CertsDeals

Free Questions for L4M3 by certsdeals

Shared by Turner on 20-10-2022

For More Free Questions and Preparation Resources

Check the Links on Last Page

Question 1

Question Type: **MultipleChoice**

Which of the following shall help the purchaser control the selection of tier 2 suppliers?

Options:

A- Subcontracting clause

B- Warranty clause

C- Guarantee clause

D- Insurance clause

Answer:

A

Explanation:

When a party takes on a contractual obligation, they are legally required to perform the obligation.

That same contracting party is still entitled to subcontract out the work to another service provider, unless the contract:

- is a contract for personal services, such an employment contract

- contains an express term preventing subcontracting out the work, or an implied term

Subcontracting clauses are written to control whether the contractor is entitled to subcontract, and how purchaser shall control that subcontracting process.

- Subcontracting clauses (delegation of contractual obligations to third parties)

- CIPS study guide page 153-157

LO 3, AC 3.2

Question 2

Question Type: MultipleChoice

Which of the following would be useful tools to incentivise supplier innovation over the duration of the contract?

1. Gainshare arrangement

2. Liquidated damages

3. Service credits

4. Fixed bonus payments

Options:

A- 3 and 4 only

B- 2 and 4 only

C- 1 and 4 only

D- 1 and 3 only

Answer:

C

Explanation:

Gainshare is an incentive for cost control

Liquidated damage is common type of disincentive for late completion

Service credit is a remedy for not achieving targets set out in an SLA

Fixed bonus payment is an incentive for early completion

LO 3, AC 3.3

Question 3

Question Type: MultipleChoice

A manufacturing company signed a contract with a raw material supplier. The contract includes a clause on liquidated damages in case of late delivery. Purchaser was obliged to pay after 30 days from delivery. Eventually raw material was delivered 1 week later than initial plan due to supplier's slow production process. There is no defect in the delivered batch. Which of the following can be claimed by the manufacturing company?

Options:

A- Rights to refunds or repairs

B- Right of set-off

C- Right of third party

D- Right of extending payment

Answer:

B

Explanation:

In certain circumstances, where two parties have monetary debts against each other, the right to set-off may arise. A right of set-off allows a ("Party 1") to take into account the amount owed to it by the second party ("Party 2") against any amount owed by Party 1 to Party 2, each party must be a debtor and a creditor.

Common law provides the key features that must be present for set-off to arise are;

1. mutuality of debts (each party must be the sole beneficial owner of the debt it is owed and the sole person liable for the debt it owes)

2. the claims each party has must be for non-payment of money

The common law provisions of set-off can be greatly enhanced by the inclusion of a contractual right to set-off (this is discussed further below) so that set-off is applicable in a greater range of situations. If you envisage set-off being a useful right it is not advisable to rely on the implied ability to use it (via common law or equitable set-off). Common law and equitable set-off are subject to various conditions and limitation however, a contractual right of set-off can be drafted to ensure parties are able to agree exactly how and when set-off should be applied.

In the above scenario, the supplier owes the manufacturer the payment for damages, while the manufacturer owes the supplier the payment for goods. This is mutuality of debts, which leads to right of set off.

- Set-off on the right foot: a practical guide to set-off

- CIPS study guide page 158-159

LO 3, AC 3.2

Question 4

Question Type: **MultipleChoice**

You are to do the KPIs and targets for international supplier and the following was done

1. Delivery in an hour

2. Return orders in an hour

Is that a good thing or not?

Options:

A- Yes, because these targets will propel the suppliers to continuous improvement

B- No, the local suppliers are always the best choice

C- No, because the KPIs are not a realistic and justified

D- Yes, the higher the targets are, the better the outcomes will be

Answer:

C

Explanation:

KPIs and the targets for supplier should be SMART:

- Specific: What exactly do you want to achieve?

- Measurable: How will you identify that you have achieved your goal?

- Achievable: Is your goal really attainable?

- Relevant: Is it relevant to you or, in other words, does it align with where you want to be?

- Time-bound (or timely): When will you deliver your goal, and what are the key milestones?

The two KPIs (Delivery in one hour, Return orders in one hour) are not realistic and achievable for international suppliers. Therefore, you should not put such high targets for supplier.

- What Are SMART KPIs? (Spoiler: They Don't Really Exist!)

- CIPS study guide page 107-108

LO 2, AC 2.2

Question 5

Question Type: MultipleChoice

Cleveland Insurance (Cleveland) offers a range of insurance services. The main software used in the call centre is a customer relationship management (CRM) system. Cleveland perceived an urgent need to replace the existing CRM system to deal with the increasing number of customers and services.

Urgent Digital Ltd (Digital) is one of the bidders of Cleveland's ITT. Its bid team is led by Hank Irvine, its technical director. Hank realises that winning the Cleveland contract (valued at approximately 50M) will enhance his career. During discussions with Cleveland, Hank offers certain assurances regarding timescales for the project. He has not carried out any investigations into the viability of the timescales. Hank has little idea whether the timescales can be met.

Cleveland decides that Digital's bid meets with its requirements, especially given the assurances in timescale offered by Hank, and decides to proceed with it, subject to a formal contract. Eventually, a formal contract is signed by both parties. The initial assurances given by Hank about the timing of the project are never going to be achieved and are at best grossly exaggerated.

Hank's pre-contractual assurance is most likely to be an example of which of the following?

Options:

A- Inaccuracy in communication

B- Threat

C- Initial impossibility

D- Fraudulent misrepresentation

Answer:

C

Explanation:

Hank's pre-contractual assurances may amount to misrepresentation. Fraudulent misrepresentation is a strong possibility since Hank had carried out no investigations into the viability of the project timescales. This could amount to recklessness in using information without taking any steps to see if it is true or not.

The scenario above was constructed based on the case BSkyB v EDS, a famous case in IT sector.

LO 1, AC 1.2

Question 6

Question Type: MultipleChoice

Which of the following are likely to be express terms in a contract?

1. Legislation

2. Custom and practice

3. Contract particulars

4. Terms and conditions

Options:

A- 2 and 3 only

B- 1 and 4 only

C- 3 and 4 only

D- 1 and 2 only

Answer:

C

Explanation:

Express terms are the terms of the agreement which are expressly agreed between the parties. Ideally, they will be written down in a contract between the parties but where the contract is agreed verbally, they will be the terms discussed and agreed between the parties.

The types of express terms to be found in a contract are many and varied and will depend on the type of contract. Any term written into the contract is an express term and may refer to price, time scales, warranties and indemnities, limitations on liability, conditions precedent and so on.

- Contracts: Express and Implied Terms

- CIPS study guide page 32

LO 1, AC 1.2

Question 7

Question Type: MultipleChoice

Which of the following should be applied when measuring frequency of on-time deliveries during a contract period?

Options:

A- Qualitative assessment

B- Numerical measure

C- Binary measure

D- Subjective measure

Answer:

B

Explanation:

Number of on-time deliveries can be quantified, then numerical measures can be applied.

Frequency of on-time deliveries is measured as on-time deliveries as a percentage of total no. of deliveries for period.

LO 2, AC 2.2