

CIPS ETHICAL AND RESPONSIBLE SOURCING (L4M4) PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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1. What is the first step in creating a weighted points system for assessment?

- A. Decide on the weight for each criterion
- B. Define the criteria which are going to be used in the assessment
- C. Allocate a score to each criterion in each supplier's proposal
- D. Calculate the total score for each supplier

2. What is one of the primary goals of ethical sourcing?

- A. To enhance company reputation
- B. To minimize costs regardless of methods
- C. To improve employee satisfaction ratings
- D. To increase market share rapidly

3. What does the gearing ratio indicate?

- A. The amount of short-term debt an organization has
- B. The extent of long-term debt in relation to shareholder equity
- C. The profitability of the organization over time
- D. The efficiency of capital usage in short-term investments

4. What do transfer prices refer to?

- A. The pricing strategy used for customer sales
- B. Amounts payable between business areas within the same organization
- C. The costs incurred when sourcing externally
- D. Average market prices for products

5. What is a consequence of not addressing slavery in your supply chain?

- A. Increased market share
- B. Positive brand recognition
- C. Legal sanctions
- D. Expansion into new markets

- 6. Which of the following recognized types of pollution is caused by a range of contaminants including industrial waste and pesticides, resulting in wide scale environmental issues?**
- A. Water pollution
 - B. Air pollution
 - C. Plastic pollution
 - D. Soil pollution
- 7. Why is supplier performance evaluation important?**
- A. To reduce number of suppliers over time
 - B. To ensure compliance with regulations
 - C. To maintain ongoing supply quality and delivery
 - D. To improve procurement speed
- 8. ABC analysis categorizes suppliers into how many classes based on spend?**
- A. Two classes
 - B. Three classes
 - C. Four classes
 - D. Five classes
- 9. Why should due diligence be carried out on suppliers?**
- A. To only focus on financial metrics
 - B. To uncover potential risks and ethical issues in their operations
 - C. To negotiate better payment terms
 - D. To strengthen brand recognition
- 10. What is a key factor that organizations must consider to ensure responsible sourcing?**
- A. Profit margins over ethical considerations
 - B. Long-term relationships with unethical suppliers
 - C. Stakeholder interests and impacts on the community
 - D. Supplier location alone

Answers

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1. B
2. A
3. B
4. B
5. C
6. D
7. C
8. B
9. B
10. C

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Explanations

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1. What is the first step in creating a weighted points system for assessment?

- A. Decide on the weight for each criterion
- B. Define the criteria which are going to be used in the assessment**
- C. Allocate a score to each criterion in each supplier's proposal
- D. Calculate the total score for each supplier

The first step in creating a weighted points system for assessment is to define the criteria that will be used in the evaluation process. This foundational phase is crucial because the chosen criteria will guide the entire assessment and scoring system. Clearly defined criteria allow for consistent and objective evaluation of supplier proposals, ensuring that all relevant factors are considered before moving on to weighting or scoring. Identifying the appropriate criteria involves understanding the key areas that align with your organization's objectives and requirements, such as quality, cost, delivery, and sustainability. This groundwork sets the stage for subsequent steps, such as determining the weight for each criterion, scoring the supplier proposals, and calculating the total scores. Without well-defined criteria, the assessment could become arbitrary and less effective in highlighting the best supplier options.

2. What is one of the primary goals of ethical sourcing?

- A. To enhance company reputation**
- B. To minimize costs regardless of methods
- C. To improve employee satisfaction ratings
- D. To increase market share rapidly

One of the primary goals of ethical sourcing is to enhance company reputation. Ethical sourcing involves acquiring goods and services in a manner that respects human rights, the environment, and fair labor practices. Companies that adopt ethical sourcing practices are often viewed more favorably by consumers, investors, and stakeholders. This positive perception can lead to increased brand loyalty and trust, which are essential for long-term business success. Additionally, a strong reputation for ethical practices can differentiate a company in the marketplace, attracting customers who prioritize corporate social responsibility. The focus on minimizing costs without regard to methods, improving employee satisfaction ratings, or rapidly increasing market share, while important in their own rights, do not align as closely with the core principles of ethical sourcing. Ethical sourcing is primarily about maintaining standards that reflect moral values and responsibility rather than solely focusing on financial gains or operational efficiency.

3. What does the gearing ratio indicate?

- A. The amount of short-term debt an organization has
- B. The extent of long-term debt in relation to shareholder equity**
- C. The profitability of the organization over time
- D. The efficiency of capital usage in short-term investments

The gearing ratio specifically measures the extent of long-term debt in relation to shareholder equity, providing insight into the financial leverage of an organization. A higher gearing ratio indicates that a larger proportion of a company's financing comes from long-term debt, which can signal higher financial risk, particularly if earnings are not sufficient to cover the debt obligations. It reflects how much of the company's capital is funded by borrowed money versus equity provided by shareholders, thus highlighting the balance between equity and debt financing. This information is crucial for stakeholders, including investors and creditors, as it helps them assess the company's solvency and financial stability. Understanding this ratio is essential for evaluating an organization's capacity to manage its debts and the potential implications for profitability and risk.

4. What do transfer prices refer to?

- A. The pricing strategy used for customer sales
- B. Amounts payable between business areas within the same organization**
- C. The costs incurred when sourcing externally
- D. Average market prices for products

Transfer prices refer to the amounts payable between different business areas or divisions within the same organization for goods, services, or intellectual property that they provide to one another. These prices are crucial in determining the internal financial transactions, affecting profitability metrics and tax obligations. The concept ensures that the internal transactions are accounted for accurately, allowing the organization to evaluate the performance of its individual business units effectively. Transfer pricing is significant for multinational corporations as it can influence the allocation of revenue and costs among different jurisdictions, impacting financial reporting and tax strategy. It is important for organizations to establish fair transfer prices to comply with tax laws and avoid issues with tax authorities related to profit shifting. The other options are related to different concepts. For instance, pricing strategies for customer sales concern external transactions, while average market prices pertain to competitive pricing for products sold outside the organization. Costs incurred when sourcing externally are relevant to procurement but do not fall within the scope of transfer pricing. Thus, the selection regarding amounts payable within the same organization directly addresses the definition and implications of transfer pricing.

5. What is a consequence of not addressing slavery in your supply chain?

- A. Increased market share
- B. Positive brand recognition
- C. Legal sanctions**
- D. Expansion into new markets

Not addressing slavery in your supply chain can lead to legal sanctions, which is a significant consequence for businesses that fail to take this issue seriously. Governments around the world have enacted various laws and regulations aimed at eradicating modern slavery, including supply chain transparency laws that require companies to disclose their efforts to combat human trafficking and slavery within their operations and supply chains. If a company does not comply with these laws or is found to be connected to human rights abuses, it can face severe legal penalties such as fines, lawsuits, and even criminal charges against individuals in the organization. Legal sanctions can also harm a company's reputation, lead to consumer boycotts, and result in lost business opportunities. Therefore, it is crucial for organizations to implement ethical sourcing practices and ensure that their supply chains are free from slavery and exploitation not only to avoid these sanctions but to foster an ethical business environment.

6. Which of the following recognized types of pollution is caused by a range of contaminants including industrial waste and pesticides, resulting in wide scale environmental issues?

- A. Water pollution
- B. Air pollution
- C. Plastic pollution
- D. Soil pollution**

Soil pollution is caused by a variety of contaminants, including industrial waste, pesticides, heavy metals, and chemicals, all of which can significantly degrade the quality of soil. The presence of these pollutants can lead to a range of environmental issues such as loss of fertile land, disruption of local ecosystems, and contamination of food sources, which in turn can affect human health and livelihoods. Soil pollution not only impairs agricultural productivity but also poses risks to groundwater and surface water if contaminants leach into these bodies, further highlighting the interconnected nature of environmental issues. Understanding the impact of soil pollution is crucial for developing strategies for sustainable land use and waste management and aligns closely with the principles of ethical and responsible sourcing in supply chains, where the focus is on minimizing negative environmental impacts.

7. Why is supplier performance evaluation important?

- A. To reduce number of suppliers over time
- B. To ensure compliance with regulations
- C. To maintain ongoing supply quality and delivery**
- D. To improve procurement speed

Supplier performance evaluation plays a crucial role in maintaining ongoing supply quality and delivery, which is essential for the smooth functioning of any procurement process. This evaluation allows organizations to continuously monitor supplier performance against established criteria, such as quality of goods, timeliness of deliveries, and the reliability of service. By regularly assessing these aspects, organizations can identify any issues early on, rectify them, and ensure that suppliers meet the required standards consistently. Moreover, effective supplier performance evaluation fosters a collaborative relationship between buyers and suppliers. This communication not only enhances the quality and reliability of the products or services but also builds trust. Over time, a strong partnership can lead to improved innovation and competitive advantages, as suppliers are more likely to align with their clients' goals and expectations. While some focus on reducing the number of suppliers, ensuring compliance with regulations, or improving procurement speed, these aspects are secondary to the foundational goal of maintaining quality and delivery. If the quality of goods or service delivery fails, other benefits, such as cost savings or speed, can become irrelevant, emphasizing the importance of supplier performance evaluation in protecting overall supply chain integrity.

8. ABC analysis categorizes suppliers into how many classes based on spend?

- A. Two classes
- B. Three classes**
- C. Four classes
- D. Five classes

ABC analysis is a well-established inventory categorization technique that helps organizations prioritize their suppliers based on the value of their purchases. The method typically divides suppliers into three distinct classes: 1. Class A suppliers represent a small percentage of the total suppliers but account for a significant portion of total spend, usually around 70-80%. These suppliers are critical to the business, and managing them with priority and careful attention is essential. 2. Class B suppliers are intermediate, representing a moderate percentage of both suppliers and spending, usually around 15-25%. They require regular management but do not have the same level of criticality or value as Class A suppliers. 3. Class C suppliers constitute the remaining portion, accounting for a smaller percentage of total spend (approximately 5-10%) but making up the majority of suppliers. While these suppliers may be numerous, they require less intensive management compared to Classes A and B. This three-tier categorization allows organizations to focus their efforts and resources on the most impactful relationships and streamline their procurement processes accordingly.

9. Why should due diligence be carried out on suppliers?

- A. To only focus on financial metrics
- B. To uncover potential risks and ethical issues in their operations**
- C. To negotiate better payment terms
- D. To strengthen brand recognition

Conducting due diligence on suppliers is essential to uncover potential risks and ethical issues in their operations. This process involves assessing various aspects of a supplier's practices, including labor conditions, environmental impact, compliance with laws and regulations, and adherence to ethical standards. By seeking to identify and evaluate these factors, organizations can ensure that their suppliers align with their own ethical values and minimize the risk of reputational damage, legal repercussions, and disruptions in supply chains. This thorough examination helps businesses not only to protect their own interests but also to promote responsible sourcing practices. It fosters transparency and accountability within supply chains, enabling companies to build relationships with suppliers that are committed to ethical operations. Engaging in proper due diligence aligns with the broader aim of sustainable development and corporate social responsibility, making it a critical step in responsible sourcing initiatives.

10. What is a key factor that organizations must consider to ensure responsible sourcing?

- A. Profit margins over ethical considerations
- B. Long-term relationships with unethical suppliers
- C. Stakeholder interests and impacts on the community
- D. Supplier location alone

C is the correct answer because it emphasizes the importance of understanding and addressing the interests of stakeholders as well as the potential impacts on the community when organizations engage in sourcing decisions. Responsible sourcing means that organizations are not only focused on acquiring goods and services in a cost-effective manner, but also on how their sourcing practices affect various stakeholders, including employees, local communities, and the environment. By considering stakeholder interests, organizations can create a more sustainable supply chain that supports ethical labor practices, environmental stewardship, and community development. This holistic approach is essential for fostering trust and maintaining a positive reputation, which can lead to long-term business success. The other choices highlight perspectives that do not align with responsible sourcing. Prioritizing profit margins over ethical considerations disregards the broader implications of sourcing decisions. Engaging in long-term relationships with unethical suppliers can lead to reputational damage and undermine the organization's commitment to ethical practices. Focusing solely on supplier location fails to encompass the wider range of social, economic, and environmental factors that must be considered in responsible sourcing.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://cipsl4m4.examzify.com>

We wish you the very best on your exam journey. You've got this!

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