

# Latest Version: 6.0

## Question: 1

In which of the following Incoterms, buyer is not obliged to pay all costs and taxes of import clearance (if both parties do not have any other arrangement)?

- A. CIF
- B. DPU
- C. DDP
- D. DAP

**Answer: C**

Explanation:

In Incoterms DDP the seller delivers the goods, without unloading, at the buyer's premises or a nearby place in the country of destination. The transport risk is transferred from the buyer to the seller in the same place where the goods are delivered. Any import tax and specifically VAT, are paid by the seller, unless the parties agree in the contract of sale that VAT or other taxes are paid by the buyer. In that case if a variant of DDP, known as DDP VAT unpaid, should be used.

LO 3, AC 3.2

## Question: 2

Which of the following is the group of items that have high profit impact and a high supply risk where there may be little or no supplier competition in the supply market, so that procurement professionals must spend the most time and resources to ensure that the right supplier is awarded the contract?

- A. Leverage items
- B. Bottleneck items
- C. Strategic items
- D. Non-critical items

**Answer: C**

Explanation:

According to Kraljc's matrix, procurement professionals can identify where a product or service sits in relation to the profit impact on the organisation and the level of supply risk to the organisation. There may be little or no supplier competition, then securing the supply is critical and supply is high. Procurement professionals spend much time and resources on items that have high profit impact on the organisation. So these items are categorised as high profit impact and high supply risk, they are strategic items.

LO 1, AC 1.1

### Question: 3

Which of the following encourages procurement professionals to avoid discrimination, treat suppliers fairly and respectfully and a transparent approach to sourcing?

- A. Bribery Act 2010
- B. CIPS Code of Conduct
- C. Corporate social responsibility policies
- D. Charter of Fundamental Rights of the European Union

**Answer: B**

Explanation:

It is important that procurement professionals take an approach that is fair and responsible when working with current or potential suppliers. CIPS Code of Conduct sets out some ethical norms which encourage its members to act responsibly. Members should encourage their organisation to adopt an ethical procurement and supply policy based on the principles of this code and raise any matter of concern relating to business ethics at an appropriate level within their organisation.

You may look at CIPS Code of Conduct [here](#)

Bribery Act and Charter of Fundamental Rights of the European Union are regulatory statutes which are mandatory to all individuals and businesses within a country or union.

CSR policies cover many aspects such as environmental, social, labour,... and they are often only applicable within a company.

LO 3, AC 3.1

### Question: 4

When assessing supplier's proposals, which of the following is the group of items that procurement professional should spend the least time and resources?

- A. Leverage items
- B. Bottleneck items
- C. Routine items
- D. Strategic items

**Answer: C**

Explanation:

When assessing suppliers' proposals, the procurement professional must consider the following areas:

- The value of the product/service
- The positioning of it, e.g., strategic, routine
- Existing supplier relationships
- Economies of scale

- Risks of moving suppliers



LO 2, AC 2.3

### Question: 5

Which of the following is the best description of in-sourcing?

- A. To source goods or services from functions within a company or an organisation
- B. A private network within an organisation or group of organisations
- C. To bring a function of activities back in-house after previously being outsourced
- D. To source goods or services from companies which belong to the same group

**Answer: C**

Explanation:

In-sourcing is to bring a function of activities back in-house after previously being outsourced

LO 1, AC 1.1

### Question: 6

Which of the following can be done by procurement professional to understand supplier's ethical practice during pre-qualification stage?

1. Reviewing contract performance between buyer and supplier
2. Spying on supplier's activities
3. Requesting for qualifications of product or service

4. Checking on media reports

- A. 3 and 4 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1 and 4 only

**Answer: A**

Explanation:

Due diligence can be carried out in great detail by accessing a large number of factors, or a lesser check can be done, where only one factor (such as financial performance) is accessed. Some examples of common due diligence factors are given below:

1. First impression of the supplier
2. Product or service quality
3. Qualifications of product or service providers
4. Background checks:
  - Adverse media
  - Criminal convictions
  - Corrupt practice
  - Financial performance

LO 4, AC 4.2

## Question: 7

Which of the following represent the triple bottom line? Select THREE that apply.

- A. Profit
- B. Planet
- C. Process
- D. People
- E. Procurement
- F. Price

**Answer: A,B,D**

Explanation:

The triple bottom line (TBL or 3 Ps) is a framework or theory that recommends that companies commit to focus on social and environmental concerns just as they do on profits. The TBL posits that instead of one bottom line, there should be three: profit, people, and the planet.

- Profit: An organization's economic focus on generating financial wealth
- People: An organization's socio-cultural focus on those it directly and indirectly affects
- Planet: An organization's focus on its impact on the environment



LO 4, AC 4.4

## Question: 8

Which of the following are reasons why a global organisation opts to use transfer pricing arrangements?  
Select TWO that apply:

- A. Simply internal accounting procedure
- B. No risk of tax evasion
- C. Reduction in international tax expense
- D. Leveraging local sourcing better
- E. Improving local economy

**Answer: A,C**

Explanation:

Transfer prices are the amounts of money payable between divisions of the same organisation that have conducted business with each other. Common forms of transactions are supplying labour or trading products between divisions or departments.

## Transfer pricing arrangement

<b>Advantages</b>	<b>Disadvantages</b>
Global tax bill can be reduced	May negatively impact some countries' economy
Simplifies internal accounting	Strict monitoring to avoid tax evasion
Organisation can have fixed pricing	Sourcing externally may be more cost effective
Business units can be evaluated based on spend	Negative effect on local economy
No physical money transactions between business units	Inter-organisation competition

LO 1, AC 1.2

### Question: 9

Which of the following is the act of entering into a financial contract in order to protect against unexpected, expected or anticipated changes in currency exchange rates?

- A. Gold standard
- B. Fiat currency
- C. Credit rating scores
- D. Currency hedging

**Answer: D**

Explanation:

In very simple terms, Currency Hedging is the act of entering into a financial contract in order to protect against unexpected, expected or anticipated changes in currency exchange rates.

Currency hedging is used by financial investors and businesses to eliminate risks they encounter when conducting business internationally. Hedging can be likened to an insurance policy that limits the impact of foreign exchange risk.

Hedging can be accomplished by purchasing or booking different types of contracts that are designed to achieve specific goals. These goals are based on the level of risk the customer is exposed to and seeking protection from and allow the individual to lock in future rates without affecting, to a great extent, their liquidity.

Fiat money is government-issued currency that is not backed by a physical commodity, such as gold or silver, but rather by the government that issued it. The value of fiat money is derived from the relationship between supply and demand and the stability of the issuing government, rather than the worth of a commodity backing it as is the case for commodity money. Most modern paper currencies are fiat currencies, including the U.S. dollar, the euro and other major global currencies.

The gold standard is a monetary system where a country's currency or paper money has a value directly linked to gold. With the gold standard, countries agreed to convert paper money into a fixed amount of gold. A country that uses the gold standard sets a fixed price for gold and buys and sells gold at that price.

LO 3, AC 3.2

## Question: 10

In which of the following marketplaces, forecasts on prices of commodities will be used?

- A. Cryptocurrency exchange
- B. Futures exchange
- C. Securities exchange
- D. Forex exchange

**Answer: B**

Explanation:

Commodity pricing forecasts are used within a futures exchange. Futures exchange is a marketplace where the seller of a commodity agrees to sell or buy a certain amount of the commodity to a buyer at a particular price on a specific date in the future.

LO 2, AC 2.1