

CIPS Level 6 – Professional Diploma in Procurement and Supply

Strategic Programme Leadership [L6M5]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question

Q1. AB Manufacturing (ABM) has been in business for the last twenty years. During this time its directors and senior managers have not changed. ABM has been successful, because these directors and senior managers have inspired the workforce to strive for continuous improvement. Which of the following has had the most direct influence on ABM's organisational culture?

- a. Risk awareness
- b. Acceptance of failure
- c. Leadership style
- d. Supply chain efficiency

LO: 3

AC: 3.1

Correct answer: C

Q2. Model contract forms are frequently used because of which of the following?

- 1. They encourage greater use of 'soft' remedies
 - 2. They have broad acceptance in some industries
 - 3. They will eliminate most supply chain risks
 - 4. They avoid the need to create bespoke terms
- 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

Q3. When undertaking a high value and long-term investment appraisal, which of the following are the most important considerations?

1. Competitor information
 2. Supplier appraisals
 3. Cash outflows
 4. Discount factor
- a. 1 and 2 only
 - b. 2 and 4 only
 - c. 1 and 3 only
 - d. 3 and 4 only

LO: 1

AC: 1.4

Correct answer: D

Q4. When attempting to understand a supplier's product pricing methods, it is useful to identify the fixed and variable cost drivers. Is this **TRUE**?

- a. Yes, because if these costs could be reduced the supplier's profit margin would fall
- b. No, because suppliers would never share this information as it is confidential
- c. Yes, because there might be potential economies by increasing order quantities
- d. No, because product pricing is mostly driven by external factors rather than costs

LO: 2

AC: 2.1

Correct answer: C

Q5. The use of value engineering can maximise value for the organisation by supporting the optimisation of product design. Is this **TRUE**?

- a. Yes, reducing costs or improving functionality can be achieved through value engineering
- b. No, value engineering cannot easily be applied within the typical product design process
- c. Yes, using value engineering will lead to much higher levels of stakeholder engagement
- d. No, value engineering is more suitable for use in organisational rather than product design

LO: 2

AC: 2.1

Correct answer: A

Q6. An organisation's culture can be identified directly through which of the following? Select **ALL** that apply.

- a. Its competitors
- b. Its equipment
- c. Its values
- d. Its technology
- e. Its behaviours
- f. Its credit rating
- g. Its stakeholders

LO: 3

AC: 3.1

Correct answer: C & E

Q7. Which of the following are recognised tools of persuasion? Select **ALL** that apply.

- a. Logic
- b. Culture
- c. Performance
- d. Threat
- e. Communication
- f. Emotion
- g. Information

LO: 3

AC: 3.3

Correct answer: A, D & F

Q8. The programme director (PD) for International Products Group (IPG), a major manufacturer of consumer products, has been tasked with finalising project budgets for the upcoming financial year. There are numerous projects within the programme and creating accurate budgets is always a significant challenge for the PD. In particular, they find it difficult to allocate overheads accurately across the various projects.

In addition, the PD has difficulty in identifying the precise financing cost relating to each project. The specific challenges faced by the PD relate to which of the following costs?

1. Investment costs
 2. Indirect costs
 3. Interest costs
 4. Infrastructure costs
- a. 1 and 2 only
 - b. 2 and 3 only
 - c. 3 and 4 only
 - d. 1 and 4 only

LO: 2

AC: 2.1

Correct answer: B

Q9. Here are five organisations with different types of culture that are influenced by different cultural web elements.

Organisation 1 – authority is held by just a small number of senior people whose influence spreads throughout the whole organisation. There are few rules and regulations because this small group of people decides what happens. The culture is reinforced by staff talking about past events.

Organisation 2 - teams are frequently formed to address specific issues and to progress important projects. The emphasis is very much on the work required to deliver the project. In some respects, this work becomes more important than the individuals. The culture is reinforced by specific events that take place across the organisation, often encouraging staff to interact with each other.

Organisation 3 – this organisation is rules-based where all staff have a clear understanding of their respective responsibilities. Power is determined by a person's position in the hierarchy.

Organisation 4 - individuals very much see themselves as unique within the organisation. The organisation is perceived to exist, at least in part, in order for people to come together to work. The culture is highly influenced by recognisable expressions relating to the organisation itself, including its branding and corporate identity.

Organisation 5 – there is a highly centralised authority within the organisation. The culture is further influenced by the systems and procedures used to manage people, including budgetary, quality and reward systems.

You are required to identify the type of culture for each organisation and the relevant cultural web influence.

Choose from these options and drag and drop your answers into the table below. **(10 marks)**

You will need to use some options more than once.

Person culture	Symbols
Power culture	Organisation structure
Rituals	Role culture
Task culture	Stories
Controls	Power culture

Organisation	Type of culture	Cultural web influence
1.		
2.		
3.		
4.		
5.		

LO: 3

AC: 3.1

Correct answer:

Organisation	Type of culture	Cultural web influence
1.	Power culture	Stories
2.	Task culture	Rituals
3.	Role culture	Organisation structure
4.	Person culture	Symbols
5.	Power culture	Controls

Q10. Major Construction Group (MCG) is planning a new project. It has a clear outline of its full requirements and perceives its lowest risk to be using a single supplier for the entire project. This supplier will take the project from concept to completion of the works. Which type of contracting option will be the most appropriate?

- a. Complete and operate
- b. Design and build
- c. Design and maintain
- d. Build and operate

LO: 1

AC: 1.1

Correct answer: B

Q11. The legal solution 'specific performance' is only available in which circumstances?

- 1. Where damages alone are insufficient
- 2. Where an adequate like-for-like replacement is not available
- 3. Wherever there is a serious breach of contract
- 4. Where the supplier has gone into administration

- a. 1 and 2 only
- b. 1 and 3 only
- c. 2 and 3 only
- d. 2 and 4 only

LO: 2

AC: 2.3

Correct answer: A

Q12. A target costing approach can be effective in encouraging suppliers to reduce their own cost base. Is this statement **TRUE**?

- a. No, because with target costing the buyer agrees to cover the supplier's costs over the contract term in full
- b. No, because with target costing the supplier is able to change the costs at any time before invoicing
- c. Yes, because with target costing the supplier will always identify savings and share these with the buyer
- d. Yes, because with target costing the total price is agreed up-front and the supplier can only invoice this amount

LO: 1
AC: 1.3
Correct answer: D

Q13. KV Banking Group (KVBG) is going through a large change programme. Contracts with existing suppliers are being renegotiated. KVBG's management is offering suppliers longer term contracts in return for price reductions. For those that do not reduce their pricing, notice is being served to terminate contracts, and new suppliers will be recruited. Which tools are KVBG's management using?

1. Logic
 2. Bargaining
 3. Authority
 4. Coercion
-
- a. 1 and 2 only
 - b. 1 and 3 only
 - c. 3 and 4 only
 - d. 2 and 4 only

LO: 3
AC: 3.3
Correct answer: D

Q14. Which of the following are recognised differences between cultures that should be considered when negotiating? Select **ALL** that apply.

- a. Uncertainty avoidance
- b. Preparation
- c. Power distance
- d. Individualism versus collectivism
- e. Terms and conditions
- f. Financial analysis
- g. Appraisal techniques

LO: 3
AC: 3.2
Correct answer: A, C & D

Q15. Advanced Wind Power Group (AWPG) is planning the next phase of its expansion and needs to invest heavily in new turbines. Its existing shareholders have already committed to provide additional funds. The board has commissioned a detailed financial appraisal of the options. Its chief financial officer (CFO) is leading the project, and four different options have been evaluated. The CFO is currently reviewing the net present values of each option. Prior to the detailed financial appraisal, the CFO had already undertaken a quick analysis using the payback method. Option one produced the best results based on estimated total outflows of €75,000,000 and annual inflows of €12,000,000.

In addition, the CFO and chief procurement officer (CPO), together with marketing colleagues, are investigating ways to enhance existing products. They have formed a project team with the goal of attempting to enhance product functionality from the customer's perspective and are investigating opportunities within the supply chain to achieve this, as well as potentially generating cost savings.

AWPG's leading product, the X231 turbine, involves a collaborative agreement with VOM Inc. The contract is currently being renegotiated for a further five years. The CPO would like to have greater transparency of VOM's relevant expenditures and profit margin on the components supplied to AWPG.

Q15 (i) Which of the following has been used in the calculations currently under review by the CFO?

- a. Discount rate
- b. Bank rate
- c. Real rate
- d. Return rate

LO: 1

AC: 1.4

Correct answer: A

Q15 (ii) The result of the CFO's quick payback analysis is ...

- a. 16 years
- b. 6 years
- c. 9 years
- d. 7 years

LO: 1

AC: 1.4

Correct answer: D

Q15 (iii) What is the main drawback to the tool used by the CFO to undertake the quick analysis?

- a. It is complex to use
- b. It does not consider costs
- c. It ignores the time value of money
- d. It cannot be used to compare different options

LO: 1

AC: 1.4

Correct answer: C

Q15 (iv) The project team is involved in which of the following?

- a. Supply chain mapping
- b. Value engineering
- c. Purchase price cost analysis
- d. Critical path analysis

LO: 2

AC: 2.1

Correct answer: B

Q15 (v) Which of the following would achieve the CPO's goal in respect of the future contract with VOM Inc?

- a. Open book costing
- b. Cost reimbursable contract
- c. Cost plus terms
- d. Activity based costing

LO: 2

AC: 2.1

Correct answer: A