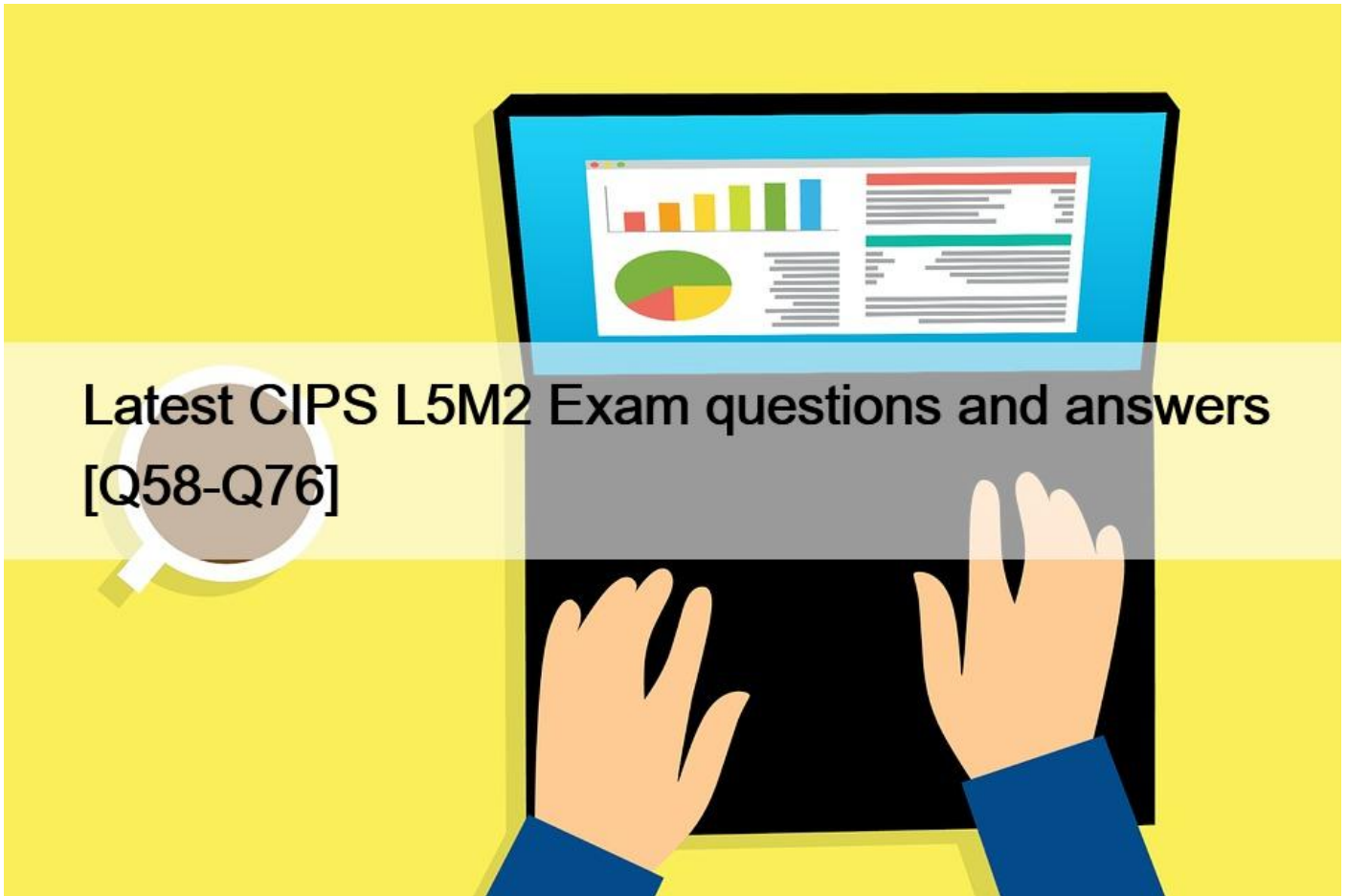


Latest CIPS L5M2 Exam questions and answers [Q58-Q76]



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ValidBraindumps L5M2 Exam Practice Test Questions (Updated 117 Questions)

NEW QUESTION 58

What is the purpose of an indemnity clause within a contract?

- * to assign risk to each party
- * to ensure both parties are adequately insured if something were to go wrong
- * to transfer risk from one party to another
- * to explain what would happen in the case of a force majeure

Explanation

Indemnity clauses transfer risk from one party to another. It is an arrangement whereby one party promises to compensate the other party for a trigger event. An example of an indemnity clause could be a construction firm is building a new bridge and the project is supposed to be completed by 1st June. An indemnity clause may state that should the bridge not be ready by this date, the construction firm will compensate the buyer by X amount. See p.61 for more information on indemnity.

NEW QUESTION 59

Which of the following is not a benefit of having a contingency plan?

- * competitive advantage
- * increased staff morale
- * greater resilience to force majeure events
- * increased profits

Explanation

Contingency plans won't increase your profit, but they will do the other three things. This is from p.109-110 of the study guide

NEW QUESTION 60

The triple bottom line is a way to refer to sustainability practices. Which of the following is included within the Triple Bottom Line?

1. People, 2. Profit, 3. Price, 4. Planet 5. Power.

- * 1,2 and 3
- * 1,3 and 5
- * 2, 4 and 5
- * 1,2 and 4

Explanation

Triple Bottom Line ; people, profit and planet ; options 1, 2 and 4. See p.45 for more details on sustainability

NEW QUESTION 61

Portobello is an Italian manufacturing company that produces canned tomato sauces. It imports a lot of its tomatoes from Latin America as there isn't the capacity to grow that many tomatoes in Italy. One of the major risks posing Portobello is that the tomatoes must be transported via cargo ship, and there is a risk that the ship may sink, or be delayed by bad weather. Portobello has taken out insurance to cover the cost of the tomatoes should this happen. What technique has Portobello used?

- * tolerate
- * treat
- * transfer
- * terminate

Explanation

The risk has been transferred to the insurance company. This question is based on the 4Ts from p.32- this is a popular exam topic, for both the multiple choice questions and the drag and drop

NEW QUESTION 62

Which of the following is a method for approaching risks?

- * tolerate
- * translate
- * transport
- * take out

Explanation

Tolerate is one of the 4 Ts. This is a popular exam question so do learn the 4 Ts: Tolerate, Treat, Transfer and Terminate. See p.32.

NEW QUESTION 63

Robot Ltd manufactures high end robots. A lot of value is tied up in the stock that it holds within its warehouse as each robot is worth several thousand pounds. The company has decided to enlist the services of a third party provider for disaster recovery, to help them shape a plan for if something were to happen to the stock, such as a flood. Is this the correct thing for Robot Ltd to do?

- * yes- a 3rd party can provide broader experience and expertise
- * yes- a third party is a cheap option for disaster recovery planning
- * no- Robot Ltd should create a cross-functional team to draw up the plan as internal stakeholders will understand the risks better than a 3rd party
- * no ; a 3rd party can only help in the solution stage of disaster recovery, not the planning stage

Explanation

The correct answer is 1 ; the 3rd party can provide broader experience and expertise. They can advise on best practice and will know how to advise Robot Ltd as they will have experience across a wide range of companies. This is explained on p.91 of the study guide

NEW QUESTION 64

Which of the following will you put into box 7?

- * new technology
- * forward contract
- * outsource
- * insurance

Explanation

Table Description automatically generated

	Type of Risk	Possible Solution
Risk 1	Operational	New Technology
Risk 2	Hazard	Insurance
Risk 3	Strategic	Outsource
Risk 4	Financial	Forward Contract

NEW QUESTION 65

Kieran works in the manufacturing industry and his company have just implemented LEAN production processes. Will this increase or decrease the risks in relation to security of supply?

- * increase security of supply risks as this is a tried and tested risk reducing process
- * increase security of supply risks as there is less buffer stock held on site
- * decrease security of supply risks as there will be increased efficiencies
- * decrease security of supply risks as there is less buffer stock

Explanation

;increase security of supply risks as there is less buffer stock held on site ; is the correct answer. With Lean manufacturing there is little or no buffer stock held. This means that if a supplier doesn't deliver on time, the whole manufacturing process will have to come to a stop until new supplies arrive. A risk of Lean Manufacturing is that you become too reliant on suppliers, and if there is a scarcity of resources or an issue with the supply chain, you are more exposed. See p.26-27 for more information on Security of Supply Risks.

NEW QUESTION 66

Maple Tree Limited is a Canadian company who has recently signed a new contract with a supplier who is based in China. Maple Tree Limited will be buying a raw material with a reputation for severe price fluctuations. Which of the following would help mitigate the risk that this poses? Select TWO options

- * quote in the supplier's currency
- * quote in the buyer's currency
- * use a forward exchange contract
- * fix the exchange rate at the current rate

Explanation

The correct answers are 3 + 4. To mitigate the risk, you want to ensure price stability for the duration of the contract- you don't want the prices to keep going up and down. Therefore options 1 and 2 wouldn't help- the prices would still go up and down regardless of which currency was used for quotes. Using a forward contract, or fixing the exchange rate, however, would give price certainty, and therefore mitigate the risk. See p.23 for more information on currency risks and how to overcome these

NEW QUESTION 67

Which of the following will you put into box 2?

- * strategic
- * intellectual property
- * environment
- * operational

Explanation

The correct answers are as follows:

Table Description automatically generated

	Issue	Contract Clause
Risk 1	Intellectual Property	NDA
Risk 2	Environmental	Force Majeure
Risk 3	Strategic	Conformance Specification
Risk 4	Operational	Service Credits

NEW QUESTION 68

Standard Deviation is the measure of the variation between the values in a range of data. From which of the following could you calculate Standard Deviation?

- * normal distribution
- * binomial distribution
- * poisson distribution
- * value at risk

Explanation

This is calculated from normal distribution. In normal distribution most of the values are concentrated around the middle of the data set- standard deviation identifies how far a data point is from this average. See p.128 for more information

NEW QUESTION 69

Which of the following FIDIC Contracts would be suitable for a contract for offshore wind projects?

- * Construction Contract
- * Measured Term Contract
- * Minor Works Contract
- * Yellow Book Contract

Explanation

This is the Yellow Book. This is briefly mentioned on p.74 and can often be missed by students. There is a question in the exam about which type of FIDIC contract can be used for construction projects and this is NOT explained in the study guide – so here is a link to FIDIC so you can revise this before the exam:

https://fidic.org/sites/default/files/FIDIC_Suite_of_Contracts_0.pdf

NEW QUESTION 70

What is ISO28000?

- * Risk Management
- * Supply Chain Security
- * Quality Management
- * Sustainable Procurement

Explanation

ISO 28000 is Supply Chain Security Management. This is a known topic for the exam. Learn more about ISOs on p. 141

NEW QUESTION 71

Zara is a procurement manager who is thinking about working with a new supplier to source buttons for her clothes manufacturing business. Her manager has asked her to do some due diligence on the supplier's financial stability. What should she do?

- * use an outsourced third-party credit rating agency
- * use an outsources third-party risk management consultant
- * conduct a credit check on the supplier based on the information provided by them in the tender
- * conduct a risk assessment based on the information provided by the supplier in the tender

Explanation

She should use a credit rating agency for this. She should not do this herself as she won't have access to accurate information like an agency will. The supplier may not have been truthful in their tender. For information on Credit Rating Agencies see p.79

NEW QUESTION 72

Which of the following will you put into box 8?

- * service credits
- * NDA
- * Conformance Specification
- * Force Majeure

Explanation

The correct answers are as follows:

Table Description automatically generated

	Issue	Contract Clause
Risk 1	Intellectual Property	NDA
Risk 2	Environmental	Force Majeure
Risk 3	Strategic	Conformance Specification
Risk 4	Operational	Service Credits

Service Credits are commonly used in IT contracts. This is where the customer is compensated financially should the system go down; for a period.

NEW QUESTION 73

Company X is a large company which is traded on the UK stock exchange. According to the Companies (Miscellaneous Reporting) Regulations 2018- is it obligatory for Company X to follow a Corporate Governance Code?

- * yes- all companies in the UK must follow this
- * yes- all companies trading on the stock exchange must do this
- * no- corporate governance codes are not mandatory
- * no- but if it doesn't follow a Corporate Governance Code it must explain the reasons why not

Explanation

The correct answer is 4; the policy is 'comply or explain'; basically say which code you follow, or explain (publicly) why you're not following one. See p. 145 for more information on this

NEW QUESTION 74

Which of the following will you put into box 7?

- * audit
- * monitor
- * insurance
- * dual sourcing

Explanation

The correct answers are as follows:

Table Description automatically generated with low confidence

	Remedy	Action
Supplier 1	Tolerate	Monitor
Supplier 2	Treat	Dual Sourcing
Supplier 3	Transfer	Insurance
Supplier 4	Terminate	Audit

NEW QUESTION 75

Which of the following will you put into box 6?

- * audit
- * monitor

- * insurance
- * dual sourcing

Explanation

The correct answers are as follows:

Table Description automatically generated with low confidence

	Remedy	Action
Supplier 1	Tolerate	Monitor
Supplier 2	Treat	Dual Sourcing
Supplier 3	Transfer	Insurance
Supplier 4	Terminate	Audit

NEW QUESTION 76

Which of the following is a component of the Sarbanes-Oxley Regulations?

- * separation of duties
- * ethical business practices
- * elimination of bribery
- * environmental protection

Explanation

Separation of duties is a key component of the Sarbanes-Oxley Regulations. It ensures businesses are accounting responsibly, and one way to do this is through separation of duties (no one person has complete control of the accounts of a company). See <https://www.investopedia.com/terms/s/sarbanesoxleyact.asp> and p.42 in the study guide. This piece of legislation does tend to come up in the exam so do revise this topic.

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