

D2/January 2018

Diploma in procurement and supply

Business needs in procurement and supply

Date **Tuesday 23 January 2018**

Time **Start 14:00 End 17:00 Duration 3 hours**

QUESTION PAPER

INSTRUCTIONS FOR CANDIDATES

This examination has **FOUR** compulsory questions worth 25 marks each.

1. Do not open this question paper until instructed by the invigilator.
2. All answers must be written in the answer booklet provided.
3. All rough work and notes should be written in the answer booklet.

QUESTIONS

You are advised to spend 45 minutes on each question.

- Q1** (a) When operating financial budgets explain the difference between an incremental budget and a zero-based budget. **(6 marks)**
- (b) Describe **THREE** cash outflows that might be entered in a procurement function's cash budget. **(9 marks)**
- (c) The procurement function of a shirt manufacturing company forecasted that the cost of the imported material needed would be \$4.00 per shirt. After the first three months of production it was established that the actual cost was \$3.50 per shirt.
- Suggest **FIVE** possible reasons for the variance where the actual material cost is lower than the forecasted cost. **(10 marks)**
- Q2** (a) Explain **FOUR** reasons why writing a specification for services may be more difficult than writing a specification for physical products. **(16 marks)**
- (b) Explain **THREE** reasons why a specification may not be effective in communicating requirements. **(9 marks)**
- Q3** (a) Outline **FIVE** advantages and **FIVE** disadvantages of using a model form contract. **(10 marks)**
- (b) Explain the differences between these pricing arrangements.
- (i) Cost plus arrangements. **(10 marks)**
- (ii) Target costing arrangements. **(5 marks)**
- Q4** (a) A shoe retailer that currently manufactures its own shoes is now considering buying in the shoes from an external supplier.
- Outline **FOUR** factors that the company should consider when deciding whether to buy in the shoes or continue to manufacture them. **(16 marks)**
- (b) Explain the role of the procurement function in the procurement process, if the company decides to outsource the supply of shoes. **(9 marks)**

END OF QUESTION PAPER



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