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Question 1

Question Type: MultipleChoice

Which of the following are likely to be advantages of using request for quotation? Select TWO that apply:

Options:

A- Lower administration costs

B- Short turnaround times

C- No specification required

D- Helping the buying organisation assess both price and quality

E- Encouraging suppliers to submit creative solutions

Answer:

A, B

Explanation:

One of the advantages of using the RFQ method to procure pricing is that the company making the solicitation does not need to prepare any documentation, as requests are sent out privately. With less paperwork to prepare, turnaround times for quotes are reduced. Administration cost is also lower in compare with other procurement method like ITT or RFP. RFQ is usually used in low value purchase, where buyer knows the detailed specification and the price is the only variable that need to consider.

To use RFQ effectively, the buyer should attach the detailed specification and standard terms & conditions. The RFQ should only be sent to verified suppliers.

- What is an RFQ?

- CIPS study guide page 3-4

LO 1, AC 1.1

Question 2

Question Type: **MultipleChoice**

Under English law's general legal principles of contract formation, which of the following are likely to be offers? Select TWO that apply.

Options:

A- Invitation to tender

B- Quotation

C- Purchase order

D- Advertisement

E- Catalogue

Answer:

B

Explanation:

An offer is a full statement of what the offeror is willing to provide and the terms by which they are willing to provide it.

There are some statements that are not offers:

- Invitation to treat: this states that a person or organisation is willing to enter into discussions about the possibility of a deal, but does not confirm a willingness to be bound by any terms mentioned. Catalogues, goods on display and ITTs are invitation to treat.

Civil law countries may have different perspective on this matter. Article 2:201 (3) of The Principles of European Contract Law states: 'A proposal to supply goods or services at stated prices made by a professional supplier in a public advertisement or a catalogue, or by a display of goods, is presumed to be an offer to sell or supply at that price until the stock of goods, or the supplier's capacity to supply the service, is exhausted.' Learners are advised to look at their countries' legislation for more information on offer and acceptance.

- Declaration of intention: this is defined as an aim or a plan.

- A 'mere puff' (or boast): this is anything which is not intended to be taken literally or seriously, such as many advertisement.

- Provision of information: merely provides information, but provider does not confirm willingness to be bound.

LO 1, AC 1.2

Question 3

Question Type: **MultipleChoice**

Which of the following is set down in statute as a liability that exists without any need to prove fault?

Options:

A- Strict liability

B- Current liability

C- Contingent liability

D- Non-current liability

Answer:

A

Explanation:

- Strict liability, sometimes called absolute liability, is the legal responsibility for damages, or injury, even if the person found strictly liable was not at fault or negligent. Strict liability has been applied to certain activities in tort, such as holding an employer absolutely liable for the torts of her employees, but today it is most commonly associated with defectively manufactured products. In addition, for reasons of public policy, certain activities may be conducted only if the person conducting them is willing to insure others against the harm that results from the risks the activities create.

- Current liabilities are a company's short-term financial obligations that are due within one year or within a normal operating cycle.

- Non-current liabilities, also called long-term liabilities or long-term debts, are long-term financial obligations listed on a company's balance sheet

- Contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event.

LO 3, AC 3.2

Question 4

Question Type: MultipleChoice

Which of the following KPIs is qualitative?

1. Openness and co-operation of supplier

2. Responsiveness of supplier

3. Customer satisfactory ratings

4. Cost management

5. OTIF deliveries

Options:

A- 2 and 5 only

B- 1 and 3 only

C- 2 and 3 only

D- 1 and 4 only

Answer:

B

Explanation:

Qualitative KPIs are based on pure opinions about how well or otherwise the goods are performing or the service is being delivered. Most often, these will be linked to, or converted into, a numerical measure. However, such satisfaction surveys often also include free fields for respondents to explain why they feel the way they do, and what they might have liked to have been different.

On the other hand, quantitative KPIs are based on numerical measure with either definite number (e.g., actual number of orders incomplete or otherwise inaccurate during the time period) or as a percentage (e.g. number of inaccurate orders as a percentage of the total number of orders).

Openness and co-operation means that supplier is open and co-operative in its relationship with purchaser, e.g., in terms of joint problem solving. This KPI is qualitative since it is measured by individual judgement.

Responsiveness of supplier means the supplier responds rapidly to requests for information and support without having to be chased. It is measured by the number of times requests chased as a percentage of number of requests. It is a quantitative KPI.

Customer satisfactory ratings means the level of customer's satisfaction. This KPI is measured by periodic survey and it is a qualitative KPI.

Cost management is another quantitative KPI. It can be measured by comparing between the actual costs and the contractual costs.

OTIF (one-time in-full) deliveries is a quantitative KPI. It can be measured by counting the inaccurate deliveries in the period or inaccurate deliveries as a percentage of total number of deliveries for period.

LO 2, AC 2.2

Question 5

Question Type: MultipleChoice

Consequences and actions that arise from certain KPI scores must be...? Select TWO that apply.

Options:

A- Mutually agreed

B- Deliberately omitted

C- Documented

D- Unilaterally imposed by the purchaser

E- Terminated

Answer:

A, C

Explanation:

Supplier performance management and monitoring is a fundamental part of contract management. It starts with setting KPIs, targets and consequences or actions that arise from KPI scores. The measures, objectives and targets used in the monitoring of the supplier's performance must reflect those that were agreed when the contract was let. That is why it is important to specify a commitment to continuous improvement at the outset. It would be unfair to the supplier to suddenly introduce a range of measures after the contract had

begun - however if such an introduction mid-term through the contract is unavoidable then it should be negotiated and agreed in a professional manner and not merely imposed on the supplier.

In conclusion, the details of how KPIs will be monitored and the actions or consequences resulting from scores achieved must be documented and agreed between the parties. This details may be embedded in the specification or the main body of the contract or it may be set out in a SLA.

- Performance Monitoring of Suppliers - CIPS Knowledge summary

- CIPS study guide page 101-109

LO 2, AC 2.2

Question 6

Question Type: MultipleChoice

Which of the following statement is true about insurance?

Options:

A- An insurance policy can be mechanism of substance to back up indemnity

B- The supplier must always pay the insurance premium for goods-in-transit

C- An insurance policy transfers the legal liabilities from the insured to the insurer

D- Professional indemnity insurance provides the insured business with financial protection against the liabilities caused by or arising out of the products supplied

Answer:

A

Explanation:

An insurance policy transfers a risk from one party to another in exchange for payment, it does not transfer the liabilities from the insured to insurer.

Insurance policies are taken out as a form of protection against a specific risk or unfortunate occurrence. If one party indemnifies another to protect that other party in the event of a risk occurring then the indemnity itself is merely a statement of intent. There also need to be some mechanism of substance to back up that indemnity. This BACK UP is the insurance policy which can be relied upon to meet the indemnity being given. In fact, most indemnity provisions are backed up by insurance coverage.

Professional indemnity or liability insurance offers such coverage to professional advice or service providing individuals and companies ensuring protection against any legal costs and damages awarded as a result of claims relating to negligence. Whereas more general forms of liability insurance focus on direct forms of harm such as sustaining injuries, professional indemnity insurance provides a far more detailed and comprehensive form of coverage. The cover protects a firm or individual's liability relating to any financial loss caused

by errors or omissions in the service provided as well as any alleged failure to perform on behalf of a client.

Goods in transit insurance does what it says on the tin, protecting any goods your business delivers or transports from place to place. The responsibility to pay the insurance premium is negotiable, it may belong to the supplier or the buyer.

- Is that Covered? Insurance and Indemnity Clauses

- Professional Indemnity Insurance

- Goods in transit insurance

- CIPS study guide page 150-153

LO 3, AC 3.2

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