

**CIPS Level 5 – Advanced Diploma in Procurement and Supply**

# **Advanced Negotiation**

## **[L5M15]**

**Sample Exam Questions (Objective Response)**

**The correct answer will be listed below each question**

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Q1. Which type of negotiation is defined by one party having a fixed idea, using their power as leverage or being satisfied with a win-lose outcome?

- a. Integrative
- b. Principled
- c. Influential
- d. Positional

LO: 2

AC: 2.2

Correct answer: D

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Q2. A category manager is negotiating with an important supplier and is concerned that progress is too slow. The supplier has already offered a significant pricing reduction. In response, the category manager agrees to modify the specification to suit the supplier's processes. Both parties have moved further than they had planned. The category manager's response could be described as ...

- a. an implied threat
- b. a reciprocated concession
- c. a take it or leave it reply
- d. an authoritative position

LO: 1

AC: 1.2

Correct answer: B

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Q3. The CPO of a major organisation has a meeting planned with a key internal stakeholder who the CPO has not previously met. The CPO is meeting them to build rapport and to find out the stakeholder's needs, to ensure these will be satisfied by the future procurement strategy. Which type of question would the CPO be likely to use the most in this situation?

- a. Leading
- b. Closed
- c. Direct
- d. Open

LO: 1

AC: 1.2

Correct answer: D

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Q4. According to recognised theory, which of the following are generally regarded as providing sources of motivation for employees?

1. Technology
  2. Recognition
  3. Policies
  4. Empowerment
- a. 1 and 3 only
  - b. 2 and 3 only
  - c. 2 and 4 only
  - d. 1 and 4 only

LO: 3

AC: 3.2

Correct answer: C

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Q5. Mutual trust is most important in which types of relationships?

1. Joint venture
  2. Closer tactical
  3. Partnership
  4. Arm's length
- 
- a. 1 and 2 only
  - b. 1 and 3 only
  - c. 3 and 4 only
  - d. 2 and 4 only

LO: 2

AC: 2.1

Correct answer: B

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Q6. A recently appointed procurement manager has a meeting with an important stakeholder who needs to be influenced. They are of an equivalent seniority level. The procurement manager is planning to meet them first over a coffee in the staff canteen to get to know them. Is this the right course of action?

- a. No, first meetings should always be more formal and minuted
- b. Yes, this will build rapport and make influencing more effective
- c. Yes, buying someone a coffee is a form of bargaining which can be traded in the negotiation
- d. No, meeting in the staff canteen for a coffee is unprofessional and unethical

LO: 3

AC: 3.1

Correct answer: B

Q7. There has been a significant breach of contract by a supplier. Extensive negotiations over many months have not resolved the contractual issues and the procurement organisation have incurred substantial additional costs as a result of the supplier's failure. Must the procurement organisation pursue litigation as the next stage in the dispute?

- a. Yes, for serious breaches once negotiation has failed the matter must be decided by the courts
- b. Yes, because this will ensure the supplier continues to deliver the rest of the contract
- c. No, there are other remedies that could be explored before using the legal processes
- d. No, the courts will have to see that other resolution options have been explored fully first

LO: 3

AC: 3.1

Correct answer: C

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Q8. When entering into negotiation with a supplier as a buying team, which of the following should the team consider before the negotiation? Select **THREE** that apply.

- a. What roles will the buying team need to fulfil?
- b. Who will take minutes during the meeting?
- c. When will we rehearse before the meeting?
- d. How the supplier will communicate the negotiation outcomes?
- e. A review the negotiation outcomes
- f. Who will be blamed if negotiations fail?

LO: 1

AC: 1.1

Correct answer: A, B & C

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Q9. Martin, a buyer from Motor Company Ltd, had prepared in readiness for a negotiation with a strategic supplier. The price that Martin needed the supplier to agree to was not negotiable. However, factors such as payment terms, order quantities and delivery dates gave him some flexibility. What is the term used for such factors, apart from price in this case, which enable movement within a negotiation?

- a. Outcomes
- b. Reductions
- c. Strategies
- d. Concessions

LO: 1

AC: 1.2

Correct answer: D

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Q10. Leadership style and supply chain factors can influence employees, their decisions and actions. There are four category heads within an organisation, each with a different style of leadership. They are running team meetings to discuss supply chain ethical issues.

Category 1 – This category head starts the meeting by explaining the challenge and saying “so, let’s have a vote on what we should do next”. The issue they are concerned with is how to find out if anyone in the supply chain is giving or taking an inducement to influence another party.

Category 2 – This category manager has already made the decision and starts the meeting saying “OK, this is how we’re going to do it”. Their concern focuses on the abuse of power for gain, often for personal gain, within the supply chain.

Category 3 – This category manager is very relaxed. After some general discussion and a coffee, he says to team members “we all know the issue - you decide how to tackle it”. They have been informed by an independent third party of possible supply chain malpractices which amount to deliberate deception with the specific intention of gaining an advantage.

Category 4 – This category manager opens the meeting with a question- “Let me know what you think we should do about this”. He goes on to explain that some supply chain behaviours are not aligned with the procurement organisation’s own moral principles.

You are required to match each leadership style and supply chain factor to each category, based on the descriptions provided.

Choose from these options and drag and drop your answers into the table below. [8]

You can only use each option once.

Bribery	Fraud
Laissez-faire style	Consultative style
Ethics	Democratic style
Autocratic style	Corruption

Category	Supply chain ethical factor	Leadership style
1		
2		
3		
4		

LO: 2 & 3

AC: 2.2 & 3.2

Correct answer:

Category	Supply chain ethical factor	Leadership style
1	Bribery	Democratic style
2	Corruption	Autocratic style
3	Fraud	Laissez-faire style
4	Ethics	Consultative style

Q11. Which of the following is a benefit of team negotiating compared to negotiating individually?

- a. Ability to influence the other party
- b. Ease of choice of location between the parties
- c. Involvement of wider range of experts
- d. Can set a range of targets

LO: 1

AC: 1.1

Correct answer: C

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Q12. Omar is a procurement graduate for Ingen, a UK manufacturing company. He is planning a negotiation with a supplier of consumable cleaning products, which are categorised at Ingen as non-critical. Omar's target for the negotiation is to reduce the cost of the contract by at least 2%. He believes that the supplier thinks of Ingen as a nuisance customer, as Ingen's spend equates to around 1% of the supplier's overall turnover, and only buys a small number of the supplier's available products. Which of the following are the supplier's potential likely objectives during the negotiation? Select **TWO** that apply.

- a. Agree the shortest possible payment terms for its invoices
- b. Assign a permanent account manager to Ingen's account
- c. Gain agreement to develop bespoke products for Ingen
- d. Design a sophisticated new ordering system for Ingen to use
- e. Increase the value of the products bought through the contract

LO: 1

AC: 1.2

Correct answer: A & E

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Q13. Which of the following are examples of 'open' questions?

1. How many of the deliveries per week will be made?
  2. How do you plan to meet our requirements for the new product?
  3. Will you be able to generate the 10% savings we need within the timescale?
  4. What might be the impact of the weather on your delivery performance?
- a. 1 and 2 only
  - b. 2 and 4 only
  - c. 1 and 3 only
  - d. 3 and 4 only

LO: 1

AC: 1.2

Correct answer: B

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Q14. Demonstrating which of the following characteristics to the other party is the most important when attempting to build a good and sincere working relationship?

1. Trust
  2. Logic
  3. Integrity
  4. Leadership
- 
- a. 1 and 2 only
  - b. 2 and 4 only
  - c. 1 and 3 only
  - d. 3 and 4 only

LO: 2

AC: 2.1

Correct answer: C

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Q15. The use of clear contractual terms and conditions will avoid any issues when dealing with a supplier based in another country. Is this correct?

- a. Yes, because the contract documentation will clearly cover everything about the relationship.
- b. No, because cultural differences between the parties are quite difficult to address in purely contractual terms.
- c. Yes, because a contract will ensure that issues will never arise in the relationship.
- d. No, because it is not possible to agree terms and conditions with an international supplier.

LO: 2

AC: 2.2

Correct answer: B

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Q16. Creating an effective alliance should always be the goal of the procurement professional in every negotiation with a supplier. Is this correct?

- a. Yes, the aim of all parties should always be to achieve a win/win.
- b. No, the approach is only valid in competitive negotiations.
- c. Yes, this will ensure that a reasonable compromise is reached.
- d. No, only where it is considered to be the most suitable approach.

LO: 3

AC: 3.1

Correct answer: D

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Q17. Conflict might arise between two negotiating parties due directly to which of the following? Select **TWO** that apply.

- a. Regular communication
- b. Partnership working
- c. Personality clash
- d. The need to summarise
- e. Different perceptions

LO: 3

AC: 3.1

Correct answer: C & E

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Q18. Positive supplier motivation will typically be enhanced by which of the following on contracts? Select **THREE** that apply.

- a. Being paid on time
- b. Retaining the customer's business
- c. Reduced service standards
- d. Encouraging open market competition
- e. Earning an acceptable profit margin
- f. The buyer varying the specification

LO: 2

AC: 2.1

Correct answer: A, B & E

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Q19. A procurement professional (PP) is preparing for a negotiation with one of the organisation's most important suppliers. Due to staff turnover, the supplier has experienced some minor performance issues but has promised to resolve these soon. The contract is approaching the end of year three and has a further seven years left to run, with the option of an extension of a further two years. The contract is very high value and is viewed by the procurement organisation as high risk with equally high complexity.

To achieve a mutually acceptable and positive outcome, using a principled approach to the negotiations, which of the following will be important for the PP to concentrate on during the negotiation?

1. Separate the people from the problem
  2. "Win" the negotiation at all costs
  3. Avoid any concessions to the supplier
  4. Focus on interests and not on positions
- a. 1 and 2 only
  - b. 2 and 3 only
  - c. 3 and 4 only
  - d. 1 and 4 only

LO: 2

AC: 2.2

Correct answer: D

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Q20. Why is sharing of information a key part of achieving a win-win outcome from a negotiation? Select **TWO** that apply.

- a. It builds mutual trust as each party will return the trust shown in them by the other
- b. It gives the buying party important information that it can use to negotiate lower prices
- c. It allows the buyer to improve its specification to get better offers from other suppliers
- d. It allows both parties to offer solutions that will help solve the other parties' issues
- e. It gives the supplying party important information to negotiate a longer contract term

LO: 2

AC: 2.2

Correct answer: A & D

SAMPLE QUESTIONS