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## Supplier Relationships

CIPS L4M6

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## QUESTION NO: 1

Partnership relationships are long-term relationships without a defined end period. Is this statement TRUE?

- A. No- partnerships should have end dates so both parties have a way out if things don't work out
- B. No- partnerships have end dates as they are contractual relationships
- C. Yes-partnerships do not have end dates because they involve significant investment
- D. Yes- partnerships do not have end dates because there is never a contract involved

## ANSWER: C

### Explanation:

Explanation

The correct answer is 'Yes-partnerships do not have end dates because they involve significant investment'. This is explained on p.126. Partnerships can involve contracts – so the other 'yes' answer is incorrect.

## QUESTION NO: 2

The CEO of a business has asked his procurement manager to source new machinery for the factory. This machinery will help create a new line of products which will give the company a competitive edge. The CEO is heavily invested in this procurement activity as profits have been lower than expected this year and this new line of products could help increase profitability. How should the procurement manager include the CEO in the procurement activity?

- A. It is important to keep the CEO informed of all decisions that are made
- B. It is important to keep the CEO satisfied as he runs the business
- C. The CEO is a key player- so it is important he is involved early in the process
- D. The CEO is a key player- so should be given regular updates on progress

## ANSWER: C

### Explanation:

Explanation

The correct answer is 'The CEO is a key player- so it is important he is involved early in the process'. The CEO has high power and high interest which puts him in the top right-hand corner of Mendelow's Stakeholder Matrix (p.81). CIPS says Key Players should be involved early in the procurement process (p.82).

## QUESTION NO: 3

Which of the following relationship types are characterised by low levels of trust? Select TWO options

- A. Adversarial  
(Correct)
- B. Arm's Length
- C. Outsourced
- D. Single- Sourced
- E. Partnership

**ANSWER: A B**

**Explanation:**

Explanation

Adversarial and Arm's Length relationships have low levels of trust. Single Source, Partnership and Outsourcing require high level of trust. See p.5 for the Supplier Relationship Spectrum

#### QUESTION NO: 4

Which of the following documents can be used at the selection stage of a tender process to ensure that short listed bidders meet the requirements of the buying organisation? Select TWO.

- A. Request for Information
- B. Request for Quotation
- C. Pre-Qualification Questionnaire
- D. Invitation to Tender

**ANSWER: A C**

**Explanation:**

Explanation

Request for Information and Pre-Qualification Questionnaire can be used for short-listing suppliers. Request for Quotation is used when the only variable is price and you would like suppliers to submit a price for you. Invitation to Tender would be the next stage after RFI / PPQ- this is sent out to those suppliers who have passed selection, and details the second stage of the competition. See p.75 for more details.

#### QUESTION NO: 5

The Queen Victoria is a traditional British pub which serves a range of alcoholic beverages. It has a partnership relationship with a local brewery which supplies several types of beer and cider. Logistics is a key concern for the Queen Victoria as deliveries must be made when there is room in the cellar to store the barrels of beer and cider. In what ways could the logistics risk be reduced?

- A. Using several suppliers instead of one
- B. Batch ordering
- C. Sharing up-to-date information
- D. Issuing POs electronically.

**ANSWER: C**

**Explanation:**

Explanation

The logistics risk can be reduced by 'Sharing up-to-date information'. If the Pub tells the supplier when it's running low, they can then time the deliveries more accurately. P. 136. A lot of the questions on the 'Partnerships' chapters of the book are common-sense questions like this. It involves reading the question and using logic, rather than relying on your knowledge of procurement. If you found this question easy – that's a good sign for the exam.

## QUESTION NO: 6

Which of the following would you use to qualify new suppliers? Select THREE.

- A. commitment
- B. clean
- C. collection
- D. cost
- E. call

**ANSWER: A B D**

**Explanation:**

Explanation

This is based on a real exam question- it's looking to see if you can remember Carter's 10 Cs. These are; cash, cost, consistency, culture, clean, communication, competency, capacity, commitment and control. (p.12 in the text book)

## QUESTION NO: 7

Andrew runs a factory that makes cakes. Vanilla Extract is a vital ingredient in Andrew's cakes and this is a monopolistic market. Andrew has noticed recently that the quality of the supplier's product has reduced, and this has led to several complaints from customers. Andrew is considering entering into a Partnership with this supplier as he believes this will help increase the supplier's performance. Is this the correct thing to do?

- A. Yes- partnership sourcing can improve performance which will ultimately satisfy the end customer
- B. Yes- partnership sourcing will improve sales figures

- C. No- Andrew should use an alternative supplier
- D. No- Andrew should outsource the vanilla extract.

**ANSWER: A**

**Explanation:**

Explanation

**QUESTION NO: 8**

Which of the following would not affect rivalry in a marketplace? Select TWO.

- A. industry growth or decline
- B. exit barriers
- C. switching costs
- D. supply chain disruption
- E. legislative changes

**ANSWER: D E**

**Explanation:**

Explanation

Legislative changes wouldn't affect rivalry in a market as all suppliers would be equally as affected, the same with supply chain disruptions. Factors which do affect rivalry include; industry growth and decline, product differences, brand identity, switching costs, diversity of competitors and exit barriers. These are listed on p.41

**QUESTION NO: 9**

Which of the following are not a valid reasons to terminate a relationship with a supplier? Select TWO.

- A. The supplier suddenly increases prices
- B. The supplier made one late delivery
- C. Supply base rationalisation
- D. The supplier becomes insolvent
- E. The supplier has a change in senior management

**ANSWER: B E**

**Explanation:**

## Explanation

Two invalid reasons are; one late delivery and a change in senior management. Valid reasons to terminate a relationship are listed on p.107 and include the three listed here, as well as a material breach, damage to reputation and the supplier merges or is acquired by another company.

### QUESTION NO: 10

In public sector procurement, tenders are advertised with CPV codes, which provide a reference to describe the product or service being tendered. What does CPV stand for?

- A. Condensed Procurement Vocabulary
- B. Common Procurement Vocabulary
- C. Complete Procurement Vocabulary
- D. Clear Procurement Vocabulary

### ANSWER: B

#### Explanation:

## Explanation

CPV stands for Common Procurement Vocabulary. This is explained briefly on p.72 but it doesn't really go into much detail as to what CPVs are or how they work. CPVs are a string of numbers which refer to an object that is being procured. For example the CPV for Fire Doors is 44221220. When a Tender gets advertised for Fire Doors, it will have this CPV code on, and any suppliers who provide fire doors will get a notification if they have this CPV code on their profile. It's basically a code that links suppliers with tender opportunities.