

# CIPS

## L4M6 Exam

### CIPS Supplier Relationships



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# Version: 4.0

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**Question: 1**

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According to Michael Porter, what is procurement?

- A. a support activity which provides a source of competitive advantage
- B. a primary activity which provides a source of competitive activity
- C. a primary activity which provides value for money
- D. a secondary activity which provides value for money

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**Answer: A**

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**Explanation:**

This question refers to Porter's Value Chain (p.35). There's a couple of questions on this in the exam so try to learn it. Procurement is a 'support activity' on this matrix along with firm infrastructure, HR and technology development

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**Question: 2**

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Which of the following are considered part of the '5 Rights of Procurement'? Select THREE.

- A. place
- B. quality

- C. cost
- D. focus
- E. time

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**Answer: A, B, E**

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**Explanation:**

The 5 Rights of procurement are; place, quality, quantity, time, price. (Price and Cost are not the same thing). See p.38

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**Question: 3**

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In a monopoly market, which of the following statements is true?

- A. bargaining power of suppliers is strong
- B. bargaining power of buyers is strong
- C. There is strong rivalry
- D. There is a threat of new entrants

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**Answer: A**

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**Explanation:**

In a monopoly there is only one supplier- therefore their power is strong. Buyers in this market are price takers and their power is weak. There is generally a strong barrier to entry into a monopoly market so the threat of new entrants is low. There is no rivalry. There are many questions in the exam on Porter's 5 Forces - see p. 39

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**Question: 4**

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In an oligopoly market, what would a regulator do?

- A. prevent price fixing and collusion
- B. stop the market becoming a monopoly
- C. ensure value for money for buyers
- D. ensure health and safety standards

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**Answer: A**

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**Explanation:**

In an oligopoly, supplier power is strong. Sometimes regulators are required in the market to prevent the group of suppliers conspiring together to artificially increase prices. See p.40 for more information on Oligopoly markets.

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