

D4/January 2018

Diploma in procurement and supply

Negotiating and contracting in procurement and supply

Date **Monday 22 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)** Identify **FIVE** details of the buyer's requirement that might be included in a standard enquiry (request for quotation) form. **(5 marks)**
- (b)** A best-practice tender procedure would include a number of steps for the preparation of the invitation to tender.
Outline **FIVE** steps that should be included in a best-practice tender procedure. **(10 marks)**
- (c)** Explain the purposes of a documented specification within a commercial agreement. **(10 marks)**
- Q2 (a)** Explain **FIVE** differences between integrative and distributive approaches to negotiation. **(15 marks)**
- (b)** Discuss **TWO** reasons why a buyer might develop a 'best alternative to a negotiated agreement' (BATNA) when preparing for a negotiation. **(10 marks)**
- Q3 (a)** While preparing for a commercial negotiation with a supplier for a particular product, the supplier has provided the following pricing and costing information to the purchaser to support the negotiation:

Selling price per unit: \$10.00
Variable cost per unit: \$6.00
Fixed cost for production: \$80,000

Explain the meaning of the terms 'fixed cost' and 'variable cost' in this context. **(6 marks)**
- (b)** Calculate, based on the data provided, the breakeven point of the supplier's production of this product. **(5 marks)**
- (c)** Explain the meaning of the term 'margin of safety' in this context. If the predicted order volume is 50,000 units, calculate the supplier's margin of safety in terms of units. **(6 marks)**
- (d)** Explain **TWO** impacts on the supplier if the order volume is much higher than the 50,000 units predicted. **(8 marks)**
- Q4** Explain **FIVE** cultural differences between the parties to a negotiation that may impact on the negotiation process or outcome. **(25 marks)**

END OF QUESTION PAPER



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