MACRO EXERCISE

Introducing Procurement and Supply

CIPS Level 2 Module 1 (L2M1): Certificate in Procurement and Supply Operations

60 multiple-choice questions | covering the full L2M1 module

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Instructions: Read each short case and choose the one best answer. Answers, with a brief reason for each, are given at the end of the paper.

Part A – The Role of Procurement and Supply

Questions 1–10

Q1. *Maya tells a new colleague that their team handles everything from finding suppliers to managing contracts.*

Which term best describes this whole process?

- **A.** Buying
- **B.** Procurement
- **C.** Distribution
- **D.** Invoicing

Q2. *A clothing retailer's goods pass from cotton farmers, to a fabric mill, to a garment factory, to the shop and finally to shoppers.*

What is this connected series of organisations called?

- **A.** A supply chain
- **B.** A framework agreement
- **C.** A budget
- **D.** A specification

Q3. *A bakery buys a new industrial oven that it expects to use for the next ten years.*

What type of purchase is this?

- **A.** A revenue purchase
- **B.** An indirect service purchase
- **C.** A capital purchase
- **D.** A consumable purchase

Q4. *The same bakery buys flour every week to make its bread.*

Which description best fits the flour?

- **A.** A capital purchase
- **B.** An indirect purchase
- **C.** An outsourced service
- **D.** A direct purchase

Q5. *A hotel buys cleaning products for its offices. They help the business run but do not form part of anything it sells.*

What type of purchase is this?

- **A.** Direct
- **B.** Indirect
- **C.** Capital
- **D.** Primary

Q6. *A company buys rough diamonds and turns them into rings and necklaces.*

Which sector of the economy does it operate in?

- **A.** Primary
- **B.** Tertiary
- **C.** Secondary
- **D.** Public

Q7. *A mining company extracts copper ore from the ground and sells it to other firms.*

Which sector does the mining company belong to?

- **A.** Primary
- **B.** Secondary
- **C.** Tertiary
- **D.** Third

Q8. *A car maker buys seats from a seat manufacturer, which in turn buys fabric from a textile firm.*

From the car maker's point of view, where does the textile firm sit?

- **A.** It is the end consumer
- **B.** It is a first-tier supplier
- **C.** It is a competitor
- **D.** It is a second-tier supplier

Q9. *A family buys a new fridge from an electrical shop and uses it at home.*

What is the family called in supply chain terms?

- **A.** The supplier
- **B.** The consumer (end user)
- **C.** The distributor
- **D.** The manufacturer

Q10. *A finance director asks why procurement deserves so much attention in the business.*

Which statement best explains why procurement matters?

- **A.** It only deals with stationery
- **B.** It has no effect on profit
- **C.** Spending with suppliers often makes up a large share of an organisation's total costs
- **D.** It is only important in the public sector

Part B – The Organisational Impact of Procurement

Questions 11–20

Q11. *A shop earns 100,000 from sales and spends 80,000 on goods and running costs.*

If procurement cuts spending by 5,000 without reducing sales, what happens to profit?

- **A.** Profit rises by 5,000
- **B.** Profit falls by 5,000
- **C.** Profit stays the same
- **D.** Sales fall by 5,000

Q12. *Complete the sentence: "The total cost of buying, using, maintaining and disposing of an item over its whole life is called _____."*

Which term completes the sentence?

- **A.** Unit price
- **B.** Revenue
- **C.** Gross margin
- **D.** Total cost of ownership

Q13. *Two printers are offered. Printer A is cheaper to buy, but its ink cartridges are very expensive. Printer B costs more to buy, but it is cheaper to run.*

What should the buyer compare to choose the better option?

- **A.** Only the purchase price
- **B.** Only the colour and size
- **C.** The total cost of ownership of each printer
- **D.** Only the supplier's location

Q14. *Complete the sentence: "Getting the best combination of whole-life cost and quality to meet the customer's needs is called _____."*

Which term completes the sentence?

- **A.** Lowest price
- **B.** Value for money
- **C.** Expediting
- **D.** Insourcing

Q15. *A manager checks each month how much her department has spent against the amount it was given for the year.*

What is she doing?

- **A.** Budget monitoring
- **B.** Expediting
- **C.** Tendering
- **D.** Outsourcing

Q16. *A buyer is reminded of the five rights of procurement: right price, quality, quantity, time and _____.*

Which word completes the list?

- **A.** Colour
- **B.** Brand
- **C.** Profit
- **D.** Place

Q17. *A hospital receives exactly the right medical supplies, but they arrive two days after an operation that needed them.*

Which of the five rights was NOT met?

- **A.** Right quality
- **B.** Right quantity
- **C.** Right time
- **D.** Right price

Q18. *In a large company, all buying is done by one head-office procurement team on behalf of every site.*

What type of procurement structure is this?

- **A.** Devolved
- **B.** Centralised
- **C.** Outsourced
- **D.** Lead buyer

Q19. *A group of hotels lets each hotel manager buy what that hotel needs locally.*

Which is a likely benefit of this devolved approach?

- **A.** Faster, more local decisions that suit each hotel's needs
- **B.** Greater combined buying power
- **C.** More standardised products across the group
- **D.** Fewer suppliers overall

Q20. *A factory finds that workers spend a lot of time walking to fetch tools, and that finished goods sit waiting to be moved.*

In lean thinking, what are these examples of?

- **A.** Value-adding activities
- **B.** Profit
- **C.** Quality control
- **D.** Waste

Part C – Receiving Supplies and Serving Customers

Questions 21–28

Q21. *A training company provides courses to clients. The courses cannot be stored or touched.*

What does this show about services compared with products?

- **A.** Services can be stored in a warehouse
- **B.** Services are always cheaper
- **C.** Services are intangible
- **D.** Services never involve suppliers

Q22. *A school is deciding whether to run its own canteen with its own staff or to pay a catering company to do it.*

What is this decision called?

- **A.** A budget decision
- **B.** A make-or-buy decision
- **C.** A tiering decision
- **D.** A sector decision

Q23. *An airline transfers its IT support staff and equipment to an external IT company under a five-year contract.*

What is this an example of?

- **A.** Outsourcing
- **B.** Insourcing
- **C.** Expediting
- **D.** Primary sector activity

Q24. *A council that had outsourced its waste collection decides to bring it back and run it with its own staff.*

What is this called?

- **A.** Outsourcing
- **B.** Subcontracting
- **C.** Tendering
- **D.** Insourcing

Q25. *A company is considering outsourcing its cleaning services.*

Which is the most likely reason?

- **A.** To make the job more complicated
- **B.** To lose control of quality on purpose
- **C.** To reduce costs and use a specialist supplier's expertise
- **D.** To increase the number of staff it employs

Q26. *A supplier of car parts suddenly closes, and the car factory has to stop production.*

What does this show?

- **A.** A failure at one point in the supply chain can affect everyone further along it
- **B.** Suppliers are not part of the supply chain
- **C.** The car factory has too many suppliers
- **D.** Supply chains never fail

Q27. *A coffee roaster sells to cafés, the cafés sell to customers, and the roaster also buys beans from farmers.*

Which statement is correct?

- **A.** Only the final coffee drinker is a customer
- **B.** Each organisation is a customer of the one that supplies it
- **C.** The farmers are customers of the cafés
- **D.** There are no customers in a supply chain

Q28. *A supply chain manager at a supermarket is reviewing a supplier of bottled water.*

Which of these would she normally assess?

- **A.** The supplier's staff birthdays
- **B.** The supplier's office colour scheme
- **C.** The supplier's social media followers only
- **D.** Quality, conformance to standards, customer service and value for money

Part D – The Sourcing Process

Questions 29–40

Q29. *A hospital ward runs short of bandages, and the ward manager tells procurement.*

Which stage of the sourcing process has just happened?

- **A.** Identification of need
- **B.** Payment of supplier
- **C.** Contract award
- **D.** Reviewing outcomes

Q30. *Complete the sequence: identify the need, _____, request quotations, assess quotations.*

Which stage is missing?

- **A.** Pay the supplier
- **B.** Expedite the order
- **C.** Produce the specification
- **D.** Review the outcome

Q31. *A buyer writes: "The pump must move 500 litres of water per minute." It does not say how the pump should be built.*

What type of specification is this?

- **A.** A conformance (technical) specification
- **B.** A performance specification
- **C.** A purchase order
- **D.** An invoice

Q32. *A staff member fills in a form asking procurement to buy five new chairs, showing the item, quantity, date needed and budget code.*

What is this form called?

- **A.** An invoice
- **B.** A delivery note
- **C.** A credit note
- **D.** A requisition

Q33. *A buyer uses Carter's "Ten Cs" to compare possible suppliers.*

Which of these is one of the Ten Cs?

- **A.** Capacity
- **B.** Colour
- **C.** Celebrity
- **D.** Charity

Q34. *A buyer checks whether a supplier has enough money and financial stability to complete a large order.*

Which of Carter's Ten Cs is she checking?

- **A.** Culture
- **B.** Clean
- **C.** Cash
- **D.** Communications

Q35. *A council agrees the terms and prices for office supplies with a supplier for three years, then places small orders whenever it needs them.*

What is the agreement, and what are the small orders called?

- **A.** A tender and invoices
- **B.** A framework agreement and call-off orders
- **C.** A requisition and delivery notes
- **D.** A specification and credit notes

Q36. *A baker supplies a café. The café wants deliveries before 9am every day, with 24 cakes each time.*

What are these measurable targets called?

- **A.** Requisitions
- **B.** Invoices
- **C.** Budgets
- **D.** Key performance indicators (KPIs)

Q37. *A buyer phones a supplier to check that an order of uniforms is on track, then sorts out a problem that might delay it.*

What is this activity called?

- **A.** Expediting
- **B.** Tendering
- **C.** Budgeting
- **D.** Insourcing

Q38. *A procurement team splits its process into activities before the contract is awarded and activities after it is awarded.*

Which activity belongs to the post-award stage?

- **A.** Writing the specification
- **B.** Requesting quotations
- **C.** Monitoring supplier performance
- **D.** Identifying the need

Q39. *A company buys the same cleaning materials every month and sets up one order covering a whole year of deliveries.*

What is this type of order called?

- **A.** A one-off spot order
- **B.** A blanket order
- **C.** A credit note
- **D.** A tender

Q40. *At the end of a contract, the procurement team meets to discuss what went well, what went wrong and what to do differently next time.*

Which stage of the sourcing process is this?

- **A.** Identification of need
- **B.** Requesting quotations
- **C.** Contract authorisation
- **D.** Reviewing outcomes and processes

Part E – Administration of Purchases

Questions 41–50

Q41. *Complete the sentence: "Performing a task competently, with the least waste and in the shortest time, is called _____."*

Which term completes the sentence?

- **A.** Efficiency
- **B.** Effectiveness
- **C.** Administration
- **D.** Governance

Q42. *A procurement team processes orders very quickly, but often orders the wrong items.*

Which statement best describes the team?

- **A.** Effective but not efficient
- **B.** Both efficient and effective
- **C.** Efficient but not effective
- **D.** Neither quick nor accurate

Q43. *Before inviting firms to tender, a council sends out a short questionnaire to check basic things such as experience, insurance and finances.*

What is the main purpose of this pre-qualification questionnaire (PQQ)?

- **A.** To pay suppliers faster
- **B.** To shortlist the most suitable suppliers before the main tender
- **C.** To replace the contract
- **D.** To advertise the council's services

Q44. *A university needs a large building project and sends detailed documents asking several firms to submit formal bids.*

What is this document called?

- **A.** A delivery note
- **B.** A requisition
- **C.** A credit note
- **D.** An invitation to tender (ITT)

Q45. *After receiving a purchase order, a supplier sends a message confirming that it accepts the order and will deliver on the agreed date.*

What is this message called?

- **A.** An order acknowledgement
- **B.** An invoice
- **C.** A requisition
- **D.** A specification

Q46. *A van driver hands over boxes of paper along with a document listing what is in the delivery.*

What is this document?

- **A.** An invoice
- **B.** A delivery note
- **C.** A purchase order
- **D.** A tender

Q47. *Before paying, an accounts clerk checks the purchase order, the goods received note and the supplier's invoice against each other.*

What is this check called?

- **A.** Expediting
- **B.** Budgeting
- **C.** Invoice matching (three-way match)
- **D.** Tiering

Q48. *An invoice charges for 100 boxes, but the goods received note shows that only 90 arrived.*

What should happen next?

- **A.** Pay the full invoice immediately
- **B.** Ignore the difference
- **C.** Order another 100 boxes
- **D.** Hold the payment and resolve the difference with the supplier, for example by asking for a credit note

Q49. *In a company, the person who raises an order is not allowed to approve it or to authorise its payment.*

What is this principle called?

- **A.** Separation of duties
- **B.** Outsourcing
- **C.** Centralisation
- **D.** Expediting

Q50. *A buyer may approve orders up to 7,500. She needs to place a capital order for 10,000.*

What must she do?

- **A.** Split it into two orders to stay under her limit
- **B.** Refer it to someone with a higher level of delegated authority
- **C.** Place the order and tell her manager later
- **D.** Ask the supplier to approve it

Part F – Ethics and Responsible Procurement

Questions 51–60

Q51. *A trainer asks the class to name the principles of the CIPS Code of Conduct covered in the course.*

Which of these is one of those principles?

- **A.** Maximum profit
- **B.** Speed above all
- **C.** Integrity
- **D.** Secrecy

Q52. *A buyer's close friend works as a salesperson for one of the companies bidding for a contract that the buyer is evaluating.*

What should the buyer do?

- **A.** Say nothing, because the friend may offer the best price
- **B.** Give the friend extra time to improve the bid
- **C.** Tell the friend the other bidders' prices
- **D.** Declare the conflict of interest to her manager

Q53. *A supplier offers a buyer an expensive holiday shortly before a contract decision.*

What is the most appropriate response?

- **A.** Decline it and report it in line with the organisation's gifts and hospitality policy
- **B.** Accept it, because holidays are not money
- **C.** Accept it, as long as the supplier wins the contract
- **D.** Accept it, but keep it secret

Q54. *A company has a document saying "We will only work with suppliers who treat workers fairly." It also has step-by-step instructions on how to check suppliers.*

Which statement is correct?

- **A.** Both documents are procedures
- **B.** The first is a policy and the second is a procedure
- **C.** Both documents are policies
- **D.** The first is a procedure and the second is a policy

Q55. *Workers at a brick factory must work without pay to repay a loan they can never realistically clear.*

What is this an example of?

- **A.** Fair trade
- **B.** Outsourcing
- **C.** Bonded labour
- **D.** Lean production

Q56. *A retailer is found to be using a supplier that pollutes rivers and mistreats its workers.*

What is the most likely effect on the retailer?

- **A.** Higher customer trust
- **B.** No effect, because it is the supplier's problem
- **C.** Lower costs and better publicity
- **D.** Damage to its reputation

Q57. *A company publishes its commitments on the environment, fair treatment of workers and support for the local community.*

What is this commitment usually called?

- **A.** A corporate social responsibility (CSR) policy
- **B.** A purchase order
- **C.** A delivery note
- **D.** A specification

Q58. *A company's board sets up rules to make sure the business is run openly, fairly and in the interests of its stakeholders.*

What is this system of rules and controls called?

- **A.** Expediting
- **B.** Corporate governance
- **C.** Insourcing
- **D.** Tiering

Q59. *A charity's buyer says, "Conflicts of interest don't matter here because we're a charity, not a business."*

Which response is correct?

- **A.** She is right, because charities do not make profits
- **B.** Only the public sector needs to worry about conflicts of interest
- **C.** Conflicts of interest still matter, because charities must use their funds fairly and be accountable
- **D.** Conflicts of interest only matter for very large contracts

> **Q60.** *A buyer chooses a supplier that uses recycled packaging and local transport, even though it costs slightly more.*

Which aspect of procurement does this show?

A. Expediting
B. Lowest-price buying
C. Separation of duties
D. Sustainability in procurement

Answer Key

Introducing Procurement and Supply (L2M1): correct answers with brief reasons

Q	Answer	Reason
Part A – The Role of Procurement and Supply (Questions 1–10)		
1	B	Procurement covers the full process of obtaining goods and services, including sourcing and contract management. Buying is just one part of it.
2	A	A supply chain is the series of organisations that a product passes through, from raw materials to the end consumer.
3	C	Capital purchases are major, long-term assets such as machinery. Revenue purchases cover day-to-day running costs.
4	D	Direct purchases go into the product the organisation sells. Flour becomes part of the bread.
5	B	Indirect purchases support the running of the organisation without becoming part of its products.
6	C	The secondary sector manufactures or processes materials into products. Primary extracts raw materials, and tertiary provides services.
7	A	Extracting raw materials such as ore, oil or crops is primary sector activity.
8	D	Suppliers are grouped into tiers. The seat maker supplies the car maker directly (tier 1), and the textile firm supplies the seat maker (tier 2).
9	B	The consumer is the end user of the product. Customers can appear at any point along the chain, but the consumer is at the end.
10	C	Bought-in goods and services often account for a large proportion of an organisation's costs, so good procurement has a big effect on results.
Part B – The Organisational Impact of Procurement (Questions 11–20)		
11	A	Profit is the amount earned minus the amount spent. Spending less while earning the same increases profit by the amount saved.
12	D	Total cost of ownership (whole-life cost) includes all costs over the item's life, not just the purchase price.
13	C	Comparing whole-life costs shows which printer is really cheaper over time. The lower purchase price can be misleading.
14	B	Value for money is the best balance of whole-life cost and quality, not simply the cheapest price.
15	A	Budget monitoring compares actual spending with the planned budget so that overspends can be spotted early.
16	D	The five rights are price (total cost), quality, quantity, time and place. Some versions use "source" for the fifth right.
17	C	The goods were correct but late, so the right time was not achieved.
18	B	A centralised structure puts procurement in one central team. A devolved structure lets each site or department buy for itself.
19	A	Devolved buying gives local flexibility and speed. Combined buying power and standardisation are benefits of centralised buying.
20	D	Lean thinking treats unnecessary motion, waiting and transport as waste to be removed, which improves efficiency.
Part C – Receiving Supplies and Serving Customers (Questions 21–28)		
21	C	Services are intangible: they cannot be touched or stored. Products are physical items.
22	B	A make-or-buy decision weighs doing something in-house against buying it from an external supplier.
23	A	Outsourcing transfers an in-house activity, often with assets and knowledge, to a third party, usually under a long-term relationship.
24	D	Insourcing is bringing a previously outsourced activity back in-house.

Q	Answer	Reason
25	C	Organisations usually outsource to cut costs and benefit from specialist skills, freeing them to focus on their core work.
26	A	Supply chains are linked, so a failure anywhere can disrupt organisations further down the chain.
27	B	There are customers all along the supply chain: each organisation buys from the one before it.
28	D	Supply chain managers look at quality, conformance, brand consistency, customer service, price and value for money.
Part D – The Sourcing Process (Questions 29–40)		
29	A	The sourcing process starts when a need is identified. The other stages follow later.
30	C	A specification is produced after the need is identified, so that suppliers know exactly what to quote for.
31	B	A performance specification states what the item must do and leaves the supplier to decide how. A conformance specification sets out exactly what the item must be.
32	D	A requisition is an internal request asking procurement to buy something. It is usually the first formal document in the process.
33	A	The Ten Cs are competency, capacity, commitment, control, cash, cost, consistency, culture, clean and communications.
34	C	"Cash" refers to the supplier's financial health and stability.
35	B	A framework sets the terms in advance, and call-off orders are placed under it as needs arise.
36	D	KPIs are measurable targets used to monitor how well a supplier performs.
37	A	Expediting means tracking an order and resolving issues so that it arrives on time.
38	C	After award, the work moves to managing the contract: monitoring performance, expediting, payment and review.
39	B	A blanket order covers repeated supplies of the same items over a set period, which saves raising a new order each time.
40	D	Reviewing outcomes is the final stage, and the lessons learned improve the next cycle.
Part E – Administration of Purchases (Questions 41–50)		
41	A	Efficiency is about doing things with minimal waste. Effectiveness is about how well the task achieves its goal.
42	C	The team is fast (efficient) but not achieving the right result (not effective).
43	B	A PQQ screens suppliers so that only suitable ones are invited to tender.
44	D	An ITT invites suppliers to submit formal bids, usually for larger or more complex requirements. A request for quotation (RFQ) is used for simpler needs.
45	A	An order acknowledgement confirms that the supplier has received and accepted the order.
46	B	A delivery note goes with the goods and lists what has been delivered so that it can be checked on arrival.
47	C	Invoice matching makes sure the business pays only for what it ordered and actually received.
48	D	Any mismatch (non-compliance) must be resolved before payment, for example by obtaining a credit note for the missing 10 boxes.
49	A	Separation of duties splits key tasks between different people, which reduces the risk of errors and fraud.
50	B	Delegated authority limits mean that orders above her limit need approval from someone with higher authority. Splitting the order to avoid approval would break the rules.
Part F – Ethics and Responsible Procurement (Questions 51–60)		
51	C	The principles covered are integrity, professionalism, high standards, optimal use of resources, and compliance with legal and other obligations.

Q	Answer	Reason
52	D	Conflicts of interest must be declared so that the organisation can manage them fairly and transparently.
53	A	Gifts that could influence, or appear to influence, a decision should be declined and reported under the relevant policy.
54	B	A policy states what the organisation intends or believes. A procedure sets out the steps for carrying it out.
55	C	Bonded labour is a form of exploitative labour in which workers are trapped by debt. It is a serious ethical issue in supply chains.
56	D	Unethical suppliers can harm the buying organisation's reputation, so responsible procurement checks supplier practices.
57	A	A CSR policy sets out how an organisation intends to act responsibly towards people, the planet and the community.
58	B	Corporate governance is the system by which an organisation is directed and controlled, including accountability and transparency.
59	C	Third-sector organisations must also act ethically and transparently, because they are accountable to donors and beneficiaries.
60	D	Sustainable procurement considers environmental and social impacts, not just price.