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NEW QUESTION: 1

Which of the following is a UK legislation concerning product safety?

- A. Enterprise Act 2002
- B. Consumer Rights Act 2015
- C. GDPR 2018
- D. Competition Act 1998

Answer: B (LEAVE A REPLY)

The Consumer Rights Act 2015 is about product safety and making sure products sold on the market are fit for purpose. It gives buyers rights and protections. The Consumer Rights Act 2015 - Citizens Advice There's a long list of legislation on p.105. I wouldn't worry about memorizing them all but just have an idea of what legislation relates to what area. E.g. GDPR is about Data Protection and the Com-petitions Act is about Marketplace competition. Most of them are quite obvious from the name.

NEW QUESTION: 2

A buyer is responsible for the procurement of metals within the raw materials department. The buyer is preparing for next year's purchase orders and has been asked to confirm the month of order placement. The buyer has found three trends:

- * In January and April, the supplier's local currency is stronger
- * November typically has the lowest demand
- * May typically has the highest demand

Which month should the buyer plan to place the purchase order?

- A. November
- B. May
- C. January
- D. April

Answer: A (LEAVE A REPLY)

Ordering in November, when demand is lowest, may allow the buyer to secure better pricing and availability, aligning with responsible sourcing by optimizing purchase timing to achieve cost savings and reliable supply.

NEW QUESTION: 3

Why do tenders often have longer timescales in the public sector when compared with those of the private sector?

- A. There is a more detailed debrief requirement in the public sector
- B. There is wider stakeholder involvement in the public sector
- C. All public sector purchases are mandated to use a tendering procedure
- D. Regulation of the public sector usually dictates minimum timescales

Answer: (SHOW ANSWER)

Public sector procurement is governed by specific regulations that stipulate minimum timescales for various stages of the tendering process. These regulations are designed to ensure transparency, fairness, and adequate time for suppliers to prepare their bids. For instance, under the Procurement Act 2023, certain procedures have defined minimum periods for tender submissions to allow sufficient time for supplier participation.

Exact Extract from Study Guide:

"Public sector procurement is subject to specific regulations that dictate minimum timescales for tendering processes to ensure fairness and transparency."

NEW QUESTION: 4

When would a procurement professional use the Pareto principle?

- A. when considering changing a supplier
- B. when conducting a value analysis
- C. when looking at whole-life-cycle costs
- D. when appraising a supplier

Answer: (SHOW ANSWER)

The Pareto Principle can be used when considering changing a supplier. It helps to categorize suppliers by how strategically important the item is that they provide to the business.

NEW QUESTION: 5

Which models would be appropriate for analysis of the supply market?

- * Porter's Five Forces
- * Porter's Value Chain
- * STEEPLD
- * Ishikawa Fishbone

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only

D. 3 and 4 only

Answer: B (LEAVE A REPLY)

Porter's Five Forces and the STEEPLED model are valuable tools for analyzing supply markets. These models help identify external pressures and market dynamics, supporting responsible sourcing by enabling buyers to understand and respond to market influences effectively.

NEW QUESTION: 6

For complex and high value tenders, which document is the most appropriate to send to those suppliers who have already been appraised and deemed suitable?

- A. PQQ
- B. ITT
- C. RFQ
- D. RFT

Answer: B (LEAVE A REPLY)

The correct answer is Invitation to Tender. This is sent out to suitable suppliers inviting them to bid for the opportunity.

A PQQ - pre-qualification questionnaire - is sent to suppliers to see if they are suitable.

The question states these suppliers have already been deemed suitable, so they've already passed PQQ. A RFQ - request for quotation - would be used when the only variable is price, so is not suitable for complex tenders.

RFT isn't a thing. I made the last one up.

NEW QUESTION: 7

Which of the following is considered as part of ESG?

- A. bribery, corruption and the environment
- B. market conditions and product lifecycle
- C. liquidity, gearing and profitability
- D. economic and social governance

Answer: B (LEAVE A REPLY)

The correct answer is bribery, corruption and the environment.

ESG stands for environmental and social governance. It's the new buzzword for CIPS and is basically everything to do with ethical procurement - so areas such as bribery and corruption are included as well as the environment.

Option 4 is incorrect as economic doesn't come into it.

NEW QUESTION: 8

When assessing the financial performance of a potential supplier, it is important to understand how much gross profit they are making. The gross profit margin ratio uses which of the following pieces of information from the profit and loss (statement of financial performance)? Select TWO that apply.

- A. Cost of goods sold
- B. Value of equity capital
- C. Income from sales
- D. Current liabilities
- E. Total current assets

Answer: (SHOW ANSWER)

The gross profit margin ratio is calculated by subtracting the cost of goods sold (COGS) from income from sales, then dividing by income from sales. This ratio indicates the profitability of a supplier, a critical factor in assessing financial health, which helps buyers ensure reliable supply continuity.

NEW QUESTION: 9

Which of the incoterms listed are suitable for transporting goods via train?

- A. FAS
- B. FOB
- C. CRF
- D. EXW

Answer: D (LEAVE A REPLY)

EXW- exworks is a suitable incoterm for transporting goods both by rail and boat. It can be used regardless of the mode of transport.

The other three are for transport over water. P. 143 Shipping Incoterms: the Complete Guide - Guided Imports Some students report a lot of questions on Incoterms in the exam, some say they only had 1. Best bet is to learn them if you possibly can.

NEW QUESTION: 10

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 (LEAVE A REPLY)

Incoterms describe who out of the buyer and seller; organises transport and what type of transport this is, who pays for insurance, and who organises duty / tariff arrangements when the goods go through customs. See p.

131. Note- some students report a lot of questions on Incoterms in the exam, some say they only had 1. If you can, I'd learn them just to be safe.

NEW QUESTION: 11

Compared with single sourcing, what is a key advantage to dual or multiple sourcing?

Select TWO

- A. It is easy to drive down costs
- B. There is a risk of failure to supply
- C. Economies of scale
- D. Supplier Loyalty
- E. Low risk of failure to supply

Answer: A,E (LEAVE A REPLY)

The correct answers are 'it is easy to drive down costs' (as you can pit the suppliers against each other) and

'low risk of failure to supply' (if one supplier can't provide what you need, the other supplier might be able to).

Economies of scale and supplier loyalty are advantages of single-sourcing.

There is a risk of failure to supply is a risk associated with single sourcing.

There's a useful table of advantages and disadvantages of single / multi sourcing on p.22.

Types of sourcing is a key topic for the exam.

NEW QUESTION: 12

What type of ratio is used to measure a company's ability to meet its short-term financial obligations, specifically focusing on its ability to convert assets into cash to cover current liabilities?

- A. Earnings per share
- B. Profitability ratio
- C. Dividend per share
- D. Liquidity ratio

Answer: D (LEAVE A REPLY)

Liquidity ratios assess a company's capacity to meet its short-term obligations using its most liquid assets.

These ratios, such as the current ratio and quick ratio, provide insight into the financial health of a company by indicating whether it has sufficient resources to pay off its immediate liabilities without raising external capital.

Exact Extract from Study Guide:

"Liquidity ratios: # Typical ratios: current ratio, quick ratio, cash flow ratio, etc. # Formulae of those ratios # Implications of liquidity ratios

NEW QUESTION: 13

Which of the following characteristics are likely to be required within sourcing processes undertaken in the public sector?

- * An emphasis on long-term supplier relationships where possible
- * Maintaining service levels within value and cost parameters
- * All dealings between buyers and suppliers are kept confidential

* A competitive tendering process is usually encouraged

A. 2 and 4 only

B. 2 and 3 only

C. 1 and 3 only

D. 1 and 2 only

Answer: A (LEAVE A REPLY)

In public sector procurement, maintaining service levels within value and cost parameters is essential to ensure efficient use of public funds. Additionally, a competitive tendering process is encouraged to promote transparency, fairness, and value for money. While long-term supplier relationships can be beneficial, they are not always feasible or emphasized in the public sector due to regulations requiring periodic re-tendering. Confidentiality is important, but public sector procurement often requires a degree of transparency that precludes complete confidentiality in dealings.

Reference:

CIPS Level 4 Diploma in Procurement and Supply, L4M4 Study Guide, Section 1.4: Public Sector Procurement Characteristics

NEW QUESTION: 14

When evaluating a supplier's proposal in relation to ESC (Environmental, Social, Governance, and ethical elements), it is common to send questionnaires to suppliers requesting information, which can later be scored.

Which of the following questions would be assessing any of the ESC criteria?

* Could you provide details on your manufacturing and raw material costs as part of an open-book pricing contract?

* How do you promote equal opportunity for your employees, customers, and suppliers?

* What is the annual turnover and profitability of your company?

* Does your company have an anti-bribery policy?

A. 1 and 3

B. 2 and 3

C. 2 and 4

D. 1 and 4

Answer: (SHOW ANSWER)

Questions about equal opportunity and anti-bribery policies assess the supplier's commitment to social and ethical standards. These aspects are part of the ESC criteria, which align with responsible sourcing practices by ensuring suppliers maintain ethical workforce practices and governance.

NEW QUESTION: 15

Private sector procurement organisations should always allow suppliers at least 35 days to respond to invitations to tender. Is this statement true?

A. No, because this timeframe will cause delays that are unacceptable to stakeholders

- B. Yes, because it helps suppliers to plan and prioritise their work
- C. No, because the complexity of the tender should inform the response timescale
- D. Yes, because that timeframe is internationally recognised as being appropriate

Answer: C (LEAVE A REPLY)

Response times should be tailored to the complexity of the tender. Responsible sourcing encourages flexibility in setting realistic timelines that allow suppliers adequate time to prepare, supporting efficient and effective sourcing without unnecessary delays.

NEW QUESTION: 16

Which of the following financial documents would show whether a supplier has sufficient funds to pay their subcontractors in the short term?

- A. balance sheet
- B. ESG policy
- C. profit and loss account
- D. cash flow statement

Answer: D (LEAVE A REPLY)

A cash flow statement shows the money coming in and out. This would therefore show whether a supplier has enough money coming in, to be able to pay some of it out to a subcontractor.

P&L and Balance Sheets look more broadly at finances, rather than saying what's physically in the bank at a specific given time.

Do learn the difference between these three financial documents for the exam.

Balance Sheet: Explanation, Components, and Examples (investopedia.com) Profit and Loss Statement Meaning, Importance, Types, and Examples (investopedia.com) Cash Flow Statement: How to Read and Understand It (investopedia.com)

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NEW QUESTION: 17

What might a buyer encounter if the supplier's government has introduced a protectionist measure?

- A. Inward processing relief
- B. Arbitration
- C. Import duties

D. Carnets

Answer: C (LEAVE A REPLY)

Protectionist measures are policies implemented by governments to protect domestic industries from foreign competition. One common protectionist measure is the imposition of import duties, which are taxes levied on imported goods. These duties make imported products more expensive, encouraging consumers to buy domestic products instead. Buyers sourcing internationally must be aware of such duties as they directly impact the total cost of procurement.

Exact Extract from Study Guide:

"Furthermore, there are many potential cost considerations when importing goods which can include taxes & duties or storage costs. By understanding all key legal, regulatory and organizational requirements prior to sourcing from international suppliers, businesses can ensure compliance while also maximizing cost savings."

NEW QUESTION: 18

When might a company send a Request for Information (RFI) to a supplier instead of a Request for Quotation (RFQ)? Select TWO that apply:

- A. To determine whether the supplier is able to fulfill a purchase order that has already been placed
- B. To obtain indicative prices that could be offered for a range of required products
- C. To ask for the details of the product or the range of services that the supplier has to offer
- D. To establish the details of environmental and quality certificates that the supplier may have
- E. To negotiate the payment terms detailed in the terms and conditions of sale

Answer: A,B,C,D (LEAVE A REPLY)

A Request for Information (RFI) is utilized during the early stages of the procurement process to gather general information about potential suppliers' capabilities, products, or services. It helps in understanding the market and narrowing down supplier options before moving to more detailed requests like RFQs or RFPs.

* Option B: Obtaining indicative prices helps in budgeting and understanding market rates.

* Option C: Gathering details about products or services allows the buyer to assess the supplier's offerings and suitability.

Options A, D, and E are more appropriate for later stages in the procurement process, such as during RFQs or contract negotiations.

Reference:

CIPS Level 4 Diploma in Procurement and Supply, L4M4 Study Guide, Section 2.1: Sourcing and Contracting Process

NEW QUESTION: 19

Damian is a procurement professional in the Public Sector. He has recently run a competition to source new uniforms for hospital staff and has decided on a suitable supplier. Should Damian conduct post tender negotiation with the supplier?

- A. yes- post-tender negotiation may result in a lower price and thus better value for money
- B. yes- all tender processes should include post-tender negotiation
- C. no- this isn't necessary as Damian has selected the most appropriate supplier
- D. no- it would be against the law for Damian to do this

Answer: D (LEAVE A REPLY)

Damian works in the Public Sector- it is against the law for the public sector to conduct 'post tender negotiation' after a contract has been awarded. This is because it's not transparent and equal opportunities, which are founding principles of public sector procurement.

Private sector can do whatever they want. They can do post-tender negotiations.

NOTE: this is currently the rules as per Public Contract Regulations 2015. These are being superseded in October by new legislation. The study guide doesn't mention this, but it's happening. At the time of writing (January 2023) we don't have the full details about what the new rules are but I doubt they will change on this particular topic. You can find out more about the changes to Public Sector Procurement here: Transforming Public Procurement - GOV.UK (www.gov.uk)

NEW QUESTION: 20

Phishing is a type of fraud that is commonly associated with which industry?

- A. Agriculture
- B. Mining
- C. IT
- D. Construction

Answer: (SHOW ANSWER)

Phishing is a type of fraud where IT users are sent a link (usually by email) which exposes them to activities of expert cybercriminals.

NEW QUESTION: 21

If a company is concerned with ethical sourcing and has concerns about issues such as corruption and modern day slavery within the supply chain, what course of action should they take?

- A. Only work with known suppliers
- B. Complete Due-Diligence on all new suppliers
- C. Only work with suppliers who have a published Anti-Slavery policy
- D. Complete formal tenders to find the best suppliers

Answer: B (LEAVE A REPLY)

Completing Due Diligence checks will help guard against concerns about unethical business practices.

Not all companies will have a published Anti-Slavery policy- this is only required for large companies.

Known suppliers might have issues that you don't know about so you should always do due-diligence checks on everyone you work with Formal tenders won't sort out ethical issues unless specifically addressed within the tender and strong contract management is put in place afterwards.

NEW QUESTION: 22

Bob works in the procurement department of a construction firm. He has been asked to procure an item for a short-term project which is considered low risk. What type of sourcing will he be completing?

- A. tactical
- B. strategic
- C. outsourcing
- D. insourcing

Answer: A (LEAVE A REPLY)

tactical is the correct answer; items that are short-term or low value are considered tactical. Strategic sourcing is long term and high value.

Outsourcing is moving a key business function to an external company.

Insourcing is bringing a previously outsourced part of the company back in-house.

NEW QUESTION: 23

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 (LEAVE A REPLY)

Incorporating sustainability and environmental criteria into procurement decisions is essential for promoting responsible sourcing practices. Consolidated delivery refers to combining multiple shipments into a single delivery, which can significantly reduce the carbon footprint associated with transportation. By minimizing the number of deliveries, organizations can decrease fuel consumption and emissions, aligning with environmental sustainability goals.

This practice is particularly relevant in the procurement of IT supplies, where frequent, small deliveries can be consolidated to improve efficiency and environmental performance.

Evaluating suppliers based on their ability to provide consolidated deliveries demonstrates a commitment to sustainable procurement practices.

References:

CIPS Study Guide: Ethical and Responsible Sourcing - Study Guides - CIPS Quizlet: CIPS L4M4 Ethical and Responsible Sourcing Flashcards

NEW QUESTION: 24

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. $(300 - 200) \div 150$

B. $300 \div 150$

C. $(300 - 200 - 150) \times 100$

D. $(300 \div 150) \times 100$

Answer: B (LEAVE A REPLY)

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations. It is calculated by dividing current assets by current liabilities. In this case:

Current Assets = \$300

Current Liabilities = \$150

Current Ratio = $300 \div 150 = 2.0$

This indicates that the supplier has twice as many current assets as current liabilities, suggesting good short-term financial health.

Reference:

CIPS Level 4 Diploma in Procurement and Supply, L4M4 Study Guide, Section 2.3: Financial Appraisal of Suppliers

NEW QUESTION: 25

GDP is an economic index that a procurement professional can use to measure economic data. What does GDP tell you?

A. the value of public limited companies within a country

B. the monetary value of the goods manufactured in a financial period

C. the value of commodities such as steel, oil and wheat at a point in time

D. average changes in price over a year

Answer: B (LEAVE A REPLY)

GDP = gross domestic product = "the monetary value of goods and services manufactured or supplied in a financial period". People use it to say whether a country's economy is strong or weak.

Stock markets look at the value of public limited companies within a country.

Commodity indices look at the value of commodities such as steel, oil and wheat at a point in time Average changes in price over a year can be measured by CPI or PPI

NEW QUESTION: 26

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. 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 (LEAVE A REPLY)

Internal production is often justified when a company has the necessary competencies and capacity. This approach aligns with responsible sourcing by leveraging internal capabilities for better control over quality, cost, and compliance with ethical and environmental standards.

NEW QUESTION: 27

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: (SHOW ANSWER)

Exchange rates and tariffs are associated with international sourcing.

The other options are concerns for both local sourcing and international sourcing.

NEW QUESTION: 28

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: (SHOW ANSWER)

Price and Quality are the two considerations when marking a competitive tender.

Location, distribution and reputation may be considered for SOME tenders, but these would be sub-categories that fall under 'quality questions.

NEW QUESTION: 29

A buyer might opt to do an 'Invitation to Tender' rather than a 'Request for Quotation' process because ...

- A. The supplier market is an oligopoly where there are a few large suppliers dominating the market
- B. Time is of the essence, and decisions need to be made quickly without additional stakeholder involvement
- C. The contract will be low value and there are many suppliers, so a simpler approach is required
- D. The nature of the goods or services being purchased is complex and high value

Answer: (SHOW ANSWER)

An Invitation to Tender (ITT) is typically used for complex, high-value procurements where the quality and specific features of the goods or services are of paramount importance. This approach ensures that ethical and responsible sourcing criteria are met, aligning with best practices in procuring specialised goods or services.

NEW QUESTION: 30

Which of the following are considerations when evaluating quality as a criterion for supplier selection? Select TWO that apply.

- A. The existence of policies and initiatives toward more sustainable packaging and materials
- B. The existence of Total Quality Management (TQM) and a continuous improvement culture
- C. Certification to the management system ISO 9001
- D. Certification to the management system ISO 14001
- E. The supplier's environmental impact analysis

Answer: B,C (LEAVE A REPLY)

Total Quality Management (TQM) practices and ISO 9001 certification are indicators of a supplier's commitment to quality. Responsible sourcing evaluates these factors to ensure suppliers meet high-quality standards and continuous improvement expectations.

NEW QUESTION: 31

Added value can be objectively defined. Is this sentence TRUE?

- A. Yes- added value should be assessed along with price
- B. Yes- added value is the same for all organisations
- C. no - added value may change from one company to another
- D. no- added value is always intangible

Answer: C (LEAVE A REPLY)

The correct answer is 'no - added value may change from one company to another'. Added value is very subjective. What one person thinks is excellent added value, another may not rate highly.

For example one buyer may consider a supplier having good brand reputation as added value, but another might not care.

The other no answer is incorrect because added value can be tangible or intangible. Tangible means you can touch and see it and intangible means you can't.

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NEW QUESTION: 32

An organisation within the European Union (EU) wants to import an item from outside of the EU. Which of the following is a valid shipping document?

- A. Purchase order document
- B. Goods inward document
- C. Single transit document
- D. Bill of lading document

Answer: (SHOW ANSWER)

A Bill of Lading is a critical shipping document in international trade, serving as a receipt for shipped goods and a contract between the shipper and carrier. It is essential for customs clearance and is recognized as a valid document for importing goods into the EU.

Exact Extract from Study Guide:

"The Bill of Lading (B/L) is a document issued by the shipping company to the operating shipper, which acknowledges that the goods have been received on board."

NEW QUESTION: 33

Pierre is constructing a tender for a security contract. As well as cost, he would like to ask the security companies some questions about their health and safety processes and staff qualifications. He has created several questions and weighted these so that they add up to 25. is this the correct thing to do?

- A. yes- point systems can be weighted any way a buyer chooses so long as this is explained in the ITT
- B. yes- 25 is the correct weighting for quality question
- C. no- the weighting should total 10

D. no- the weighting should total 100

Answer: (SHOW ANSWER)

weighted points systems for assessments should add up to 100. This is 100%.

An example is how this would work is

Price = 50%

Health and Safety questions= 30%

Qualifications = 20%

NEW QUESTION: 34

Yolo Inc. have recently run a tender opportunity to find a suitable supplier of yoyos and they have received a number of bids. The supplier will become a strategic partner to the business as yoyos are vital to the success to Yolo Inc. The tender asked for both price submissions and had a number of quality questions. Eamon is the Procurement Manager of Yolo Inc and is responsible for selecting the most appropriate supplier. How should Eamon appraise the bids?

A. evaluate the bids himself as this is a complex requirement

B. evaluate the bids himself as this is a strategic purchase

C. organise a cross-functional team to assess the bids as people from other departments may have important information and experience of yoyos

D. organise a cross-functional team of procurement personnel as they will have experience in assessing price and quality of bids

Answer: C (LEAVE A REPLY)

Eamon should use a cross-functional team (this rules out two of the options). The purpose of using a cross-functional team is to use the knowledge of people from other departments as they may better understand the service required and help assess any technical questions. Therefore a cross-functional team of procurement personnel, isn't cross-functional (they're all the same function). Yoyos is a bit of a silly example, the exam questions are a little more serious- but the learning outcome is the same; use a cross-functional team to evaluate bids.

NEW QUESTION: 35

Which of the following would you expect to find in an Invitation to Tender? Select THREE

A. awarding body

B. deadline

(Correct)

C. pricing schedule

D. qualifications required

E. risk assessments

Answer: A,D (LEAVE A REPLY)

An ITT would include details on the awarding body (usually a brief overview of the buyer), the deadline (bids must be received by a certain date) and qualifications required (such as

ISO requirements or competency certificates of staff members if it's a service contract). You wouldn't find pricing schedules in an ITT (this would be provided by the supplier in response to the ITT), nor would you find risk assessments (a supplier might be asked to provide one as part of the quality assessment of the tender though).

Invitation To Tender Simply Explained | Thornton & Lowe (thorntonandlowe.com)

NEW QUESTION: 36

According to the CIPS code of conduct, which laws should a procurement professional adhere to?

- A.** all laws within the country they work in
- B.** all international procurement legislation
- C.** all laws published by international organisations such as ILO
- D.** all laws within countries they have business and contracts in

Answer: (SHOW ANSWER)

The CIPS Code of Conduct says to adhere to all laws of countries in which I practice. So if you're in the UK and procure stuff from China, you need to abide by both UK and Chinese laws, not just UK laws.

There's no international procurement laws- these are all different for different countries.

ILO doesn't publish laws.

NEW QUESTION: 37

Tracey Collum is a procurement professional and married to Nick Collum.

Tracey has been leading a tender for a new radar system, where four suppliers have submitted their bids.

After the bids were received, Nick joined one of the suppliers (Supplier X) as the project director for radar systems.

Nick has asked Tracey to award the contract to Supplier X. What should Tracey do?

- A.** Award the contract to Supplier X because Nick will be promoted if Supplier X wins the contract
- B.** Award the contract to Supplier X because Tracey can ask for a better price because they are married
- C.** Ask to be removed from the tender due to a conflict of interest and complete a conflict of interest form
- D.** Remove Supplier X from the tender due to a conflict of interest and continue with the tender

Answer: C (LEAVE A REPLY)

To maintain integrity and avoid conflicts of interest, Tracey should declare the conflict and remove herself from the tender process. Ethical sourcing practices emphasize transparency and fairness, which prevent potential biases and maintain trust within procurement processes.

NEW QUESTION: 38

A company has actively included supporting of disadvantaged groups within their ESG commitment. Which of the following groups are considered disadvantaged?

- A. endangered species
- B. pregnant women and children
- C. international suppliers
- D. Muslims

Answer: (SHOW ANSWER)

Pregnant women and children are considered 'disadvantaged' by the UN. The other groups the UN call disadvantaged include; the elderly, the immunocompromised, those with disabilities and those living in poverty. This is the list given in the study guide.

A company could help disadvantaged groups in several ways. Firstly by offering employment (obviously not to the children). It could also include helping these groups as part of a Social Value out-come or community benefit scheme.

NEW QUESTION: 39

What is the best way to demonstrate that your organisation does not tolerate bribery and corruption?

- A. Not working with suppliers who you have heard have a reputation for bribery and corruption
- B. Requesting your supplier's ethical policies on an annual basis
- C. Having full anti-bribery training, policies, and procedures in place
- D. Asking all suppliers to read your organisation's policy on anti-bribery and corruption

Answer: C (LEAVE A REPLY)

Implementing full anti-bribery training, policies, and procedures demonstrates a proactive stance against bribery and corruption. Ethical sourcing principles encourage organisations to institutionalise comprehensive anti-bribery measures to ensure transparency, fairness, and compliance within the supply chain, reducing the risk of corrupt practices.

NEW QUESTION: 40

ABC Ltd works with supplier XYZ Ltd who uses a variety of subcontractors. ABC has recently learned of an ethical breach being committed by one of XYZ's subcontractors. What should ABC do?

- A. Recommend remedial action
- B. Seek compensation
- C. Terminate the contract
- D. Research alternative suppliers

Answer: (SHOW ANSWER)

ABC should do a 'root cause analysis' to find out where the issue has come about, and why. From there, once they know what the breach is and how serious it is, they can suggest corrective action.

They can't jump straight to terminating the contract or seeking damages as it's not the supplier itself but rather the subcontractor. Also that would be really hasty considering we don't know what the issue is and what the market conditions are like. That supplier may be the only one who can provide the product. We also don't know if the supplier knows about the issue themselves.

NEW QUESTION: 41

If a commodity index shows that the price of a commodity is continually rising, what does this indicate about the market?

- A.** that there is little demand in the marketplace
- B.** demand is exceeding supply
- C.** there is a threat of substitution
- D.** the marketplace is a monopoly

Answer: B (LEAVE A REPLY)

The correct answer is 'demand is exceeding supply'- If everyone wants to buy something, the suppliers will likely increase the price.

If there was little demand or there were threats of substitutions, this would likely result in a price decrease.

NEW QUESTION: 42

Liquidity is a solvency measure which determines whether an organisation is able to pay its debt. Which of the following would you use to assess a supplier's liquidity? Select TWO.

- A.** current assets
- B.** current liabilities
- C.** long-term debt
- D.** shareholder's equity

Answer: A,B (LEAVE A REPLY)

The correct answer is current assets and current liabilities. There are many questions about financial ratios on the exam.

If you're unsure on them I suggest doing further reading outside of the study guide as this will help. I like this youtube video (I'm not associated with the makers of this video but think it's a great way to explain liquidity) Liquidity ratios (youtube.com) You can be asked to work out liquidity in the exam. If you are asked this, the numbers will be very simple to the point you may be able to do the sums in your head. There is also a calculator on the test app you can use.

NEW QUESTION: 43

Intra-company trading allows business units within a large enterprise to supply goods or services to another.

What are the likely objectives of intra-company trading?

- * Enhances production capacity utilisation

- * Offsets some of the fixed costs of the supplying entity
- * Compensates the supplying unit for the less effective technology applied
- * Ensures internal technology always out-performs that of external suppliers

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 2 and 4 only

Answer: (SHOW ANSWER)

Intra-company trading aims to optimize internal resources by enhancing production capacity utilization and offsetting fixed costs. By supplying goods or services internally, organizations can achieve economies of scale and better allocate resources. However, compensating for less effective technology or ensuring superior internal technology over external suppliers are not primary objectives of intra-company trading.

Reference:

CIPS Level 4 Diploma in Procurement and Supply, L4M4 Study Guide, Section 1.1.2:
Make or buy decisions and the role of intra-company trading

NEW QUESTION: 44

Dylan is looking to appoint a new supplier of paint to his manufacturing business. The paint will be used to paint buses and taxis and therefore needs to be high quality and durable. Which of the following should Dylan look for in terms of quality management when appraising the suppliers?

- A. ISO9001
- B. Carter's 10 Cs
- C. ESG
- D. conformance specification

Answer: (SHOW ANSWER)

ISO9001 is Quality Management so is therefore the correct answer. The other options can be used to appraise suppliers but do not link directly or fully to Quality Management.

NEW QUESTION: 45

When assessing social responsibility elements of a supplier's proposal, what type of supporting evidence could a supplier provide?

- A. Evidence of compliance with fair trade standards
- B. Results of a customer service survey on delivery performance
- C. Quality control reports documenting quality checks in the manufacturing process
- D. Financial statements detailing profit and loss accounts

Answer: (SHOW ANSWER)

Compliance with fair trade standards demonstrates the supplier's commitment to social responsibility, including fair wages and ethical working conditions. This aligns with

responsible sourcing practices, ensuring that suppliers maintain ethical labor standards, as advocated in the principles of ethical sourcing.

NEW QUESTION: 46

Bribery is considered an unethical business practice. What constitutes a bribe?

- A. anything that is of value to the recipient
- B. something that has monetary value
- C. something of significant monetary value
- D. anything that can be traded illegally

Answer: A (LEAVE A REPLY)

A bribe is anything that is of value to the recipient. It's commonly money, but could also be an item such as a car, or doing someone a favour such as hiring their son.

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NEW QUESTION: 47

A Bill of Exchange is an important document used when importing goods into a country from abroad. What is the purpose of this document?

- A. details who is responsible for the insurance of the goods during transit
- B. specifies the country of origin of the goods
- C. explains which tariffs apply to the goods
- D. details payment instructions

Answer: D (LEAVE A REPLY)

A Bill of Exchange is a payment instruction - it says who will pay whom and when.

Bill of Exchange Definition: Examples and How It Works (investopedia.com)

NEW QUESTION: 48

A company's balance sheet will show you which of the following?

- A. revenue, profit and expenses
- B. equity, assets and liabilities
- C. cash coming in and out of the business
- D. profit, loss and assets

Answer: B (LEAVE A REPLY)

a balance sheet shows 'equity, assets and liabilities'. The other financial statements you need to know for this exam are cash flow statements and income statements. If you're not familiar with these three I strongly recommend you do some further reading on this before the exam if you can. This is helpful: [How the 3 Financial Statements are Linked Together - Step by Step \(corporatefinanceinstitute.com\)](http://www.corporatefinanceinstitute.com)

NEW QUESTION: 49

What course of action should be taken when an audit of a supplier identifies evidence of human rights malpractice?

- A.** Immediately raise the issue with the supplier and jointly develop a timely action plan to be implemented before a repeat audit
- B.** Immediately halt all orders with the supplier, make a record of the violation in the supplier database, and switch to an alternative source of supply
- C.** Remove all business and inform press organisations, who will in turn bring the issue to the attention of formal governmental organisations who can take action
- D.** Allow the supplier to complete current orders placed, while pursuing an alternative source to change to as soon as approved

Answer: (SHOW ANSWER)

Addressing human rights issues collaboratively by developing an action plan allows for improvement and correction. This approach is consistent with ethical sourcing principles, which encourage responsible intervention to correct and improve supply chain practices rather than punitive measures that may not lead to long-term change.

NEW QUESTION: 50

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: (SHOW ANSWER)

security, consultancy and cleaning are services which are often tendered as they tend to be high value and complex opportunities.

Office supplies and raw materials have less variables so you could use a RFQ for these instead.

A hint for this is also the word services. Security, consultancy and cleaning are services. Raw Materials and Office Supplies are goods.

NEW QUESTION: 51

Under what circumstances can a buyer reduce timescales for a tender in the Public Sector?

- A. if tenders are received by electronic submission exclusively
- B. if the competition is restricted
- C. if there are fewer than 5 bidders
- D. when the tender is of low value

Answer: A (LEAVE A REPLY)

If tenders are received by electronic submission exclusively, the buyer can reduce the timescale. On average the time for a standard tender submission can be reduced by 5 days if bids are submitted electronically.

Note this is based off current PCR Regs 2015 which are being superseded in October 2024 by new legislation. We currently don't know what the new regs will say on this. If it's different, my best guess is CIPS will remove any question about it from their exam- because the study guide would be wrong and that would lead to complaints.

NEW QUESTION: 52

What mechanism helps buying organisations achieve a best value outcome in a tender exercise?

- A. Restricting the number of bidders
- B. Advertising requirements
- C. Providing a debrief
- D. Timetabling the process

Answer: C (LEAVE A REPLY)

Providing a debrief allows suppliers to understand the tender process and learn areas of improvement, promoting transparency. This practice supports responsible sourcing by fostering a fair, competitive environment and encouraging suppliers to improve their future offerings.

NEW QUESTION: 53

The Universal Declaration of Human Rights means that member states cannot restrict their citizens of any of the rights listed. Which of the following rights may apply to employees who make a complaint about unfair pay and conditions that are not comparable to others in the company?

- A. The right to be treated equally
- B. The right to beliefs
- C. The right to freedom
- D. The right to free speech and expression

Answer: (SHOW ANSWER)

The Universal Declaration of Human Rights (UDHR) Article 23(2) states that "Everyone, without any discrimination, has the right to equal pay for equal work." This underscores the principle of equality in the workplace, ensuring that employees are treated equally

regarding pay and conditions. Therefore, employees raising concerns about unfair pay compared to their colleagues are exercising their right to be treated equally.

Reference:

Universal Declaration of Human Rights, Article 23(2):

NEW QUESTION: 54

When conducting a competitive tender, is it appropriate to use a supplier's credit rating as a criteria for pre-selection?

- A. yes- because a low rating would have a negative impact on the company's reputation
- B. yes- because a low rating would indicate the supplier is financially unstable
- C. no- because a low rating would not affect the quality of the products supplied
- D. no- because a low credit rating would have a negative impact on the supply chain

Answer: B (LEAVE A REPLY)

The correct answer is 'yes- because a low credit rating would indicate the supplier is financially un-stable'.

The two options beginning with no should automatically be discounted. The other option is incorrect because credit ratings are private and would therefore not affect reputation.

NEW QUESTION: 55

The procurement team received an urgent request from the business to source quotations for pest control services. The team decided to use a local newspaper to advertise the requirements. Was this an appropriate approach to use in the circumstance?

- A. No, because they might receive too many irrelevant proposals which may delay the assessing process
- B. No, because international vendors must also be notified of the opportunity
- C. Yes, they must seek as many bids as possible even if it takes longer
- D. Yes, so that the local pest control sector can decide between them who should bid

Answer: A (LEAVE A REPLY)

Advertising in a local newspaper for urgent services like pest control may not be the most efficient approach.

It can lead to an overwhelming number of responses, many of which may not meet the specific requirements, thereby delaying the evaluation process. For urgent needs, direct sourcing from pre-qualified suppliers or using existing frameworks is often more effective.

Reference:

CIPS Level 4 Diploma in Procurement and Supply, L4M4 Study Guide, Section 2.2:
Tendering Procedures

NEW QUESTION: 56

A procurement manager has developed some reports in order to analyse total company expenditure on bought-in goods and services from external suppliers. Expenditure

information by product category or supplier can achieve which of the following? Select TWO that apply.

- A. Help the organisation set its marketing strategy
- B. Highlight opportunities for negotiating better prices and reducing costs with suppliers
- C. Provide information on costs and trends to compare with previous time periods
- D. Provide analysis to help with planning production schedules
- E. Identify how obsolete stock items can be disposed of in a sustainable way

Answer: B,C ([LEAVE A REPLY](#))

Analysing expenditure data by product category or supplier enables procurement managers to:

* Negotiate Better Prices: Identifying high-spend areas or suppliers can provide leverage in negotiations, leading to cost reductions.

* Monitor Cost Trends: Tracking expenditure over time helps in understanding cost fluctuations, budgeting, and forecasting future spend.

Exact Extract from Study Guide:

"Spend analysis is a process that analyses the historical spend data of your organisation to provide answers to questions concerning spend visibility, compliance, and cost-saving opportunities."

NEW QUESTION: 57

FTSE100 and Sensex are examples of what?

- A. stock markets
- B. commodity indices
- C. financial reports
- D. public sector organisations

Answer: ([SHOW ANSWER](#))

they are stock markets.

What is the FTSE 100 Index? Complete Beginner's Guide (moneycheck.com)

BSE SENSEX - Wikipedia

NEW QUESTION: 58

Ali is the Category Manager at an airplane manufacturing factory. He works with many different suppliers who provide different components for the planes. The company is investing heavily in Environmental and Social Governance and Ali has been asked by the CEO what the best practice is to ensure ethical behaviour from suppliers. Ali has suggested completing Audits. Is this the right thing to do?

- A. No- audits will only reveal financial issues not ethical ones
- B. No- Ali should simply ask the supplier's about their ethical practices
- C. Yes- audits always uncover ethical violations such as modern day slavery
- D. yes - these can be completed without warning which would give Ali an accurate picture of the supplier's operations

Answer: (SHOW ANSWER)

The correct answer is 'yes - these can be completed without warning which would give Ali an accurate picture of the supplier's operations'. The other options are incorrect:

- 1) you can do many types of audit- financial, ethical, Health and Safety etc
- 2) asking a supplier about their ethical practices isn't likely going to get you accurate information. They'll just tell you what they think you want to hear
- 3) audits are great- but they don't ALWAYS uncover issues. Always is the key word in that sentence which makes it incorrect.

NEW QUESTION: 59

Jamilla is looking to find a new supplier who can deliver raw materials of wood and paper to her company Woody Manufacturing Incorporated. The requirement is for regular orders of high volume. She has issued a Request for Quotation. What will this assess the suppliers on?

- A. who can deliver the items the cheapest
- B. who can deliver the highest quality items
- C. the five rights of procurement
- D. which price is the most ethical

Answer: (SHOW ANSWER)

According to p.75 "a RFQ attempts to assess which supplier can achieve the Five Rights of Procurement".

Although price is the only factor considered when using a RFQ- it's important to consider this price in detail; can the supplier deliver the right QUALITY of product for this price?, can they deliver the item WHEN we need it for this price? etc.

The answer is not 'who will deliver it the cheapest' because Jamilla might not pick the cheapest supplier. If the cheapest supplier has inferior quality paper, or can only make deliveries every other Tuesday then Jamilla may not select them.

NEW QUESTION: 60

Robert is appraising suppliers and is keen to evaluate suppliers' contribution to the community and the environment. Which of the following should Robert look at?

- A. ESG Policy
- B. Anti-Slavery Policy
- C. ISO9001
- D. ISO27000

Answer: (SHOW ANSWER)

Robert should look at the supplier's ESG policy. This stands for Environmental Social Governance. So covers both his requirements for community (social) and environmental factors.

ISO 9001 is about Quality Management and ISO27000 about Information Security so these are in-correct answers. An Anti-Slavery Policy would not discuss the environment.

NEW QUESTION: 61

When looking at credit scores, a supplier may be classified as a high risk for reasons that are not linked to poor credit. Which of the following could these be? Select TWO

- A. The organisation is new
- B. The organisation has no loans or credit cards
- C. The organisation has lots of fixed assets
- D. The organisation does not employ many people

Answer: B,C (LEAVE A REPLY)

New organisations or those with no loans/ credit cards may have low credit scores. This is simply because they do not have enough financial history to make their scores good. That means banks automatically class them as higher risk, because they simply don't know that they're trustworthy yet.

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NEW QUESTION: 62

Greg is doing some research on a potential supplier and is concerned that the supplier's funding is based on long-term debts and loans. Working with this supplier therefore might bring additional risks to Greg's business. What should Greg do about his concerns?

- A. use the Return on Investment Ratio
- B. do an Acid Test
- C. work out the supplier's EBITDA
- D. work out the supplier's gearing ratio

Answer: D (LEAVE A REPLY)

Greg needs to use a gearing ratio. Gearing is a measure of how the business is being funded and is based on the ratio of debt to equity Gearing comes up a lot in the exam. Also make sure you know what Return on Investment, Acid Test and EBITDA are.

Return on Investment (ROI): How to Calculate It and What It Means (investopedia.com)

EBITDA: Definition, Calculation Formulas, History, and Criticisms (investopedia.com)

Acid-Test Ratio: Definition, Formula, and Example (investopedia.com)

NEW QUESTION: 63

For what type of purchase would you use a Futures Exchange?

- A. Tail Spend
- B. Capital Expenditure
- C. Commodity
- D. High value, high risk

Answer: C (LEAVE A REPLY)

Futures exchanges are used to trade commodities. It's when a buyer and supplier agree a price and deal for something in the future. For example a carrot farmer may agree to sell his carrots to Gary in 3 months time when they're finished growing. It's used when the product / commodity isn't ready yet.

It's also used for hedging and other complex financial stuff- but you don't need to know that yet. Commodities and Future contracts are a big part of L5M4 to warn you though. Futures Contract Definition: Types, Mechanics, and Uses in Trading (investopedia.com)

NEW QUESTION: 64

Foresters Plc is negotiating a new contract for the procurement of timber, a crucial component of its production operations. The company has incorporated environmental, social, and governance (ESG) reporting requirements into the contractual terms. Is this a valid approach?

- A. No, suppliers cannot be legally responsible for ESG compliance; this should be the buying organization
- B. Yes, this helps to demonstrate the importance of compliance to ESG
- C. No, ESG is not within the scope of a contractual document and should always be treated informally
- D. Yes, providing the contract does not require a supplier to do anything differently for ESG than they have done previously

Answer: (SHOW ANSWER)

Incorporating ESG requirements into contractual terms is a valid and increasingly common approach. It ensures that suppliers are contractually obligated to adhere to specific environmental, social, and governance standards, aligning with the buyer's commitment to responsible sourcing. This practice not only promotes ethical behavior but also mitigates risks associated with non-compliance, such as reputational damage or legal penalties.

Exact Extract from Study Guide:

"This unit focuses on responsible procurement practices, ensuring that sourcing decisions align with legal, environmental, and social governance (ESG) principles."

NEW QUESTION: 65

Which of the following can be undertaken by the buyer in relation to the governance of a supplier's ethical and sustainable behaviours?

- * Review the insurance clauses in the contract
- * Check that the supplier's internal policies are up to date
- * Check the supplier's conflict of interest register for their contract

* Review the non-disclosure agreement for their contract

- A. 1 and 3 only
- B. 1 and 4 only
- C. 2 and 3 only
- D. 2 and 4 only

Answer: C (LEAVE A REPLY)

Regularly checking supplier policies and conflict of interest registers helps ensure that suppliers are upholding ethical standards, which supports responsible sourcing practices. This governance activity aligns with ethical guidelines to promote transparency and prevent conflicts that could affect the integrity of the supply chain.

NEW QUESTION: 66

Why is it important, when awarding high-value contracts, for a buyer to conduct a financial assessment of a supplier?

- A. The buyer must ensure continuity of supply because financial problems of a supplier could affect the supply
- B. Financial assessments provide a holistic view of a company's capability, including quality and delivery performance
- C. A supplier who is highly profitable will be charging prices higher than the average market rate
- D. If a supplier has a high credit score, this means it pays its own suppliers late, which could result in stock outs

Answer: A (LEAVE A REPLY)

Financial assessments help ensure a supplier can meet the demands of a high-value contract without disruptions. This aligns with responsible sourcing principles by promoting stable supplier relationships and reducing the risk of supply chain interruptions due to financial instability.

NEW QUESTION: 67

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 (LEAVE A REPLY)

The balance sheet and profit and loss account provide a comprehensive view of an organisation's financial health, showing assets, liabilities, and profits. These statements are essential in evaluating a supplier's financial capacity, aligning with responsible sourcing practices for financial stability.

NEW QUESTION: 68

A Request for Quotation asks a supplier to submit a price only, with no other details provided. Is this TRUE?

- A. Yes- price is the only factor considered
- B. Yes- this ensures the cheapest supplier is appointed
- C. No - specifications, technical details and quantities can also be provided
- D. No - quotations provide samples too

Answer: (SHOW ANSWER)

Request for Quotations can include more details than just prices. They can include specs and technical drawings and samples. It's like saying 'we can give you this price with these conditions'.

The other no answer is wrong because RfQ don't always include samples. A sample wouldn't be possible for a quote for an IT consultancy piece of work.

NEW QUESTION: 69

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 make sure 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. Gearing ratio
- B. Acid test
- C. Profit and loss account
- D. Annual turnover

Answer: B (LEAVE A REPLY)

The acid test, also known as the quick ratio, measures a company's ability to cover its current liabilities with its most liquid assets, excluding inventory. It is a stringent indicator of short-term financial health. By requesting this ratio, the company can assess whether a potential supplier has sufficient liquidity to meet its obligations, which is crucial when procuring strategic items.

Reference:

CIPS Level 4 Diploma in Procurement and Supply, L4M4 Study Guide, Section 2.3: Financial Appraisal of Suppliers

NEW QUESTION: 70

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: (SHOW ANSWER)

The decision to make a product internally rather than sourcing it externally is influenced by several factors.

One of the primary considerations is the availability of in-house competencies and capacity. If an organisation possesses the necessary skills, technology, and resources to produce the required goods or services efficiently, it may opt for internal production to maintain control over quality, reduce costs, and protect proprietary information.

Exact Extract from Study Guide:

"Make or buy decisions take into account: product/service is core, the organisation's capacity to make, current market (cost saving with economy of scales and/or logistics), amount of competition."

NEW QUESTION: 71

Which of the following should form part of the initial evaluation process for non-domestic vendor supply proposals?

- A. Contract management
- B. Incoterm classifications
- C. Internal benchmarking
- D. Supplier development

Answer: B (LEAVE A REPLY)

In the initial evaluation of non-domestic vendor supply proposals, understanding and applying the correct Incoterm classifications is crucial. Incoterms (International Commercial Terms) define the responsibilities of buyers and sellers in international transactions, including the point at which risk transfers from seller to buyer.

Evaluating these terms early ensures clarity in logistics, costs, and risk management.

Exact Extract from Study Guide:

"When sourcing from international suppliers, it is important to be aware of the key legislative and regulatory requirements in both the home country as well as the country of origin. Depending on product and service type, for example, you may need to consider product safety measures, industry regulations, and environmental regulations. In terms of organizational requirements, it is important to pay attention to details such as applicable payment terms and local labor practices."

NEW QUESTION: 72

Philip is a procurement manager at XYZ Company which imports raw materials from abroad. Suppliers 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 (LEAVE A REPLY)

The correct answer is 'no- quoting in the supplier's currency increases the risk for the buyer'. This question comes up in a variety of formats in the exam. Remember; if the price is in your own currency (most examples in the exam are given in £) there is less risk than if the prices are quoted in a foreign currency. This is because exchange rates fluctuate; if the price is in £ you always know what you're paying, if it's in another currency the price can change daily depending on if the exchange rate compared to £ has gone up or down.

NEW QUESTION: 73

What is a risk of pre-warning a supplier that you will conduct an audit of their facilities?

- A. they will not be able to make that time and date
- B. they will not perform regular duties that day
- C. they will not achieve KPIs
- D. they may coach staff in what to say

Answer: D (LEAVE A REPLY)

A risk of pre-planning an audit is the supplier has time to prepare for it. It's a good thing in that they can get their paperwork in order but the downside is they can overprepare so you don't get a realistic representation of what they're doing. One way they can do this is coaching staff in what to say to the auditors.

NEW QUESTION: 74

Rules regulating the type of goods and the volume that can be imported into a country or trade block are commonly known as what?

- A. duties
- B. profits
- C. tariffs
- D. laws

Answer: (SHOW ANSWER)

This is tariffs. Be careful not to confuse tariffs and duties; tariffs = rules and duties = payments.

NEW QUESTION: 75

Which of the following would you use to work out a company's gearing ratio? Select TWO.

0current liabilities

- A. shareholder equity
- B. long term debt
- C. net profit
- D. gross sales

Answer: (SHOW ANSWER)

Gearing measures how much of an organisation's long-term funding is made up of long term debt and loans.

Therefore the correct answers are 'shareholder equity' and 'long term debt'.

There are many question about financial ratios that can come up on the exam. If you're unsure on them I suggest doing further reading outside of the study guide as this will help. I like this youtube video (I'm not associated with the makers of this video but think they're really good at explaining things to beginners) Gearing Ratio explained (youtube.com)

NEW QUESTION: 76

What is a risk of pre-warning a supplier that you will conduct an audit of their facilities?

- A. they will not achieve KPIs
- B. they may coach staff in what to say
- C. they will not perform regular duties that day
- D. they will not be able to make that time and date

Answer: B (LEAVE A REPLY)

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NEW QUESTION: 77

How can a buyer monitor a supplier's ethical workforce standards throughout a long-term contract?

- A. Check the International Labour Organisation's database regularly for information specifically about that supplier
- B. Request a completed self-assessment by the supplier on a monthly basis
- C. Commission periodic audits by specialist third parties to highlight any malpractice
- D. Contact management directly on a periodic basis, as stipulated in contract terms

Answer: (SHOW ANSWER)

Conducting periodic audits by third-party specialists is a reliable way to monitor compliance with ethical standards, as these audits provide an objective assessment. This aligns with ethical sourcing practices, as it promotes accountability and ensures continuous adherence to agreed-upon standards.

NEW QUESTION: 78

A buyer has discovered their supplier has taken the passports of some of their workforce. The supplier has offered the buyer a discount against the contract, but the discount only applies if the buyer does not report this finding. Which ethical concerns should the buyer report to the necessary stakeholders?

- * Fraudulent activity
- * Bribery
- * Modern slavery
- * Breach of confidentiality

- A. 2 and 3 only
- B. 1 and 3 only
- C. 1 and 4 only
- D. 2 and 4 only

Answer: (SHOW ANSWER)

The withholding of passports is a potential indication of modern slavery, and the offer of a discount to avoid reporting this is a form of bribery. Reporting these ethical concerns aligns with responsible sourcing practices and is critical for maintaining a supply chain free from human rights abuses.

NEW QUESTION: 79

Which of the following characteristics are likely to be required within sourcing processes undertaken in the public sector?

- * An emphasis on long-term supplier relationships where possible
- * Maintaining service levels within value and cost parameters
- * All dealings between buyers and suppliers are kept confidential
- * A competitive tendering process is usually encouraged

- A. 2 and 4 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1 and 3 only

Answer: (SHOW ANSWER)

Public sector sourcing prioritises maintaining service levels within budget constraints and often mandates competitive tendering to promote transparency and fairness. These principles align with ethical sourcing practices, ensuring responsible expenditure and fair competition among suppliers.

NEW QUESTION: 80

If a company is described as 'liquid' what does this mean?

- A. the company is funded on equity rather than debt
- B. the company spends a lot of money
- C. the company is highly profitable
- D. the company has enough money to pay short-term liabilities

Answer: D (LEAVE A REPLY)

liquid = the ability to pay short and medium term debts. In simple terms do you have more in stuff (money, assets) than you owe in debt?

Understanding Liquidity and How to Measure It (investopedia.com)

This is a hot topic for the exam. Learn everything in this section.

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