



Quiz questions: L4M2 Defining Business Need

- 1 In the Kraljic matrix, what name is given to items of high financial importance, but low complexity in the supply market?
- 2 What is a direct cost? What is an indirect cost?
- 3 What is meant by generic or strategic benchmarking?
- 4 What is meant by an incremental budget?
- 5 Give examples of fast moving consumer goods (FMCG).
- 6 List Porter's five forces.
- 7 What is meant by 'should costing'?
- 8 What are the purposes of preparing specifications?
- 9 What are the three elements of the Triple Bottom Line?
- 10 In what ways might a specification be inadequate?
- 11 What is the main distinction between value analysis and value engineering?



Answers to quiz

- 1 Leverage items. (Chapter 1, Figure 1.2)
- 2 Direct: attributable directly and in full to a particular item of product, a service, or an activity (whatever it is you are trying to cost). Indirect: cannot be attributed directly and in full. Also known as overhead cost. (Chapter 2, Section 3)
- 3 Making comparisons of business processes across functional and industry boundaries. (Chapter 3, Table 3.3)
- 4 A budget that starts with actual figures from a previous period and then adjust for known or expected changes. (Chapter 4, Section 2)
- 5 Examples: confectionery; toiletries; soft drinks; mass fashion items. (Chapter 5, Section 2)
- 6 Competitive rivalry; suppliers' bargaining power; buyers' bargaining power; availability of substitutes; threat from potential entrants. (Chapter 6, Section 2)
- 7 Analysis by a buyer of what should be the costs of a supplier in delivering a product or fulfilling a contract. (Chapter 7, Section 5)
- 8 Define the requirement; communicate with key internal stakeholders; communicate the requirement to suppliers; evaluate quality or conformance (Chapter 8, Section 1)
- 9 Economic sustainability (profit); environmental sustainability (planet); social sustainability (people). (Chapter 9, Section 7)
- 10 It might be under-specified (not including everything the buyer wants); or over-specified (including more than the buyer needs); or not worded clearly (so that suppliers misunderstand the requirement). (Chapter 10, Section 1)
- 11 Value analysis relates to existing products; value engineering is applied to new products during the design stage. (Chapter 11, Sections 4 and 6)