

## L4M5 Exam Questions Dumps, Selling CIPS Products [Q64-Q86]



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L4M5 Exam Questions Dumps, Selling CIPS Products  
L4M5 Cert Guide PDF 100% Cover Real Exam Questions

### CIPS L4M5 Exam Syllabus Topics:

TopicDetailsTopic 1- How behaviours should change during the different stages of a negotiation- Compare the key communication skills that help achieve desired outcomesTopic 2- Building relationships based on reputation, and trust- Repairing a relationship- The relationship spectrumTopic 3- Team management and the influence of stakeholders in negotiations- Definitions of commercial negotiationTopic 4- Macroeconomics and its influence on commercial negotiations- Contrast the economic factors that impact on commercial negotiationsTopic 5- How purchasers can improve leverage with suppliers- The importance of power in commercial negotiationsTopic 6- Organisational power: comparing the relative power of purchasers and suppliers- Explain how the balance of power in commercial negotiations can affect outcomesTopic 7- Analyse the application of commercial negotiations in the work of procurement and supply- Negotiation in relation to the stages of the sourcing process

### NEW QUESTION 64

Personal power is only used in distributive approach. Is this statement true?

- \* Yes, because only distributive approach to negotiation requires strong personal power
- \* No, because personal power can be very helpful in integrative approach
- \* No, because only organisational power will optimise the negotiation outcomes
- \* Yes, because one party will abuse coercive power to maximise the gain

Explanation

Power, or more precisely perceptions of power, are critically important in understanding the commercial negotiation process. From a commercial negotiation point of view (under any circumstances, either integrative or distributive approach), CIPS is interested in power from both a personal and organisational perspective.

When you are negotiating on behalf of your employer, you bring the power of your organisation (its brand, reputation and purchasing spend) as well your own personal power (6 sources of personal power, based on French and Raven's power base model) to the negotiation.

In both integrative and distributive approaches, personal power plays an important role. It helps both parties push through negotiating barriers and secure commitment and final agreement LO 1, AC 1.3

### NEW QUESTION 65

Which of the following are most likely to be fixed costs of an airline? Select TWO that apply.

- \* Purchase of aircraft
- \* Catering services
- \* Advertising and promotion
- \* Flightcrew training
- \* Fuel

Explanation

Fixed costs (FC) are costs that do not vary with volume. To an airline once aircraft are purchased, flight crews trained and departures scheduled, costs are disproportionately fixed.

Variable costs (VC) are those which vary with the amount produced. Fuel, catering services and marketing are examples of variable.

LO 2, AC 2.1

### NEW QUESTION 66

A procurement professional is preparing for a negotiation with supplier. She is setting targets for price which her company is seeking to achieve. Which of the following acronyms can help her identify limits before engaging in the negotiation?

- \* MIL
- \* RAQSCI
- \* TIMWOOD
- \* PPCA

MIL criteria indicate 3 limits that negotiator should establish:

M; Must achieve: minimum target/maximum you can concede on this point; the mandatory requirement or fall back position I; Intend to achieve: realistic target you are aiming for on this point L; Like to achieve: stretch target to achieve on this point.

PPCA is purchase cost analysis

TIMWOOD indicates 7 types of waste in Lean principles

The RAQSCI model is a mnemonic summary of a business model used to define and structure business requirements

### NEW QUESTION 67

Which of the following are most likely to be direct costs of a steel manufacturer? Select THREE that apply.

- \* Cleaning services
- \* Coal
- \* Senior management salary
- \* Insurance for production lines
- \* Scrap metal
- \* Hourly production wages

Direct costs are those costs of a product/service directly attributable/traceable to its production. Examples of direct costs including the following:

Materials and services bought-in: In steel manufacturer, raw materials are iron ores, scrap metal, coals, etc Labour or wages: money paid to staff for the work involved in producing the product.

Other expenses: other charges incurred that can be specifically attributed to a particular product, batch or service

### NEW QUESTION 68

Which of the following are tools that help procurement visualise cost breakdowns of products and services purchased from supplier?

1. Spend candlesticks
  2. Spend tree
  3. Aggregate expenditure model
  4. Spend waterfall
- \* 2 and 4 only
  - \* 3 and 4 only
  - \* 1 and 2 only
  - \* 1 and 3 only

Understanding where and with whom your supplier spends their money, or understanding the 'cost breakdowns'; or 'price build-up'; of the goods and services you purchase from the supplier, will help you know where and when they can offer price concessions.

Cost information can be expressed with more impact through graphs that can be created using Excel and PowerPoint or other softwares. There are two commonly used models known as 'spend waterfall'; and 'spend tree';. Spend waterfall shows the build-up of costs, while the spend tree shows all the spends that an organisation makes.

There is no graph known as 'spend candlesticks';. Candlestick chart is a style of financial chart used to describe price movements of a security, derivative, or currency.

The aggregate expenditure model is a method of calculating GDP. The aggregate expenditure model focuses on the relationships between production (GDP) and planned spending:  $GDP = \text{planned spending} = \text{consumption} + \text{investment} + \text{government purchases} +$

net exports.

### NEW QUESTION 69

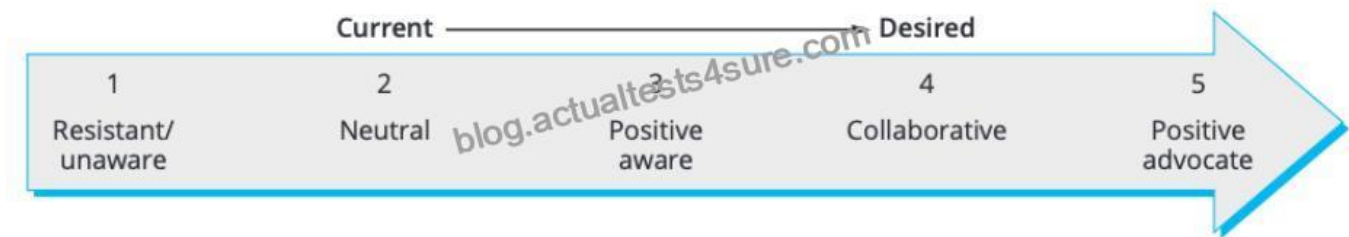
Which of the following is the purpose of using stakeholder support level scale?

- \* To identify stakeholder level of influence and interest and plot them on stakeholder map
- \* To identify stakeholder's needs and expectations
- \* To estimate the gap and the progress towards desired levels of support
- \* To identify key stakeholders

Explanation

In order to estimate the gap and the progress towards desired level of support, a stakeholder support scale can be used by the procurement internally. The support level scale measures stakeholder commitment. Current support level for the procurement/negotiation objectives should be gained from engagement with key stakeholders. The following is an example of stakeholder support level scale:

Graphical user interface, application Description automatically generated



LO 1, AC 1.1

### NEW QUESTION 70

To buying organisation, savings can be achieved from different saving levers or tactics. Which of the following are means that deliver savings through optimising specifications?

- \* Value engineering
- \* Part substitution
- \* Budgetlinkages
- \* Compare total cost of ownership
- \* Volume pooling

If driving greater value and efficiency from your supply base is your end, you should remember that there are many ways to do this without seeking to negotiate lower prices. Below are 7 types of saving levers:

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Saving levers & tactics						
Volume concentration	Demand management	Best price evaluation	Global sourcing	Specification improvement	Joint process improvement	Relationships restructuring
<ul style="list-style-type: none"> <li>Supplier reduction</li> <li>Volume pooling</li> <li>Volume redistribution</li> <li>Volume consolidation across categories</li> <li>Standardisation</li> <li>Buying consortia</li> </ul>	<ul style="list-style-type: none"> <li>Lower price product/service</li> <li>Approvals</li> <li>Visibility</li> <li>Budget linkages</li> </ul>	<ul style="list-style-type: none"> <li>Benchmark internal prices</li> <li>Model 'should' costs</li> <li>Compare total cost of ownership</li> <li>Competitive bidding</li> <li>Index/cap prices</li> <li>Commodity hedging</li> </ul>	<ul style="list-style-type: none"> <li>International suppliers</li> <li>Unbundling</li> <li>Exchange rate hedging</li> <li>Exchange rate price indexing</li> <li>Price indexing</li> </ul>	<ul style="list-style-type: none"> <li>Rationalise/standardise parts</li> <li>Part substitution</li> <li>Off the shelf versus custom</li> <li>System versus component</li> <li>Value engineering</li> <li>Life-cycle costs</li> </ul>	<ul style="list-style-type: none"> <li>Process re-engineering</li> <li>Integrated logistics</li> <li>Joint product development</li> <li>Long-term contracts</li> <li>Call-off ordering</li> <li>Online trading</li> <li>Vendor managed inventory</li> <li>On-site support</li> </ul>	<ul style="list-style-type: none"> <li>Make versus buy/outsourcing</li> <li>Alliances/partnerships</li> <li>Joint ventures</li> <li>Supplier development</li> <li>Use manufacturers instead of distributors</li> </ul>

**NEW QUESTION 71**

Which type of power is considered the opposite of coercive power?

- \* Referent power
- \* Informational power
- \* Reward power
- \* Expert power

Explanation

The coercive power comes from the belief that a person can punish others for non-compliance. It can be considered as opposite to reward power, which results from one person's ability to compensate or reward another for compliance.

LO 1, AC 1.3

**NEW QUESTION 72**

Which of these personal power bases stems from the manager's position in the organisation and the authority that lies in that position?

- \* Coercive power
- \* Legitimate power
- \* Expert power
- \* Reward power

Explanation

Legitimate power comes from the belief that a person has the formal right to make demands, and to expect others to be compliant and obedient. Legitimate power comes from rules, formal authority, organisation rank, staff grade or official position held. In

commercial negotiation, legitimate power can be demonstrated by job title and rank.

LO 1, AC 1.3

### NEW QUESTION 73

An organisation is developing the specification for a capital purchase project. An important stakeholder has doubt on the draft specification. The buyer invites him to the product function meetings. In these meeting the attendees can raise their concerns, the specification development team takes in all the concerns and adjusts the specification accordingly. What kind of technique is the specification development team using?

- \* Directive
- \* Persuasive reasoning
- \* Coalition
- \* Visionary

In the scenario, anyone who has concerns can join a meeting to raise their thoughts. The project team takes the stakeholders' ideas into account. This is known as coalition: A group of people or organisations come together and work collaboratively to achieve some goals. Specifically in this scenario, the goal is creating a high-quality and unified specification for an important project.

### NEW QUESTION 74

Which of the following are most likely to be the potential cultural differences that can make transactions with an international supplier more problematic than with local suppliers? Select TWO that apply.

- \* Incoterms and logistics difficulties
- \* The use and interpretation of body language
- \* Currency exchange fluctuation
- \* The importance of timescales
- \* Payment mechanism

Explanation

The question requires student to detect factors of cultural differences. Problems may occur on the international scene with such things as the importance of extending courtesy between cultures, the importance of timescales, the use of negotiating ploys, the sense of 'fair play', the use and interpretation of body language, the role of women in negotiations (or indeed, in business in general), the importance of status, the role of conflict, standards of dress and deportment and the readiness to ignore or uphold contract terms and conditions.

LO 3, AC 3.3

### NEW QUESTION 75

Which of the following is the definition of safety margin?

- \* The difference between current or forecasted sales and sales at the break-even point
- \* The amount of revenue that remains after subtracting costs directly associated with production
- \* The production level at which total revenues for a product equal total expenses
- \* The incremental money generated for each product/unit sold after deducting the variable costs

As a financial metric, the margin of safety (safety margin) is equal to the difference between current or forecasted sales and sales at the break-even point. The margin of safety is sometimes reported as a ratio, in which the aforementioned formula is divided by current or forecasted sales to yield a percentage value. The figure is used in both break-even analysis and forecasting to inform a firm's management of the existing cushion in actual sales or budgeted sales before the firm would incur a loss.

This is a question that a student met in her actual exam. The margin of safety is not even mentioned in the CIPS study guide.

### NEW QUESTION 76

It may be more difficult to buy on a credit from supplier who locates in a country with a hyperinflation? Is this assumption true?

- \* No, because supplier's bank will take risks from currency fluctuation
- \* Yes, because the supplier's currency will lose its value overtime
- \* Yes, because buyer has more advantage if they make payment in their own currency
- \* No, because the higher the inflation rate, the stronger the supplier's currency

If the inflation rate is running high, then obtaining credit as a buyer is normally more difficult or expensive as money in the future will be worth less than money today.

### NEW QUESTION 77

Should a buyer use closed questions in a negotiation?

- \* Yes, because closed questions help to reconfirm certain facts
- \* Yes, because they urge the supplier to provide more detailed Explanation::
- \* No, the buyer should maximise the use of open questions
- \* No, supplier will consider closed questions as provocation

Asking questions the right way is both an art and a science. Ask the question the wrong way, and the other negotiator might act like a turtle, becoming defensive and withdrawing into their shell. Ask the question the right way, and the other negotiator might spill the beans.

Closed Questions: How and when to use them?

Closed questions are those that require a short and focused answer, and are especially helpful in the beginning stages of the negotiation to encourage interaction. They can be used to clarify a point, or to reconfirm certain facts. For example, you can use a closed question to confirm the amount of units the company can produce in a week, or to clarify that what they are really saying is that they don't feel comfortable outsourcing their accounts to India. Most closed questions only require a simple 'yes' or 'no' response, so there really isn't much room for misinterpretation; great for finding out where both you and they stand.

### NEW QUESTION 78

Which of the following types of questions should be used most often in the proposing phase?

- \* Hypothetical questions
- \* Probing questions
- \* Closed questions
- \* Open questions

Explanation

At the proposing phase either side may start making tentative proposals regarding their offering. In the case of negotiation where TOP has already submitted a tender or proposal, this stage may provide an opportunity for them to make proposals to improve on their initial offers in general or in areas highlighted by the buying side in advance.

The word 'if' is very useful at this stage and allows you to test tentative proposals without committing yourself.

Skilled negotiators use language very carefully. The questions with 'if' are hypothetical ones.

LO 3, AC 3.1

### NEW QUESTION 79

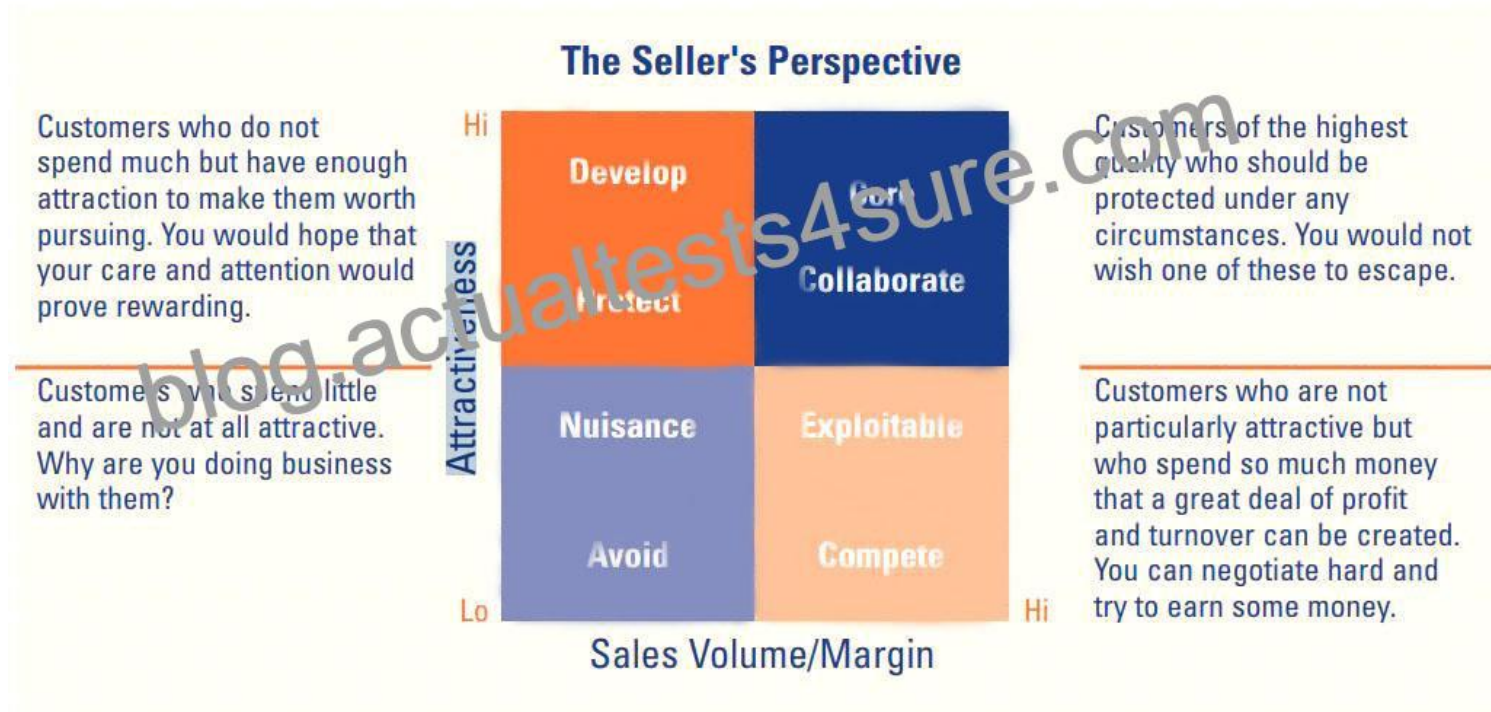
SBL provides contract bathroom furniture and fittings for a wide variety of domestic and commercial clients.

To some suppliers, SBL spend claims a large portion of their revenue. But SBL is famous for imposing draconian obligations on these suppliers. Which of the following is most likely to be overarching objective of these suppliers to SBL?

- \* Charge a higher price to compensate for all the pain SBL has put
- \* Win and keep business with SBL at any costs, even without profits
- \* Drop the business with SBL immediately
- \* Hold on and keep SBL happy but make sure that the business is profitable

According to Paul Steele's &#8217;s Perspective, customer can be classified into 4 categories as below:

Chart, treemap chart Description automatically generated



In this scenario, although SBL's spend claims large portion in suppliers' revenues, their draconian treatment will reduce SBL's attractiveness in supplier's perspective. SBL falls into Exploit quadrant. With exploitable customers, suppliers tend to milk the customer and charge a high price to compensate for all the pain customer put on them.

### NEW QUESTION 80

Which of the following should be done by the procurement team at the closing stage of a negotiation? Select TWO that apply.

- \* Gloat publicly about the deal
- \* Seek agreement in principle if TOP does not have the final authority
- \* Tell TOP that they could have got a better deal
- \* Accept ambiguity or uncertainty
- \* Leave the meeting as soon as possible



## Explanation

The agreement and closing phase is the phase when it is either clear through explicit language, or strongly suggested through non-verbal signals, that TOP is ready to move to agreement. Judging when to close can be difficult and as with phases of the negotiation, experience, observation, practice and reflection will be the best ways to learn here.

In the closing phase, procurement should:

• Watch for closing/buying signals

• Check to ensure all issues have been resolved

• Consider using visual aids to summarise

• Use a summary close

• Make a decision to conclude/close

• Seek agreement in principle if TOP does not have the final authority

• Make your own private notes on the final agreement

• Shake hands on the agreement

• Leave the meeting as soon as possible thereafter.

LO 3, AC 3.1

## NEW QUESTION 81

Which of the following are behaviours that builds trust between the buyer and the supplier in business relationship? Select TWO that apply.

- \* Conducting transparent procurement process
- \* Over-inflated contingency funds
- \* Allowing supplier to involve in early product development
- \* Commercial espionage
- \* Tendency to blame other party

Trust-building behaviours are as following:

Joint-effort issue resolution

Open sharing of information

Open and honest discussion on root cause of failures

Joint planning focusing on value for money and risk sharing

Commercial transparency and co-proposition of cost reduction and service improvement programmes  
Joint recognition and celebration of successes

## NEW QUESTION 82

In a negotiation for a new contract, the supplier suggests the buyer to shorten payment period from 45 days to

15 days because they are investing in new facilities to expand the supply capacity. The buyer replies that she can only sign off the deal if the payment period is 30 days or more since it often takes at least 30 days for her company to collect the payment from customers. A permission from senior management is required for this suggestion. In order to ensure that supplier understands the matter, she reiterates it throughout the meeting.

Which tactics is she using?

1. Outrageous initial demand
  2. Salami slicing
  3. Lack of authority
  4. Broken record
- \* 1 and 3 only
  - \* 2 and 4 only
  - \* 3 and 4 only
  - \* 1 and 2 only

In the scenario, the buyer states that permission from senior management is required to shorten payment period and she only has authority to sign off a deal in which the payment period lasts at least 30 days. The buyer is using lack of authority. The buyer also repeats the matter again throughout the negotiation. This is a common tactic known as broken record.

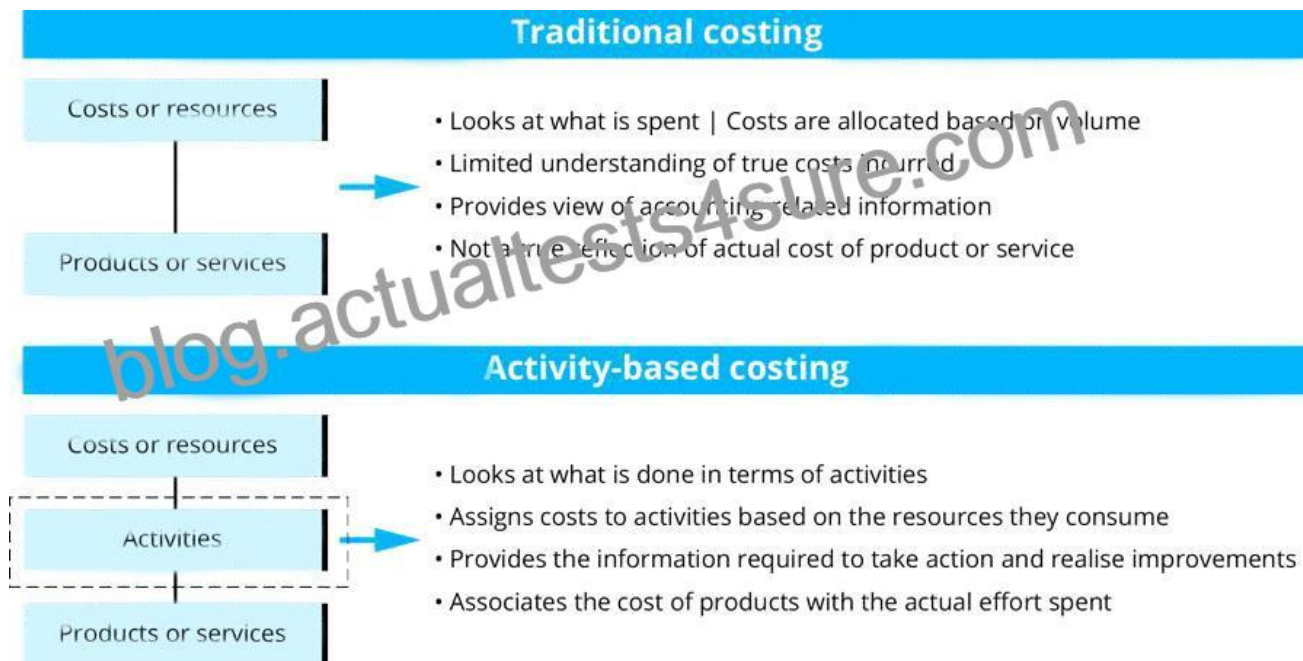
## NEW QUESTION 83

Which of the following are typical characteristics of activity-based costing (ABC) method? Select TWO that apply.

- \* ABC provides the information required to take action and realise improvements
- \* Limited understanding of true costs incurred
- \* ABC has tended to over cost products on long runs and under cost those on short runs
- \* Costs are allocated based on volume
- \* Variable and all related overhead expenses are specifically assigned to a business activity

Activity-based costing is an alternative approach to traditional absorption costing. The characteristics of these two methods are illustrated in the graph below:

Graphical user interface, text, chat or text message, website Description automatically generated



#### NEW QUESTION 84

Which of the following are signs indicating that TOP is using coercive power in commercial negotiation?

Select TWO that apply.

- \* Demonstrating fairness and respect
- \* Withdrawal of benefits
- \* Use of guilt
- \* Technical expertise
- \* Positive references

Coercive power comes from the belief that a person can punish other for non-compliance, and can be considered as the flip side of reward power. Coercive power rests in the individual's ability to change other people's behaviour through threat, intimidation, use of guilt, ability to embarrass or shame, or withdrawal of benefits;

#### NEW QUESTION 85

Which of the following is the best description of direct cost?

- \* Direct costs are only variable raw materials that constitute a product
- \* Direct costs include raw materials, labour and overheads
- \* Direct costs include only raw materials and labour of making the final product
- \* Direct costs include raw materials, labour and other expenses attributable to the final product

Direct costs are those costs of a product/service directly attributable/traceable to its production, for example, the costs of labour and materials directly used to produce the goods/services which the organisation sells.

#### NEW QUESTION 86

Leitax is a consumer electronics firm with headquarters in the US and with a global sales presence. The company maintains seven to nine models in its product portfolio, each of which has multiple SKUs. Product life ranges from fifteen to nine months and is getting shorter. The demand planning and master planning processes at the company were ill-defined. Data relevant to forecasting were

usually inaccurate, incomplete, or unavailable and the lack of objectives and monitoring mechanisms for the demand planning process meant that process improvement could not be managed. Support for supply management was equally ill-defined, as master production schedules were sporadic and unreliable and suppliers had learned to mistrust them. Leitax's newly appointed Supply chain director, Jessica realises that the 'buy-in' of different functional groups was critical to the improvement of demand planning. She invites relevant stakeholders to a meeting so that they can express their opinions openly.

What tactic is Jessica using?

- \* Coalition
- \* Pressure
- \* Consultation
- \* Persuasion

There are nine commonly used influence tactic:

1. Rational persuasion includes using facts, data, and logical arguments to try to convince others that your point of view is the best alternative. This is the most commonly applied influence tactic.
2. Legitimizing
3. Personal appeals
4. Exchange
5. Ingratiation
6. Pressure refers to exerting undue influence on someone to do what you want or else something undesirable will occur.
7. Coalitions refer to a group of individuals working together toward a common goal to influence others.
8. Inspirational appeals
9. Consultation refers to the influence agent's asking others for help in directly influencing or planning to influence another person or group.

In the scenario, there is a problem with demand forecasting and supply chain planning in Leitax. The new Supply chain director invites the stakeholders to a meeting to find the solution. She is using coalition tactics.

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