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CIPS L4M4

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Topic Break Down

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QUESTION NO: 1

Sourcing products internationally involves extra considerations when looking at the price of the item. Which of the following are additional price considerations for international sourcing? Select TWO

A. exchange rate

B. total life cycle costs

C. tariffs

D. batch quantities

E. tax

ANSWER: A C

Explanation:

Exchange rate is a distinct international-sourcing price consideration because the buyer's domestic-currency cost can change between quotation, contract award, invoicing and payment when the purchase is priced in a foreign currency. Procurement should therefore establish the currency exposure and consider how it will be managed, for example through the agreed pricing currency, contractual provisions or financial hedging. The Bank of England explains that exchange rates determine the value of one currency relative to another, which directly affects the domestic cost of overseas purchases. See Bank of England information on exchange rates and prices.

Tariffs are also an additional international price consideration because they are customs duties that may become payable when goods cross a border. Their applicable rate can depend on product classification, customs value and country of origin, so the sourcing professional must include them in the landed-cost assessment before comparing overseas quotations with domestic alternatives. The World Trade Organization identifies tariffs as customs duties imposed on merchandise imports and provides information on how they affect international trade. See WTO guidance on tariffs. Considering both exchange-rate exposure and tariffs supports a realistic comparison of international supply costs.

QUESTION NO: 2

A public sector buyer ran a tender with eight bidders, all meeting minimum standards. How is the award decision made?

A. Framework agreement terms

B. The bidder's price

C. Supplier location

D. Weighted criteria

ANSWER: D

Explanation:

Weighted criteria is correct because, after confirming that tenderers meet the stated selection requirements and minimum standards, the contracting authority must assess compliant tenders against the award criteria disclosed in the procurement documents. Those criteria are assigned weightings so that the buyer can evaluate the overall value delivered by each tender in a transparent, consistent, and auditable way. Depending on the procurement, the criteria may cover whole-life cost or price, quality, technical merit, delivery arrangements, environmental performance, social value, and other requirements that are relevant to the contract's subject matter. Applying the published weightings and scoring methodology gives each of the eight bidders equal treatment and enables the authority to identify the most advantageous tender on the basis announced in advance. This is central to ethical and responsible sourcing: the decision can reflect value beyond initial purchase price while remaining objective, proportionate, and evidence-based. The UK Government's guidance explains that award criteria are used to assess tenders and should be linked to the subject matter of the contract, while the Procurement Act 2023 requires contracting authorities to assess tenders in accordance with the award criteria and their relative importance. See UK Government guidance on award criteria and Procurement Act 2023, section 19.

QUESTION NO: 3

Which of the following are remedial actions that may be undertaken by the purchasing organisation following a supplier audit? Select the TWO that apply.

A. Violating the terms of the supplier contract

B. Define specific corrective actions for the supplier

C. Daily brainstorming meetings with the supplier

D. Employing the supplier's staff for job training

E. Running supplier development programmes

ANSWER: B E

Explanation:

"Define specific corrective actions for the supplier" and "Running supplier development programmes" are appropriate remedial actions after a supplier audit identifies gaps in ethical, social, environmental, quality, or operational performance. A corrective action plan converts audit findings into clear, measurable improvement requirements. It should identify the non-conformity, the action needed, the responsible person, target completion dates, and a method for follow-up or verification. This provides a structured route for the purchasing organisation and supplier to address issues rather than simply recording audit results.

Supplier development programmes are also a constructive remedial measure because they build the supplier's capability to meet the buyer's required standards over time. Support may include guidance, training, technical assistance, improved processes, and periodic review of progress. In responsible sourcing, remediation is particularly important where the buyer has leverage and can help prevent or mitigate adverse impacts in its supply chain. The OECD due-diligence guidance describes tracking implementation and outcomes, and seeking to prevent or mitigate adverse impacts, as integral to responsible business conduct. CIPS likewise identifies supplier development as a means of improving supplier capability and performance. See the OECD Due Diligence Guidance for Responsible Business Conduct and CIPS guidance on supplier development.

QUESTION NO: 4

Sourcing can be tactical or strategic. Which of the following might be classified within **strategic sourcing** ?

Stakeholder meetings to review product design modifications

Open tendering to provide new office chairs

Evaluating quotations for the latest accounting software

Regular stationery orders for the managing director's office

A. 1 and 2 only

B. 1 and 3 only

C. 2 and 3 only

D. 2 and 4 only

ANSWER: B

Explanation:

1 and 3 only is correct because both activities can contribute to long-term value and require procurement to make decisions that affect organisational performance beyond an individual routine purchase. Stakeholder meetings to review product design modifications are strategic because design choices influence whole-life cost, specification, quality, sustainability, manufacturability and supply-chain risk. Early engagement between procurement, users, technical stakeholders and suppliers can therefore shape the requirement and achieve better outcomes over the product lifecycle.

Evaluating quotations for a new accounting software system can also be strategic. Such a system may involve substantial implementation effort, a multi-year supplier relationship, data and service risks, integration with core business processes, and continuing support or licence costs. Procurement should assess total cost of ownership, supplier capability, contractual terms, information security, implementation arrangements and the system's fit with organisational objectives, rather than considering price alone. These features make the activity capable of being part of a strategic sourcing process. This reflects CIPS's emphasis on procurement contributing value, managing risk and aligning supply decisions with organisational needs; see the CIPS Global Standard for Procurement and Supply and the CIPS strategic sourcing topic overview.

QUESTION NO: 5

Which instance would multiple sourcing be the most applicable approach?

A. Sourcing for the provision of a service, where close relationship management is required

B. Sourcing a specialised, unique component where the supplier's knowledge is key

C. Sourcing for high-cost, strategically important components

D. Sourcing for components required at short notice

ANSWER: D

Explanation:

Multiple sourcing is most applicable when sourcing for components required at short notice. Maintaining approved relationships with more than one capable supplier gives the buying organisation practical flexibility to obtain supply quickly when an urgent requirement arises. It reduces reliance on one supplier's immediate production capacity, stock position, transport arrangements, or ability to accept an expedited order. Procurement can compare real-time availability across the supply base, divide urgent demand where appropriate, and switch volume to a supplier that can meet the required delivery date. This approach therefore strengthens supply continuity and responsiveness, provided that specifications, quality requirements, approval arrangements, and ordering processes have been agreed with each source in advance. The strategy is particularly valuable where the cost or operational impact of delayed availability exceeds the additional effort involved in qualifying and managing several suppliers. This reflects the CIPS emphasis on selecting supply strategies that manage risk and assure continuity while meeting organisational needs. See the CIPS Global Standard for Procurement and Supply and the UK government's Sourcing Playbook, which highlights resilient supply arrangements and the management of supply-chain risks.

QUESTION NO: 6

During which stage of the procurement cycle would you remove suppliers that do not add value, or could pose a risk to the buying organisation?

A. develop strategy

B. supplier selection

C. contract award

D. asset management

ANSWER: B

Explanation:

supplier selection is the appropriate stage because this is where the buying organisation evaluates potential suppliers against defined requirements and decides which ones should proceed. Selection is not solely about identifying the lowest price or the supplier with the most attractive proposal. It involves assessing whether a supplier can create value over the required period and whether its commercial, operational, financial, ethical, environmental, information-security, or continuity risks are within the organisation's acceptable risk appetite.

Screening and due diligence at this point allow procurement to exclude suppliers that cannot meet mandatory criteria, lack the necessary capability or capacity, present unacceptable compliance risks, or do not offer sufficient value. This protects the organisation before it enters a contractual commitment and helps ensure that shortlisted suppliers are suitable for detailed evaluation, negotiation, and potential award. A structured selection process should use transparent, proportionate criteria aligned with the sourcing strategy, specification, and risk assessment. CIPS describes supplier selection as a key part of the procurement and supply cycle, while its ethical procurement guidance emphasises the importance of responsible supplier due diligence. See CIPS: Procurement Cycle and CIPS: Ethical Procurement.

QUESTION NO: 7

A company has a requirement for an item that has been identified as strategic on the positioning model. The company needs to invite competitive tenders and ensure the selected supplier of this item is in a good financial position. What should the company ask the suppliers to send to show that their current assets cover their current liabilities?

A. Profit and loss account

B. Annual turnover

C. Gearing ratio

D. Acid test

ANSWER: D

Explanation:

Acid test is the appropriate measure because it assesses a supplier's short-term liquidity: its capacity to settle current liabilities from assets that can be converted into cash quickly. The ratio is normally calculated as liquid current assets divided by current liabilities; inventories are usually excluded because they may not be readily saleable at their stated value. A result of at least 1:1 generally indicates that the business has sufficient readily available current assets to cover its short-term obligations, although the result should be considered alongside the supplier's sector, trading cycle and cash-flow position.

This is particularly important for a strategic requirement in the positioning model. Such purchases have high business impact and supply risk, so the buying organisation needs confidence that the chosen supplier can remain operational and finance delivery throughout the contract. Requesting the information needed to calculate the acid-test ratio supports proportionate supplier financial appraisal during tender evaluation and helps identify liquidity risk before contract award. The ratio is derived from financial-statement information, especially current assets, inventory and current liabilities. See the AccountingCoach explanation of the acid-test ratio and the IFRS overview of financial-statement presentation.

QUESTION NO: 8

Tendering is a more formal and regimented process than sending out requests for quotations. Which of the following are services that are often put out to tender? Select THREE.

A. security

B. consultancy

C. provision of raw materials

D. office supplies

E. cleaning

ANSWER: A B E

Explanation:

Security, consultancy and cleaning are frequently procured through a formal tender process because each is a service requiring a clear scope, supplier capability assessment and robust contract-management arrangements. A security requirement may involve personnel vetting, site coverage, incident-response procedures, safeguarding and compliance with relevant standards. Cleaning services commonly require detailed service specifications covering locations, frequencies, staffing, quality measures, materials, health and safety, and performance monitoring. Consultancy assignments often require evaluation of specialist expertise, methodology, capacity, deliverables, confidentiality and intellectual-property arrangements rather than selection on price alone.

A tender process enables the buying organisation to communicate these requirements consistently, invite comparable proposals and assess suppliers against published award criteria such as quality, technical capability, service delivery and whole-life value. This structured approach supports transparency, fair competition and an auditable supplier-selection decision, particularly where the service is material in value, risk or operational importance. UK procurement guidance describes the use of transparent procedures and pre-disclosed evaluation criteria in competitive procurement: UK Government Sourcing Playbook. CIPS also identifies specification, supplier appraisal and evaluation as core elements of effective procurement practice: CIPS procurement topics and skills.

QUESTION NO: 9

Which of the following are procurement procedures permissible under EU Public Procurement rules? Select TWO that apply.

A. Open procedure

B. Complex procedure

C. Restricted procedure

D. Public procedure

E. Conformance procedure

ANSWER: A C

Explanation:

Open procedure and Restricted procedure are both expressly permitted procurement procedures under the EU public procurement framework. The open procedure provides the broadest access to competition: any interested economic operator may submit a tender in response to the contract notice. This supports the core public-procurement principles of transparency, equal treatment and non-discrimination by making the opportunity available directly to the market.

The restricted procedure is also a standard regulated process, but it is conducted in stages. Any economic operator may first request to participate; the contracting authority then assesses candidates against published selection criteria and invites only the selected candidates to submit tenders. This enables the authority to maintain fair competition while focusing the tender evaluation on suppliers that meet the required capability and suitability criteria.

These procedures are set out in Articles 26 to 28 of Directive 2014/24/EU. CIPS learners should recognise them as formal procedures governed by rules on advertising, timescales, selection and award, rather than informal descriptions of a buying process. The Directive's full text is available through EUR-Lex: Directive 2014/24/EU; further context on EU public procurement rules is provided by the European Commission.

QUESTION NO: 10

A business may be faced with the challenge of deciding whether to source some of its requirements from external suppliers or whether to make them internally. There are many factors that need to be considered before arriving at such a decision. Which of the following factors is likely to justify the decision to make the requirements internally?

A. The other suppliers are using older technology

B. The availability of in-house competencies and capacity to carry out the production

C. External suppliers are likely to be overcharging

D. External sourcing involves cumbersome tendering procedures

ANSWER: B

Explanation:

The availability of in-house competencies and capacity to carry out the production is the strongest justification for a make decision because it establishes that the organisation can realistically perform the work itself. A sound make-or-buy assessment begins with whether the requirement can be delivered internally to the required specification, quality level, timescale, and volume. Available capacity means internal resources can undertake the work without creating unacceptable disruption or requiring disproportionate additional investment. In-house competence means the organisation possesses the relevant technical knowledge, people, processes, and controls to manage production effectively.

Where these conditions exist, internal production may also support control over quality and delivery, retention of essential organisational knowledge, and protection of strategically important capabilities. This is especially relevant where the product or service contributes directly to the organisation's core activities. The decision should still be supported by whole-life cost, risk, market, and strategic analysis; however, a demonstrable combination of internal capability and usable capacity is a fundamental basis for choosing to make rather than buy. CIPS describes procurement and supply as a strategic function concerned with obtaining goods and services effectively, while its learning resources address strategic sourcing decisions and capability considerations. See CIPS procurement topics and skills and CIPS qualifications.

QUESTION NO: 11

Curly Cake Incorporated makes lots of different types of confectionary items. Although they are most famous for their cakes, they also have a smaller line of cereal bars and biscuits. Which of the following would be the most appropriate items for Curly Cake Incorporated to outsource? Select TWO

A. cakes

B. cereal bars and biscuits

C. cleaning

D. facilities management

ANSWER: C D

Explanation:

Cleaning and facilities management are the most appropriate activities to outsource because they are support services rather than the organisation's principal value-creating work. Curly Cake Incorporated's commercial identity, specialist capability and customer offer lie in developing and producing confectionery, including cakes, cereal bars and biscuits. Retaining control of those product-related activities helps the business protect quality, food safety, product consistency, brand reputation and the knowledge that differentiates it in its market.

Cleaning and facilities management can instead be supplied by specialist providers whose core competence is maintaining safe, compliant and effective premises. A capable external provider may bring trained staff, established processes, appropriate equipment and scalable service capacity. Outsourcing these functions also enables Curly Cake Incorporated to focus management time and internal resources on its core confectionery operations. In practice, the organisation should still specify hygiene, safety, service-level and audit requirements clearly, because supplier performance in these areas remains important to responsible operations. This reflects the sourcing principle of assessing whether an activity is non-core and whether a specialist supplier can provide it effectively while the buying organisation retains appropriate governance. See the CIPS Level 4 Diploma overview and the UK government's food hygiene guidance.

QUESTION NO: 12

When working closely with a supplier, waste can be reduced which can lead to improved business functions and cost savings. Which of the following are wastes that can be removed from the supply chain? Select THREE.

A. Over-analyzing

B. Barriers

C. Motion

D. Waiting

E. Inventory

ANSWER: C D E

Explanation:

Motion, **Waiting** and **Inventory** are recognised forms of operational waste within lean management and can arise throughout a supply chain. Unnecessary motion includes avoidable physical movement by people or equipment, such as repeated walking to find materials, poorly arranged work areas, or excessive handling. Reducing it through better process and workplace design improves flow and productive time.

Waiting is unproductive elapsed time caused by delays in information, approvals, materials, transport, machine availability or upstream activity. Closer buyer–supplier collaboration can make schedules, demand and delivery information more visible, allowing delays and bottlenecks to be identified and reduced.

Inventory is waste where stock exceeds the level needed to support current demand and reliable replenishment. Excess raw materials, work in progress or finished goods tie up working capital, require storage and handling, and can increase the risk of obsolescence or deterioration. Collaborative forecasting, shorter lead times and dependable supply arrangements can reduce unnecessary inventory while maintaining service levels. These categories align with the lean wastes commonly associated with the Toyota Production System; see the Lean Enterprise Institute's overview of lean and Toyota's description of the Toyota Production System.

QUESTION NO: 13

Many organisations prefer a multi-sourcing approach because of the advantages it provides. Which of the following might be an advantage of multi-sourcing?

A. It is the only approach that supports the open tendering process

B. It is the only approach that enables the buyer to isolate the best supplier from among many

C. It helps the buyer to increase stock varieties to avoid stock-outs

D. It increases process flexibility and switching using a range of approved suppliers

ANSWER: D

Explanation:

"It increases process flexibility and switching using a range of approved suppliers" is an advantage of multi-sourcing because the buyer has established, qualified supply alternatives for the same requirement. Maintaining more than one approved source reduces operational dependence on a single supplier and gives the organisation practical continuity options if capacity, quality, logistics, financial stability, or ethical-performance concerns arise. It can therefore improve resilience: the buyer may reallocate volumes, introduce a substitute source more quickly, or use competitive tension to support performance improvement without having to begin supplier identification and assurance from the start.

This flexibility is especially relevant in responsible sourcing. Approved suppliers should have been assessed against proportionate commercial, quality, regulatory, social, environmental, and ethical requirements before they are relied upon. A multi-source arrangement is therefore not simply a larger supplier list; it is a managed sourcing strategy that combines supplier due diligence, ongoing performance management, and contingency planning. CIPS identifies supply-chain resilience and risk management as important procurement capabilities, while OECD guidance also supports risk-based due diligence across supply chains. See CIPS: Supply chain management and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

QUESTION NO: 14

Which of the following are examples of secondary data? Select TWO

A. economic indices

B. trade fairs and exhibitions

C. networking

D. commissioned market research

E. comparison websites

ANSWER: A E

Explanation:

Secondary data is information that already exists and has been collected, compiled, or published by another organisation or individual, rather than being gathered specifically by the buyer for the current sourcing exercise. **economic indices** are secondary data because they are established measures, such as inflation, producer prices, exchange rates, or sector activity indicators, published by statistical bodies, central banks, or specialist providers. Procurement teams can use these published datasets to understand market movements, benchmark price changes, and assess cost drivers. For example, the UK Office for National Statistics publishes a range of economic and price indices that can be reused in commercial analysis.

comparison websites are also a secondary-data source because they aggregate and present pre-existing information on supplier offers, prices, features, ratings, or market alternatives. A buyer uses the information already made available through the site as an input to market research or initial supplier appraisal. Both sources support desk-based market analysis, helping procurement professionals build an evidence-based understanding of market conditions before deciding whether further tailored research is needed. See the UK Office for National Statistics price indices and the UK Government guidance on market research and competitive analysis.

QUESTION NO: 15

An ethical audit has identified excessive working hours and restricted worker access to grievance channels at a supplier site. Which actions should the buying organisation take first? Select THREE.

A. Assess whether the findings present an immediate risk to workers

B. Agree a time-bound corrective action plan with the supplier

C. Verify implementation through follow-up monitoring and confidential worker engagement

D. Publish the audit findings immediately without discussing them with the supplier

E. Take no action because the supplier is meeting delivery targets

ANSWER: A B C

Explanation:

The buying organisation should first assess the severity and urgency of the findings, including whether workers face immediate harm. It should then require a time-bound corrective action plan that addresses the root causes, responsibilities and evidence of completion. Progress should be verified through follow-up monitoring, which may include worker interviews conducted confidentially.

Immediately publicising unverified details may place workers at further risk and does not itself remediate the issue. Ignoring the findings because production is meeting schedule would fail to meet responsible sourcing obligations and could allow the adverse impacts to continue.

QUESTION NO: 16

Why would you use a credit score to appraise a supplier?

A. to understand the level of risk the supplier poses to your organisation

B. to understand if their prices reflect market value

C. to find out how much money the supplier has in the bank

D. to find out if the supplier has any unethical business practices

ANSWER: A

Explanation:

Using a credit score is appropriate **to understand the level of risk the supplier poses to your organisation**. In supplier appraisal, financial due diligence helps a buyer assess whether a prospective or existing supplier is likely to remain financially viable and meet its contractual commitments. A business credit score uses information such as payment history, credit accounts, public records and company financial data to indicate the relative likelihood of late payment, default or financial distress. This provides useful evidence when deciding whether to award business, set an appropriate credit limit, require safeguards, or monitor a supplier more closely during the relationship.

The score should be treated as one input into proportionate supplier risk management rather than as a stand-alone approval decision. Procurement should consider the criticality and value of the supply, the supplier's financial information, trading history, dependency risks and any appropriate mitigations, such as staged payments, performance security or contingency arrangements. A stronger score generally indicates lower predicted credit risk, while a weaker score signals that additional investigation or controls may be prudent. Experian explains the role of business credit scores in assessing the likelihood that a business will meet its obligations: Experian: What is a business credit score?. UK company accounts and filing information can also support this appraisal through Companies House.

QUESTION NO: 17

The bill of lading is one of the main documents in sea freight. Which of the following statements represent its uses? (Select TWO)

A. It provides evidence guaranteeing the use of Incoterms

B. It provides evidence of the contract of carriage for the goods

C. It provides evidence that the goods are fully insured in transit

D. It provides evidence of the country of origin of the goods

E. It provides evidence of the title of ownership of the goods

ANSWER: B E

Explanation:

A bill of lading has three long-established core functions in international sea carriage: it is evidence of the contract of carriage, a receipt issued by the carrier for goods received or shipped, and, when it is a negotiable bill, a document of title. Therefore, "It provides evidence of the contract of carriage for the goods" is correct because the document records the terms and existence of the carrier's agreement to transport the stated cargo. "It provides evidence of the title of ownership of the goods" is also correct in the usual examination sense: a negotiable bill of lading enables its lawful holder to claim delivery and transfer rights in the goods while they are in transit. This documentary control is particularly important where goods are sold during shipment or where banks retain the bill under documentary-credit arrangements. The bill identifies key shipment details, such as the shipper, consignee, carrier, vessel, ports, description and quantity of cargo, helping parties administer carriage and delivery. CIPS learners should distinguish this transport document from separate trade documents such as certificates of origin and insurance certificates. The International Chamber of Commerce describes bills of lading as transport documents used in international trade, while UK legislation recognises the bill holder's rights relating to delivery of goods. See the International Chamber of Commerce guidance on transport documents and the UK Carriage of Goods by Sea Act 1992, section 2.

QUESTION NO: 18

Ramesh is an IT category manager within the UKâ€™s National Health Service and is responsible for the procurement of a new high-value network system, which will spread across multiple doctors' practices and community health centres. Ramesh has reviewed different tender approaches and concluded that the use of a restricted tender is the most appropriate. Which of the following statements is true for a restricted tender process?

A. Direct negotiations occur prior to suppliers submitting their offer

B. The contract will be awarded strictly on pricing criteria

C. Suppliers responding to the tender are pre-qualified

D. It is only relevant when there are few suppliers in the market

ANSWER: C

Explanation:

Suppliers responding to the tender are pre-qualified is correct because a restricted tender procedure separates supplier selection from the invitation to submit a full tender. The contracting authority first publishes a procurement notice and assesses requests to participate against stated selection criteria. These criteria commonly test suppliers’ legal standing, financial capacity, technical ability, relevant experience, and capacity to deliver the requirement. Only suppliers that meet those requirements, and are selected in accordance with the published process, proceed to the tender stage.

This approach is particularly suitable for a high-value, technically significant network system spanning multiple health locations. It enables the NHS buyer to ensure that detailed tender evaluation is undertaken only for suppliers that have demonstrated the necessary capability, resources, and reliability. Pre-qualification also supports a transparent and proportionate process: requirements must be relevant to the contract and communicated in advance, while invited suppliers compete on the published award criteria. The former UK public-procurement restricted procedure is described in regulation 28 of the Public Contracts Regulations 2015, which specifies that only candidates invited by the contracting authority may submit tenders. See UK legislation: Regulation 28 and UK Government public-sector procurement policy guidance.

QUESTION NO: 19

Which of the following should be assessed in supplier proposals to check compliance with environmental, social, and governance (ESG) standards? Select THREE that apply.

A. The company's criteria for make or buy decisions

B. The financial stability of the company

C. Procedures on intra-company trading

D. The company’s employee working conditions

E. The company's code of ethics

F. The company's policy on carbon emissions

ANSWER: D E F

Explanation:

Assessing “The company’s employee working conditions”, “The company's code of ethics”, and “The company's policy on carbon emissions” provides direct evidence relevant to the social, governance, and environmental dimensions of ESG. Working conditions allow the buying organisation to evaluate whether a prospective supplier protects labour rights, health and safety, fair treatment, and decent work within its operations and supply chain. These are core responsible-sourcing considerations and align with the human-rights and labour expectations expressed in the UN Global Compact’s principles: UN Global Compact Principles.

A supplier code of ethics is a governance control: it establishes expected conduct and can address integrity, anti-bribery, conflicts of interest, reporting concerns, and accountability. Reviewing it helps establish whether ethical commitments are formally embedded in the supplier's management arrangements. A carbon-emissions policy is directly relevant to environmental performance because it indicates whether the supplier measures, manages, reduces, and discloses greenhouse-gas emissions. Meaningful emissions policies commonly use recognised accounting and reporting concepts such as those set out by the GHG Protocol Corporate Standard. Taken together, these proposal assessments enable purchasers to test substantive ESG capability and commitments before supplier appointment, rather than relying only on general commercial assertions.

QUESTION NO: 20

Which of the following would you use to determine the outcome of a competitive tender? Select TWO.

A. location

B. distribution

C. reputation

D. quality

E. price

ANSWER: D E

Explanation:

Quality and price are the two core dimensions used to evaluate a competitive tender and determine the successful bidder. Price assesses the financial element of the tender, such as whole-life cost, unit rates, affordability and the commercial value offered. Quality assesses how well each bidder can meet the specification and deliver the required outcomes, using published, objective evaluation criteria and weightings. Together, these criteria enable the buying organisation to identify the tender offering the most advantageous balance of cost and performance rather than making a decision solely on the lowest initial price. The criteria, methodology and relative weightings should be established before tenders are evaluated, stated clearly in the procurement documents, and applied consistently to every bidder. This supports transparency, equal treatment and an auditable award decision. In practice, matters such as delivery arrangements, supplier capability or relevant experience can be evaluated where they are relevant to the contract, but they are normally incorporated into appropriately defined quality criteria rather than replacing the overarching price and quality assessment. The UK government's guidance on award criteria explains the importance of clear, proportionate and contract-related criteria: Procurement Act 2023 guidance documents. CIPS also identifies value for money as requiring consideration of both cost and non-cost factors: CIPS: Value for money.

QUESTION NO: 21

In which circumstances would it be relevant for a procurement organisation to apply the Pareto principle (the 80/20 rule) to analyse expenditure with suppliers? Select TWO that apply.

A. To identify strategic suppliers requiring closer management

B. To identify the frequency of performance-related payments to suppliers

C. To identify optimum commercial opportunities to change supplier relationships

D. To identify the extent of variation of cost in a contract

E. To identify the expiry dates of existing supplier contracts

ANSWER: A C

Explanation:

The Pareto principle is relevant when procurement needs to prioritise supplier-management effort according to the distribution of expenditure. A spend analysis commonly finds that a relatively small proportion of suppliers represents a large proportion of total spend. Using this pattern to identify strategic suppliers requiring closer management enables the organisation to focus relationship-management resources, governance, risk oversight and commercial attention where the financial impact is greatest. Those suppliers may warrant more structured reviews and stronger collaboration because decisions affecting them can have a material effect on cost, continuity and value delivery.

The same analysis supports identifying optimum commercial opportunities to change supplier relationships. For example, high-spend supplier categories may justify a review of pricing, specifications, aggregation opportunities, sourcing strategy or relationship model. Pareto analysis is therefore a prioritisation technique: it turns transactional spend data into an informed basis for directing procurement activity toward the relationships with the greatest potential commercial significance. CIPS describes spend analysis as the process of collecting, cleansing, classifying and analysing expenditure data to support procurement decision-making. See CIPS: Spend analysis and ASQ: Pareto analysis.

QUESTION NO: 22

Chantelle is a procurement apprentice working in the public sector for an education organisation. As a result of studying towards the CIPS qualification, Chantelle has become aware of the importance of incorporating sustainability and environmental award criteria into tender exercises and has informed her manager of this. For the purchase of IT supplies, which requirement could be evaluated within the sustainability and environmental award criterion?

A. After-sales support

B. Competitive pricing

C. Delivery lead time

D. Consolidated delivery

ANSWER: D

Explanation:

Consolidated delivery is an appropriate sustainability and environmental award criterion because it assesses whether a supplier can combine orders into fewer, planned shipments rather than making numerous small deliveries. Fewer vehicle journeys can reduce fuel use, transport-related greenhouse-gas emissions, road congestion, and packaging associated with separate consignments. For recurring purchases of IT supplies, a contracting authority can ask tenderers to describe their consolidation arrangements, such as scheduled delivery days, minimum order thresholds, and reporting of delivery emissions. The requirement should be clearly linked to the subject matter of the contract and evaluated transparently, for example through a scored method statement or measurable commitments on delivery frequency and carbon reduction. This gives suppliers a meaningful opportunity to demonstrate how their logistics model supports the organisation's environmental objectives while still meeting operational needs. Public-sector procurement policy recognises that procurement can support emissions reduction and expects environmental considerations to be incorporated appropriately into procurements. See the UK Government's guidance on carbon reduction plans in procurement and its guidance for suppliers selling to government.

QUESTION NO: 23

What are the two main financial accounting statements of an organisation that show the values of assets and liabilities, and the profit earned in the period?

A. Cash flow statement (statement of cash flow) and balance sheet (statement of financial position)

B. Balance sheet (statement of financial position) and profit and loss account (statement of financial performance)

C. Profit and loss account (statement of financial performance) and chairman's statement (in the annual report)

D. Cash flow statement (statement of cash flow) and profit and loss statement (statement of financial performance)

ANSWER: B

Explanation:

Balance sheet (statement of financial position) and profit and loss account (statement of financial performance) is correct because these statements provide the two distinct views requested. The balance sheet, formally called the statement of financial position under IFRS, reports an organisation's assets, liabilities and equity at a particular reporting date. It therefore enables a procurement professional to assess financial resources, debt obligations, liquidity indicators and the supplier's overall financial position.

The profit and loss account, commonly presented as the statement of profit or loss and other comprehensive income, reports financial performance over a stated period. It summarises income, costs and the resulting profit or loss earned during that period. Reading it alongside the balance sheet helps distinguish a supplier's accumulated financial position at year end from its ability to generate profits through its operations during the year. This distinction is important in supplier financial appraisal and risk assessment. IAS 1 identifies both the statement of financial position and the statement of profit or loss and other comprehensive income as core financial statements: IFRS Foundation: IAS 1. For an accessible explanation of the balance sheet and income statement, see AccountingCoach: Accounting Basics.

QUESTION NO: 24

Philip is a procurement manager at XYZ Company which imports raw materials from abroad. Sup-pliers provide quotes to Philip in their local currency. Is this the best way to reduce the risk to XYZ Company of currency fluctuations?

A. yes- this means the price won't go up or down

B. yes- this puts the risk on the supplier

C. no- quoting in the supplier's currency increases the risk for the buyer

D. no- quoting in the supplier's currency does not affect the risk to the buying organisation

ANSWER: C

Explanation:

No – quoting in the supplier's currency increases the risk for the buyer is correct because XYZ Company's eventual cost is measured in its own functional currency, while the quoted and invoiced amount is denominated in a foreign currency. Between agreeing the price and making payment, the exchange rate can move adversely. If the supplier's local currency strengthens against XYZ Company's currency, XYZ will need more of its own currency to buy the amount required to settle the invoice. The procurement price may be fixed in the supplier's currency, but the home-currency cost remains uncertain; this is transaction foreign-exchange exposure.

To manage this exposure, procurement should work with finance or treasury to assess the expected payment date, currency amount, and degree of risk. Suitable controls may include agreeing a home-currency price where commercially viable, using a forward foreign-exchange contract to lock in a conversion rate, or applying other approved hedging arrangements. The appropriate approach depends on the organisation's currency-risk policy and the commercial terms of the purchase. The Bank of England explains that exchange rates determine how much one currency is worth in another, so movements directly affect the domestic-currency cost of foreign-currency payments: Bank of England: What is an exchange rate?. Further guidance on foreign-exchange risk management is available from IFC Treasury's foreign exchange risk management guidance.

QUESTION NO: 25

The bill of lading is one of the main documents associated with sea freight within international sourcing. Which of the following statements represent some of the uses of the bill of lading? Select TWO that apply.

A. It provides evidence of the contract of carriage for the goods

B. It provides evidence of the title of ownership of the goods

C. It provides evidence of the country of origin of the goods

D. It provides evidence that the goods are fully insured in transit

E. It provides evidence guaranteeing the use of Incoterms on the goods

ANSWER: A B

Explanation:

“It provides evidence of the contract of carriage for the goods” is correct because a bill of lading records the carrier’s undertaking to carry the stated goods from the agreed port of loading to the destination under specified carriage terms. It is therefore central evidence of the contractual carriage arrangement in an international sea-freight transaction. The document also normally acknowledges that the carrier has received, or shipped, the goods described, enabling parties in the supply chain to identify the consignment and its transport status.

“It provides evidence of the title of ownership of the goods” is also correct in the sense that an original negotiable bill of lading operates as a document of title. Its lawful holder can generally claim delivery from the carrier and can transfer the right to claim delivery by transferring or endorsing the document. This makes it particularly important where goods are sold while in transit and where banks control documents under trade-finance arrangements. Under section 2 of the UK Carriage of Goods by Sea Act 1992, the lawful holder of a bill of lading obtains the rights of suit under the contract of carriage, illustrating its legal significance in cargo transactions. See the Carriage of Goods by Sea Act 1992, section 2 and the International Chamber of Commerce trade guidance.

QUESTION NO: 26

In a negotiation, a supplier does not want to upset or offend the buyer, so concedes their own requirement in order to ensure harmony. Which negotiation tactic is the supplier using?

A. competitive

B. collaborative

C. compromising

D. accommodating

ANSWER: D

Explanation:

accommodating is correct because the supplier is placing the buyer’s relationship needs and preferences ahead of its own stated requirement. The defining feature is a high concern for maintaining the relationship or avoiding interpersonal discomfort, combined with a low concern for pursuing one’s own outcome. By conceding specifically to preserve harmony and prevent offence, the supplier adopts an accommodating approach.

In procurement negotiations, this approach may be selected where preserving goodwill, continuity of supply, or a long-term commercial relationship is more valuable than achieving the particular point being conceded. It can also arise when one party has less negotiating power or judges that the issue is of relatively low importance. CIPS materials address negotiation approaches and the need to consider both the commercial objective and the relationship context. The five commonly recognised conflict-handling approaches, including accommodating, derive from the Thomas-Kilmann framework, which describes accommodating as unassertive and cooperative behaviour: putting the other party’s concerns before one’s own. See the CIPS Level 4 Diploma overview and the Thomas-Kilmann Conflict Mode Instrument overview.

QUESTION NO: 27

A supplier of copper cable has notified the buyer that the price of the cable is increasing by 6% due to increases in the cost of copper, a key component of the cable.

Which of the following indices could be utilised to check the validity of the supplier's proposed changes in the price of the cable?

A. Purchasing Managers' Index

B. Commodity Price Indices

C. Consumer Price Index

D. Stock Market Indices

ANSWER: B

Explanation:

Commodity Price Indices are the appropriate source for validating a claimed increase arising from copper costs because they track market movements in underlying traded commodities, including industrial metals. A buyer can compare the supplier's stated effective date and relevant pricing period with published copper-price data, then assess whether the direction and scale of the raw-material movement reasonably support a 6% increase in the finished cable price. This is particularly useful where the contract contains a price-adjustment or indexation mechanism, as the parties can agree the specific index, base date, review frequency, currency, and formula for translating copper-price movements into changes in the cable price.

The validation should also recognise that copper is a significant input rather than necessarily the whole cost of cable. A sound calculation considers the copper content of the product and any agreed conversion, manufacturing, transport, currency, or margin elements. The London Metal Exchange publishes reference and market data for copper, providing a credible benchmark for this exercise: LME Copper. Broader published commodity data, including metals series, are also available from the World Bank: World Bank Commodity Markets. Using an independent commodity benchmark supports transparent, evidence-based supplier discussions and responsible cost management.

QUESTION NO: 28

Incoterms describe several aspects and responsibilities of transporting goods when sourcing internationally. Which of the following is described by Incoterms? Select THREE.

A. which party arranges insurance

B. what form of transportation will be used

C. how much the transportation will cost

D. who is responsible for making duty and tariff arrangements

E. how long the transportation will take

ANSWER: A B D

Explanation:

Incoterms® are International Chamber of Commerce trade rules that provide a common framework for allocating defined delivery obligations between a seller and buyer in an international sales transaction. They clarify responsibilities for arranging carriage, completing export or import formalities, and bearing specified costs and risks at named points in the journey. Consequently, they can identify which party arranges insurance where the selected rule places that obligation on the seller, notably under CIF and CIP. The rules are also differentiated by transport mode: some are designed for any mode or combination of modes, while FAS, FOB, CFR and CIF are for sea or inland-waterway transport. This makes the applicable form of transportation a relevant Incoterms consideration. In addition, Incoterms allocate responsibility for customs processes and associated duties and tariffs; for example, Delivered Duty Paid places import clearance and import-duty obligations on the seller. The parties should state the chosen three-letter rule and named place or port clearly in their contract, such as "CIP [named place] Incoterms® 2020." The ICC's overview explains that Incoterms® define the respective responsibilities of buyers and sellers for delivery, costs and risk, while its rules page sets out their use across modes of transport. See ICC Incoterms® rules and ICC Incoterms® 2020 resources.

QUESTION NO: 29

The procurement manager has received the following data from the supplier's accounts to facilitate the calculation of the supplier's current ratio:

Current Assets: Stock $200; Debtors $60; Cash $40; Total $300

Short Term Liabilities: Bank overdraft $150

Which calculation will the procurement manager use to find out the current ratio?

A. 300 ÷ 200 × 150

B. 300 ÷ 150

C. (300 − 150) × 100

D. (300 − 200 − 150) × 100

ANSWER: B

Explanation:

300 ÷ 150 is the correct calculation because the current ratio measures a supplier's short-term liquidity by comparing total current assets with total current liabilities. The supplier's current assets total $300, comprising stock of $200, debtors of $60, and cash of $40. Its stated short-term liability, the bank overdraft, is $150. Applying the standard formula—current assets divided by current liabilities—gives $300 ÷ $150 = 2. This can be expressed as a current ratio of 2:1.

For a procurement manager undertaking financial analysis of a prospective or existing supplier, this ratio is a useful initial indication of the supplier's ability to meet obligations that fall due within the next year using assets expected to be converted into cash within that period. A 2:1 result means the business reports two dollars of current assets for every dollar of current liabilities. The ratio should be interpreted alongside relevant factors such as stock liquidity, debtor collection periods, sector norms, cash-flow information, and trends over time, but the calculation itself uses the reported current-asset total and short-term-liability total. This approach is consistent with standard ratio-analysis practice used in financial appraisal and supplier assessment. See CIPS Level 4 Diploma information and AccountingCoach's current-ratio explanation.

QUESTION NO: 30

Who was responsible for introducing the concept of Incoterms?

A. United Nations Commission

B. International Commerce Centre

C. International Chamber of Commerce

D. World Trade Organisation

ANSWER: C

Explanation:

The International Chamber of Commerce is correct because it created and first published Incoterms in 1936. The ICC developed these internationally recognised trade terms to provide a common framework for contracts involving the sale and shipment of goods across borders. Each Incoterms rule allocates defined responsibilities between the seller and buyer, particularly in relation to delivery, transfer of risk, carriage, export and import formalities, and the division of certain costs. This common language supports ethical and responsible sourcing by helping procurement professionals specify clearly which party is accountable for transport arrangements, insurance where applicable, customs activity, and handover at the agreed point. Incoterms are not themselves a complete sales contract: parties must still agree matters such as price, payment, title, quality requirements, and remedies. However, incorporating an identified ICC Incoterms rule and named place or port into a contract reduces ambiguity and promotes consistent interpretation between trading partners in different jurisdictions. The ICC continues to maintain and update the rules; the current published version is Incoterms® 2020. See the ICC's Incoterms rules overview and its Incoterms® 2020 guidance.

QUESTION NO: 31

A procurement manager is undertaking a financial due diligence of potential suppliers.

Which of the following financial elements are used in the calculation of**gearing**?

Select TWO that apply.

A. Cost of sales

B. Ordinary share capital

C. Long-term loans

D. Current liabilities

E. Operating costs

ANSWER: B C

Explanation:

Gearing assesses the extent to which an organisation finances its assets and operations through long-term borrowing rather than owners' funds. The relevant calculation therefore compares **long-term loans**, representing long-term debt or capital borrowed from lenders, with **ordinary share capital**, which is an element of shareholders' equity. Although formula conventions vary, a common gearing measure is long-term debt divided by shareholders' funds, expressed as a percentage. Ordinary share capital is part of the equity base used to show the owners' investment and residual interest in the business; in published accounts, retained earnings and reserves may also be included in total equity. This ratio is useful in procurement financial due diligence because it helps identify a supplier's exposure to financing commitments and its reliance on debt. A higher ratio can indicate that debt providers have a larger claim relative to the equity supporting the business, which may increase financial vulnerability where trading conditions deteriorate or borrowing costs rise. Procurement teams should use gearing alongside cash-flow, liquidity and profitability analysis to form a rounded view of a prospective supplier's financial resilience. The UK government's supplier financial-risk guidance describes gearing as a financial-risk metric, while the IFRS Conceptual Framework explains the distinction between liabilities and equity: UK Government Procurement Policy Note 03/23 and IFRS Conceptual Framework.