

# CIPS Introducing Procurement and Supply (L2M1) Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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**SAMPLE**

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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

- 1. Which component is not typically considered in total cost of ownership analysis?**
  - A. Insurance**
  - B. Market conditions**
  - C. Maintenance**
  - D. Operating**
- 2. Which factor is NOT relevant when evaluating suppliers?**
  - A. Capacity**
  - B. Location**
  - C. Market trends**
  - D. Reputation**
- 3. What is 'Value Engineering' aimed at achieving?**
  - A. Maximizing investment returns**
  - B. Reducing costs while maintaining functionality**
  - C. Improving sales strategies**
  - D. Enhancing customer service experiences**
- 4. Why might a buyer use a blanket order instead of a spot order?**
  - A. To minimize overall costs**
  - B. To order items on demand only**
  - C. To secure prices for unpredictable future needs**
  - D. To adhere to strict delivery schedules**
- 5. In which sector would you categorize manufacturing and assembly activities?**
  - A. Tertiary sector**
  - B. Primary sector**
  - C. Secondary sector**
  - D. Quaternary sector**

- 6. What is the value of everything an organization owns referred to as?**
- A. Equity**
  - B. Liabilities**
  - C. Assets**
  - D. Capital**
- 7. What is the purpose of advanced status checks?**
- A. To summarize past performance of suppliers**
  - B. To predict future pricing structures**
  - C. To assess the current progress of an ongoing order**
  - D. To revise the terms of existing contracts**
- 8. What is a rebate in procurement?**
- A. A discount applied at the point of sale**
  - B. An amount paid back on top of any previously agreed discounts**
  - C. A fee charged for late payments**
  - D. A tax refund for businesses**
- 9. Which of the following best describes the responsibility of a Chief Procurement Officer (CPO)?**
- A. Overseeing all corporate communications**
  - B. Managing the financial accounts of the organization**
  - C. Ensuring the efficiency of procurement and supply processes**
  - D. Supervising employee performance evaluations**
- 10. What does the term 'corporate governance' primarily emphasize?**
- A. Sales targets and promotions**
  - B. Policies and procedures within an organization**
  - C. Market competition analysis**
  - D. Operational handling of supply chains**



## **Answers**

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

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## **Explanations**

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**1. Which component is not typically considered in total cost of ownership analysis?**

- A. Insurance
- B. Market conditions**
- C. Maintenance
- D. Operating

Total Cost of Ownership (TCO) analysis is a comprehensive evaluation that considers all costs associated with the purchase and use of an asset over its entire lifecycle. This includes not only the initial purchase price but also other factors that contribute to the full economic impact of owning and operating an asset. The costs typically included in a TCO analysis are operating costs, maintenance expenses, and associated elements like insurance, as these have direct financial implications on the overall cost of ownership. Operating costs cover the expenses incurred during the use of the asset, while maintenance costs reflect the investments needed to keep it functional over time. Insurance is also a relevant factor, as it represents a necessary cost associated with protecting the asset and mitigating financial risk due to potential losses or damages. Market conditions, however, are generally not included in TCO analysis when specific cost assessments are made. While market conditions can influence the price and availability of assets or services, they are often viewed as external factors that fluctuate and can impact decisions differently over time. TCO focuses more on quantifiable, direct costs that affect the bottom line rather than the variable dynamics of the market. Thus, understanding this distinction clarifies why market conditions are not typically considered part of the total cost of ownership analysis.

**2. Which factor is NOT relevant when evaluating suppliers?**

- A. Capacity
- B. Location
- C. Market trends**
- D. Reputation

When assessing suppliers, the focus is primarily on factors that directly influence the supplier's ability to meet the purchasing organization's requirements. Among the options provided, market trends do not pertain directly to the specific capabilities, reliability, or performance of a supplier. Capacity is crucial because it determines whether a supplier can fulfill the order volumes required by the organization. Location plays a significant role in logistics, cost, and lead times, making it essential for understanding how easily and quickly the products can be delivered. Reputation is important as it reflects the supplier's reliability, quality of goods or services, and overall customer satisfaction. In contrast, while market trends may impact the broader industry and a supplier's strategies, they do not specifically affect the fundamental aspects of a supplier's suitability in meeting an organization's needs. Thus, focusing on supplier-specific evaluations like capacity, location, and reputation is far more relevant than considering external market dynamics when determining supplier effectiveness.

### 3. What is 'Value Engineering' aimed at achieving?

- A. Maximizing investment returns
- B. Reducing costs while maintaining functionality**
- C. Improving sales strategies
- D. Enhancing customer service experiences

Value Engineering is a systematic method aimed at improving the value of a product or service by assessing its functions and costs. The primary goal is to reduce costs while maintaining or even enhancing functionality and quality. This approach involves analyzing a product or service's components and processes to identify opportunities for cost reduction without sacrificing performance. In the context of procurement and supply, using Value Engineering can lead to more cost-effective solutions that still meet the needs and expectations of stakeholders. This is particularly important in competitive markets, where organizations must balance cost management with the delivery of quality products and services. By focusing on function and efficiency, Value Engineering ensures that businesses can optimize their resources and respond effectively to market demands. Other options, while important in their own right, do not align closely with the core principles of Value Engineering. For example, maximizing investment returns pertains more to financial strategies, improving sales strategies focuses on market engagement, and enhancing customer service experiences is centered around customer relationship management rather than the functional and cost-focused analysis that defines Value Engineering.

### 4. Why might a buyer use a blanket order instead of a spot order?

- A. To minimize overall costs
- B. To order items on demand only
- C. To secure prices for unpredictable future needs**
- D. To adhere to strict delivery schedules

A buyer might choose to use a blanket order instead of a spot order primarily to secure prices for unpredictable future needs. Blanket orders allow a buyer to establish a long-term agreement with a supplier, which often includes a specified price for products or services over a designated period. This approach provides greater price stability and predictability, protecting the buyer from potential price increases that might occur in the future due to market fluctuations. By locking in prices with a blanket order, the buyer can better plan their budgeting and avoid the uncertainties associated with purchasing items at the spot market price on an as-needed basis. This is particularly beneficial in industries where demand can be volatile and hard to predict, thereby ensuring the buyer has access to necessary products when they need them without the risk of cost increases.

**5. In which sector would you categorize manufacturing and assembly activities?**

- A. Tertiary sector**
- B. Primary sector**
- C. Secondary sector**
- D. Quaternary sector**

Manufacturing and assembly activities are categorized under the secondary sector because this sector involves the processing of raw materials into finished goods. The secondary sector includes industries that transform natural resources (obtained from the primary sector) into products that can be consumed or used in further production processes. By creating tangible goods, manufacturers add value to the raw materials, making this sector a crucial component of the economy that bridges the extraction of resources and the service-oriented activities of the tertiary sector. Thus, the categorization of manufacturing and assembly activities within the secondary sector accurately reflects its role in production and value addition.

**6. What is the value of everything an organization owns referred to as?**

- A. Equity**
- B. Liabilities**
- C. Assets**
- D. Capital**

The term used to describe the value of everything an organization owns is "assets." Assets encompass a wide range of items, including physical properties such as buildings, machinery, and inventory, as well as intangible assets like patents and trademarks. They represent resources that can provide future economic benefits to the organization. Understanding assets is crucial in financial assessments because they contribute to the overall net worth of the organization. By evaluating assets, stakeholders can gauge the organization's financial health and operational capacity. In contrast, equity represents the ownership interest in the assets after deducting liabilities, while liabilities are the debts or obligations the organization owes, and capital generally refers to the financial resources used to fund operations or investments.

## 7. What is the purpose of advanced status checks?

- A. To summarize past performance of suppliers
- B. To predict future pricing structures
- C. To assess the current progress of an ongoing order**
- D. To revise the terms of existing contracts

The purpose of advanced status checks is primarily to assess the current progress of an ongoing order. This involves evaluating where an order stands in the supply chain process, whether it is on schedule, and identifying any potential delays or issues that need to be addressed. Conducting these checks helps procurement professionals ensure that supplies are arriving as planned, which is critical for maintaining operational efficiency and meeting production schedules. By monitoring the status of orders, organizations can quickly make informed decisions to mitigate risks, adjust plans, and maintain smooth operations. The focus on current progress distinguishes this option from others, which pertain to different aspects of supplier management and procurement. For instance, summarizing past performance relates more to performance evaluation rather than ongoing assessments, predicting future pricing structures addresses market trends rather than current order status, and revising contract terms deals with contractual relationships rather than the immediate progress of a specific order.

## 8. What is a rebate in procurement?

- A. A discount applied at the point of sale
- B. An amount paid back on top of any previously agreed discounts**
- C. A fee charged for late payments
- D. A tax refund for businesses

A rebate in procurement refers to a payment made back to the buyer, typically contingent upon specific terms, such as meeting a minimum purchase volume or maintaining a certain sales level over a designated period. This amount is often in addition to any discounts that are already applied, reinforcing the buyer's loyalty or incentivizing further business with the supplier. In many cases, rebates are structured within contractual agreements and can be seen as a strategic tool for both suppliers and buyers. They can help suppliers maintain ongoing relationships and sales volume, while buyers benefit from receiving additional financial returns based on their purchasing behavior. Understanding rebates is crucial in procurement as they can significantly impact overall cost savings and budgeting for purchases.

**9. Which of the following best describes the responsibility of a Chief Procurement Officer (CPO)?**

- A. Overseeing all corporate communications**
- B. Managing the financial accounts of the organization**
- C. Ensuring the efficiency of procurement and supply processes**
- D. Supervising employee performance evaluations**

The role of a Chief Procurement Officer (CPO) is primarily focused on overseeing the procurement function within an organization. This includes ensuring that the procurement and supply processes are efficient, effective, and aligned with the organization's objectives. The CPO is responsible for developing strategies to optimize purchasing power, managing supplier relationships, and ensuring that goods and services are procured in a timely and cost-effective manner. By focusing on the efficiency of these processes, the CPO contributes to the overall performance of the organization, ultimately driving value and supporting business goals. This role is critical in navigating supply chain challenges, managing risks, and adapting to market changes, thus positioning the organization for success in a competitive environment.

**10. What does the term 'corporate governance' primarily emphasize?**

- A. Sales targets and promotions**
- B. Policies and procedures within an organization**
- C. Market competition analysis**
- D. Operational handling of supply chains**

The term 'corporate governance' primarily emphasizes the policies and procedures within an organization. This concept encompasses the systems, practices, and processes by which companies are directed and controlled. Effective corporate governance ensures that an organization operates in a transparent and accountable manner, aligning the interests of various stakeholders, including shareholders, management, customers, and the community. It is focused on establishing clear roles and responsibilities, risk management, and ethical conduct, all of which are essential to maintaining integrity and trust in the organization's operations. In contrast, other concepts provided relate to specific aspects of business that do not encapsulate the broader strategic framework that corporate governance entails. For example, sales targets and promotions are primarily centered on marketing and sales strategy rather than overall governance. Market competition analysis deals with evaluating competitors and positioning in the market space instead of internal policy establishment. Lastly, operational handling of supply chains focuses on the logistics and processes of getting products from suppliers to customers, without addressing the structural and leadership aspects that corporate governance encompasses.



## 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](mailto:hello@examzify.com).**

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

**<https://cipsl2m1.examzify.com>**

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