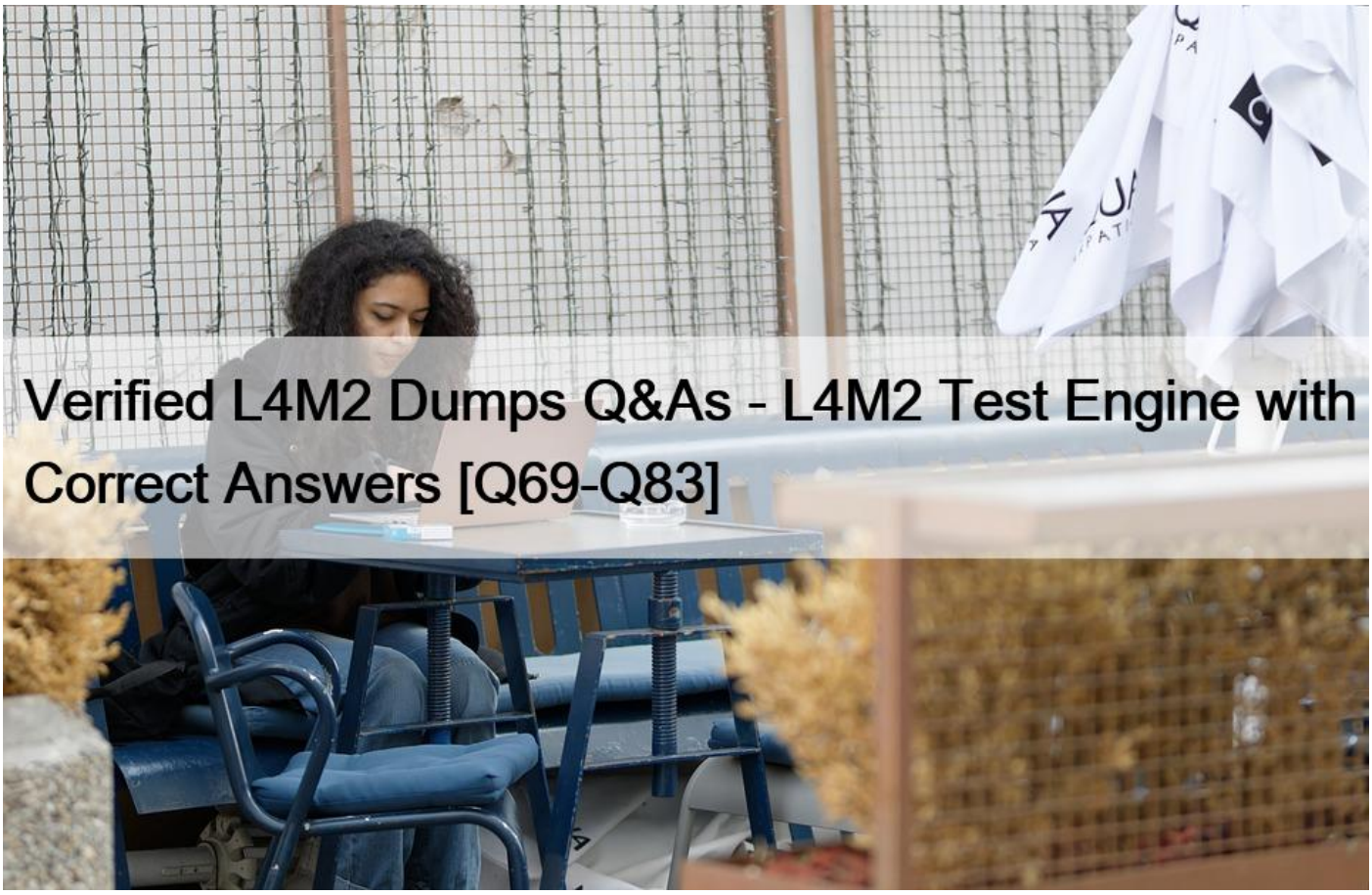
Verified L4M2 Dumps Q&As - L4M2 Test Engine with Correct Answers [Q69-Q83



Verified L4M2 Dumps Q&As - L4M2 Test Engine with Correct Answers
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Q69. Which of the following problems may be identified as open-ended problems? Select TWO that apply:
* Shortage of key medicines in healthcare industry
* A cyber attack takes down whole company’s IT system
* Engine failures cause flight cancellations.
* Logistics costs incur a large portion in wholesale prices
* The suppliers don’t comply with the company’s policy on underage labour.

Open-ended problem is something stopping the achievement of an objective or blocking progress. To solve this type of problems, procurement professional should find a way to unblock the block-age. In the above question, high logistics cost is an obstacle to cost cutting objective while suppli-er’s incompliance prevents the company to achieve its sustainable objective.

Reference:

LO 1, AC 1.1

Q70. Aldar Properties is a property developer in UAE. In last month, it spent $2,160 for 10 tons of steel. In this month, it had

planned 10% increment in budget for steel comparing to last month. But the number of orders boosted and total spend on steel reached $1,992.1 while Aldar has imported 11 tons. What is the main cost driver of steel budget?
* Both price and quantity variances
* Inflation
* Quantity variance
* Price variance
In this question, you have to calculate price variance and quantity variance.

Last month, 1 tonne of steel costed $216. This month, the price decreases to $181.1. Price variance = (P1 – P2)*Q2 = ($216-$181.1)*11 = $383.9 Quantity variance = (Q1-Q2)*P1 = -$216 Price variance is greater than quantity variance, therefore, price variance is the main cost driver.

LO 1, AC 1.4

Q71. 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…?
* Straight rebuy
* Capital purchase
* Modified rebuy
* New purchase
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 as-pect of the order, such as the quantity, packaging, product features, or delivery times. The scenario above is an example of modified rebuy.

Reference:

– What is a straight rebuy example?

– CIPS study guide page 3-4

Q72. Which of the following is the core of value analysis process?
* Be creative
* Develop
* Evaluate
* Gather information
* Carry out functional analysis
Value Analysis (VA) is concerned with existing products. It involves a current product being ana-lysed 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 manufac-ture and assembly.

According to the Value Methodology standard, there are 6 phases to a Value Analysis:

– Information

– Function Analysis

– Creative

– Evaluation

– Development

– Presentation

1. Information

In this first phase, the team attempts to understand why the project exists and who or what it is to produce. They obtain project data, present the original design or product concepts, and understand the project scope. Schedule, costs, budget, risk, and other non-monetary issues are studied until the team is comfortable with the concept of the project, what it is to produce, and who its end users are.

This step also includes things like site visits and meetings with the project team, if required. Project documents like plans, drawings, specifications, and reports are obtained and the value engineering team becomes familiar with them.

2. Function Analysis

This step represents the meat and potatoes (core) of the value analysis. The team attempts to determine the functions the project serves. Functions come in two forms:

– Primary functions are those that represent the reason for the project’s existence, for example, a building project might have adequate plumbing as a primary function.

– Secondary functions are those that the project serves without being core to the project. For example, a building project might have as a secondary function maintaining the view of the neighboring building.

The functions are described in verb/noun pairs, such as “supply water to all suites,” or “Maintain view of adjacent park.” For a project like this, the team should come up with 10 – 15 functions. You might be surprised how many secondary functions exist for most projects. Subject matter experts would be a great resource, but in their absence an appropriate level of brainstorming and analysis are necessary.

The team should also identify value-mismatched functions to focus the improvements on. For ex-ample, maybe a large obstruction is preventing the view of the adjacent park from too many suites resulting in a potential mismatch of the cost vs. functional benefit. This is investigated in the next step.

3. Creative

This phase represents the generation of improvement ideas. The team develops alternative ways that the project can perform the functions that have been identified. At this step, the functions are looked at individually and each one gets a list of alternative ways to perform the function. There is no judging between the importance of the various functions.

4. Evaluation

At this stage, a priority is given to each project improvement idea. The ideas are discussed and potential costs are determined. Once

the risk-reward profile of each idea is itemized, the team has determined which ideas are worth implementing into the project or feature.

A few years ago, there was a pedestrian bridge built near my home which was originally designed for emergency vehicles. Although this type of design is standard practice for the bridges of this type, the value engineering team identified that emergency vehicle passage was not needed (verb/noun pair = ‘maintain passage for emergency vehicles’). Also, a second major outcome of this value analysis was to change the design to an aesthetic, curved bridge because it was in a prominent location. The redesign of the bridge cost some money but this was more than made up by the cost of the bridge construction. Thus, the value analysis paid for itself about 10 times over in the reduced construction cost, and the bridge was significantly more aesthetic.

5. Development

Once the value improvement options have been whittled down to the ones that make sense, the value engineering team develop the options to the point of passing them back to the original project team. They must be clearly written and explained so that the project owner and stakeholders can understand how it benefits the project and act on it. Any potential negative factors are identified. Potential costs and cost savings are itemized.

6. Presentation

This last phase represents the presentation of the alternatives to the stakeholders. Often value engineering represents a change in the normal practices that people are used to, an “out of the box thinking.” Thus the best salesperson on the team is often the best one to do the presentation.

Some typical products of a value engineering analysis are a briefing document, risk analy-sis, present worth analysis, advantages vs. disadvantages, etc.

Reference:

LO 3, AC 3.4

Q73. A procurement manager is requested to source a major component. She needs information on sup-pliers’ direct and indirect cost, fixed and variable costs to prepare for negotiations. Therefore, she collects 17 annual reports from potential suppliers who are competing in the same industry. In order to estimate an approximate value of fixed and variable costs in that industry, which of the following technique should be adopted by the procurement manager?
* Line of best fit
* Variance calculation
* Total cost of ownership
* Open-book costing

Public annual reports can be a source of information that helps the procurement professional to analyse an industry’s cost and revenue using the line of best fit. Line of best fit is one of the most important outputs of regression analysis. Regression refers to a quantitative measure of the relationship between one or more independent variables and a resulting dependent variable. Regression is of use to professionals in a wide range of fields from science and public service to financial analysis.

In this case, by collecting and analysing 17 annual reports, the procurement manager can find the line of best fit which goes approximately through the middle of the data points with an equal num-ber of data points above and below it.

The slope of the line of best fit is the approximate variable costs the industry. The easiest way to calculate it is to take a point at the right-hand end of the line of best fit and note its cost and output levels. Divide the cost by the output and this gives and approximate figure for the cost per unit of output or variable cost. This gives an approximate value for the industry fixed and variable costs.

Reference:

LO 2, AC 2.3

Q74. 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?
* Legal issues regarding intellectual property
* Unfair competition
* Difference of corporate cultures across companies
* Benchmarking can only be undertaken within an industry

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

Q75. 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 expend-ing 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?
* Total number of the supplier’s employees
* The ability to import bulk data from Excel spreadsheets

* The relative size of the potential suppliers to Synergy
* The form and reference number of the purchase order

The purpose of this Question:

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: 100

will the previous data be imported? If the CRM system can support bulk import from Excel tables, it will save a lot of time.

Reference:

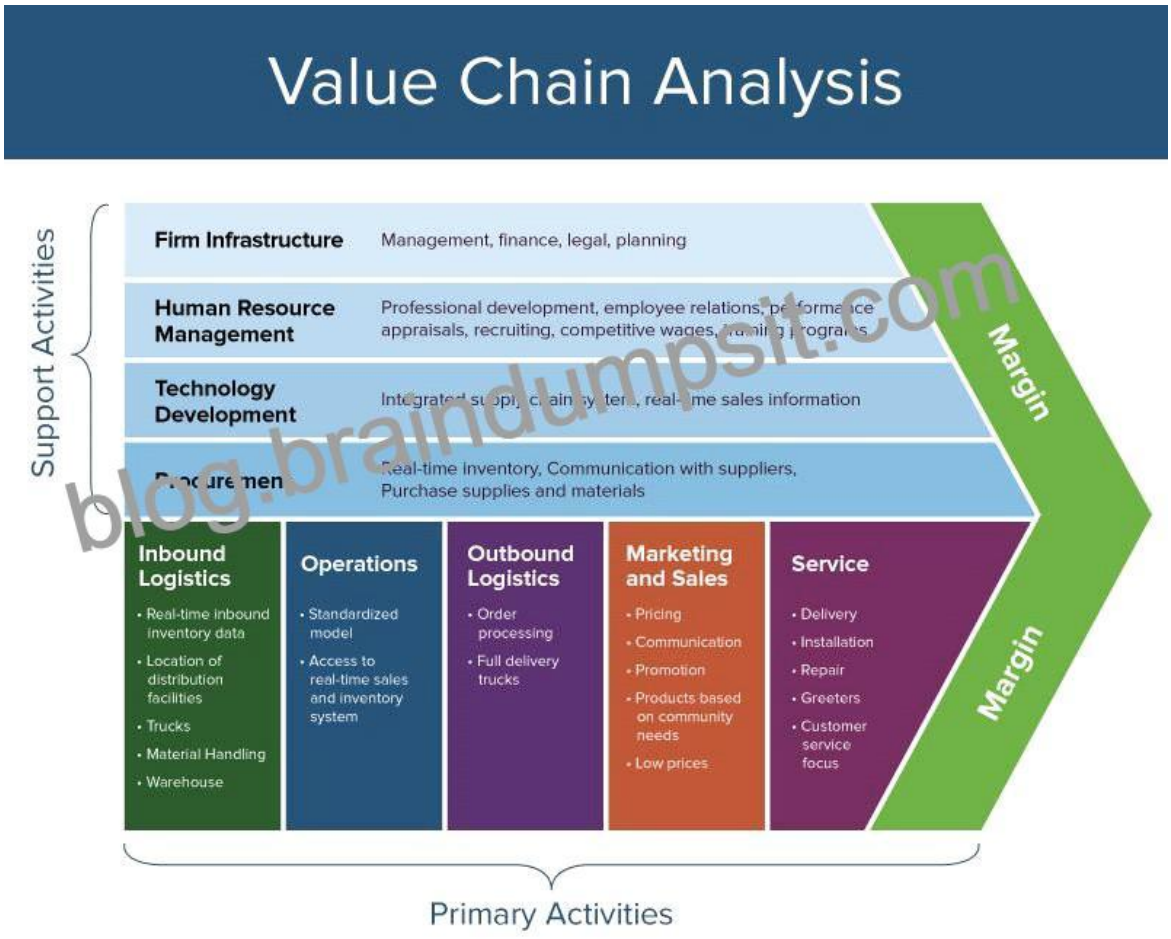
LO 1, AC 1.1

Q76. According to Porter’s value chain, which of the following activities is categorised as support activity?

* Product warranties and special services
* Storage of raw materials
* Distribution of products from factory to retailer
* Supervising the production line
* Develop digital SRM technology to manage suppliers better

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



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

Q77. Which of the following are typically included in a conformance specification? Select TWO that apply.
* Product functions
* Product dimensions
* Brand name
* List of outcome
* Packaging requirements

A conformance specification is a specification that defines the technical and physical characteristics and/or measurements of a product, such as physical aspects (e.g. dimensions, colour, and surface finish), design details, material properties, energy requirements, processes, maintenance requirements and operational requirements.

On the other hand, performance specification typically includes list of output or outcome or func-tional requirements. Brand name can be a part of performance specification because brand is a re-minder of quality that customers remember. For example, when talking about Roll Royce, people will think about an elegant car.

Reference:

LO 3, AC 3.1

Q78. 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?
* Develop the performance framework for the supplier
* Draft the terms and conditions for plant construction contract
* Invite suppliers to the tendering process
* Develop project initial document

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 manage-ment, 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 com-posed include the business case in which the project’s justification can be found, the communica-tion plan and the project plan.

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

– 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 infor-mation:

– 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.

Reference:

– CIPS study guide page 148

– Project Initiation Document (PID), a project management tool | ToolsHero LO 3, AC 3.3

Q79. 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?
* Request for quotation from potential suppliers
* Invite the supplier to tendering process
* Early supplier involvement
* Control the budget tightly

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

Q80. When analyzing direct and indirect costs of potential suppliers for negotiations and planning pur-chasing 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?
* Company annual report
* Technical data
* Market data
* RFI

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,…

Reference:

LO 2, AC 2.3

Q81. 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
* 2 and 4 only

* 3 and 4 only
* 2 and 3 only
* 1 and 4 only

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).

Reference:

– Barriers to Entry Definition (investopedia.com)

– CIPS study guide page 96-97

LO 2, AC 2.2

Q82. At which stage of product life cycle, price competition between sellers will be the most intense?

* Growth stage
* Introductory stage
* Maturity stage
* Decline stage

The term product life cycle refers to the length of time a product is introduced to consumers into the market until it’s removed from the shelves. The life cycle of a product is broken into four stages-introduction, growth, maturity, and decline.

Source: https://blueoceanoutsource.co.ke/the-product-life-cycle-concept/ At maturity stage, price competition sets in as more and more supply capacity has been added by new entrants, then the competition will be the most intense.

Reference:

LO 2, AC 2.2

Q83. Which of the following might be the consequences of under-specification? Select TWO that apply:

* Unfit products or services

* Few suppliers can supply the full range of features
* Poor competition between suppliers
* Additional cost to rework
* Higher cost due to inessential features

Main risks involved in an under-specified requirement

* The product or service is not fit for use since it does not match the actual needs

* Higher cost due to corrections or reworks (proposal evaluations, scope or work monitoring, change in insulation materials or systems, reduced productivity, etc.).

* Higher operating cost on many fronts: process control, energy consumption, maintenance, etc.

* Other problems like corrosion under insulation, mold development, safety-related concerns, etc.

LO 3, AC 3.3

CIPS L4M2 Exam Syllabus Topics:

TopicDetailsTopic 1- Identify sections of specifications for through life contracts- Identify how costs and prices can be estimated for procurement activitiesTopic 2- Understand the use of specifications in procurement and supply- Analyse the different types of markets utilised by procurement and supplyTopic 3- Approaches to total costs of ownership- whole life cycle costing - Interpret financial budgets for the control of purchasesTopic 4- Analyse the criteria that can be applied in the creation of a business case- Availability of substitutes and threat of entryTopic 5- Understand how to devise a business case for requirements to be sourced from external suppliers- Producing estimated costs and budgetsTopic 6- Output or outcome, statement of work based specifications- Types of market data that can provide information on costs and pricesTopic 7- Understand market management in procurement and supply- Compare the competitive forces that influence marketsTopic 8- Monitor specification creation by colleagues and other internal stakeholders- Analyse how business needs influence procurement decisions

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