

DUMPS ARENA

Supplier Relationships

CIPS L4M6

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QUESTION NO: 1

Tim manages the procurement department at a large retailer. He wants to ensure that his team are achieving value for money in their procurement activities. Which of the following should Tim set up?

- A. ITT
- B. Audit
- C. Framework
- D. Contract

ANSWER: B**Explanation:**

Explanation

Tim should do an audit. P.71 of the textbook says “to ensure that a procurement department is achieving value for money, an audit should be undertaken”

QUESTION NO: 2

Which of the following are recognised organisational culture types? Select THREE

- A. Power
- B. Role
- C. Person
- D. Knowledge
- E. Team

ANSWER: A B C**Explanation:**

Explanation

The correct answer is power, role and person. This is part of Hardyman's Cultural Types on p.169 (there are four- the other one is task). There's quite a few questions on this in the exam, so it's worth doing some additional research on this prior to the exam as the study guide doesn't provide much detail on this.

QUESTION NO: 3

Rachel and Jacky work in the procurement department of Foddy Foods Ltd. They have been told by their CEO to build better relationships with strategic suppliers as this will create value for money for the company. In what ways can value for money be achieved by building strong relationships with suppliers? Select TWO.

- A. Better payment terms
- B. Reduction of waste
- C. Innovation developed as part of collaborative projects
- D. Reducing costs

ANSWER: B C

Explanation:

Explanation

Supplier relationships can result in value for money in the reduction of waste and in innovation developed as part of collaborative projects. Remember that in CIPS waste doesn't necessarily mean physical waste (as in stuff you don't want any more). There are 7 types of waste including waiting, inventory, transportation etc. So when you develop a relationship with a supplier, this can reduce waste (e.g. you may be able to get deliveries quicker by integrating your ordering system with the supplier's, or you might reduce transportation by agreeing a Consignment stock). Having a good relationship with a supplier isn't necessarily going to get you a reduction in cost or better payment terms. See p.70 for more details on this- there's a short list of ways in which good supplier relationships can bring value for money to a business.

QUESTION NO: 4

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: 5

Which of the following is characteristic of an adversarial relationship?

- A. The communication is always poor
- B. The price is more important than the quality of the product
- C. They are only used for one-off purchases
- D. The outcome of the deal is more important than the long term relationship

ANSWER: D

Explanation:

Explanation

In an adversarial relationship "the outcome of the deal... is more important than maintaining the relationship over a long-term period" p.7. They can be characterised by poor communication and can be used for one-off purchases but be careful for words in answers such as 'only' and 'always', as these can be misleading; adversarial relationships aren't always for one-off purchases, and communication isn't always poor. The other answer is incorrect (price is more important) because it doesn't describe the relationship, which is what the question asked.

QUESTION NO: 6

Phone Maker Incorporated is a manufacturer of mobile phones. It is considering investing in a partnership with its supplier of batteries and circuit boards as it wishes to produce new models of its phone more regularly. What is the main driver for Phone Maker Incorporated?

- A. Cheaper costs
- B. Changes in the marketplace
- C. Better quality products
- D. Reduced product life-cycles

ANSWER: D

Explanation:

Explanation

The correct answer is 'reduced product life-cycles'. In this example the reason for entering a partnership is to be able to produce new models of phones more quickly- this is likely because consumers are wanting to change mobile phones more often than they did in the past, so in order to keep up with demand, Phone Maker Incorporated need to produce more phones, more quickly. Drivers of Partnership Sourcing is a key topic in the exam – you can revise these by looking at p.127 in the Study Guide

QUESTION NO: 7

Achieving value for money can often be described as the three Es? What are these?

- A. Ethics, Environment, Economy
- B. Economy, Efficiency, Environment
- C. Efficiency, Economy, Ethics
- D. Effectiveness, Efficiency, Economy

ANSWER: D

Explanation:

Explanation

The three Es are; Effectiveness, Efficiency and Economy. Sometimes a 4th E is added which is Equity (but this is mainly for the public sector).

QUESTION NO: 8

Beyond Say is a manufacturer of diamond rings. It sources a lot of different parts to create its products including diamonds, gold, cardboard boxes for the rings to go in, as well as stationary and copier paper for the offices. Although it doesn't buy many diamonds, these represent a large part of Beyond Say's spend. Which category of spend would diamonds represent?

- A. Option
- B. Option
- C. Option
- D. It isn't possible to tell

ANSWER: A

Explanation:

Explanation

This is category 'A' spend in the ABC model - they represent a large value and a small number of purchases / suppliers. See p.17 for more information on the ABC Analysis

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

Which of the following are characteristics that differentiate between a partnership relationship and traditional contracting relationships? Select THREE.

- A. Lower costs
- B. No tender process
- C. Early supplier involvement
- D. Supplier KPIs
- E. No defined end period

ANSWER: B C E

Explanation:

Explanation

The correct answers are; no tender process, early supplier involvement and no defined end-period. A partnership wouldn't automatically mean lower costs, and in a partnership the KPIs are usually a joint performance measurement rather than set to the supplier. For more information on the difference between partnerships and contractual relationships see p.124-5