Free Questions for L5M3 by actualtestdumps

Shared by Malone on 12-12-2023

For More Free Questions and Preparation Resources

Check the Links on Last Page

Question 1

Question Type: MultipleChoice

Which of the following will you put into box 3?

Options:

A- anticipatory breach

B- fundamental breach

C- payment terms

D- specification

Answer:

B

Explanation:

The correct answers are as follows:

	Issue	Solution
Supplier A	1 anticipatory breach	5 adjudication
Supplier B	2 payment terms	6 mediation
Supplier C	3 fundamental breach	7 litigation
Supplier D	4 specification	8 arbitration

This is a fundamental breach. The key here is the scenario says 'huge issue'. Out of the four scenarios this one is the most important / serious and therefore will be the fundamental breach.

Question 2

Question Type: **MultipleChoice**

Which of the following will you put into box 2?

Options:

A- anticipatory breach

B- fundamental breach

C- payment terms

D- specification

Answer:

C

Explanation:

The correct answers are as follows:

	Issue	Solution
Supplier A	1 anticipatory breach	5 adjudication
Supplier B	2 payment terms	6 mediation
Supplier C	3 fundamental breach	7 litigation
Supplier D	4 specification	8 arbitration

This is payment terms- the clues here are 'financial' and 'progress payments'

Question 3

Question Type: **MultipleChoice**

Which of the following will you put into box 1?

Options:

A- anticipatory breach

B- fundamental breach

C- payment terms

D- specification

Answer:

A

Explanation:

The correct answers are as follows:

	Issue	Solution
Supplier A	1 anticipatory breach	5 adjudication
Supplier B	2 payment terms	6 mediation
Supplier C	3 fundamental breach	7 litigation
Supplier D	4 specification	8 arbitration

This is an anticipatory breach as the breach hasn't happened yet- it's about what will happen to the future summer order.

Question 4

Question Type: MultipleChoice

A warranty is a minor term of a contract. Is this TRUE?

Options:

A- yes- it does not affect the prime benefit

B- yes- it affects the prime benefit of the contract

C- no- a warranty is a fundamental term in a contract

D- no- a warranty is a type of innominate term

Answer:

A

Explanation:

The correct answer is 1. The statement is True so the answer needs to start with 'yes'. Therefore options 3 and 4 should be discounted. Option 2 is incorrect a warranty does NOT affect the prime benefit of the contract. See p. 126 for more details on Contractual Warranties and Conditions

Question 5

Question Type: MultipleChoice

Restitution damages are often calculated before contracts are signed and are clearly stated within a contract. Which of the following statements is not true?

Options:

A- restitution damages means you are unable to claim for future losses

B- restitution damages may leave the breaching party in a worse position than they were in before the contract began

C- restitution damages are calculated based on how much the breaching party gained, ra-ther than how much the innocent party lost

D- restitution damages cannot be mitigated by the actions of the innocent party

Answer:

D

Explanation:

'restitution damages cannot be mitigated by the actions of the innocent party' is the untrue state-ment out of these four. The general principle of Restitution Damages is that the innocent party is expected to be proactive in mitigating the consequences of any breach and should not allow costs to spiral out of control. See p. 124

Question 6

Question Type: MultipleChoice

When assessing damages caused by a breach, which of the following statements is true?

Options:

A- damages are limited to what is stated within the contract

B- damages can be difficult to assess before a breach has occurred and therefore should be decided through conflict resolution

C- damages attempt to position the innocent party in the position that they would have been in had the contract been performed as expected

D- damages attempt to compensate the innocent party for errors made by the offending party

Answer:

C

Explanation:

The correct answer is: 'damages attempt to position the innocent party in the position that they would have been had the contract been performed as expected'. This is a quote from p. 121 Option1 is incorrect as unliquidated damages aren't stated in a contract. Option 2 is incorrect because liquidated damages are an assessment of damages before a breach. Option 4 is incorrect because not all breaches are caused by errors (they can be caused by negligence or the offending party withholding something).

Question 7

Question Type: **MultipleChoice**

Lisa has a contract with an internet provider and the contract stated the need for Wi-Fi to be online 100% of the time. The Wi-Fi has only been available 97% of the time. In order for Lisa to claim compensation from her internet provider, which of the following would need to be present in the contract?

Options:

A- change control

B- liability clause

C- service credits

D- subcontracting

Answer:

C

Explanation:

This would be service credits. If this is present and the contract stated 100% online access- Lisa could claim 3% of her money back. See p.112 for information on service credits

Question 8

Question Type: **MultipleChoice**

When considering consequential loss, can a cap be placed on the amount claimed?

Options:

A- yes- this is known as a limitation of liability clause

B- yes- this is known as a pre-estimate of damages

C- no- there can be no cap to either direct loss or consequential loss

D- no- there can be a cap to direct loss but not to consequential loss

Answer:

A

Explanation:

Yes- this is known as a limitation of liability clause. See p. 112 for more details

Question 9

Question Type: MultipleChoice

Sam is a factory manager and has purchased a new fixed asset on a loan purchase agreement. There is a forbearance agreement between the Factory and the provider. What does this mean?

Options:

A- the lender agrees to give the breaching party a period of time as an extension by which to meet their obligations

B- the lender requires the buyer to assign a guarantor in case they cannot make payments

C- the lender is able to demand full payment of outstanding balances in case of none pay-ment

D- the lender is able to charge interest on the purchase in line with RPI

Answer:

A

Explanation:

1 is the correct answer. This is a direct quote from p. 104 of the study guide.

Question 10

Question Type: MultipleChoice

Harry is negotiating a contract for a new IT system for his business. He is investing heavily in the system and wants the system to be able to provide the services he requires for the next 10 years. However he is aware that technology is changing quickly and would like to include a clause in the contract to ensure that the system he is purchasing is useable for the next 10 years. What should Harry include in the contract?

Options:

A- limitation of liability

B- service credits

C- benchmarking

D- change control

Answer:

C

Explanation:

Benchmarking should be included- this is common in long-term contracts where variables can af-fect the market over time. By including benchmarking, harry gets assurance that the product he purchases will meet the market expectations over the next 10 years. The other answers are incorrect; 1- there is no mention of liability in the question so this is incorrect. 2- service credits would be used if he is concerned the product would be offline/ not perform (it's a form of damages) but this isn't the case in this scenario. He's not worried about underperformance, he's worried about obsolescence. 4- change control is for when there are multiple versions of a contract due to amendments being made.

Question 11

Question Type: **MultipleChoice**

Which of the following statements about penalty clauses is not true?

Options:

A- they are used to deter the parties from breaching the contract

B- they are illegal

C- they provide damages in excess of the true cost of a breach

D- they can harm the working relationship

Answer:

B

Explanation:

2 - penalty clauses are not illegal. However they may be judged excessive in a court of law and thrown out. Most contracts will instead opt for liquidated damages rather than a penalty clause. See p.90