

# CIPS L4M4

## Ethical and Responsible Sourcing

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# Latest Version: 7.0

## Question: 1

What is the best way to demonstrate that your organisation does not tolerate bribery and corruption?

- A. Not working with suppliers who you have heard have a reputation for bribery and corruption
- B. Requesting your supplier's ethical policies on an annual basis
- C. Having full anti-bribery training, policies, and procedures in place
- D. Asking all suppliers to read your organisation's policy on anti-bribery and corruption

**Answer: C**

Explanation:

Implementing full anti-bribery training, policies, and procedures demonstrates a proactive stance against bribery and corruption. Ethical sourcing principles encourage organisations to institutionalise comprehensive anti-bribery measures to ensure transparency, fairness, and compliance within the supply chain, reducing the risk of corrupt practices.

## Question: 2

Ramesh is an IT category manager within the UK's National Health Service and is responsible for the procurement of a new high-value network system, which will spread across multiple doctors' practices and community health centres. Ramesh has reviewed different tender approaches and concluded that the use of a restricted tender is the most appropriate. Which of the following statements is true for a restricted tender process?

- A. Direct negotiations occur prior to suppliers submitting their offer
- B. The contract will be awarded strictly on pricing criteria
- C. Suppliers responding to the tender are pre-qualified
- D. It is only relevant when there are few suppliers in the market

**Answer: C**

Explanation:

In a restricted tender process, only pre-qualified suppliers are invited to bid, ensuring that participating suppliers have met necessary qualifications. This approach helps in managing high-value contracts by focusing on capable suppliers. Ethical and responsible sourcing in the public sector demands supplier pre-qualification to ensure compliance, transparency, and quality.

## Question: 3

Many organisations prefer a multi-sourcing approach because of the advantages it provides. Which of the following might be an advantage of multi-sourcing?

- A. It is the only approach that supports the open tendering process
- B. It is the only approach that enables the buyer to isolate the best supplier from among many
- C. It helps the buyer to increase stock varieties to avoid stock-outs
- D. It increases process flexibility and switching using a range of approved suppliers

**Answer: D**

Explanation:

Multi-sourcing allows organisations to diversify their supply base, providing flexibility, and reducing risk by having multiple suppliers. It is an effective strategy to prevent over-dependence on a single source and allows for competition among suppliers, promoting quality and ethical standards in the supply chain.

### Question: 4

What type of ratio is used to measure a company's ability to meet its short-term financial obligations, specifically focusing on its ability to convert assets into cash to cover current liabilities?

- A. Earnings per share
- B. Dividend per share
- C. Liquidity ratio
- D. Profitability ratio

**Answer: C**

Explanation:

Liquidity ratios, such as the current and quick ratios, evaluate a company's ability to meet short-term liabilities with current assets. This metric is crucial for assessing a supplier's financial stability, ensuring continuity and reliability in the supply chain, which aligns with ethical and responsible sourcing principles.

### Question: 5

A procurement manager of a medium-sized company has suggested to their executive board that implementing an ISO environmental standard would improve procurement practices and reduce environmental and social impacts. However, some colleagues are concerned about the potential complexity and supplier resistance. Should the company go ahead with the recommendation?

- A. Yes, as it would align with, and help to achieve, sustainability goals
- B. No, ISO standards are too complex for staff and suppliers to understand and follow

- C. No, because ISO standards are only relevant to large organisations
- D. Yes, implementation would guarantee that the company is compliant with all environmental laws

**Answer: A**

Explanation:

Adopting ISO environmental standards aligns procurement practices with sustainability goals and helps reduce environmental and social impacts. Although implementing ISO standards may require initial adjustments, they foster long-term benefits by promoting responsible and ethical sourcing practices across the supply chain.

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