

**CIPS Level 6 – Professional Diploma in  
Procurement and Supply**

**Module 5 – Strategic Programme Leadership**

**SAMPLE EXAM QUESTIONS**

**OBJECTIVE RESPONSE QUESTIONS AND ANSWERS**

The correct answer will be identified as [key]

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Q1. 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

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Q2. 'Specific performance' as a legal remedy, is usually 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**

b. 1 and 3

c. 2 and 3

d. 2 and 4

LO: 2

AC: 2.3

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Q3. Is it true that a target costing approach can be effective in encouraging suppliers to reduce their own cost base?

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

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Q4. 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
- b. 1 and 3
- c. 3 and 4
- d. 2 and 4

LO: 3

AC: 3.3

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Q5. 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

Q6. Here are five organisations with different types of culture and 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 decide 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 in the hierarchy.

Organisation 4 - individuals very much see themselves as unique with the organisation, which 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 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]

**You will need to use some options more than once.**

Type of culture	Cultural web influence
Person	Controls
Power	Organisation structure
Role	Rituals
Task	Stories
	Symbols

Organisation	Type of culture	Cultural web influence
1		
2		
3		

4		
5		

[KEY]

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

LO: 3

AC: 3.1

Q7. 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 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 EUR75M and annual inflows of EUR12M.

In addition, the CFO and 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 X23I 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.

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

ii) The result of the CFO's quick analysis is:

- a. 16 years
- b. 6 years

c. 9 years

d. 7 years

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

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

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 1: – i, ii, iii

LO2: – iv, v

AC 1.4: - i, ii, iii

AC 2.1:- iv, v