Ethical Procurement and Supply

CIPS L3M2

Version Demo

Total Demo Questions: 11

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Topic Break Down

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QUESTION NO: 1

Which two controls are most effective in reducing the risk of fraudulent or inaccurate supplier payments? Select two.

A. Match invoices to authorised orders and evidence of receipt

B. Separate ordering, receipt and payment-approval responsibilities

C. Pay all invoices promptly without checking supporting documents

D. Accept bank-detail changes requested through an unverified email

ANSWER: A B

Explanation:

Matching the purchase order, goods receipt or service confirmation, and supplier invoice helps ensure that payment relates to an authorised and received requirement. Separating responsibilities for ordering, receiving and approving payment reduces the opportunity for one individual to initiate and conceal an improper transaction.

Paying invoices quickly without checking supporting evidence weakens control. Allowing a supplier to request changes to bank details by informal email creates a risk of payment diversion unless the change is independently verified through established procedures.

QUESTION NO: 2

Which two factors should be considered when using whole-life costing to compare two items of production equipment? Select two.

A. Expected energy consumption during operation

B. Planned maintenance and replacement-part costs

C. The colour used in the supplier's product brochure

D. The supplier's expenditure on advertising the equipment

ANSWER: A B

Explanation:

Whole-life costing considers costs incurred throughout the useful life of an asset, rather than the purchase price alone. Energy consumption and planned maintenance are likely to differ between equipment options and can have a substantial effect on the total cost of ownership.

The colour of the equipment is not normally a whole-life cost factor unless it has a specified operational purpose. The supplier's marketing expenditure is not a cost incurred by the buying organisation in owning or operating the asset.

QUESTION NO: 3

A requisitioner asks a buyer to specify a named brand of safety footwear because it is the brand they have always used. Several other brands may meet the same protection standard. What is the most appropriate response?

A. Specify the named brand because it is familiar to users

B. Define the required safety and performance standards and permit equivalent products

C. Choose the cheapest footwear without considering the protection standard

D. Ask one existing supplier to select the specification without user consultation

ANSWER: B

Explanation:

The buyer should establish the functional and safety requirements, including the relevant protection standard, and write the specification so that equivalent compliant products can be considered. This supports competition, value for money and fair treatment while ensuring that the footwear remains fit for purpose.

Using a named brand without objective justification may unnecessarily restrict the supply market. Selecting the cheapest footwear without confirming compliance would be equally unsuitable, because safety and performance requirements must be met.

QUESTION NO: 4

A tender invitation states that price and delivery will be evaluated, but makes no reference to environmental performance. During evaluation, a manager asks the team to reduce the score of a bidder because its packaging appears excessive. What is the most appropriate response?

A. Apply a new environmental score to every bid

B. Assess the tender against the published criteria only

C. Reduce the score of the bidder with the most packaging

D. Ask the preferred bidder to remove packaging after award

ANSWER: B

Explanation:

The evaluation team should assess bids only against the criteria and methodology disclosed to suppliers. Introducing a new environmental criterion after receipt of bids would be unfair because bidders were not told that packaging performance would affect the award decision.

The concern may be relevant to future specifications or a properly managed re-tender, but it should not be used to alter the outcome of the current competition without following an appropriate and transparent process.

QUESTION NO: 5

You have recently moved into the procurement department at your company, having earlier worked in the finance area in the same company for five years. You have decided to set up home with your partner, and you will need additional money to buy furniture, furnishings, etc. Afriend has offered you extra part-time work at weekends, helping serve meals in their small family restaurant. Do you:

A. Decline the work on the basis that there is a potential conflict of interest (you may not work so effectively without weekend time off to relax)?

B. Accept the extra work, and let your employer know?

C. Advise your friend youâ€™ll consult your employer, and let your friend know as soon as possible?

D. Accept the extra work, and say nothing to your employer?

ANSWER: C

Explanation:

“Advise your friend youâ€™ll consult your employer, and let your friend know as soon as possible?” is the most ethical and professionally appropriate response because it puts transparency and the employer’s requirements ahead of accepting outside employment. A procurement professional should check their contract of employment, workplace policies and any declaration-of-interests process before committing to secondary work. Even though serving meals at a family restaurant has no apparent direct connection with the organisation's supply base, the employer is entitled to consider whether the work creates an actual, potential or perceived conflict, affects availability, or could impair the employee's ability to perform their role safely and effectively.

This approach also respects the commitment made to the friend: it neither promises acceptance prematurely nor rejects the opportunity without first establishing the relevant facts. Declaring the proposed arrangement enables the employer to give informed consent, impose reasonable conditions where appropriate, or identify any policy restrictions. It demonstrates the integrity, accountability and avoidance of conflicts of interest expected in procurement practice. CIPS' ethical guidance stresses that procurement and supply professionals should identify, disclose and appropriately manage conflicts, including potential conflicts, to protect trust in professional decisions. UK working-time rules also recognise the importance of adequate rest, which may be relevant when evaluating additional weekend work alongside a main job. See CIPS ethical procurement and supply guidance and GOV.UK guidance on rest breaks and time off.

QUESTION NO: 6

Lifetime costs are also known as (choose two):

A. Leased costs

B. Recommended purchase price

C. Whole life costing

D. Total cost of ownership

ANSWER: C D

Explanation:

"Whole life costing" and "Total cost of ownership" are both accepted terms for evaluating the full cost of acquiring, using, maintaining and ultimately disposing of a product, service or asset. Rather than assessing a supplier offer solely on its initial purchase price, this approach considers the costs incurred throughout the requirement's usable life. Depending on what is being bought, these can include specification and acquisition costs, delivery, installation, operation, energy or consumables, maintenance, repairs, training, downtime, contract management, upgrades, and end-of-life disposal or resale value.

Using this perspective supports ethical and commercially sound procurement because it helps the buying organisation identify the option that represents best overall value, including potential environmental and social impacts where these create costs or risks over time. It is particularly important for capital equipment, vehicles, IT systems and outsourced services, where the upfront price may be a relatively small part of the eventual expenditure. CIPS discusses whole-life costing as a technique for assessing costs over the life of an asset or requirement; see CIPS Intelligence Hub. The UK government's procurement guidance also recognises whole-life cost as part of value-for-money assessment: National Procurement Policy Statement.

QUESTION NO: 7

'In any series of elements to be controlled, a selected small factor in terms of number of elements almost always accounts for a large factor in terms of effort'. Which well-known principle is being described here?

A. Plato

B. Machiavelli

C. Pareto

D. Socrates

ANSWER: C

Explanation:

The correct answer is **Pareto**. The statement describes the Pareto principle, commonly known as the 80/20 rule: a relatively small proportion of causes, items, suppliers, spend categories, or problems often creates a disproportionately large proportion of the overall effect, value, cost, risk, or management effort. In procurement, this principle supports prioritisation. For example, analysis may show that a small number of suppliers account for most organisational expenditure, or that a limited group of stock items represents most inventory value. Procurement teams can therefore focus supplier relationship management, sourcing activity, risk controls, negotiation effort, and performance review on the areas with the greatest potential impact. This is closely associated with ABC analysis, where high-value or high-impact items receive the most rigorous control and attention. The principle does not require the split to be exactly 80/20 in every situation; rather, it is a practical observation that effects are often unevenly distributed. Using spend and supply data to identify this concentration helps procurement professionals allocate limited time and resources efficiently, while maintaining proportionate governance. CIPS discusses the importance of prioritising procurement activity and applying analysis to expenditure and supply decisions in its learning resources: [CIPS Intelligence Hub]. Further background on Pareto analysis is available from the [American Society for Quality].

QUESTION NO: 8

The axes on the Kraljic matrix are (select two):

A. Cost / profit impact

B. Supplier perception of the buyer

C. Number of suppliers

D. Risk to security of supply

ANSWER: A D

Explanation:

The Kraljic matrix uses two dimensions to classify purchased goods and services and guide an organisation's procurement strategy. **Cost / profit impact** is the vertical dimension: it represents the item's significance to financial performance, which may arise from purchase spend, effects on product quality, value added, or impact on profitability. This dimension helps procurement focus appropriate effort on items that have a material commercial effect.

Risk to security of supply is the horizontal dimension, commonly described as supply risk. It reflects the difficulty and uncertainty of obtaining the requirement reliably. Relevant considerations include supplier-market conditions, scarcity, availability of substitutes, technical complexity, logistics exposure, and the potential consequences of supply interruption. Plotting these two dimensions produces the familiar non-critical, leverage, bottleneck, and strategic categories. The resulting segmentation enables procurement to select proportionate sourcing, supplier-management, and risk-management approaches for each category rather than using one approach for every purchase. The model originates from Peter Kraljic's supply-management framework; see the original [Harvard Business Review article] and CIPS' [procurement topics and skills resources].

QUESTION NO: 9

The abbreviation 'PDCA' represents the words:

A. Plan do check assess

B. Purchase do check act

C. Procure, distribute to customers actively

D. Plan do check act

ANSWER: D

Explanation:

Plan do check act is correct because PDCA is a structured, iterative method for achieving continual improvement in processes, including procurement and supply activities. The cycle starts by planning an improvement or defining the process and intended result. The planned activity is then implemented on an appropriate scale. Its results are checked through monitoring, measurement, and comparison with the expected outcome. Finally, action is taken to standardise a successful improvement or to make further adjustments before repeating the cycle. This disciplined approach supports ethical and effective procurement by helping organisations review controls, address performance issues, and embed learning rather than treating improvement as a one-off exercise. PDCA is also commonly known as the Deming cycle or Shewhart cycle, reflecting its established place in quality-management practice. ISO describes the Plan-Do-Check-Act cycle as a tool for managing processes and systems and driving continual improvement. Further guidance is available from ISO's overview of ISO 9001 quality management and the American Society for Quality's PDCA cycle resource.

QUESTION NO: 10

'Efficiency is measured in terms of a quantity of …'

A. Output per unit of input resource

B. Resource per unit of input

C. Input per unit of output resource

D. Throughput

ANSWER: A

Explanation:

Efficiency is measured as **output per unit of input resource**. It expresses how effectively an organisation, process, supplier, or supply chain converts resources into useful results. Inputs can include labour hours, materials, money, energy, equipment time, or administrative effort, while outputs may be goods produced, services delivered, orders processed, or value created. A higher output from the same level of resources demonstrates improved efficiency; equally, producing the same output while using fewer resources is also an efficiency improvement.

For procurement professionals, this measure supports assessment of operational performance and value for money. For example, a purchasing team that processes more compliant purchase orders using the same staff capacity has increased its efficiency. The measure is commonly expressed as a ratio: output divided by input. This aligns with the general productivity concept used in economic and operational performance measurement, where productivity is calculated by relating the quantity of output to the quantity of inputs used. See the OECD's labour productivity indicator and the CIPS procurement topics and skills resources.

QUESTION NO: 11

A procurement professional has identified a personal interest connected with a live sourcing exercise. Which two actions are appropriate for managing the conflict of interest? Select two.

A. Declare the interest through the organisation's required process

B. Arrange for an independent colleague to take over the affected decisions

C. Continue participating because personal integrity is not in doubt

D. Discuss the exercise privately with the connected party

ANSWER: A B

Explanation:

The interest should be declared promptly and recorded so that the organisation can assess the risk to impartial decision-making. Where the individual could influence the exercise, transferring relevant responsibilities to an independent colleague is an appropriate control.

Personal confidence in acting fairly does not remove an actual, potential or perceived conflict. Discussing the tender informally with the connected party would increase the risk of improper disclosure or influence.