

# CIPS L4M8

## Procurement and Supply in Practice

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# Latest Version: 6.0

## Question: 1

Which sector most frequently uses invitation to tender?

**Answer: See the answer in explanation.**

Explanation:

The public sector uses tenders a lot more in the working environment than private sector.

## Question: 2

What two areas of an organization do the Kraljic Portfolio matrix uses to establish the category of a product or service?

**Answer: See the answer in explanation.**

Explanation:

The Kraljic Portfolio Matrix shows where a product or services fits into in an organization. It is based on two areas 1) the risk of supply (Risk Impact). 2) Effect it has on profit (cost impact).

## Question: 3

Create a list of tangible, intangible, direct and indirect needs within an organization with which you are familiar.

**Answer: See the answer in explanation.**

Explanation:

Tangible costs are the cost an organization incur acquiring items that can be physically touched and or seen. Examples includes; 1) Capital Purchase 2) Raw materials 3) Sundry items 4) Vehi-cles/transport 5) Utilities Intangible costs are the cost an organization incurs acquiring something that cannot be physically seen or touched. Examples include; 1) Insurance 2) Marketing 3) Research and development 4) Salaries and/pension 5) Services 6) Training.

Direct costs – These are costs that an organization incurs acquiring product and services directly attributable/traceable to its production, for example, the cost of labour and materials directly uses to produce the goods/services which the organization sells. In the case of buying and running a Lorry for transport fleet, this would be 1) total cost of acquiring the lorry,) Tooling 3) Operation.

Indirect cost - These are costs that are not directly associated to production, for example, materials and services not used in production, labour/ staff cost not directly attributed to production, such as

management, sales and marketing, ICT support, rents. In the case of buying and running a Lorry for transport fleet. Examples are; 1) Insurance 2) Disposal.

- 

Go back to the question column and study the Questions and response

### Question: 4

Create a list of tangible, intangible, direct and indirect needs within an organization with which you are familiar.

**Answer: See the answer in explanation.**

Explanation:

Tangible costs are the cost an organization incur acquiring items that can be physically touched and or seen. Examples includes; 1) Capital Purchase 2) Raw materials 3) Sundry items 4) Vehicles/transport 5) Utilities

Intangible costs are the cost an organization incurs acquiring something that cannot be physically seen or touched. Examples include; 1) Insurance 2) Marketing 3) Research and development 4) Salaries and/pension 5) Services 6) Training.

Direct costs – These are costs that an organization incurs acquiring product and services directly attributable/traceable to its production, for example, the cost of labour and materials directly uses to produce the goods/services which the organization sells. In the case of buying and running a Lorry for transport fleet, this would be 1) total cost of acquiring the lorry,) Tooling 3) Operation.

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### Question: 5

What information should be included on a purchase requisition?

**Answer: See the answer in explanation.**

Explanation:

RESPONSE

A purchase requisition should contain the following information

- 1) Date of the requisition
- 2) Description of what is required
- 3) Supplier if known
- 4) The quantity
- 5) when the need is required
- 6) why the need is required
- 7) who identified the need

- 8) who approved the need
- 9) if it's a re-buy

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