Managing Supply Chain Risk

CIPS L5M2

Version Demo

Total Demo Questions: 14

Total Premium Questions: 146

Buy Premium PDF

Topic Break Down

Topic	No. of Questions
Topic 1, Understand the concepts of risk and associated impacts on supply chains	44
Topic 2, Understand the tools and techniques to assess and mitigate supply chain risk	72
Topic 3, Understand the strategic impact of supply chain risk management	11
Topic 4, Understand the role of supply chain risk management in supporting organisational resilience	13
Topic 5, Mix Questions	6
Total	146

QUESTION NO: 1

Which of the following are appropriate controls to reduce the risk of counterfeit parts entering an aerospace supply chain? Select TWO.

A. require full batch traceability

B. purchase only through authorised sources

C. accept the supplier's verbal assurance

D. remove all incoming inspection requirements

E. select the lowest-priced reseller

ANSWER: A B

Explanation:

require full batch traceability and **purchase only through authorised sources** are appropriate controls. Batch traceability enables the buyer to establish the origin, movement and handling history of components, supporting investigation, containment and recall if suspect parts are found. It also makes substitution with unapproved material more difficult to conceal.

Using authorised manufacturers, distributors or other approved sources reduces the likelihood that parts have been diverted, altered, falsely labelled or supplied without a reliable chain of custody. These controls should be supported by supplier approval, incoming inspection proportionate to criticality, contractual quality requirements and records retention. The OECD identifies traceability as an important element of responsible supply-chain due diligence, while ISO 9001 supports control of externally provided processes, products and services. See OECD Due Diligence Guidance and ISO 9001 quality management.

QUESTION NO: 2

Which of the following form part of the Stakeholder Salience Model? Select TWO

A. power

B. legitimacy

C. interest

D. level

E. attitude

ANSWER: A

Explanation:

Power is a core attribute in the Stakeholder Salience Model. Developed by Mitchell, Agle and Wood, the model helps organisations identify which stakeholders should receive managerial attention by assessing the attributes they possess. Power concerns a stakeholder's ability to influence an organisation or secure outcomes that the stakeholder wants, for example through control of resources, contractual leverage, authority, expertise, access to information, or the ability to disrupt operations. In supply-chain risk management, recognising stakeholder power helps procurement and supply professionals prioritise engagement and communications with parties whose actions can materially affect continuity, performance, compliance, or reputation. The model's original academic formulation describes power as one of its defining stakeholder attributes and explains that stakeholder salience changes according to the attributes present. Applying this perspective supports a structured, evidence-based assessment of stakeholder influence rather than treating every stakeholder as equally significant. The foundational model is available in the Academy of Management Review article by Mitchell, Agle and Wood; an accessible overview of stakeholder analysis and prioritisation is also provided by the Mind Tools stakeholder-analysis guide.

QUESTION NO: 3

There are three main areas where third party suppliers are used in risk management. What are they?

A. contract negotiations

B. supply chain management

C. credit ratings

D. risk auditing

E. disaster recovery

ANSWER: C D E

Explanation:

credit ratings, **risk auditing**, and **disaster recovery** are the principal areas in which an organisation may use specialist third parties to strengthen risk management. Credit-rating agencies and business-information providers supply independent financial-health evidence that helps a buyer assess the likelihood that a supplier can meet its obligations over the life of a contract. This external insight supports proportionate due diligence and ongoing supplier monitoring. Risk-auditing specialists can provide independent reviews of controls, compliance, operational resilience, and supply-chain exposures; their expertise and objectivity can improve assurance where internal capability or capacity is limited. Disaster-recovery providers offer specialist facilities, technology, data-recovery capability, and tested continuity arrangements that enable the organisation to restore critical operations after a disruptive event. These services are particularly valuable because recovery readiness requires dedicated expertise and infrastructure that may not be economical to maintain internally. Together, these external services address financial viability, independent risk assurance, and resilience/recovery—three distinct risk-management needs. CIPS identifies supply-chain risk and continuity as core procurement concerns; see CIPS qualifications. Practical guidance on establishing and testing continuity and recovery arrangements is also available from the UK National Cyber Security Centre's supply-chain security guidance.

QUESTION NO: 4

Which of these is a type of Intellectual Property protection? Select TWO

A. Warranty

B. Condition

C. Patent

D. Trademark

ANSWER: C D

Explanation:

Patent and **Trademark** are established forms of intellectual property protection. A patent gives its owner an exclusive, time-limited right to prevent others from making, using, importing or selling an invention without permission. In procurement and supply-chain relationships, patent rights can be important where a supplier provides innovative products, processes, designs or technical solutions. Appropriate contract terms should identify ownership, permitted use and confidentiality relating to patented innovations.

A trademark protects a sign that distinguishes one organisation's goods or services from those of another. It may include a business name, logo, word, symbol, slogan or other distinctive branding element. For buying organisations, trademarks matter when procuring branded goods, authorising distributors, using supplier materials, or preventing unauthorised use of the organisation's own brand. Registering and managing trademarks helps preserve brand identity, commercial goodwill and consumer recognition.

Both rights are intellectual property assets: patents primarily protect qualifying inventions, while trademarks protect distinctive commercial indicators. The UK Intellectual Property Office provides guidance on patenting an invention and registering a trade mark.

QUESTION NO: 5

Which of the following will you put into box 3?

A. hazard

B. financial

C. strategic

D. operational

ANSWER: C

Explanation:

Strategic is the appropriate classification because an ageing workforce can affect an organisation's long-term ability to achieve its objectives. As experienced employees approach retirement, the business may lose critical technical knowledge, leadership capability, supplier and market relationships, and capacity in roles where replacement skills are scarce. The risk therefore extends beyond an isolated day-to-day disruption: it can influence future workforce capability, continuity of competitive advantage, succession planning, and the organisation's ability to deliver its overall strategy.

Managing this exposure requires senior, forward-looking decisions, such as workforce planning, identifying roles with concentrated knowledge, structured succession arrangements, mentoring and knowledge-transfer programmes, and recruitment or development of future capability. These are strategic responses because they align people and capability planning with the organisation's longer-term direction and resilience. CIPS describes supply-chain risk management as a structured approach to identifying and managing risks that could affect organisational objectives; workforce capability and continuity are material considerations within that objective-led approach. See CIPS: Supply chain risk management and the UK government's guidance on the ageing society.

QUESTION NO: 6

A black swan event is what type of occurrence?

A. an occurrence with a good outcome

B. an occurrence with a negative outcome

C. a common occurrence

D. an unusual occurrence

ANSWER: D

Explanation:

an unusual occurrence is correct because a black swan event is an exceptionally rare and difficult-to-predict event that falls outside normal expectations. The concept, popularised by Nassim Nicholas Taleb, concerns events that appear highly improbable based on past experience but have major consequences when they happen. Crucially, the defining feature is not whether the consequence is favourable or unfavourable: it is the event's rarity, surprise, and potentially extreme impact. In supply-chain risk management, black swan events may disrupt suppliers, logistics routes, workforce availability, demand patterns, or critical materials in ways that conventional forecasts and routine risk registers may not anticipate. Organisations cannot reliably predict every such event, but they can build resilience through measures such as diversified sources of supply, contingency plans, visibility across tiers of the supply chain, financial buffers, and adaptable response arrangements. Taleb's description of the Black Swan highlights its status as an outlier with extreme impact and the tendency for people to create explanations after it occurs. See [Nassim Nicholas Taleb's Black Swan description] and the [CIPS discussion of black swan events and supply-chain risk].

QUESTION NO: 7

Which of the following are benefits of conducting post-incident reviews after a supply-chain disruption? Select TWO.

A. identify improvements to controls and recovery arrangements

B. capture lessons for future planning

C. avoid updating risk assessments

D. guarantee that disruption cannot recur

E. remove the need for incident records

ANSWER: A B

Explanation:

identify improvements to controls and recovery arrangements and **capture lessons for future planning** are correct. A structured post-incident review examines what happened, why it happened, how effectively the organisation responded and whether existing controls, escalation routes and continuity arrangements were adequate. The results can be used to assign corrective actions and improve resilience.

Capturing lessons is important because similar disruptions may recur in a different form. Information from the review can improve supplier-management processes, contract provisions, inventory strategies, incident communications, recovery plans and risk assessments. The review should be constructive and focused on learning rather than assigning blame, while still ensuring that accountable owners address identified weaknesses. ISO 22301 supports continual improvement of business-continuity management arrangements. See [ISO 22301:2019] and [ISO 31000 risk management].

QUESTION NO: 8

John is a mid-level manager and has created a risk / reward matrix about four potential opportunities at his company White Ducky Limited. He will present his research to a board meeting next week. He has categorised the four opportunities as the following. Which of these opportunities should John recommend the board 'consider'? Select TWO.

A. low risk / high reward

B. high risk/ high reward

C. low risk/ low reward

D. high risk/ low reward

ANSWER: B C

Explanation:

A risk/reward matrix supports proportionate decision-making by comparing the potential benefit of an opportunity with the exposure the organisation would accept in pursuing it. "high risk/ high reward" should be considered because a potentially substantial return can justify further board-level evaluation, provided the board examines risk appetite, available controls, funding, and whether the residual exposure is tolerable. It is not an automatic commitment; rather, it merits informed consideration because the possible strategic benefit is material.

"low risk/ low reward" should also be considered. The limited downside means it may be an acceptable incremental opportunity, particularly where it supports operational continuity, capability development, supplier relationships, or a wider portfolio of initiatives. The board can decide whether its modest reward is sufficient in light of the resources and management attention required. CIPS risk-management learning emphasises identifying, assessing, treating, and monitoring risk so that commercial decisions align with organisational objectives and risk appetite. ISO 31000 likewise frames risk management as a tool for improving decision-making and creating or protecting value. See CIPS Level 5 qualifications and ISO 31000 risk management.

QUESTION NO: 9

Which of the following are likely consequences of excessive dependency on one customer for a supplier? Select TWO.

A. reduced financial resilience

B. increased exposure if the customer reduces demand

C. automatic protection against insolvency

D. guaranteed improvement in credit rating

E. elimination of cash-flow risk

ANSWER: A B

Explanation:

reduced financial resilience and **increased exposure if the customer reduces demand** are correct. Where a substantial proportion of a supplier's revenue comes from one customer, a reduction, delay or loss of that customer's business can have an immediate and material effect on cash flow, capacity utilisation and profitability. This can weaken the supplier's ability to fund operations and meet commitments to all customers.

Customer concentration is therefore an important consideration in supplier financial due diligence, particularly for suppliers of strategic or bottleneck items. A buyer should understand the supplier's revenue concentration, contractual pipeline, liquidity, contingency arrangements and ability to maintain delivery if demand changes. The UK Government recognises that assessment of suppliers' economic and financial standing should be proportionate to the contract risk. See UK Government guidance on assessing suppliers' economic and financial standing.

QUESTION NO: 10

The CBCI and DBCI are professional qualifications in which area?

A. supply chain management

B. ethical business practices

C. environmental improvements

D. business continuity

ANSWER: D

Explanation:

business continuity is correct. CBCI (Certificate of the Business Continuity Institute) and DBCI (Diploma of the Business Continuity Institute) are professional qualifications associated with the Business Continuity Institute (BCI). They evidence knowledge and competence in establishing, implementing, maintaining and improving business continuity management systems. This discipline helps organisations prepare for disruptive incidents, respond effectively when disruption occurs, and recover critical products, services and operations within acceptable timeframes. In a supply-chain context, business continuity is particularly important because a disruption affecting a supplier, logistics provider, site, technology platform or key infrastructure can interrupt the buying organisation’s ability to operate and serve customers. Business-continuity practice therefore includes understanding threats, conducting business impact analysis, developing continuity and recovery strategies, testing plans, and continually improving resilience. The BCI’s professional qualification framework identifies CBCI as its entry-level professional qualification and DBCI as a higher-level diploma qualification for practitioners. Further information is available from the Business Continuity Institute qualifications and good-practice resources and its overview of professional qualifications.

QUESTION NO: 11

Which of the following will you put into box 5?

A. audit

B. monitor

C. insurance

D. dual sourcing

ANSWER: B

Explanation:

monitor is the appropriate entry for box 5 when completing a standard supply-chain risk-management cycle. Risk management is not a one-off activity: once risks have been identified, assessed, treated and the relevant controls put in place, the organisation must continually monitor the risk environment and the effectiveness of its controls. Monitoring identifies whether a risk's likelihood or impact has changed, whether new risks or early-warning indicators have emerged, and whether the selected treatment remains proportionate and effective. This is particularly important in supply chains because supplier performance, financial health, geopolitical conditions, logistics capacity and regulatory requirements can change rapidly. The outputs of monitoring should feed back into the wider risk process, prompting reassessment and adjustment where needed. This reflects ISO 31000, which treats monitoring and review as integral, continuous elements of risk management rather than a final administrative task. CIPS risk-management practice similarly requires procurement and supply professionals to maintain oversight of risks and review mitigations throughout supplier and contract management. See the ISO 31000 risk-management overview and the CIPS supply chain risk management guidance.

QUESTION NO: 12

Which of the following will you put into box 6?

A. new technology

B. forward contract

C. outsource

D. insurance

ANSWER: D

Explanation:

Insurance is the appropriate entry because it is a risk-transfer treatment. Where employees are being injured, the organisation retains its duty to manage workplace safety but can transfer much of the financial exposure arising from injury claims to an insurer by obtaining suitable cover. In a UK context, employers' liability insurance is particularly relevant: it covers an employer against compensation claims from employees who suffer injury or illness in the course of their work. The Health and Safety Executive explains that most employers are legally required to hold employers' liability insurance, with at least £5 million of cover from an authorised insurer. This makes insurance a clear example of transferring the financial consequences of an identified people or health-and-safety risk to a specialist third party. The risk does not disappear: premiums, exclusions, excesses, and uninsured losses may remain, and the business should still use effective safety controls. However, where the box represents the selected risk-response method for employee injuries, insurance correctly identifies the transfer mechanism. See the HSE Employers' Liability (Compulsory Insurance) guidance and CIPS guidance on supply chain risk management.

QUESTION NO: 13

Which of the following statements about FIDIC Contracts are true? Select TWO:

A. They are used in the construction industry

B. They are more collaborative than NEC contracts

C. Each party manages their own risks separately

D. Early warning notices are given when risks arise

E. Change control is called a 'Compensation Event'

ANSWER: A C

Explanation:

“They are used in the construction industry” is correct because FIDIC standard forms are internationally recognised contracts for construction and engineering works. FIDIC’s contract suite covers arrangements commonly used for building and infrastructure projects, including employer-designed works, contractor-designed plant and design-build projects, and EPC/turnkey delivery. The form selected helps establish the parties’ contractual responsibilities, administration processes, payment provisions and allocation of project risks. FIDIC provides an overview of its standard construction contract forms at https://fidic.org/books.

“Each party manages their own risks separately” is also correct in the general comparison intended by the question. FIDIC contracts allocate defined risks and obligations between the employer and contractor. Each party is consequently responsible for managing the risks allocated to it, while the contract provides mechanisms for notices, claims, determinations and adjustments where specified risk events occur. This reflects a more conventionally risk-allocated approach than the proactive, collaborative risk-management model associated with NEC. The UK government’s guidance describes the importance of clear risk allocation and management in construction contracts at https://www.gov.uk/government/publications/construction-playbook.

QUESTION NO: 14

What is the final stage of Deming's Plan - Do - Check cycle which is encouraged by ISO9001?

A. Improve

B. Review

C. Act

D. Assess

ANSWER: C

Explanation:

Act is the final stage of the Plan–Do–Check–Act (PDCA) cycle associated with Deming and promoted in ISO 9001 quality-management practice. Once an organisation has planned an activity, implemented it, and checked the resulting performance against intended requirements or objectives, it must act on what it has learned. This means taking appropriate action to address any nonconformities or performance gaps, correcting their causes where required, standardising successful changes, and identifying further opportunities for improvement. The purpose is not merely to record findings from checking; it is to turn evidence into controlled improvement of the process and its outcomes. In a supply-chain context, this could involve revising a supplier-control process after monitoring identifies recurring delivery failures, implementing corrective action, and updating procedures or controls to prevent recurrence. ISO describes PDCA as a cycle in which the final step involves taking actions to improve performance as necessary. This continual, evidence-based improvement approach supports the effectiveness of a quality management system and helps organisations consistently meet customer and applicable requirements. See the ISO 9001:2015 standard overview and ISO’s explanation of the ISO 9001 quality-management approach.