

**CIPS Level 5 – Advanced Diploma in
Procurement and Supply
Module 2 – Managing Supply Chain Risk**

SAMPLE EXAM QUESTIONS

OBJECTIVE RESPONSE QUESTIONS AND ANSWERS

The correct answer will be identified as [key]

Q1. A supplier's terms and conditions include provision in respect of tsunami, earthquakes and volcanic eruption. This type of provision is known as ...

- a. a liquidated damages clause
- b. an exclusion clause**
- c. an indemnity clause
- d. an insurance provision clause

LO: 2

AC: 2.1

Q2. ManCo Inc is a global manufacturing organisation. It has a highly integrated supply chain. All parties are interconnected with the result that data availability and transparency are high. Its CPO however is concerned about technological risk. Which of the following is such a risk for ManCo?

- a. Cyber crime**
- b. Global economics
- c. Labour standards
- d. Economic uncertainty

LO: 1

AC: 1.1

Q3. Product Manufacturing Group (PMG) is UK based and has just started sourcing materials from Europe and has to pay its supplier in Euros. This is PMG's first exposure to Euro denominated payments. It does however sell its products into European markets and has Euro receivables. Which of the following will be the most appropriate for PMG to manage its Euro currency risk exposure?

- a. Forward contract
- b. Swap
- c. Currency account**
- d. Option

LO: 1

AC: 1.2

Q4. The Sarbanes-Oxley regulations are mostly focused on:

1. Investor protection
2. Product quality
3. Clear commercial advertising
4. Corporate financial disclosure

- a. 2 and 3 only
- b. 1 and 2 only
- c. 3 and 4 only
- d. 1 and 4 only**

LO: 1

AC: 1.3

Q5. Which of the following are potential risks that are directly associated with a company's brand?

1. Marketing
2. Reputation
3. Positioning
4. Support

- a. 1 and 2 only
- b. 2 and 3 only**
- c. 3 and 4 only

d. 1 and 4 only

LO: 1

AC: 1.4

Q6. Is it usual to encourage whistle-blowing amongst employees working in the supply chain if they suspect unethical behaviour in the supply chain?

a. Yes, because these staff are more likely to be aware of such malpractices

b. Yes, because they will always know if there is unethical behaviour

c. No, because there is usually no means of them doing so confidentially

d. No, because in many countries this will be illegal as it is confidential information

LO: 1

AC: 1.3

Q7. A procurement manager is responsible for a high-risk and medium-value contract for which the procurement organisation is critically dependent on the supplier. The procurement manager has instructed the supplier to submit a disaster recovery plan. Is this action appropriate?

a. Yes - disaster recovery plans should be a standard requirement for all suppliers on all contracts

b. No - the procurement manager is responsible for creating the disaster recovery plan

c. No - disaster recovery planning is only required on high-risk and high-value contracts

d. Yes - the plan will show how the supplier will continue to operate and deliver the service in a disaster situation

LO: 2

AC: 2.2

Q8. Recognised risk management strategies to mitigate risks include which of the following? Select **TWO** that apply.

a. Treat

b. Trust

c. Translate

d. Test

e. Transfer

LO: 3

AC: 3.4

Q9. Software Development Inc (SDI) develops and markets a range of business applications and products. It has its own product development resource but also uses external contractors where expertise is not available in house. SDI is just about to start working with a small organisation called XNX Developers (XNX) on a highly secret new development currently known as Project Y. SDI and XNX have worked together successfully in the past. Ultimately, when the development is completed, SDI will pay XNX a one-off fee for exclusive and full ownership of Project Y. XNX is happy with this arrangement as it needs an injection of funds to support the development of its own product range and bank finance is not available. SDI and XNX have also reached agreement on XNX's acceptance to compensate SDI for potential future liability on Project Y in respect of the development work it has undertaken.

Based on the information provided, which of the following clauses will be a priority for SDI to include in the contract to address its specific needs?

1. Intellectual property rights
2. Force majeure
3. Jurisdiction
4. Indemnity

- a. 1 and 2 only
- b. 2 and 3 only
- c. 3 and 4 only
- d. 1 and 4 only

LO: 2

AC: 2.1

Q10. Pharma Group Chemicals (PGC) is conducting a review of its key contracts, part of which involves a detailed risk assessment of supplier and supply chain risks in respect of a number of its most important products. PGC's CPO is anxious to ensure that changes in PGC's external environment are closely monitored and any risks arising for changes are acted on accordingly. The findings in respect of PGC's top five products are:

Product 1 – Most significant exposure is to exchange rate fluctuations. Recommended that currency options are used.

Product 2 – The countries where the product is used have changing population age profiles which could impact on demand. However, this is not a significant risk so the recommendation is to do nothing at this stage.

Product 3 – We have been aware of previous mistreatment of workers within the supply chain. Despite our best efforts this does not seem to have been resolved, the supplier has been informed that the contract will be ended and the contingency supplier used given their track record of impeccable conduct.

Product 4 – Local government interference has been a problem on this contract. Third party guarantees are to be taken to help manage the risk.

For each of the products, you are required to match the external factors with the risk action taken.

Choose from these options and drag and drop your answers into the table below. [8]

You can only use each option once.

| External Factor | Risk Management |
|-----------------|-----------------|
| Demographic | Terminate |
| Economic | Tolerate |
| Ethical | Transfer |
| Political | Treat |

| Product | External Factor | Risk Management |
|---------|-----------------|-----------------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |

[KEY]

| Product | External Factor | Risk Management |
|---------|-----------------|-----------------|
| 1 | Economic | Treat |
| 2 | Demographic | Tolerate |
| 3 | Ethical | Terminate |
| 4 | Political | Transfer |

LO: 1 and 3

AC: 1.1 and 3.4