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Question 1

Question Type: MultipleChoice

According to mailbox rule in some common law countries, at which point the offeree's acceptance will be effective?

Options:

- A- When the letter of acceptance is opened and its contents read by the offeree.
- B- When the letter of acceptance is received by the offeror.
- C- When the letter of acceptance has been written.
- D- When the letter of acceptance has been correctly addressed, its postage paid, and posted.

Answer:

D

Explanation:

When parties do not negotiate face-to-face, a key Question: becomes when

things like acceptances, rejections and revocations take effect. The general rule is that acceptances are effective on dispatch (when they are mailed). Everything else becomes effective when the offeror actually receives them. This idea is codified by the "mailbox rule" which states that acceptance is effective on dispatch, even before the offeror has received it. (The one minor exception to this rule involves option contracts for which acceptances are not effective until they are received by the offeror.)

- The Mailbox Rule

- CIPS study guide page 34

Question 2

Question Type: MultipleChoice

Which of the following is the most suitable model contract for car lift manufacturing?

Options:

A- ITC

B- FIDIC

C- IMechE/IET

Answer:

C

Explanation:

IMechE/IET: Institution of Mechanical Engineers/Institution of Engineering and Technology - two separate institutes that issue jointly agreed model forms covering the design, supply and installation of electrical, electronic and mechanical plant including special conditions for the ancillary development of software. Car lifts are mechanical products, so IMechE/IET is the most suitable model contract for this type of product.

FIDIC is a French language acronym for Fédération Internationale Des Ingénieurs-Conseils, which means the international federation of consulting engineers. It was started in 1913 by the trio of France, Belgium and Switzerland. The United Kingdom joined the Federation in 1949. FIDIC is headquartered in Switzerland and now boasts of membership from over 60 different countries. FIDIC published its first contract, titled The Form of contract for works of Civil Engineering construction, in 1957. As the title indicated, this first contract was aimed at the Civil Engineering sector and it soon became known for the colour of its cover, and thus, The Red Book. It has become the tradition that FIDIC contracts are known in popular parlance by the colour of their cover. This first contract by FIDIC was undertaken jointly with the International federation of Building and Public works. FIDIC's concerted effort at achieving broad consultation and acceptance of its contract forms has seen subsequent editions of its contracts being ratified by the International Federation of Asian and Western Pacific Contractors Association, Associated General Contractors of America and the Inter-American Federation of the Construction Industry, Multilateral Development Banks among others. Because of the broad support it enjoys, FIDIC contracts are the foremost contracts in international construction.

The Chartered Institute of Procurement and Supply (CIPS) has some model contracts for IT functions including: supply and installation of computer equipment, support and maintenance of bespoke software, servicing of computer equipment,...

The International Trade Centre (ITC) produces contracts specifically designed for small companies doing international business, covering the sale of goods, distribution, services and joint ventures.

LO 3, AC 3.1

Question 3

Question Type: MultipleChoice

The cost in cost reimbursable contract is...?

Options:

- A- Actual cost
- B- Variable cost
- C- Fixed cost

D- Profit

Answer:

A

Explanation:

A cost reimbursable contract (sometimes called a cost plus contract) is one in which the contractor is reimbursed the actual costs they incur in carrying out the works, plus an additional fee. Option E of the NEC3 Engineering and Construction Contract (ECC) is an example of a cost reimbursable contract.

- CIPS study guide page 176-179

- Cost reimbursable contract

LO 3, AC 3.3

Question 4

Question Type: MultipleChoice

Since services are intangible, so KPIs for services must be qualitative in all circumstances. Is this statement correct?

Options:

- A-** No, KPIs for services must always be quantitative so that they can be measured easily
- B-** No, some KPIs for services are measurable by means of outcome, time and space performed
- C-** Yes, quantitative KPIs are limited to timeliness of supply of goods, defective rates and in-full quantities, which are applied to monitor supplier of physical goods
- D-** Yes, the only measure mattered to supply of services is end-users' satisfaction

Answer:

B

Explanation:

KPIs are used to monitor supplier's performance. They can be qualitative or quantitative. Of course, service providers can be monitored by quantitative KPIs regarding the outcome achieved (such as uptime in IT contracts), timeliness of deliveries (such as in construction contracts)...

LO 2, AC 2.2

Question 5

Question Type: MultipleChoice

Which of the following are typically included in an SLA? Select TWO that apply:

Options:

A- Requirements for packaging

B- Service definition

C- KPI details

Correct)

D- Code of conduct

E- Product's lifespan

Answer:

B, C

Explanation:

The core elements of an SLA are set out below:

- Service definition
- Quality definition
- KPI details
- KPI management response
- Operational performance and management response
- Constraints or mitigating factors

LO 2, AC 2.2

Question 6

Question Type: MultipleChoice

Which of the following are most likely to be substantive elements of the specification of a truck? Select TWO that apply:

Options:

- A- Guarantee
- B- Foreword
- C- Expected lifespan
- D- Ethics
- E- Abbreviation

Answer:

A, C

Explanation:

The key substantive elements to be included in a specification are:

- Characteristics of the product or service
- Time scale for delivery
- Response times for defects
- KPIs relating to performance and reliability
- Lifespan and durability expectations
- Documentary requirement for training/user manual and/or management information

- Any specific requirements regarding implementation

LO 2, AC 2.1

Question 7

Question Type: MultipleChoice

SFO procurement manager sent a request for quotation to Vogon International in which he determined the contract terms and specification. In SFO's standard terms and conditions, it is stated that 'Goods shall be delivered and Services performed by the applicable Delivery Date. Supplier must notify Buyer 3 days prior to the Delivery Date if Supplier is likely to be unable to meet a Delivery Date.'

Vogon replied with a quotation without any amendment to SFO's terms & conditions. The SFO procurement manager found the prices were reasonable and submitted to senior management. Senior management team accepted that quotation and sent a notification to Vogon. On the Delivery Date, Vogon said they had no capacity to supply the product as the quotation due to a workers' strike. Did Vogon breach any agreement with SFO?

Options:

- A-** No, because Vogon had no intention to be bound by the quotation, therefore, it didn't constitute a contract
- B-** No, because the strike is a force majeure event, so Vogon did not breach any contract with SFO
- C-** Yes, because the contract was formed since Vogon had sent the quotation as an acceptance to SFO's offer
- D-** Yes, because the contract had been formed between SFO and Vogon with the quotation as an offer and the notification as an acceptance

Answer:

D

Explanation:

SFO issued an RFQ with defined terms and condition and detailed specification. This RFQ can be considered as an invitation to treat. Vogon's quotation is an answer to the purchaser's RFQ and is an offer to SFO. The contract come to life at the time Vogon received the notification from SFO senior management.

The strike may be a force majeure event, depending on the contract particular clauses and jurisdiction. In common law countries, force majeure is applicable as an exclusion of liability only if the contract allows it. In many civil law countries, force majeure is an implied term. But in every jurisdiction, force majeure is only a reason for excluding liability for non-performance of a contract. In other words, the non-performance party is not liable for any breach if force majeure event occurs but the event does not exclude the breach.

LO 1, AC 1.2

Question 8

Question Type: MultipleChoice

Which of the following are implied terms in sales contracts? Select THREE that apply.

Options:

- A- Payment method
- B- Customer satisfaction
- C- Transfer of ownership
- D- Risk transfer
- E- Fitness for purpose
- F- Mode of transportation

Answer:

C, D, E

Explanation:

Generally, under the Sale of Goods Acts (in UK, Singapore, Australia,...) or Commercial Codes (in France, Germany, Vietnam,...), the sale contracts have the following implied terms:

- the seller has the right to sell the goods. This is also a condition of the contract
- the goods are free from undisclosed security interests
- the goods supplied under the contract will be reasonably fit for any purpose which the buyer made known to the seller
- sales of unseen goods will be of merchantable quality, and match their description and conform with a sample.
- Passing of risk
- Passing of possession and title
- ...

LO 3, AC 3.1

Question 9

Question Type: MultipleChoice

Which of the following is always an advantage of using fixed price arrangement in a contract for buying organisation?

Options:

- A- Buyer can allocate budget with certainty
- B- Buyer can harness falling market price
- C- Supplier always receives a fixed margin
- D- Suitable for contracts that last 5 years or more

Answer:

A

Explanation:

Advantages of using fixed pricing arrangement are as below:

- Budget/income certainty - prices are fixed up front and should not change
- The impact of changes to the supplier's cost base is not fed through to the purchaser. If costs diminish, the supplier will benefit from this, and if costs rise, the purchaser will benefit

LO 3, AC 3.3

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