A Systems View

NEW QUESTION: 4

A procurement manager has noticed that profitability within a market has increased steadily over the years. In addition, the market is relatively easy to enter, and demand within the market is predicted to remain high.

Which of the following is likely to happen in this particular market as a direct consequence of these factors?

- A. The market will attract new entrants
- B. Suppliers will invest more heavily in technology
- C. Buyers will switch to a different market
- D. The regulator will intervene and establish pricing controls

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 5

Which of the following roles are relevant to a 'services' market?

- * A data researcher
- * A warehouse manager
- * A marketing consultant

* A logistics director

- A. 1 and 2 only
- B. 2 and 3 only
- C. 3 and 4 only
- D. 1 and 3 only

Answer: D (LEAVE A REPLY)

Detailed Explanation: Roles such as a data researcher and marketing consultant are directly tied to the provision of services, which are intangible and often knowledge-driven. Warehouse managers and logistics directors are more relevant to goods markets. Reference: CIPS Level 4, Services Procurement.

NEW QUESTION: 6

One of the disadvantages of using standards in specification is that...

- A. Standards lengthen the time to produce a specification
- B. Standards tend to be rigid and they often don't encourage innovation
- C. Standards don't allow the buyers to add health and safety requirements into the specification
- D. Standards tend to be inaccurate and ambiguous, causing confusion among suppliers

Answer: B (LEAVE A REPLY)

Using standards in specification is very convenient. They reduce the time and effort to produce. They tend to be very accurate with correct technical terminologies. They are well recognised and accepted by a wide range of suppliers and buyers. However, since a standard is very specific, complex and lengthy, it requires a lot of time to be drafted and approved. Therefore, standard tends to be static and don't encourage innovation. It may also not accommodate latest technology and trends.

NEW QUESTION: 7

Which of the following might be consequences of over-specification? Select TWO that apply:

- A. Reducing motion waste
- B. Higher cost due to inessential features
- C. Limiting competition in supply market
- D. Lack of essential features
- E. Better contract management

Answer: B,D (LEAVE A REPLY)

Over-specification can cause problems to buying organisation, include the following:

- Higher expense due to unnecessary features embedded into the product
- Stifle competition because higher requirements will lead to fewer suppliers in the market are able to supply
- Harder to evaluate the trade-offs between different features and attributes in the specification

NEW QUESTION: 8

Which of the following events would increase the number of suppliers in a particular market?

- A. Introduction of minimum wage regulations
- B. High and increasing levels of investment required to enter the market
- C. Requirement for all companies to have 10,000 or more employees
- D. De-regulation of a previously government-run industry

Answer: (SHOW ANSWER)

Detailed Explanation: De-regulation removes barriers to entry, encouraging new suppliers to enter the market. Other factors, like high investment or stringent requirements, limit supplier participation. Reference: CIPS Level 4, Market Entry and Supply Chain Factors.

NEW QUESTION: 9

Datong is a defence and law enforcement equipment supplier. They are developing new product but largely concerns about the detailed specifications of components and the capability of supply market. Which of the following approach should Datong adopt in order to optimise the specification and shorten time to market?

- A.** Request for quotation from potential suppliers
- B.** Invite the supplier to tendering process
- C.** Early supplier involvement
- D.** Control the budget tightly

Answer: ([SHOW ANSWER](#))

To improve production process and reduce supply risk, Datong should collaborate with suppliers early in procurement cycle. Collaborating with suppliers in this way is often referred as Early Supplier Involvement (ESI)

'Request for quotation from potential suppliers': Quotations should only be requested if the buyer know exactly what they need. In this scenario, Datong is not yet sure about the specifications of product's components, request for quotation is not a good idea.

'Mapping out business plan': A business plan, as defined by Entrepreneur, is a "written document describing the nature of the business, the sales and marketing strategy, and the financial back-ground, and containing a projected profit and loss statement." A business plan is not appropriate with improving production process and reducing supply risk.

'Budget controlling': Budget controlling largely concerns with dealing with budget variances. Tighter budget alone cannot lead to improved processes and fewer risks.

LO 3, AC 3.1

NEW QUESTION: 10

The procurement officer for Hunter Manufacturing has been tasked to procure a new manufacturing software management system. They have consulted all relevant internal stakeholders and have the following high-level requirements: flexibility throughout the project, and the supplier to recommend the best solutions for building the system. Which type of specification should be developed?

- A.** Design
- B.** Conformance
- C.** Performance
- D.** Technical

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 11

What are the direct risks that can result from procurement receiving inadequate specifications from a research and development department?

- A.** Increased labour costs
- B.** Under or over statement of need
- C.** Increased business size
- D.** Under or over delivery of goods

Answer: **D** ([LEAVE A REPLY](#))

NEW QUESTION: 12

A CPO is making a business case for acquiring a new computer system. He has set out objective, generated options, cost and benefit of each option and implementation plan. Which of the following elements should be included in the business case?

- A. Risk assessment
- B. Operation management
- C. Invitation to tender
- D. Contract management

Answer: A (LEAVE A REPLY)

Before a project commences (either capital purchase or switching to a new supplier), a business case should be developed. The business case outlines the why, what, how, and who necessary to decide if it is worthwhile continuing a project.

Basically, the following criteria can be applied to the assessment of a business case:

1. Objectives

This part describes why you are doing the project. The business objective answers the following questions:

- What is your goal?
- What is needed to overcome the problem?
- How will the project support the business strategy?

2. Option identification and selection

Identify the potential solutions to the problem and describe them in enough detail for the reader to understand.

For instance, if the business case and proposed solution makes use of technology, make sure to explain how the technology is used and define the terms used in a glossary. Since most problems have multiple solutions an option appraisal is often needed. This will explore the potential solutions and recommend the best option.

When writing the initial business case the option appraisal is likely to contain a long list of options and will cover many possibilities. As the project continues a number of options will be rejected. The final business case may contain three to five options # the short list # that includes a do nothing or benchmark option.

3. Benefits and limitations

The benefits and limitations section describes the financial and non-financial benefits in turn. The purpose is to explain why you need a project.

For instance, to:

- Improve quality
- Save costs through efficiencies
- Reduce working capital
- Generate revenue
- Remain competitive
- Improve customer service
- Align to corporate strategy

The business case should also include any limitations since these present potential risk to the pro-ject.

4. Risk management

The risk assessment summarizes the significant project risks and opportunities and how they are managed.

The risks included should cover those that could arise from your project or the organiza-tion's ability to deliver change.

This section answers the following questions:

- What risks are involved?

- What are the consequences of a risk happening?
- What opportunities may emerge?
- What plans are in place to deal with the risks?
- Every project should include a risk log.

When writing a business case, make sure this is included as it explains how risk and opportunity are managed.

5. Implementation plan

The outline plan provides a summary of the main activities and overall timescale # project schedule # for the project.

Ideally, the project should be divided into stages with key decisions preceding each stage. Use this section to answer the following questions:

- What is required?
- How is it done?
- Who does what?
- When will things happen?

This outline plan lists the major deliverables and includes a brief project description plus accountabilities for each activity.

In the scenario, the CPO has set out objective, generated options, cost and benefit of each option and implementation plan. In order to make the business case more compelling, he should reinforce it with risk management.

NEW QUESTION: 13

XYZ Ltd is producing an engine which consists of many components. The procurement manager wants to find cost reduction opportunities and minimise part varieties. Which of the following may help her to achieve these objectives?

1. Value analysis
2. Segment analysis
3. Variety reduction
4. Standardisation

- A. 2 and 3 only
- B. 1 and 3 only
- C. 3 and 4 only
- D. 1 and 4 only

Answer: D (LEAVE A REPLY)

Value analysis is often defined as a systematic process for improving the value of a product, service or project. It is typically used in the following ways:

- To determine the value of each component used
 - To find cost reduction opportunities by optimising the components used
- Segment analysis helps procurement and supply to shape and manage the supply markets.

There is no concept known as Variety reduction.

Standardisation is the process which is used to reduce varieties of products or parts.

In this scenario, the company's objective is cost reduction, then value analysis or value engineering is more likely to be applied. Also the company aims at reducing variety, standardisation can be combined with value analysis to produce the best results.

LO 3, AC 3.4

NEW QUESTION: 14

CP Group places emphasis on the following business objectives:

- * Responsive production processes to react quickly to market changes

* Collaboration and technological integration

* New products launched and on sale very quickly Which of the below business markets does CP Group belong to?

- A. Agriculture
- B. Construction
- C. Financial
- D. Retail

Answer: D (LEAVE A REPLY)

NEW QUESTION: 15

Which of the following specific markets engage in creation, liquidation and change of ownership of stock?

- A. Financial
- B. Manufacturing
- C. Construction
- D. Agriculture
- E. Retail

Answer: A (LEAVE A REPLY)

According to Investopedia, the financial services sector provides financial services to people and corporations. This segment of the economy is made up of a variety of financial firms including banks, investment houses, lenders, finance companies, real estate brokers, and insurance companies. As noted above, the financial services industry is probably the most important sector of the economy, leading the world in terms of earnings and equity market capitalization. Large conglomerates dominate this sector, but it also includes a diverse range of smaller companies.

According to the finance and development department of the International Monetary Fund (IMF), financial services are the processes by which consumers or businesses acquire financial goods. For example, a payment system provider offers a financial service when it accepts and transfers funds between payers and recipients.

This includes accounts settled through credit and debit cards, checks, and electronic funds transfers.

Companies in the financial services industry manage money. For instance, a financial advisor manages assets and offers advice on behalf of a client. The advisor does not directly provide investments or any other product, rather, they facilitate the movement of funds between savers and the issuers of securities and other instruments. This service is a temporary task rather than a tangible asset.

Financial goods, on the other hand, are not tasks. They are things. A mortgage loan may seem like a service, but it's actually a product that lasts beyond the initial provision. Stocks, bonds, loans, commodity assets, real estate, and insurance policies are examples of financial goods.

NEW QUESTION: 16

Which of the following statements is true about product life cycle?

- A. The price remains static throughout the product life cycle
- B. The price competition will be the fiercest at the declining stage because the inventories are plentiful
- C. If price skimming is adopted, the supplier will gradually lower the price when it attracts enough buyers
- D. Sale volume will be the highest at the introductory stage

Answer: C (LEAVE A REPLY)

A product's life cycle portrays the length of time a product is in the market; from the beginning of its introduction to consumers until it is removed from shelves and phased out. This cycle is often divided into four phases: introduction, growth, maturity, and decline. Depending on the relevant stage, companies will set an according strategy to achieve their desired targets. Pricing and promotions play a pivotal role in the design of these product life cycle

strategies. Therefore, product life cycle management, the process of strategizing ways to continuously support and maintain a product, is seen more and more at pricing mature players and could bring real value to your company.

Introduction phase: during the introduction phase, the new product is introduced to consumers and a substantial amount of money is invested in advertising and marketing campaigns to bring awareness of the product to the customer. In this phase competition is low, but units sold will also correspondingly be quite low as well still. Consumers need to be convinced of the benefits of the product. Lots of articles never make it beyond this phase: e.g. 3D televisions. Profits in the introduction stage tend to be low or there may even be a loss. This is because the cost of marketing to establish product awareness plus distribution costs can be far higher than the revenue received from sales. This can be offset to a degree by 'skimming' price in the very early stages. Skimming a price is where a business charges the highest price that it thinks the market will bear initially until product recognition brings in other buyers and then the price drop.

Growth phase: when it's shown there is proven demand for the product and consumers are buying it, the next stage will be its growth phase. This phase is punctuated by increasing demand, increasing production and an increase in the competitive landscape. Availability of the product is understandably paramount during this phase, going out of stock is unthinkable during the growth period.

The electric car is an example of a product that is currently in the midst of the growth phase.

Maturity phase: normally the maturity phase is the phase that is characterized by declining production and marketing costs due to synergies and economies of scale. During this phase the first signs of market saturation occur and most consumers or households already own the product. Sales numbers still grow, but at a slower pace. In the maturity phase, price competition becomes intense, a broader range of distribution channels are deployed and competition is more focused on competitive pricing, marginal product differences or the difference in services or promotions. This period in the PLC is often said to be the 'cash-cow period'.

That being said, the idea of 'Maturity from the start' also exists. This occurs when a brand decides to launch a product extension and directly follows up the maturity phase of an earlier version of the product. For example, the iPhoneX followed up from the 'normal' iPhone-series and therefore the iPhoneX never had to undergo the introduction or growth phase, but immediately started in its maturity phase.

Decline phase: the final phase of the PLC is entered once the product loses market share to other, newer products and the competitive landscape becomes too hard to survive. During this stage, demand declines, companies are left with overstock with prices and margins getting depressed. Therefore retailers and brands normally start stunting with promotions during the decline of the PLC to sell their final stock.

A well-known example of a product that has been through the decline phase were the Nokia phones; sales results dramatically decreased after the introduction of the iPhone.

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NEW QUESTION: 17

What is the document that defines the activities, deliverables and timelines a supplier must carry out during contract performance?

- A.** Statement of work
- B.** Project initial document
- C.** Framework agreement
- D.** Work instruction

Answer: A ([LEAVE A REPLY](#))

Statement of Work (SoW) is the document that captures and defines all aspects of your project. You'll note the activities, deliverables and the timetable for the project. It's an extremely detailed document as it will lay the groundwork for the project plan.

Project Initial Document is an important document and should precede any specification writing project. It sets out the scope of the project and it is the team's mandate from senior management. Work instructions are also called work guides, Standard Operating Procedures (SOPs), job aids or user manuals, depending on the situation. In any case, the purpose of work instructions is to clearly explain how a particular work task is performed.

Framework agreements are arrangements between one or more buyers and one or more suppliers that provide the terms governing contracts to be established for a certain period of time, in particular with regard to price and, where necessary, the quantity envisaged.

NEW QUESTION: 18

Which of the following are 'secondary sources' of data for costs and prices?

- * Industry press
- * Published economic indices
- * Trade fairs
- * Buyer's database on market data

- A.** 3 and 4 only
- B.** 1 and 2 only
- C.** 2 and 3 only
- D.** 1 and 4 only

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 19

Due to increasing demand, a local restaurant is requesting its fish vendor to supply larger quantity. The restaurant manager also asks the vendor whether it is possible to reduce the total price by 5%. This is known as...?

- A.** Straight rebuy
- B.** Capital purchase
- C.** Modified rebuy
- D.** New purchase

Answer: (SHOW ANSWER)

There are three major types of buying situations, which are new purchase, modified rebuy and straight rebuy.

Three factors make the buying situations be different from the others, customers may face different problems in these situations.

A new purchase is a situation requiring the purchase of a product for the very first time.

A straight rebuy is when a company places a second order with a supplier that is identical to the first purchase it made.

A modified rebuy is when a company orders again from a supplier, but wants to change some aspect of the order, such as the quantity, packaging, product features, or delivery times. The scenario above is an example of modified rebuy.

NEW QUESTION: 20

Which of the following statements describes a correct example of an indirect cost?

- A.** The cost of alloy rims fitted on new cars during the night shift at a car assembly plant
- B.** The salary of the manager in charge of the night shift in the car assembly plant
- C.** The cost of paint used in the manufacture of new cars during the night shift at a car assembly plant
- D.** The wages of an automotive electrician responsible for testing vehicle lights during a night shift at a car assembly plant

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 21

A company is evaluating two investment projects: Project A and Project B. Project A has a high initial cost but generates substantial cash flows over time. Project B has a lower initial cost but generates modest cash flows consistently. The company's cost model indicates a payback period of three years for Project A and a payback of four years for Project B. Which of the following statements is correct regarding the cost models and cash flow profiling for these projects?

- A.** Project A has a shorter payback period, making it a quicker return on investment compared to Project B
- B.** Project A's higher initial cost is a disadvantage, and its payback period should be extended for better profitability
- C.** Project B's lower initial cost allows for faster profit realisation, making it the better investment choice
- D.** Project B's modest and consistent cash flows make it a risky investment option due to a longer payback period

Answer: A ([LEAVE A REPLY](#))

Detailed Explanation: Project A's shorter payback period means the initial investment is recovered more quickly, which is often preferred in cost models. The higher initial cost is offset by substantial cash flows, making it the more viable option based on ROI. Reference: CIPS Level 4, Investment Appraisal Techniques.

NEW QUESTION: 22

Which of the following indicates types of waste that procurement department concentrates on when adopting Lean methods?

- A.** DOWNTIME
- B.** VAVE
- C.** OWN-IT
- D.** SCAMPER

Answer: ([SHOW ANSWER](#))

Copious amounts of waste can occur in the workplace, particularly in a manufacturing process, but do you know what the eight most common wastes are and how they impact your organization?

Taiichi Ohno, considered the father of Toyota Production System, created a lean manufacturing framework, which was based on the idea of preserving (or increasing) value with less work. Any-thing that doesn't increase value in the eye of the customer must be considered waste, or "Muda", and every effort should be made to eliminate that waste. The following 8 lean manufacturing wastes, mostly derived from the TPS, have a universal application to businesses today. The acro-nym for the eight wastes is DOWNTIME. Downtime stands for:

- Defects
- Overproduction
- Waiting
- Not utilizing talent
- Transportation
- Inventory excess
- Motion waste
- Excess processing

OWN-IT is the acronym for the process of collecting and analysing the data and information needed in any field SCAMPER is acronym for options addressing the underlying issues and achieving target VAVE is value analysis and value engineering LO 3, AC 3.4

NEW QUESTION: 23

Raw materials used in the production of a saleable product are classed as ...

- A. Fixed costs
- B. Indirect costs
- C. Overheads
- D. Direct costs

Answer: D ([**LEAVE A REPLY**](#)**)**

NEW QUESTION: 24

Lider Ltd is a leading bathroom furniture manufacturer in India. The company has more than 30 years experience in the market with extended knowledge of engineering and customers' taste. Lider is planning to launch a new type of bath fitting next year which offers Bluetooth connectivity and thermostat display. The company gathers a team of multi-disciplines, including engineering, procurement, sales and marketing. At the first team meeting, the project leader tells the team to discuss which functions will be valued by the customers, and how to deliver those functions with the lowest costs possible. Which of the following describes the process that the project team is undertaking?

- A. Cost analysis
- B. Standardisation
- C. Value engineering
- D. Just in time

Answer: C ([**LEAVE A REPLY**](#)**)**

From the scenario, you can see that the project team is developing a new product. They start with analysing the functions, and the costs of delivering those functions. This is a typical process of value engineering. You may read more on value engineering from the reference paper.

NEW QUESTION: 25

Which of the following are typical benefits of through-life asset management to buying organisation? Select the TWO that apply.

- A. Shorter specifications
- B. Lower risks as there are many suppliers accountable for costs and service over the life of the asset
- C. Lower total cost of ownership
- D. Greater supplier's bargaining power
- E. Better capability of supplier over time

Answer: C,E ([**LEAVE A REPLY**](#)**)**

According to Andrew Graves, "Through-life Management involves the life-cycle management of the products, services and activities required to deliver a fully integrated capability to the customer, while reducing the cost of ownership for the customer." Benefits of through-life asset management can be:

- Lower total life-cycle costs
- Better match between the asset and end-user's needs
- Better supplier capabilities over time because it gains experience of buying organisation's needs.

NEW QUESTION: 26

Which of the following are likely to be disadvantages of using outcome-based specifications? Select THREE that apply

- A. Time consuming to produce
- B. Stifling innovation
- C. Difficulty to measure performance
- D. Long time delay between action and result

E. Responsibility for product failure falling to buyer

F. Ambiguity of outcome

Answer: ([SHOW ANSWER](#))

An Outcome Based Specification (OBS) focuses on the desired outcome of a service in business terms, rather than a detailed technical specification of how the service is to be provided; this allows providers scope to propose innovative solutions that might not have occurred to the procurement team. Outcome should be distinguished from output, which is the measurable results of a set of inputs. The example of difference between outcome and output is written at the bottom of page 123 in the study guide.

Outcomes should be the starting point in making new specification. However, using outcome-based specification has some setbacks:

- First, it is not easy to measure the outcomes. Usually, outcome of a project is a statement like 'increase customer satisfaction', 'maintain ambient temperature' or 'provide a convenient way to do something'. They are not easy to measure as output.
- Second, sometimes the desired outcomes require time to be materialised
- Third, outcomes can be ambiguous

NEW QUESTION: 27

Which of the following are characteristics of effective financial markets?

- * Market stability is maintained
- * Market volatility is encouraged
- * Investment is encouraged
- * The level of regulation is reduced

A. 1 and 3 only

B. 2 and 4 only

C. 3 and 4 only

D. 1 and 2 only

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 28

Which of the following activities would apply to a straight rebuy procurement?

- * Reviewing existing specifications and arrangements
- * Engaging in extensive purchasing research
- * Engaging in proactive value engineering
- * Optimising inventory replenishment methods

A. 2 and 4 only

B. 1 and 3 only

C. 2 and 3 only

D. 1 and 4 only

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 29

A procurement organisation is keen to encourage innovation available within the supply market in the execution of an upcoming significant contract opportunity. A team member suggests that the specification should define the performance indicators so that supplier's solution can be checked against them. Which of the following will enable the organisation to achieve this goal?

- A. Using an outcome focused specification
- B. Establishing transparent selection criteria
- C. Using an output focused specification
- D. Applying a precise performance framework

Answer: C (LEAVE A REPLY)

The buying organisation is keen to encourage innovation so they should use the outcome or output based specification. In an outcome-based specification, umbrella statements like 'good quality', 'ambient temperature', 'convenient way' are often used. This may confuse the suppliers, and it's hard to check the solution that supplier offers. On the other hand, output-based specifications often include measurable requirements. For example, a specification for air conditioning system states that the system should maintain the room temperature at 19-24 degrees Celsius. Therefore, output specification is more appropriate in this case.

NEW QUESTION: 30

Variances occur when there are differences between the budgeted costs and the actual costs. When are labour cost variances likely to arise?

- * When the sales prices change over time due to inflation
- * When there is more overtime than is expected
- * When a different wage grade of worker is used to complete a task than was planned for
- * When the supplier changes from manual to electronic invoicing systems for all transactions

- A. 1 and 3 only
- B. 1 and 2 only
- C. 2 and 4 only
- D. 2 and 3 only

Answer: D (LEAVE A REPLY)

NEW QUESTION: 31

Which of the following factors should be assessed to understand the competitiveness of a supply market?

- A. Presence of a minimum wage
- B. Number of suppliers within the market
- C. Previous price paid for goods
- D. Gross National Product of the country of manufacture

Answer: B (LEAVE A REPLY)

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NEW QUESTION: 32

Which of the following methods will enable a company to eliminate waste, lost time and lost material from its processes?

- A. Lean principles
- B. Over specification

C. Agile principles

D. Tendering process for routine items

Answer: A (LEAVE A REPLY)

Lean design is about maximising the value that a customer receives and at the same time minimising waste in delivering that value.

For an organisation to be 'lean' it must have had all non-essential resources removed (ie. anything that does not add value, see below). This is efficient and cost effective, in that the value/supply chain can theoretically do exactly what is needed of it and no more, but requires sound forecasting and planning of demand and supply. It is most suitable for industries with stable product specifications, long lead times and few impulse purchases.

Organisations which are 'agile' react as quickly as is practicable to provide a cost effective response to customer demand. This is based on flexibility in design, supply, production and distribution. It is most appropriate for products such as fast fashion and foodstuffs which must be on display and available when wanted by the customer.

NEW QUESTION: 33

Due to the growth of consumer electronics market, semiconductor industry develops exponentially. However, the industry is dominated by a dozens of manufacturer. Chipset need to be built in factories with highly controlled environments. New chip factories cost billions of dollars and can take two years to build. Right now, factories are running at full capacity, which produce almost perfect yields, meaning basic chipset can be made for less than a dollar and more advanced versions for not much more. What are the barriers to new entrants in the semiconductor industry?

1. Poor industry growth

2. High set-up costs

3. Economies of scale

4. Low switching costs

A. 1 and 4 only

B. 2 and 3 only

C. 3 and 4 only

D. 2 and 4 only

Answer: B (LEAVE A REPLY)

Barriers to entry is an economics and business term describing factors that can prevent or impede newcomers into a market or industry sector, and so limit competition. The most obvious barriers to entry are high start-up costs and regulatory hurdles which include the need for new companies to obtain licenses or regulatory clearance before operation. Also, industries heavily regulated by the government are usually the most difficult to penetrate. Other forms of barrier to entry that prevent new competitors from easily entering a business sector include special tax benefits to existing firms, patent protections, strong brand identity, customer loyalty, and high customer switching costs.

In the scenario, the new factory for chipset manufacturing costs billions of dollars, which indicates high set-up costs. Also, the incumbent manufacturers have reached economies of scale, allowing them to produce the components at optimal price.

The above descriptions are compiled from recent reports on current chip shortage (2021).

NEW QUESTION: 34

According to Porter's value chain, which of the following activities is categorised as support activity?

A. Product warranties and special services

B. Storage of raw materials

C. Distribution of products from factory to retailer

D. Supervising the production line

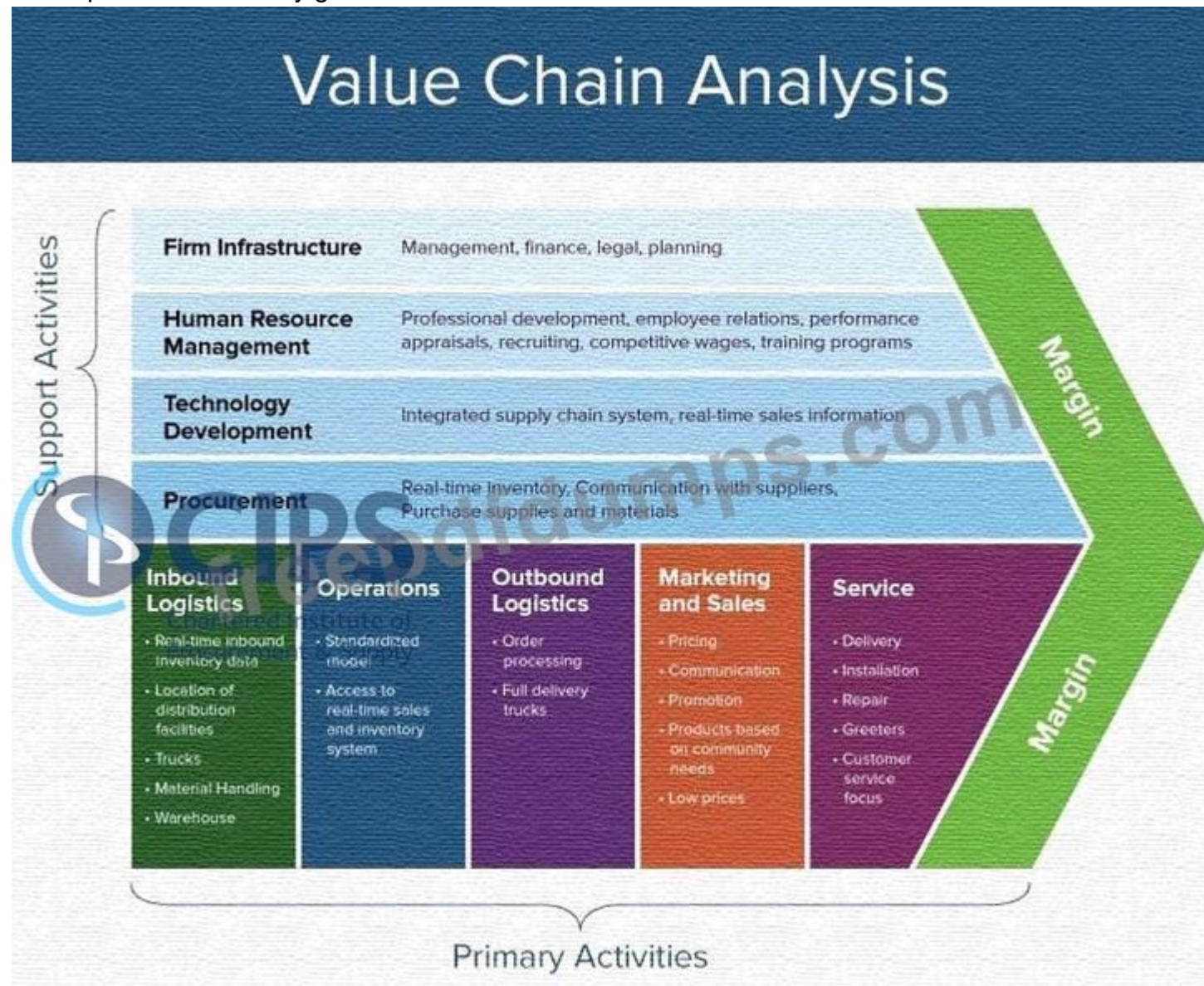
E. Develop digital SRM technology to manage suppliers better

Answer: (SHOW ANSWER)

Primary activities consist of inbound logistics, operations, outbound logistics, sales & marketing, service.

Second activities consist of firm infrastructure, human resource management, technology development and procurement

Graphical user interface, diagram



Support activities (also known as secondary activities) include Firm infrastructure, Human resource management, Technology development and Procurement. Developing digital SRM technology to manage suppliers better is Technology development.

LO 1, AC 1.2

NEW QUESTION: 35

Royal Navy is preparing a through-life contract. They put to the contract a term on rectification of operational defects and planning and delivery of Fleet Time Support Periods. Which part of through-life requirement does this term belong to?

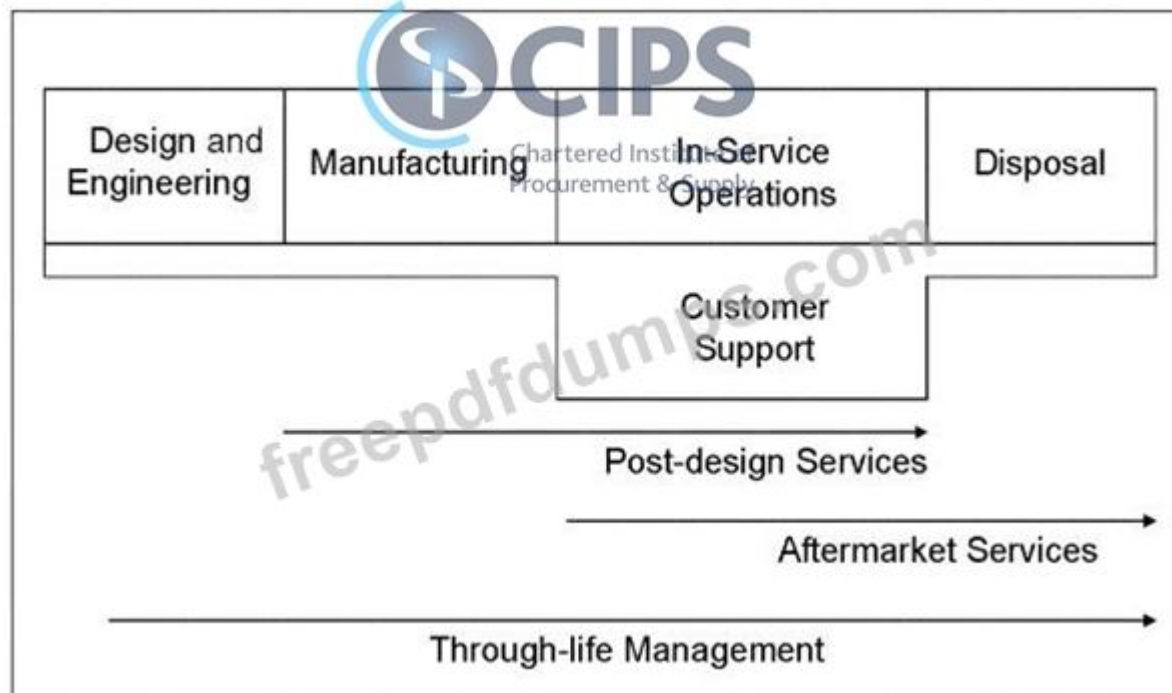
- A. Installation
- B. In-service support
- C. Manufacture
- D. Customer support

Answer: (SHOW ANSWER)

There are 6 main components of the through-life requirements of an asset: Design, Manufacture, Installation, In-service support, Decommission and disposal and Customer support.

Rectification of operational defects and planning and delivery of Fleet Time Support Periods are maintenance activities which belong to in-service support. You may have chosen Customer support. However, in through- life asset management context, customer support does not include maintenance services. Instead, it is the services that go along the stages of asset life. It may include consulting, communication and information exchange.

Diagram, table Description automatically generated



Source: Andrew Graves

NEW QUESTION: 36

XYZ Ltd is the largest consumer of brass in the country. It consumes 48% of all brass manufactured, while the second-largest consumes less than 10% of brass manufactured. Which force or power does XYZ Ltd possess?

- A. Buyer bargaining power
- B. Threat of substitute force
- C. Market rivalry force
- D. Supplier bargaining power

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 37

A consulting firm in London had previously had static budgets. They were set once and locked in for the year.

This resulted in departments meeting their budgets early and doing virtually nothing the rest of the accounting period. To address this imbalance, the company tossed out the static budget and developed a new one for each department of the next 18 months. And each month, real sales figures are analyzed against the plan and the budget is adjusted accordingly. Then the company adds another month into the budgeting plan. What type of budget this company is using?

- A. Activity-based budget
- B. Rolling budget
- C. Incremental budget

D. Zero-based budget

Answer: B (LEAVE A REPLY)

A rolling budget is continually updated to add a new budget period as the most recent budget period is completed. Thus, the rolling budget involves the incremental extension of the existing budget model. By doing so, a business always has a budget that extends one year into the future.

Think of continuous (rolling) budgets as waves rolling ashore on the beach. A new wave comes in each time, replacing the one that was there before. From a financial perspective, the wave is your budget, and the time between waves is longer! These reporting time frames can be monthly, quarterly, yearly, etc. An incremental budget is a budget prepared using a previous period's budget or actual performance as a basis with incremental amounts added for the new budget period.

Zero-based budgeting (ZBB) is a method of budgeting in which all expenses must be justified for each new period. The process of zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period, regardless of whether each budget is higher or lower than the previous one.

Activity-based budgeting (ABB) is a system that records, researches, and analyzes activities that lead to costs for a company. Every activity in an organization that incurs a cost is scrutinized for potential ways to create efficiencies. Budgets are then developed based on these results.

NEW QUESTION: 38

To calculate the estimated annual payback period, a buyer will need to know the estimated annual savings made from implementing the option, and also the estimated costs. Is this statement correct?

- A.** No, the calculation will be the estimated annual savings multiplied by the rate of inflation
- B.** Yes, the calculation will be the estimated total costs divided by the estimated annual savings
- C.** No, the calculation will be the estimated total costs multiplied by twelve
- D.** Yes, the calculation will be the estimated annual savings added to the estimated total costs

Answer: B (LEAVE A REPLY)

NEW QUESTION: 39

A buyer is undertaking an analysis of the market. This analysis has focused on the relative power of the main buyers in the market. It has also focused on the changes in capacity available amongst the key suppliers in this market. Which of the following describes this analysis?

- A.** Consumer analysis
- B.** Industrial analysis
- C.** Regulatory analysis
- D.** Demand and supply analysis

Answer: (SHOW ANSWER)

NEW QUESTION: 40

Robert is a buyer at Pickton's Farm Products (PFP), a manufacturer of food products that are sold to supermarkets. Robert will be sourcing from local farmers to supply PFP with raw materials for PFP's products. What is a major supply chain risk that Robert needs to be aware of which is specific to this market?

- A.** A supplier may deliver an incorrect quantity of materials to PFP, leading to PFP incurring storage charges
- B.** The quality of goods received by PFP may be of varying quality and need to be returned to the supplier for replacement
- C.** Extreme or unexpected weather conditions may affect the supplier's ability to supply PFP in line with quantity and timing requirements
- D.** Suppliers to PFP may also supply other customers which they prioritise over PFP, leading to delays in PFP's production process

Answer: (SHOW ANSWER)

NEW QUESTION: 41

A construction company requires a specification that details the exact composition of the concrete mix and the exact methods of construction required for its use. Which specification should it adopt?

- A. Functional specification
- B. Design specification
- C. Performance specification
- D. Ergonomic specification

Answer: [\(SHOW ANSWER\)](#)

NEW QUESTION: 42

Procurement provides the following information to a business case ...

- A. Internal recruitment requirements
- B. Engineering specifications
- C. Estimated costs of bought-in goods
- D. Service level requirements

Answer: [C \(LEAVE A REPLY\)](#)

NEW QUESTION: 43

Which kind of these following costs belong to fixed costs? Select TWO that apply.

- A. Energy consumption in manufacturing
- B. The annual income tax charged by local authorities
- C. The packaging and distribution costs
- D. The depreciation of capital inputs
- E. The costs of leasing or purchasing capital equipment

Answer: [\(SHOW ANSWER\)](#)

Based on variability, the costs has been classified into three categories, they are fixed, variable and semi variable. Fixed costs, as its name suggests, is fixed in total i.e. irrespective of the number of output produced.

Variable costs vary with the number of output produced. Semi-variable is the type of costs, which have the characteristics of both fixed costs and variable costs (Source: Key Differences).

Among above costs, leasing and depreciation are relatively static and do not change if volume of business activities increase or reduce.

Packaging, utilities and annual business rate (tax) are variable costs.

NEW QUESTION: 44

EV Inc is facing the following challenges:

1. The capital investment is enormous.
2. Most of company's working capital is in form of inventories, which include raw materials, work-in- progress and finished goods.
3. Competitors are increasingly deploying robotics and automation to boost productivity.

Which of the below business sectors does EV Inc belong to?

- A. Construction
- B. Manufacturing

C. Financial services

D. Retails

Answer: B (LEAVE A REPLY)

Every sector among the options requires intensive capital investment. However, only manufacturing and retails bury much of their working capital in form of inventory. Raw materials and WIP only present in manufacturing sector.

The manufacturing industry is undergoing massive change, rivaling the Industrial Revolution that began in England and continued on Detroit's assembly lines. But today's revolution is "smart," thanks to factories using artificial intelligence and robots.

A new trend is the "cobot" - a collaborative robot designed to work with humans. One company called Moduform uses them to make furniture in the U.S. The company credits using cobots for reducing their staffing turnover, since the robots do mundane repetitive tasks that bore humans, while people can now do cognitive tasks requiring judgment and diversified responsibilities. Other innovations include 3D printing, Artificial Intelligence and automation.

Today's artificial intelligence manufacturing revolution improves performance in two key areas of manufacturing: productivity and quality control.

NEW QUESTION: 45

Which of the following are potential advantages of using a product performance specification?

- * It reduces the need for the buyer to produce a detailed design
- * It can widen the potential supply base
- * The buyer can specify the product's actual design in detail
- * Products are provided using the buyer's methodology

A. 1 and 2

B. 1 and 4

C. 3 and 4

D. 2 and 3

Answer: A (LEAVE A REPLY)

Detailed Explanation:

- * 1 (Reduces design need): Performance specifications focus on outcomes rather than detailed designs, saving buyer resources.
- * 2 (Wider supply base): Allowing suppliers to propose their own solutions can attract a broader range of suppliers. Options 3 and 4 align with conformance specifications, not performance-based ones.

Reference: CIPS Level 4, Specification Writing.

NEW QUESTION: 46

Which of the following factors are likely to be direct barriers to a new entrant in a supply market?

A. Threat of forward integration

B. Value to price

C. Brand identity

D. Availability of substitutes

E. Cost advantages

Answer: C,E (LEAVE A REPLY)

There are many types of barriers to entry into a market. Some of these include:

- Economies of Scale: When manufacturing or selling at a large scale, companies are able to avail cost advantages because per unit costs of the product fall. So the more the company produces in quantity the more the benefit. When existing companies have this advantage, it can act as a barrier to entry

because a new entrant will have to try to match the scale to achieve the same cost advantage as the existing company. This may not be possible at the initial stage.

- **A Differentiated Product:** If the product being sold by the existing company or companies is highly differentiated or enjoys strong brand loyalty, then this can act as a strong barrier to entry. The new entrant will have to invest in creating a product with newer and unique features and benefits that surpass those offered by the old company. In addition, there will need to be strong efforts to break existing brand loyalties and shift them to a new untested company.
- **High Capital Costs:** If an industry requires huge capital investments at the onset, then this will act as a barrier to entry for many of the potential entrants. Only those will attempt to enter the competitive fray who have the resources to make this high initial investment.
- **Other Cost Advantages:** Apart from those cost benefits that come from economies of scale, there are other advantages that an existing firm may enjoy. These include access to the best suppliers, an understanding of existing materials and knowledge of their quality, possession of any necessary and important patents, and proprietary information and technological knowledge. There are also learning advantages, achieved over years of business and experience.
- **Cost of Switching:** The cost associated with a consumer's move from one company or product or another is called the switching cost. If there are significant switching costs, then a new entrant may not be able to create means of removing these. Or, they may have to offer significant advantage to counter these switching costs at their own expense.
- **Distribution Network:** Often, distribution relationships are well established and may prove to be a strong barrier to entry for a new company. A new entrant will obviously need access to these distribution channels but will need to invest extra in order to engage distributors who have established relations with existing competitors.
- **Suppliers:** As with distributors, suppliers may be vital to the operations of a new business. Existing suppliers may have contracts or loyalties with existing companies and may prove to be difficult to form relationships with.
- **Legal and Government Created Barriers:** Government and regulatory requirements such as permits and licenses may be a strong barrier to entry. There may also be laws governing ways to conduct business that may conflict with a company's practices in other countries.
- **Barriers to Exit:** Interestingly, barriers to exit may act as a deterrent to entry by new companies. If a company is unable to easily leave a competitive environment in case business does not work out, then it will have to stay and compete even if that is a detrimental business practice. In this case, the company may choose to not enter the market in the first place.

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NEW QUESTION: 47

Which of these are advantages of using a conformance specification? Select TWO that apply.

- A.** It enables supplier flexibility and product innovation
- B.** It provides evidence of requirements if there is a dispute
- C.** It enables value-for-money solutions
- D.** There is a smaller supplier base to select from
- E.** It forces consideration of actual product needs

Answer: B,E ([LEAVE A REPLY](#))

NEW QUESTION: 48

Synergy Ltd is a fast-growing tool and hardware retailer. The company's customer services team has been using Excel worksheets to manage customer relationships. When the company is expanding its market presence, this way of working leads to poorer customer services as the database is scattered around in spreadsheet, leading to patchy and inconsistent conversations with customers. The company decides to purchase a CRM system. What requirement should Synergy's procurement team take into account in the specification for CRM system?

- A. Total number of the supplier's employees
- B. The ability to import bulk data from Excel spreadsheets
- C. The relative size of the potential suppliers to Synergy
- D. The form and reference number of the purchase order

Answer: B ([LEAVE A REPLY](#))

The purpose of this question is to test the student's ability to identify the problems and translate those problems to actionable requirements before communicating with the suppliers. The scenario suggests that Synergy Ltd's customer services team is using Excel spreadsheets, they lack a centralised customer database.

This leads to problems in communications with customers.

A CRM system can solve the communication problem. But a question arises: If a CRM system is employed, how will the previous data be imported? If the CRM system can support bulk import from Excel tables, it will save a lot of time.

NEW QUESTION: 49

When developing a business case for a new product, a procurement department must consider...

- A. Terms and conditions of contract
- B. Indirect costs
- C. The supplier positioning model
- D. The supply market

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 50

Which of the following is a social factor that a buyer should take into account when reviewing responses to a specification?

- A. The available labour in the supplier's geographic location
- B. The age of the machinery being used by the supplier
- C. The emissions produced by the supplier's machinery
- D. The logistical infrastructure available to the supplier

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 51

How can a procurement department meet the business needs when purchasing leverage items?

- A. Developing efficient order processes such as e-procurement
- B. Developing effective contracts such as call-off contracts
- C. Developing buying power such as competitive tendering
- D. Developing long-term relationships such as partnerships

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 52

Which of the following are considered as direct costs in a construction company? Select TWO options

- A. Raw materials
- B. An employee is hired to work on a project, either exclusively or for an assigned number of hours
- C. The materials and supplies needed for the company's day-to-day operations.
- D. Advertising and marketing communication
- E. Clerical assistants who maintain the office

Answer: A,B (LEAVE A REPLY)

Direct costs are directly associated with the production of a good or service. In this question, 'An employee is hired to work on a project, either exclusively or for an assigned number of hours' and 'Raw materials' are directly related to producing the product.

Indirect costs are the general costs of the organisation - these costs cannot easily be attributed to specific products or services (also known as overheads). 'The materials and supplies needed for the company's day-to-day operations' or 'Clerical assistants who maintain the office' or 'Advertising and marketing communication' is example of indirect cost.

NEW QUESTION: 53

When analyzing direct and indirect costs of potential suppliers for negotiations and planning purchasing budget, the procurement manager collects reports from specialist organisations like Mintel, Gartner and Forrester. Which kind of information source is used by the procurement manager?

- A. Company annual report
- B. Technical data
- C. Market data
- D. RFI

Answer: C (LEAVE A REPLY)

Using Porter's value chain helps procurement professionals know what are direct and indirect costs of supplier. Information on direct and indirect costs will have been collected as part of the market analysis.

Information sources that may help include the following:

- Company annual reports
- Market data
- Technical data
- Request for information
- Plan visits
- Discount lists

Market data is the information that is collected and analysed by specialist organisations like Mintel, Gartner, Forrester,...

NEW QUESTION: 54

What criteria can be applied in the production of a business case?

- A. Questions, price, and evaluation
- B. Suggestions, feedback, and forecast
- C. Plans, delivery, and design
- D. Costs, benefits, and options

Answer: D (LEAVE A REPLY)

Detailed Explanation:A strong business case includes a clear assessment of costs, the expected benefits, and the viable options available. These criteria ensure a structured approach to decision-making and alignment with strategic goals. Reference: CIPS Level 4, Business Case Development.

NEW QUESTION: 55

Which of the following is part of a conformance specification?

- A.** Material, dimensions, tolerances, and drawings
- B.** Material, innovation, performance, and descriptions
- C.** Ideas, dimensions, tolerances, and output
- D.** Ideas, innovation, tolerances, and descriptions

Answer: A ([LEAVE A REPLY](#))

Detailed Explanation:Conformance specifications are highly detailed, covering exact materials, dimensions, tolerances, and technical drawings. They ensure precision in manufacturing and consistency between suppliers. Reference: CIPS Level 4, Specification and Contract Development.

NEW QUESTION: 56

Robert is a senior buyer at MMC Construction Ltd. His company is doing multiple development projects in the country, which increases procurement workload significantly. Meanwhile, most of the tasks are handled manually, which causes bottlenecks in the workflows. The procurement team is overwhelmed by the workload and complains from other departments. From previous experience, Robert knows that electronic system may help his procurement team. He writes a business case to submit to the senior management, in which he insists on the possible productivity improvement by adopting e-system in procurement. Is Robert's action reasonable?

- A.** No, there's no need to make a business case for new purchase
- B.** Yes, productivity improvement is a mandatory element in every business case
- C.** No, adopting e-system may make procurement department jobless
- D.** Yes, his reason may appeal the senior management

Answer: ([SHOW ANSWER](#))

Composing a compelling business case requires the proposer to write in the language of the approvers.

Generally, approvers are business executives or important shareholders whose major interest is the profitability of the firm. Business case proposer may embed the following contents:

- Return on investment: according to Investopedia, Return on Investment (ROI) is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. A business case would seem more attractive if the proposal is expected to have high ROI.
- Time to market: Time-to-market (TTM) refers to the time from which a company initially conceives a product or service idea to the point when the actual product or service is accessible to buyers in the market (Afonso et al., 2008). The speed at which companies can introduce products into the market is critical for sustaining competitive advantage, and the reduction of product development cycle time has become a strategic objective for many technology-driven firms.
- Customer satisfaction: Keeping existing customer to stay in the business can affect greatly on the profit margin of a firm. A new proposal that finds the way to innovate while keeping the current customers satisfied may gain the interest of senior management.
- Improving productivity: Productivity is the measure of how efficient and effective a firm is. Improving the productivity means that with the same or lesser input, better output is generated. Increasing productivity also improves the profitability of a company.
- Risk management: Any business activity contains inherent risks. For example, for a mining company to be truly responsible, it must keep all of its workers safe, healthy and motivated, meet the expectations of the local community and government for the region in which it is operating, ensure it impacts on the

environment positively if at all, as well as achieve the financial objectives set by its investors for both the short and long term. Managing risks well improves the production throughput and maintains customer satisfaction.

In the scenario, Robert is trying to convince the senior management to adopt e-procurement system by insisting on potential productivity improvement. This is the right approach. A business plan should engage and please senior management and directors. An appealing business case tells them how important things to the business (such as productivity, return on investment, customer satisfaction or costs) are affected by the plan.

NEW QUESTION: 57

What is a form of testing used to establish if a supplier is meeting the requirements of a specification?

- A.** Functional testing
- B.** Acceptance testing
- C.** User testing
- D.** Performance testing

Answer: B (LEAVE A REPLY)

Detailed Explanation:Acceptance testing verifies that the supplied product meets the buyer's specification before it is formally accepted. This type of testing typically occurs during delivery or installation phases.

Reference: CIPS Level 4, Quality Assurance in Procurement.

NEW QUESTION: 58

Sabic is a petrochemical manufacturer. It wants to digitalise its operation and is looking for new IT system.

The procurement manager approaches this matter with a through-life specification. He supposes that stating

"good quality" in the specification will be enough for quality standard section. Is the procurement manager's thought appropriate?

- A.** Yes, because the specification should be concise.
- B.** No, because "good quality" is an in-house jargon that suppliers are not familiar with
- C.** Yes, because IT sector has its own standard of quality, therefore, suppliers may deliver good quality without any further explanation
- D.** No, because "good quality" is very ambiguous for suppliers to identify Sabic's re-quirement

Answer: D (LEAVE A REPLY)

Specifications for through-life contracts must be clear. They should use precise technical language and avoid any ambiguity as much as possible. In most cases, 'good quality' is ambiguous. The con-tractor doesn't know exactly which product the buying organisation needs and how to supply that product.

Other notices for description of requirement are:

- Short and simply description
- Clear definitions at the beginning of the documents
- Clarify abbreviations (if any), but abbreviations should be avoided as much as possible
- Avoid any 'slang'
- Use imperative forms of language whenever possible.

LO 3, AC 3.2

NEW QUESTION: 59

Which of the following are features of a conformance specification? Select TWO that apply.

- A.** Measurements
- B.** Diagrams
- C.** Deliverables

D. Functional requirements

E. Performance

Answer: A,B ([LEAVE A REPLY](#))

NEW QUESTION: 60

GE has developed TurboProp engine that is made from over 850 metal parts. These parts are sourced from many suppliers. Value of spend on these parts make up 73% of total spend. Any delay in receiving a part will cause a bottleneck around the production of the engine. Which of the following should be the best course of action of GE's CPO?

A. Drive down prices by using market competition

B. Increase production

C. Part standardisation

D. Reduce delivery cost

Answer: C ([LEAVE A REPLY](#))

In this scenario, the final product has vast range of parts. The second problem is lacking any part can cause disruption to the production process. So GE has 2 things to do: to reduce the part varie-ties, and secure the supply. Part standardisation is the best option here. It can simplify the range of parts or materials used, and simultaneously, it expands the supply base of GE. If a supplier fails to deliver the part, the company always has other options to replace.

Costs are also a concern, but bottleneck in production imposes a serious risk to the organisation. Driving down costs using market competition cannot be a foremost priority.

Increasing production may help to reduce bottleneck. However, it will also increase the inventory of finished products and unnecessary upkeep costs.

LO 3, AC 3.4

NEW QUESTION: 61

British Steel needs to source a set of instruments that will improve quality of steel. Without these instruments British Steel will loss control of the temperature. The bucket may freeze up, or if it is too hot it leaks out of the casting process, damaging the machine. There is limited supply on the market and quality varies greatly.

Which of the following will be the most appropriate managing approach to procure these items?

A. Bundle these instruments into larger contract

B. Leverage market competition to drive down cost

C. Seek continuity of supply

D. Form partnership with supplier

Answer: D ([LEAVE A REPLY](#))

The instrument plays a crucial role in steel manufacturing because it presents in the majority of products, in which case lacking this instrument would have significant impact on the organisation's output (production lines stop or damaging other machine). Otherwise, the risk of supply is high because there is limitation in supply. Therefore, it is considered as a strategic item in term of Kraljic's portfolio matrix. Procurement manager should form partnership with suppliers to maximise the value.

The following graph illustrates Kraljic's portfolio matrix:



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NEW QUESTION: 62

Which of the following is an advantage of competitive benchmarking over other types of bench-marking?

- A. Limited access to competitor's data
- B. Similarity among processes
- C. Different corporate culture
- D. Cost effectiveness

Answer: B (LEAVE A REPLY)

Competitive benchmarking

Competitive benchmarking is a direct competitor-to-competitor comparison of a product, service, process, or method. This form of benchmarking provides an opportunity to know yourself and your competition better; combine forces against another common competitor. An example of competitive benchmarking within the Department of Defense, might include contrasting Army and Air Force supply systems for Joint initiatives.

Within the private sector, two or more American car companies might benchmark for mutual benefit against common international competitor; or, rival chemical companies benchmark for environmental compliance.

Benefits

- Comparing like processes
- Know your competition better
- Possible partnership
- Useful for planning and setting goals
- Similar regulatory issues

Challenges

- Difficult legal issues
- Relatively low performance improvement
- Threatening
- Limited by trade secrets
- May provide misleading information
- May not get best-in-class comparisons
- Competitors could capitalize on your weaknesses

Source: USN Benchmarking Handbook

NEW QUESTION: 63

An IT category buyer wishes to include social and environmental criteria within a supplier specification. The focus is on the avoidance of hardware manufacturing inputs that have been derived from 'conflict minerals', e.

g. from politically unstable areas. Is this the right approach?

- A.** Yes, as this means the lowest cost within the market will be achieved
- B.** No, because this will prevent innovation opportunities
- C.** No, because this will be in breach of competition laws
- D.** Yes, as this can enhance the reputation of the brand

Answer: D (LEAVE A REPLY)

NEW QUESTION: 64

Which of the following are typical examples of secondary sources of market data? Select TWO that apply.

- A.** Communication with suppliers
- B.** Price comparison websites
- C.** Trade fairs and exhibitions
- D.** Published market analysis
- E.** Supplier marketing publications

Answer: B,D (LEAVE A REPLY)

NEW QUESTION: 65

Which of the following can directly affect labour variance? Select TWO that apply:

- A. Wage rate per hour
- B. Inflation
- C. Company's budget
- D. Overhead expenditure
- E. Overtime

Answer: ([SHOW ANSWER](#))

Labour variance refers to a situation in which actual costs of labor differ from projected or budgeted labor costs. This concept is most commonly applied in manufacturing environments.

Labour variance either results from efficiency or rate discrepancies. Efficiency variance results when actual time worked is more or less than budgeted time for a project. Rate variance means you paid more per hour worked than expected. This may occur with overtime pay or when you have higher paid employees on a project than projected. Labour variance is fairly typical, but modest variance is usually not a big factor in manufacturing, because materials and other production costs are often much higher.

LO 1, AC 1.4

NEW QUESTION: 66

Which of the following would be considered to be direct costs? Select TWO that apply:

- A. Production materials
- B. Head office salaries
- C. Company car depreciation
- D. Manufacturing staff wages
- E. Buildings insurance

Answer: ([SHOW ANSWER](#))

Detailed Explanation:

A (Production materials): These are directly tied to the production of goods and are variable costs.

D (Manufacturing staff wages): Labour directly involved in the production process is a direct cost.

Indirect costs like salaries, depreciation, and insurance are related to overheads and not directly tied to production. Reference: CIPS Level 4, Cost Structures.

NEW QUESTION: 67

Halfords is a major bicycle and car parts retailer with long history in the market. Its suppliers are plentiful and there is no threat of forward integration. Some other smaller retailers are applying 3D-printing technology to make personalized bicycle parts but their market share is relatively low. 3D-printing technology is an example of which competitive force?

- A. Bargaining power of buyer
- B. Threat of substitute
- C. Rivalry within the industry
- D. New entrants may enter the market

Answer: ([SHOW ANSWER](#))

3D-printed parts can replace traditional metal parts. They are also more easily customised to fit customer's needs. This technology is an example of threat of substitute in Porter's Five Forces model.

Substitute goods or services that can be used in place of a company's products or services pose a threat.

Companies that produce goods or services for which there are no close substitutes will have more power to increase prices and lock in favorable terms. When close substitutes are available, customers will have the option to forgo buying a company's product, and a company's power can be weakened.

NEW QUESTION: 68

Which type of specification is less time-consuming to develop?

- A. Outcome-based specification
- B. Design specification
- C. Conformance specification
- D. Technical drawings

Answer: A (LEAVE A REPLY)

There are two major types of specification: conformance and performance specifications. They have the following characteristics:

Table Description automatically generated

Performance specification	Conformance specification
. Focus on outputs . Sets out result to be achieved . Supplier produces using its own technology and knowhow . When issue arises, supplier is legally liable	. Focus on inputs . Buyer proves specific methods, processes, material properties, brand etc . Supplier produces strictly according to the specification prescribed by the buyer . When issue arises, buyer is legally liable

Since performance specification is often a list of outputs or outcomes, it usually takes less time to develop than conformance specification.

NEW QUESTION: 69

Category buyer Raheem has been tasked with receiving innovative bids from coaching and development service providers. How can he achieve this? Select TWO that apply.

- A. Apply early supplier involvement
- B. Invite a small group of suppliers
- C. Use a conformance-based specification
- D. Use an outcome-based specification
- E. Apply standards within the specification

Answer: A,D (LEAVE A REPLY)

Detailed Explanation:

- * A (Early supplier involvement): Engaging suppliers early fosters innovation by leveraging their expertise in developing solutions.
- * D (Outcome-based specification): Focusing on outcomes rather than rigid inputs encourages creative and flexible proposals. Conformance specifications (C) restrict innovation, and standards (E) limit supplier flexibility. Reference: CIPS Level 4, Innovation in Procurement Specifications.

NEW QUESTION: 70

Which of the following areas is specified by ISO/IEC 27001 family?

- A.** The dimensions and associated tolerances for a series of housings for piston seals
- B.** The requirements for an information security management system
- C.** Evaluation and assessment of mutual agreed customer food safety requirements
- D.** The requirements for an environmental management system

Answer: ([SHOW ANSWER](#))

ISO/IEC 27001 is widely known, providing requirements for an information security management system (ISMS), though there are more than a dozen standards in the ISO/IEC 27000 family. Using them enables organizations of any kind to manage the security of assets such as financial information, intellectual property, employee details or information entrusted by third parties.

LO 3, AC 3.1

NEW QUESTION: 71

Which of these have a negative effect on cash flow?

- * A supplier reduces its payment terms
- * The bank grants a loan to the company
- * A customer agrees to pay upon purchase
- * An increase in the amount of stock held

- A.** 2 and 4 only
- B.** 1 and 4 only
- C.** 3 and 4 only
- D.** 2 and 3 only

Answer: **B** ([LEAVE A REPLY](#))

NEW QUESTION: 72

Which of the following are typically reasons why an organisation implements value analysis? Select TWO that apply:

- A.** To determine the value of each component used
- B.** To decide whether there will be sufficient surplus funds to reinvest in the business
- C.** To shape and manage supply market
- D.** To provide an outline business case for the specification
- E.** To find cost reduction opportunities by optimising the components used

Answer: ([SHOW ANSWER](#))

Value analysis is a systematic review of the production, purchasing and product design processes to reduce overall product costs. This can be accomplished through a variety of activities, including the following:

- Designing products to use lower-tolerance parts that are less expensive
- Switching to lower-cost components
- Standardizing parts across product platforms in order to achieve volume discounts
- Altering production processes to minimize the amount of production cycle time, thereby reducing labor costs
- Introducing automation to strip labor costs out of the production process
- Altering product packaging to lower its cost while still protecting the product The process is not a wholesale attack on costs. Costs are only reduced when the result will not impact the perceived level of quality experienced by customers, or the level of customer satisfaction.

NEW QUESTION: 73

What will be the result of retaliation between business rivals in an industry?

- A.** Higher exit barrier
- B.** More new entrants
- C.** Lower profit
- D.** Greater bargaining power of suppliers

Answer: C ([LEAVE A REPLY](#))

Industry rivalry-or rivalry among existing firms-is one of Porter's five forces used to determine the intensity of competition in an industry. Other factors in this competitive analysis are:

- Barriers to entry
- Bargaining power of buyers
- Bargaining power of suppliers
- Threat of substitutes

Industry rivalry usually takes the form of jockeying for position using various tactics (for example, price competition, advertising battles, product introductions). This rivalry tends to increase in intensity when companies either feel competitive pressure or see an opportunity to improve their position. In most industries, one company's competitive moves will have a noticeable impact on the competition, who will then retaliate to counter those efforts. Companies are mutually dependent, so the pattern of action and reaction may harm all companies and the industry. Some types of competition (for example, price competition) are very unstable and negatively influence industry profitability. Other tactics (for example, advertising battles) may positively influence the industry, as they increase demand or enhance product differentiation.

References

Porter, M. (1998). Competitive Strategy. New York: Free Press. pp. 17-23.

CIPS study guide page 86-87

LO 2, AC 2.2

NEW QUESTION: 74

A buyer can use sources of information to review indirect costs associated with the manufacture of goods to support supplier negotiations. Is this statement true?

- A.** Yes, because indirect costs are always variable
- B.** No, because the only information available is for direct costs
- C.** No, because the supplier's quotation is the only source of information
- D.** Yes, because the buyer can understand the cost build-up of the goods

Answer: (SHOW ANSWER)

Detailed Explanation: Analyzing both direct and indirect costs helps buyers understand cost structures and negotiate effectively. Indirect costs, like overheads, can be identified through supplier data and market benchmarks, aiding in cost transparency. Reference: CIPS Level 4, Cost Management and Negotiation.

NEW QUESTION: 75

Which of the following is the structured approach for defining customer requirements and translating them into technical specification?

- A.** Kano model
- B.** Thomas-Kilmann model
- C.** Quality function deployment

D. Mendelow's matrix

Answer: C (LEAVE A REPLY)

Quality function deployment (QFD) is a method to transform qualitative user demands into quantitative parameters, to deploy the functions forming quality, and to deploy methods for achieving the design quality into subsystems and component parts, and ultimately to specific elements of the manufacturing process.

Kano model of excitement and basic quality (Kano et al, 1984; Berger et al, 1993; Matzler et al, 1996) brings a different perspective for the analysis of improvement opportunities in products and services because it takes in consideration the asymmetrical and non-linear relationship between performance and satisfaction. The Kano model classifies customers requirements in five categories: basic requirements, performance requirements, attractive requirements, indifferent requirements and reverse requirements.

Mendelow's Matrix is a tool that may be used by an organisation to consider the attitude of their stakeholders at the start of a project or when they are setting out strategic objectives.

The Thomas Kilmann model identifies two dimensions when choosing a course of action in a conflict situation, these are assertiveness and cooperativeness. Assertiveness is the degree to which you try to satisfy your own needs. Cooperativeness is the degree to which you try to satisfy the other person's concerns.

NEW QUESTION: 76

A drawing is an example of...?

- A. Statements of work
- B. Technical specifications
- C. Output specifications
- D. Outcome specifications

Answer: B (LEAVE A REPLY)

A technical specification details the standards that a product or service must meet. Drawings (often called engineering drawings or technical drawings) are complementary to technical specifications

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NEW QUESTION: 77

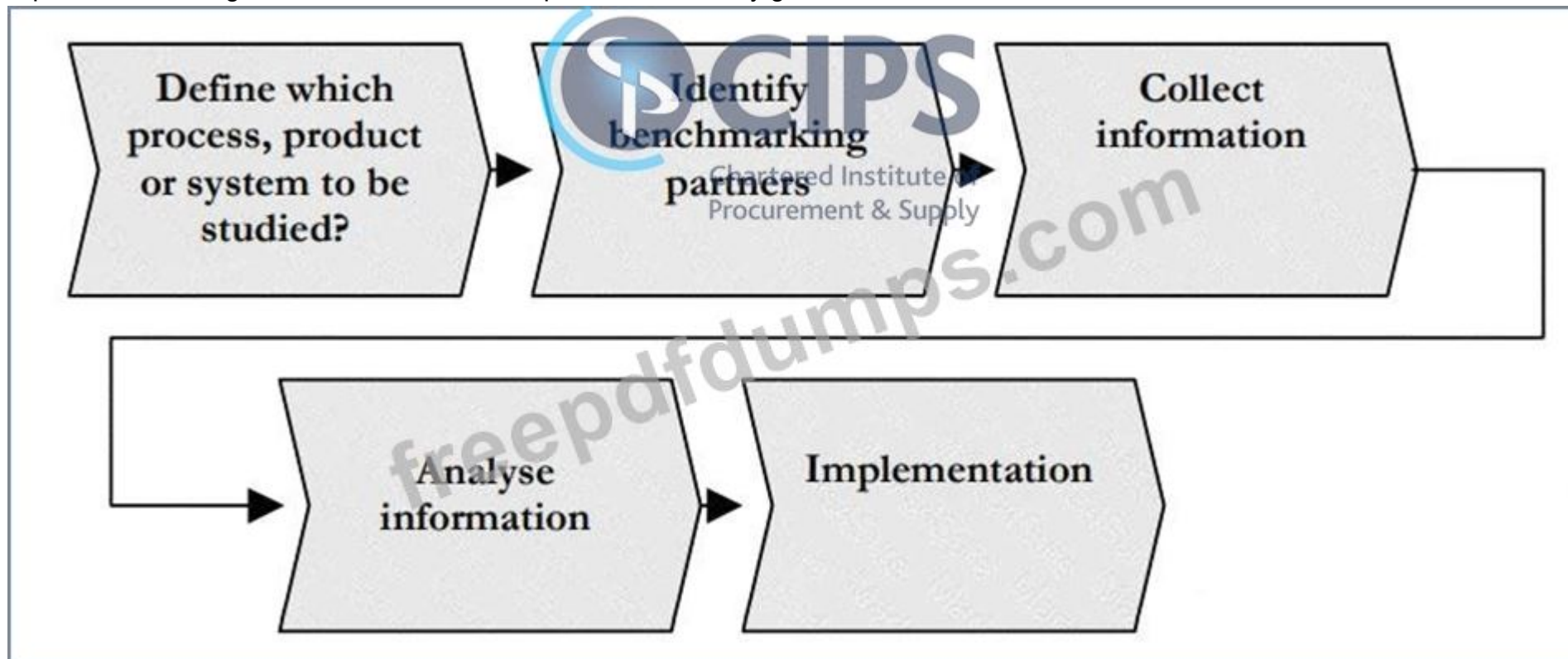
Facing fiercer competition at home and abroad, IKEA, the leading furniture retailer, needs to improve its competitiveness. In order to do this, IKEA must decrease operating costs and improve quality of current and new retail stores. The company establishes a project team. The job of the team is to collect data on performance from multiple stores in several countries, then select the best performing one. The team will work closely with best performing store and study its processes. After the research, the team will recommend best practices to other retail stores. IKEA management can also apply these practices to new stores in the future. Which of the following correctly describe the process undertaken by IKEA project team?

- A. Internal benchmarking
- B. Competitive benchmarking
- C. Internal audit
- D. Site visit

Answer: (SHOW ANSWER)

Basically, IKEA project team is undertaking the following process:

A picture containing text, businesscard Description automatically generated



This is a typical benchmarking process. Benchmarking is defined as the process of measuring products, services, and processes against those of organizations known to be leaders in one or more aspects of their operations. Benchmarking provides necessary insights to help you understand how your organization compares with similar organizations, even if they are in a different business or have a different group of customers.

In the scenario, benchmarking process is undertaken within subsidiaries of IKEA, thus it is internal.

NEW QUESTION: 78

The buyer's database is regarded as a primary data source. Which of the following is also a source of primary data?

- A. Price lists collected from suppliers' representatives at trade fairs
- B. Price listings on comparison websites and market exchanges
- C. Published economic indices such as the retail price index (RPI)
- D. Financial and trade press, including journals published by professional bodies

Answer: (SHOW ANSWER)

NEW QUESTION: 79

Honda of America Manufacturing is a well established automobile manufacturer. It purchases tens of thousands of materials and parts from suppliers, however, only few of them are strategic. To these suppliers, Honda's procurement manager requires them to send details of labour, materials, overhead cost and profit.

However, the suppliers are reluctant to submit such confidential information. Is the procurement manager's action appropriate?

- A. Yes, because the procurement manager can get a good insight from the market
- B. No, because no suppliers are willing to show sensitive information on their costs and profit.
- C. Yes, because strategies can be introduced for reducing cost and improving the supplier relationships.

D. No, because procurement manager should conduct life-cycle analysis

Answer: C (LEAVE A REPLY)

With strategic suppliers, the aim should be to work co-operatively with them to find ways of reducing costs to achieve a target cost. It is necessary to work with the suppliers in carrying out open book costing by having first persuaded them of the need to do it. Open book can be used to establish a Target Cost, a Compensation Event value and can eventually be used to ensure the payment of actual costs to an organization. A number of forms of contract cater for this functionality of which only the NEC goes to into any great depth of methodology.

If the suppliers worry about leak of confidential information, procurement team can suggest them to sign a non-disclosure agreement. The buying organisation should also comply with data protection regulations. The Employer / individual responsible for a project's costs should ultimately take a pragmatic and sensible approach with regard to commercially or personally sensitive data provided by the contractor. The primary goal of all open book cost management is to provide Employer comfort and security in the accuracy of commercial data; this effectively means striking a balance between undertaking full audits and blind faith.

NEW QUESTION: 80

Which of the following is the best definition of target costing?

A. The net present cost of the purchase or project and all future revenues flowing from it discounted back to the present time.

B. The total of all costs in acquiring goods or services from the inception of the demand for them until their safe and satisfactory delivery at the point required.

C. The cost of a product after analysing its components step by step

D. A product cost estimate derived from a competitive market price.

Answer: (SHOW ANSWER)

Target costing is an activity aimed at reducing the life-cycle costs of new products, while ensuring quality, reliability, and other consumer requirements by examining all possible ideas for cost reduction at the product planning, research and development and prototyping phases of production. But it is not just a cost reduction technique; it is part of a comprehensive strategic profit management system.

NEW QUESTION: 81

At which stage of through-life contract management, procurement team needs to identify sources of risk and the ways to mitigate them?

A. Specification stage

B. Supplier relationship stage

C. Tendering stage

D. Contracting stage

Answer: B (LEAVE A REPLY)

Risk management has become incredibly complex, especially for capital purchase which requires through-life contract. Any source of risks should be identified and closely managed from the specification stage.

There should be sufficient information in the specification to minimise risks later in the through-life contract.

Here is something to consider:

- Make sure the parties to the contract are clearly identified. This is particularly important if a prime contractor is being used. Allow them to subcontract elements of the specification.
- Clearly identify any testing and quality assurance procedures and who will perform them.
- Document every important aspect of the specification including a project plan
- Include a reasonable limitation of liability clause in the contract and reference it in the specification
- Identify any guarantees that are needed

- Be clear on what insurance will and will not cover
- Make sure there is clear audit trail of any changes to the specification together with approvals LO 3, AC 3.2

NEW QUESTION: 82

A buyer may consider switching from one product or service to another, or from one supplier to another.

Which of the following options are a type of switching cost?

- * Inflation cost
- * Historical cost
- * Retraining cost
- * Modification cost

- A. 1 and 2
- B. 1 and 4
- C. 2 and 3
- D. 3 and 4

Answer: D (LEAVE A REPLY)

NEW QUESTION: 83

Which of the following are the fair and reasonable comparators in price analysis? Select TWO that apply:

- A. Pricing formula
- B. Price indices
- C. Strike price
- D. Cost driver
- E. Competitive bidding

Answer: A,B (LEAVE A REPLY)

Price Analysis is the process of deciding if the asking price for a product or service is fair and reasonable, without examining the specific cost and profit calculations the vendor used in arriving at the price. It is basically a process of comparing the price with known indicators of reasonableness. When adequate price competition does not exist, some other form of analysis is required. Some reasons that could affect adequate price competition are: specifications are not definitive, tolerances are restrictive, or production capacity limits those eligible to bid.

Examples of other forms of price analysis information include:

- * Analysis of previous prices paid
 - * Comparison of vendor's price with the in-house estimate
 - * Comparison of quotations or published price lists from multiple vendors
 - * Comparisons with government agencies (such as GSA in the US) published prices
- A strike price is the set price at which a derivative contract can be bought or sold when it is exercised. For call options, the strike price is where the security can be bought by the option holder; for put options, the strike price is the price at which the security can be sold. Strike price is also known as the exercise price.

A cost driver is the direct cause of a cost and its effect is on the total cost incurred. For example, if you are to determine the amount of electricity consumed in a particular period, the number of units consumed determines the total bill for electricity. In such a scenario, the number of units of electricity consumed is a cost driver.

NEW QUESTION: 84

Which of the following bodies provides standards for the products and services in the US?

- A. ISO
- B. ANSI
- C. AFNOR
- D. BSI

Answer: ([SHOW ANSWER](#))

ANSI is the American National Standards Institute. It is responsible for providing technical standards in the US LO 3, AC 3.1

NEW QUESTION: 85

Which of the following is a useful tool for value engineering?

- A. SAMOA
- B. Kraljic Portfolio Matrix
- C. Star-burst method
- D. Kano model

Answer: ([SHOW ANSWER](#))

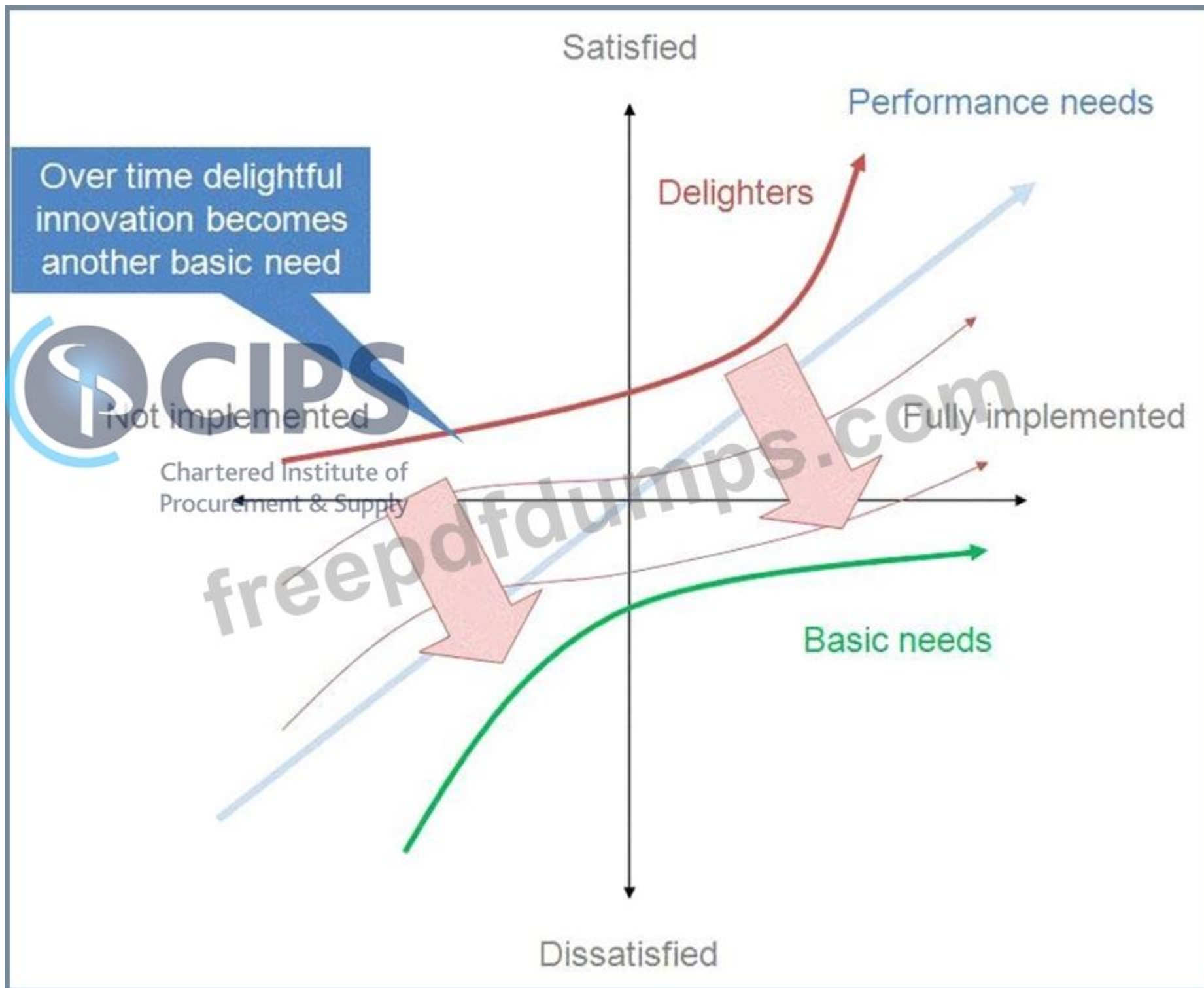
Value Engineering (VE) is concerned with new products. It is applied during product development. The focus is on reducing costs, improving function or both, by way of teamwork-based product evaluation and analysis.

This takes place before any capital is invested in tooling, plant or equipment.

This is very significant, because according to many reports, up to 80% of a product's costs (throughout the rest of its life-cycle), are locked in at the design development stage. This is understandable when you consider the design of any product determines many factors, such as tooling, plant and equipment, labour and skills, training costs, materials, shipping, installation, maintenance, as well as decommissioning and recycle costs.

The Kano model is a theory for product development and customer satisfaction developed in the 1980s by Professor Noriaki Kano, which classifies customer preferences into five categories. Both Kano model and Value Engineering aims at optimising new product, so they can be combined together.

CIPS L4M2 study guide considers Kano model is a tool of Value Engineering



Example of Kano model (source: Wikipedia)

NEW QUESTION: 86

What would provide the best method to ensure a car manufacturer can make adjustments to vehicle production to meet future market demands, such as the inclusion of an additional battery to make a hybrid model?

- A. Adequate labour contracts in place to meet changing demand
- B. Investment in versatile robotics to meet changing demand
- C. Correct product specification in place to allow variations
- D. Investment in innovation to predict future trends

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 87

Which of the following specific markets is most likely to have product shortage by nature?

- A. Retail
- B. Financial
- C. Construction
- D. Services
- E. Agriculture

Answer: ([SHOW ANSWER](#))

Products used in agriculture can be subject to shortage due to natural disasters.

NEW QUESTION: 88

Buyers can ascertain the prices by examining information provided by primary and secondary sources of market data. Which of the following is a secondary source of market data?

- A. Supplier prices provided on price comparison websites
- B. Historical records of supplier prices on the buyer's database
- C. Price brochures provided by the supplier's sales team
- D. Suppliers' prices provided on the buyer's request for quotation

Answer: ([SHOW ANSWER](#))

Detailed Explanation: Price comparison websites are secondary sources as they aggregate data collected from multiple suppliers. Primary sources (like RFQs and brochures) come directly from the supplier.

Reference: CIPS Level 4, Market Data Analysis.

NEW QUESTION: 89

Aircraft Category Manager, Harpal Patel, is purchasing several aircraft engines. He is seeking to determine which category of specification will be most appropriate. He decides on using a conformance-based specification. A conformance-based specification is most appropriate in which one of the following instances?

- A. Where suppliers have greater relevant technical expertise than the buyer
- B. Where there are clear objective criteria for evaluating alternative solutions put forward by suppliers
- C. When technology is changing rapidly in the market sector
- D. When technical dimensions are necessary for operational reasons

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 90

A purchaser is looking for alternative supplies if there is a major disruption to their supply chain, including logistics, manufacturing and all support services. Which of the following method is that purchaser applying?

- A. Treat the risk
- B. Terminate the risk
- C. Tolerate the risk
- D. Transfer the risk

Answer: (SHOW ANSWER)

Risk control is the process by which an organization reduces the likelihood of a risk event occurring or mitigates the effects that risk should it occur. CIPS preferred way to determine your risk control strategy is to use the four T's Process:

Transferring Risk can be achieved through the use of various forms of insurance, or the payment to third parties who are prepared to take the risk on behalf of the organization. Tolerating Risk is where no action is taken to mitigate or reduce a risk. This may be because the cost of instituting risk reduction or mitigation activity is not cost-effective or the risks of impact are at so low that they are deemed acceptable to the business. Even when these risks are tolerated they should be monitored because future changes may make it no longer tolerable.

Treating Risk is a method of controlling risk through actions that reduce the likelihood of the risk occurring or minimize its impact prior to its occurrence. Also, there are contingent measures that can be developed to reduce the impact of an event once it has occurred. Finding an alternative supplier is an example of treating the risk.

Terminating Risk is the simplest and most often ignored method of dealing with risk. It is the approach that should be most favored where possible and simply involves risk elimination. This can be done by altering an inherently risky process or practice to remove the risk. The same can be used when reviewing practices and processes in all areas of the business.

If an item presents a risk and can be changed or removed without it materially affecting the business, then removing the risk should be the first option considered; rather than attempting to treat, tolerate or transfer it.

NEW QUESTION: 91

When devising a business case for purchasing a new copier, Maria analyses its whole-life costs as following:

Cost generating activities	Value
Purchase	\$2,500.00
Installation	\$75.00
Ink Cartridges and paper	\$1,000.00
Electricity consumed	\$300.00
Removing the copier	\$150.00
Maintenance	\$450.00
Financing	\$87.50

Though cost generating activities are identified, she has not categorised the costs. What is the total value of copier's end of life costs?

A. \$450

B. \$75

C. \$150

D. \$300

Answer: C (LEAVE A REPLY)

Life cycle costing is a key asset management tool that takes into account the whole of life implications of planning, acquiring, operating, maintaining and disposing of an asset.

The process is an evaluation method that considers all ownership and management costs. These include;

- Concept and definition;
- Design and development;
- Manufacturing and installation;
- Maintenance;
- Support services; and
- Retirement, remediation and disposal costs.

End of life costs often comprise of decommissioning, removing and disposal costs. In the copier scenario, the end of life costs equal to removal cost, which is \$150.

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NEW QUESTION: 92

Jasmine identified a possible new supplier that offers commercial improvements in her category of spend. She decided to put forward a business case to justify the necessity for a new supplier assessment and audit with the aim of adding the supplier to the approved list. Jasmine decided to carry out a cost-benefits analysis. Is this the right approach for Jasmine to use?

- A. Yes, cost-benefits analysis will show if benefits offered outweigh the cost of the approval
- B. Yes, cost-benefits analysis is a regulatory requirement for any business case
- C. No, cost-benefits analysis should be done by accounts only
- D. No, cost-benefits analysis is not required; she should request supplier approval

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 93

An example of a performance specification is a ...

- A. List of outputs
- B. Technical drawing
- C. Brand name
- D. List of inputs

Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 94

Due to the growth of consumer electronics market, semiconductor industry develops exponentially. However, the industry is dominated by a dozens of manufacturer. Chipset need to be built in factories with highly controlled environments. New chip factories cost billions of dollars and can take two years to build. Right now, factories are running at full capacity, which produce almost perfect yields, meaning basic chipset can be made for less than a dollar and more advanced versions for not much more. What are the barriers to new entrants in the semiconductor industry?

1. Poor industry growth
2. High set-up costs
3. Economies of scale
4. Low switching costs

- A. 2 and 4 only
- B. 3 and 4 only
- C. 2 and 3 only
- D. 1 and 4 only

Answer: C ([LEAVE A REPLY](#))

Barriers to entry is an economics and business term describing factors that can prevent or impede newcomers into a market or industry sector, and so limit competition. The most obvious barriers to entry are high start-up costs and regulatory hurdles which include the need for new companies to obtain licenses or regulatory clearance before operation. Also, industries heavily regulated by the government are usually the most difficult to penetrate. Other forms of barrier to entry that prevent new competitors from easily entering a business sector include special tax benefits to existing firms, patent protections, strong brand identity, customer loyalty, and high customer switching costs.

In the scenario, the new factory for chipset manufacturing costs billions of dollars, which indicates high set-up costs. Also, the incumbent manufacturers have reached economies of scale, allowing them to produce the components at optimal price.

The above descriptions are compiled from recent reports on current chip shortage (2021).

NEW QUESTION: 95

Procurement should work closely with colleagues in accounts when creating an annual budget. This is because the budget will help the company ...

- A.** Process supplier invoices quicker
- B.** Plan its functional strategy for the next year
- C.** Define terms and conditions of the contract
- D.** Plan its finances for the next year

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 96

Buyers are more powerful than the supplier when they are purchasing from monopoly market. Is this statement true?

- A.** False, the buyer will be unable to track and manage supplier's performance
- B.** False, buyer will lack negotiating power on cost if the supplier has a monopoly in the market
- C.** True, suppliers in monopoly market produce homogenous products
- D.** True, in monopoly market, buyer's switching costs from the incumbent supplier to another are relatively low

Answer: B ([LEAVE A REPLY](#))

A monopoly is a market with a single seller (called the monopolist) but with many buyers. In this market, the bargaining power of supplier is higher than of buyer since the supplier is the only seller.

NEW QUESTION: 97

A company has installed a new piece of capital equipment but needs to arrange a maintenance contract for three years. The company wants to know as accurately as possible what this price will be for the full contract. What would be an appropriate type of pricing mechanism to use when asking suppliers to quote prices?

- A.** Fixed price with adjustment for inflation
- B.** Fixed price
- C.** Cost plus percentage fee
- D.** Cost plus fixed fee

Answer: ([SHOW ANSWER](#))

Detailed Explanation: A fixed price with adjustment for inflation provides cost predictability while accounting for potential increases due to inflation. This strikes a balance between fixed costs and market realities. Reference: CIPS Level 4, Pricing Strategies.

NEW QUESTION: 98

Which of the following activities are considered as secondary activities of an organization? Select TWO that apply

- A. Component fabrication
- B. Training
- C. Information system development
- D. Shipping
- E. Service response

Answer: B,C (LEAVE A REPLY)

According to Porter's value chain, secondary activities consist of firm infrastructure, human re-source management, technology development and procurement.

Training is an example of human resource development, while information system is a part of firm infrastructure.

LO 2, AC 2.1

NEW QUESTION: 99

Which of the following are typical social considerations throughout the contract life cycle? Select the TWO that apply.

- A. Using recycled materials
- B. Minimizing use of non-renewable resources
- C. Support small local businesses
- D. Managing waste
- E. Health and safety

Answer: C,E (LEAVE A REPLY)

The following are typical social criteria in procurement:

- * Reducing unemployment
- * Preventing the use of child labour
- * Preventing discrimination on the grounds of race, religion, disability, sex or sexual orientation
- * Encouraging good employment practice
- * Reducing local unemployment
- * Reducing social exclusion
- * Promoting training opportunities for the young or disadvantaged
- * Encouraging access to work for people with disabilities

NEW QUESTION: 100

Which of the following standards specifies requirements for a quality management system?

- A. ISO 27001
- B. ISO 9001:2015
- C. ISO 22000:2018
- D. ISO 14001:2015

Answer: B (LEAVE A REPLY)

ISO 9001:2015 specifies requirements for a quality management system.

ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

ISO 22000:2018 specifies food safety management systems - Requirements for any organization in the food chain ISO 27001 provides requirements for an information security management system.

LO 3, AC 3.1

NEW QUESTION: 101

When should procurement professional tolerate a risk?

- A. When the risk may disrupt the production
- B. When the risk imposes an existential threat
- C. When the risk causes some trivial annoyance
- D. When the risk breaks the relationship with the strategic supplier

Answer: C (LEAVE A REPLY)

Risk control is the process by which an organization reduces the likelihood of a risk event occurring or mitigates the effects that risk should it occur. Our preferred way to determine your risk control strategy is to use the four T's Process:

Transferring Risk can be achieved through the use of various forms of insurance, or the payment to third parties who are prepared to take the risk on behalf of the organization. Tolerating Risk is where no action is taken to mitigate or reduce a risk. This may be because the cost of instituting risk reduction or mitigation activity is not cost-effective or the risks of impact are at so low that they are deemed acceptable to the business (such as some trivial annoyance). Even when these risks are tolerated they should be monitored because future changes may make it no longer tolerable.

Treating Risk is a method of controlling risk through actions that reduce the likelihood of the risk occurring or minimize its impact prior to its occurrence.

Also, there are contingent measures that can be developed to reduce the impact of an event once it has occurred.

Terminating Risk is the simplest and most often ignored method of dealing with risk. It is the approach that should be most favored where possible and simply involves risk elimination. This can be done by altering an inherently risky process or practice to remove the risk. The same can be used when reviewing practices and processes in all areas of the business.

If an item presents a risk and can be changed or removed without it materially affecting the business, then removing the risk should be the first option considered; rather than attempting to treat, tolerate or transfer it.

NEW QUESTION: 102

The procurement team of an IT hardware manufacturer has been set a target by senior management to reduce the rates paid to the sole supplier of a new and innovative power-saving battery. Which action should the procurement team first consider?

- A. Offering a framework agreement
- B. Agreeing rebate thresholds
- C. Dual or multiple sourcing
- D. Offering economies of scale

Answer: C (LEAVE A REPLY)

Detailed Explanation: Dual or multiple sourcing introduces competition, reducing the sole supplier's bargaining power and leading to cost reductions.

Framework agreements (A) or economies of scale (D) may not address the immediate need to reduce rates. Reference: CIPS Level 4, Sourcing Strategies.

NEW QUESTION: 103

Despite of better improvement rates than other types of benchmarking, functional benchmarking still has downsides. Which of the following is most likely to be a disadvantage of functional benchmarking?

- A. Legal issues regarding intellectual property
- B. Unfair competition

C. Difference of corporate cultures across companies

D. Benchmarking can only be undertaken within an industry

Answer: C (LEAVE A REPLY)

Functional benchmarking is a comparison to similar or identical practices (e.g., the picking process for assembling customer orders, maintaining inventory controls of spare computer parts, logistics to move operational forces, etc.) within the same or similar functions outside the immediate industry. Functional benchmarking might identify practices that are superior in your functional areas in whatever industry they may exist. Functional benchmarking would be accomplished at the federal level by comparing the IRS collections process against those of American Express. Comparing copper mining techniques to coal mining techniques is an example in the private sector.

Benefits

- Provides industry trend information
- Quantitative comparisons
- Better improvement rate

Challenges

- Diverse corporate cultures
- Great need for specificity
- Not invented here. syndrome
- Common functions can be difficult to find
- Takes more time than internal or percent
- Must be able to visualize how to adapt the best practices

Source: USN Benchmarking Handbook

LO 1, AC 1.3

NEW QUESTION: 104

Which of the following are advantages of zero-based financial budgeting?

- * Use of previous year figures
- * Emphasis on short-term planning
- * Budget treated as flexible
- * Focus on operational issues

A. 1 and 4 only

B. 2 and 4 only

C. 3 and 4 only

D. 1 and 2 only

Answer: C (LEAVE A REPLY)

Detailed Explanation: Zero-based budgeting emphasizes starting from scratch and justifying all expenses.

* 3 (Budget flexibility): Ensures resources are allocated dynamically based on needs.

* 4 (Focus on operational issues): Encourages alignment with operational priorities rather than historical trends. Using prior figures (1) is contrary to zero-based budgeting principles. Reference: CIPS Level 4, Financial Planning and Budgeting.

NEW QUESTION: 105

Which of the following are prerequisites to run a successful bidding process? Select TWO that apply:

A. The value of the purchase must be high enough to justify the associated bidding costs of potential suppliers

- B.** The market contains an adequate number of suitably qualified suppliers
- C.** Only those suppliers who have worked with the buyer in the past are allowed to bid
- D.** Bids must be submitted within twenty calendar days
- E.** The requirement can be met without the need for subcontracting

Answer: A,B (LEAVE A REPLY)

Detailed Explanation:

* A (Purchase value): A competitive bidding process is only justifiable when the cost of running it is outweighed by its potential value.

* B (Qualified suppliers): Ensuring a sufficient number of capable suppliers promotes competition and delivers better results. Restricting suppliers (C) or rigid timeframes (D) can hinder the process, while subcontracting (E) is not a core consideration in most bids. Reference: CIPS Level 4, Bidding and Tendering.

NEW QUESTION: 106

In which circumstances would it be relevant to require supplier accreditation to the ISO 14001 international standard in a contract specification? Select THREE that apply.

- A.** The requirements cause emissions to air and water
- B.** The requirements will use natural resources
- C.** The requirements impact on occupational health
- D.** The requirements involve the processing of data
- E.** The requirements need specific quality assurance
- F.** The requirements will generate waste

Answer: A,B,F (LEAVE A REPLY)

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NEW QUESTION: 107

A procurement manager is writing a conformance specification for a non-core component. She thinks that if the requirements in specification are higher than ISO standards, her company can achieve greater cost- savings. Is the procurement manager's opinion correct?

- A.** No, because higher specification may incur additional costs for the buyer
- B.** No, because higher requirements in specification, the greater bargaining power of buying organisation
- C.** Yes, because optimising the specification is the only method to achieve value for money
- D.** Yes, because higher requirements will help buying organisation find the best supplier

Answer: A (LEAVE A REPLY)

The specification that is produced too detailed will incur unnecessary cost because it does not allow suppliers to use their expertise in finding the most efficient way to produce it.

'No, because higher requirements in specification, the greater bargaining power of buying organisation': more detailed specifications could tighten the supplier base and potentially leave buying organisation with fewer potential supplier. This may reduce buyer's bargaining power in negotiation.

'Yes, because higher requirements will help buying organisation find the best supplier': in some circumstances, higher requirements will lead to smaller supplier base. In the worst scenario, there is no supplier who has capability to carry out those requirements

'Yes, because optimising the specification is the only method to achieve value for money': There are other methods to achieve cost saving and value for money, inter alia, volume concentration, relationship restructuring, etc.

NEW QUESTION: 108

Which of the following are the causes of material cost variance?

1. The buyer updates purchase-to-pay system to track payment and delivery
2. An unprocessed goods received note is missing
3. The employees must work overtime to catch up with the customers' orders
4. The purchase is made in emergency

A. 2 and 4 only

B. 1 and 4 only

C. 1 and 3 only

D. 2 and 3 only

Answer: A (LEAVE A REPLY)

The difference between the standard cost of direct materials specified for production and the actual cost of direct materials used in production is known as Direct Material Cost Variance. Material Cost Variance gives an idea of how much more or less cost has been incurred when compared with the standard cost. Thus, Variance Analysis is an important tool to keep a tab on the deviations from the standard set by a company.

Material Cost Variance can be due to less purchase price being paid than the standard or because of change in the quantity of material used. Thus, Material Cost Variance is made up of two components namely; Material Price Variance and Material Usage Variance.

Among the 4 options:

- 'The buyer updates purchase-to-pay system to track payment and delivery': The use of e-procurement system can increase the productivity and create labour cost variance, not material cost variance.
- 'An unprocessed goods received note is missing': If a goods received note is missing, the buyer won't pay for that batch, which create quantity variance.
- 'The employees must work overtime to catch up with the customers' orders': Overtime salary can cause labour variance, not material cost variance.
- 'The purchase is made in emergency': Normally, the price in emergency situation is higher than usual. This can cause price variance.

NEW QUESTION: 109

Which of the following problems may be identified as closed problems? Select TWO that apply:

A. A cyber attack takes down whole company's IT system

B. Shortage of key medicines in healthcare industry

C. There are not enough data for procurement analytics

D. Logistics costs incur a large portion in wholesale prices

E. The suppliers don't comply with the company's policy on underage labour.

Answer: (SHOW ANSWER)

Closed problem is something happens that should not have happened. To solve this type of problem, procurement professional should find a way to correct the situation or try to adapt to it. On the other hand, open ended problem is an obstacle to your short-term objective. You will need to overcome this obstacle.

Shortage of key medicines is a situation in which procurement must find a substitution or try to save the current stock.

In case of cyber attack, procurement should find a way to recover the IT system as soon as possible.

Otherwise, 'There are not enough data for procurement analytics' is an open-ended problem because it prevents company to conduct procurement analytics (an objective).

'Logistics costs incur a large portion in wholesale prices': In this situation, logistics costs are hurdles that prevent companies to reach lower wholesale.

'The suppliers don't comply with the company's policy on underage labour': In this situation, pro-curement should seek ways to help supplier comply with the company's labour policy.

LO 1, AC 1.1

NEW QUESTION: 110

It could be argued that wherever possible, specifications should be more output and outcome focused. Why is this?

- A. To reduce the number of options available
- B. So that a specific branded product is provided
- C. To allow as many suppliers as possible to respond
- D. So that they can be amended easily after contract award

Answer: C ([LEAVE A REPLY](#))

NEW QUESTION: 111

Lucy, a junior procurement analyst, has been asked to assess the competitive forces in the garden furniture market. XYZ Ltd is the largest producer of garden furniture in the country. It produces 70% of all the garden furniture manufactured, while the second largest manufacturer produces less than 5% of the garden furniture for the country. Which power does XYZ Ltd possess?

- A. Substitute power
- B. Purchasing power
- C. Buyer bargaining power
- D. Supplier bargaining power

Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 112

A company buys components from its supplier. However, the supplier has not sent the invoice to the buyer and the buyer will not pay until next month. How will that amount of money be shown in the financial statements of the buying organization?

- A. Accrued expense
- B. Accrued interest
- C. Tax liabilities
- D. Accounts payable

Answer: A ([LEAVE A REPLY](#))

The buyer won't pay the supplier until next month. This is a liability to the buyer. This amount can be recorded as accrued expense or accounts payable. On the other hand, the supplier has not sent the invoice, so it should be accrued expense.

Both accounts payables and accrued expenses are liabilities. Accounts payable is the total amount of short- term obligations or debt a company has to pay to its creditors for goods or services bought on credit. With accounts payables, the vendor's or supplier's invoices have been received and recorded.

On the other hand, accrued expenses are the total liability that is payable for goods and services that have been consumed by the company or received.

However, accrued expenses are those bills in which an invoice or bill has not yet been received. As a result, accrued expenses can sometimes be an estimated amount of what's owed, which is adjusted later to the exact amount, once the invoice has been received.

Conversely, accounts payable should represent the exact amount of the total owed from all of the invoices received.

NEW QUESTION: 113

Apple's CPO is planning a budget for purchasing carbon-free aluminium next year. There are 27.4 tonnes of aluminum in stock, while Apple will need 200 tonnes for production next year and double inventory for production in the following year. How much aluminum will Apple need to purchase in next year?

- A. 172.6 tonnes
- B. 117.8 tonnes
- C. 282.2 tonnes
- D. 227.4 tonnes

Answer: D (LEAVE A REPLY)

The quantity of aluminium Apple needs to buy is calculated as follows:

Quantity needed for production + the inventory needed at the end of the year - inventory at start of the year That formula is quantified as: $200 + 54.8 - 27.4 = 227.4$

NEW QUESTION: 114

Which of the following agencies can produce a technical standard?

- A. House of Lords
- B. Marketing department
- C. BSI
- D. Department of State

Answer: C (LEAVE A REPLY)

Technical standards are often produced by a national or international body such as British Standard Institute (BSI) LO 3, AC 3.1

NEW QUESTION: 115

Which of the following activities are considered as primary activities of an organization according to Porter's value chain? Select TWO that apply:

- A. Maintenance
- B. Picking and delivery components
- C. Sourcing transportation services
- D. Trainees recruitment
- E. Assembly design

Answer: A,B (LEAVE A REPLY)

Primary activities consist of inbound logistics, operations, outbound logistics, sales & marketing, service.

Second activities consist of firm infrastructure, human resource management, technology development and procurement The following graph illustrate the value chain (Source: Smartsheet) Graphical user interface, diagram Description automatically generated

Value Chain Analysis



Picking and delivery components is inbound logistics.

Maintenance is an example of operations activity.

Sourcing transportation services is an activity of procurement

Assembly design is an activity in research and development (Technology) Recruiting is an activity of human resource management

NEW QUESTION: 116

When procuring an IT equipment, at which stage the buyer's expectations are translated into a technical specification?

- A. Installation
- B. Design
- C. In-service support
- D. Customer support

Answer: B (LEAVE A REPLY)

IT equipment is typically linked with through-life contracts. This type of contract not only deal with the specification and the price of a machinery, but also other stages such as design, manufacture, installation, in- service support, decommission and disposal. Among these stages, the design stage is when buyer's requirements are translated into technically correct specification.

NEW QUESTION: 117

Why is the specification considered as the most important document in procurement?

- A.** It provides a mean to appraise the performance of supplier
- B.** It helps the buyer to gain at supplier's loss
- C.** It eliminates all possible supply risks
- D.** It always shifts the balance of bargaining power in favour of the buyer

Answer: A (LEAVE A REPLY)

Specification is the most important document in procurement because it sets out the quality which supplier must provide. If there is no spec or the spec lacks clarity and details, supplier's performance may vary and possibly lower than actual requirements. This puts the buyer at risks. On the other hand, if the spec is clear and detailed, the supplier is liable to provide 'fit for purpose' products or perform the service at required level of quality. This will ensure that the buyer achieve 'Right Quality'.

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