CIPS L4M3 Practice Questions

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Question 1

Question Type: MultipleChoice

Which of the following are the 'fundamental' labour standards laid down by the International Labour Organisation?

1. Elimination of child labour

2. Payment of a minimum wage

3. The right to collective bargaining

4. Abolition of forced labor

Options:

A- 1, 2 and 4 only
B- 2, 3 and 4 only
C- 1, 3 and 4 only
D- 1, 2 and 3 only

Answer:

C

Explanation:

ILO Declaration on Fundamental Principles and Rights at Work was adopted in 1948. The Declaration commits Member States to respect and promote principles and rights in four categories, whether or not they have ratified the relevant Conventions.

These categories are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.

- ILO Declaration on Fundamental Principles and Rights at Work

- CIPS study guide page 161-163

LO 3, AC 3.2

Question 2

Question Type: MultipleChoice

Why would you use a non-disclosure agreement?

Options:

A- To protect parties, where information has been shared that is not in the public domain
B- To allow parties the freedom to disclose confidential information to the public domain
C- To agree between parties what information is and is not confidential and what can be in the public domain
D- To give parties permission to share all information in the public domain

Answer:

A

Explanation:

A non-disclosure agreement is used to protect confidential information shared during discussions or collaborations. It ensures that sensitive data is not disclosed to unauthorized parties and maintains trust between contractual parties during tendering or negotiation.

Question 3

Question Type: MultipleChoice

A procurement manager is setting KPIs measurement for user satisfaction. He also wants to encourage users to share the reason why they feel the way they do. Which of the following types of KPI should the procurement manager apply?

Options:

A- Quantitative measure
B- Numerical measure
C- Binary measure
D- Qualitative assessment

Answer:

D

Explanation:

There are 3 types of KPI measure:

- Binary KPIs

- Quantitative KPIs (or numerical)

- Qualitative KPIs

User satisfaction is subjective, therefore, using qualitative assessment is the best answer.

LO 2, AC 2.2

Question 4

Question Type: MultipleChoice

In which scenarios would it be appropriate for a procurement organisation to include contractual indexation and/or price adjustment formulae clauses in a services contract? Select TWO that apply.

Options:

A- The supplier's directors shall be paid dividends during the term
B- The supplier's contract staffing costs will be subject to regulatory increase
C- The material components were tendered as fixed costs for the term
D- The supplier's preference is to switch to a more expensive material specification
E- The market rates for the supplier's material costs will vary during the term

Answer:

A, B, D, E

Explanation:

Indexation and price adjustment clauses are appropriate when future costs are uncertain or likely to change, such as regulatory-driven wage increases (B) or fluctuating material costs (E). These clauses allow adjustments based on objective indices while preserving the integrity of the contract.

Question 5

Question Type: MultipleChoice

Which of the following is the international standard for labelling hazardous substances?

Options:

A- GPS
B- HSE
C- CODEX STAN 1-1985
D- GHS

Answer:

D

Explanation:

GHS stands for the Globally Harmonized System of Classification and Labelling of Chemicals. GHS defines and classifies the hazards of chemical products, and communicates health and safety information on labels and safety data sheets). The goal is that the same set of rules for classifying hazards, and the same format and content for labels and safety data sheets (SDS) will be adopted and used around the world. An international team of hazard communication experts developed GHS.

The Global Positioning System (GPS), originally NAVSTAR GPS, is a satellite-based radionavigation system owned by the United States government and operated by the United States Space Force. It is one of the global navigation satellite systems (GNSS) that provides geolocationand time information to a GPS receiver anywhere on or near the Earth where there is an unobstructed line of sight to four or more GPS satellites. Obstacles such as mountains and buildings block the relatively weak GPS signals.

CODEX STAN 1-1985 is general standard for the labelling of packaged goods.

Environment (E), health (H) and safety (S) (together EHS) is a discipline and specialty that studies and implements practical aspects of environmental protection and safety at work. In simple terms it is what organizations must do to make sure that their activities do not cause harm to anyone.

LO 2, AC 2.1

Question 6

Question Type: MultipleChoice

Which option best may be a benefit for purchaser in using call off contract?

Options:

A- Ability to discover new potential suppliers
B- No long-term commitment required
C- Secured supply
D- Maintaining a degree of competition between suppliers

Answer:

C

Explanation:

Benefits for the purchaser in using call off contract are as below:

- The benefit of a call off contract is that they allow the supply of materials, goods and services to be secured over multiple delivery dates across the length of a project.

- Agreed prices, either fixed or pre-agreed mechanism for adjustment. This helps with setting and controlling budgets.

- Simple order mechanisms at the point of need

- Schedules of rates pricing enables electronic procure-to-pay systems, which gives greater control and visibility of spend

- The value of spend ad length of contract justify the cost of proper market engagement and tender or negotiation processes resulting in better value for money

- The longer the contract, the greater the opportunities for aligning working practices to create joint efficiency.

- Call Off Contracts -- What are they and how are they used?

- CIPS study guide page 63-64

LO 1, AC 1.3

Question 7

Question Type: MultipleChoice

A buyer is procuring innovative new IT systems and has issued a performance specification as part of the invitation to tender. Is this a suitable approach?

Options:

A- No, because the bidder may use it to inflate costs
B- Yes, because it allows the bidder to present solutions and further inform the requirement
C- No, because the Procurement Team should only include outputs in specifications
D- Yes, because it will improve relationships and collaboration between both parties

Answer:

B

Explanation:

A performance specification outlines the results or outputs required, rather than dictating how they should be achieved. This is ideal for innovation-focused procurement, like IT systems, as it allows suppliers to bring forward creative, technical solutions. It encourages market input and can lead to better value and performance.

Question 8

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 detailsCorrect)
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 9

Question Type: MultipleChoice

Solus Trading has begun a project to improve the level of delivery performance from its suppliers. They need to develop a key performance indicator (KPI) to measure the performance improvement. Which KPI would be suitable to use?

Options:
A- Percentage of on-time in full
B- Percentage of rejects and returns
C- Percentage of cost reduction
D- Percentage of customer complaints

Answer:

A

Explanation:

'On-time in full' (OTIF) is a key performance indicator used widely in logistics and supply chain management to assess how reliably suppliers meet delivery schedules. It reflects both delivery timing and completeness of orders, making it highly relevant to Solus Trading's project.

Question 10

Question Type: MultipleChoice

GPP, the employer, and Prosolia UK, the contractor, entered into five EPC contracts for the development of five different solar power generation plants in the United Kingdom. Four out of the five developments failed to be commissioned by the relevant due dates, with the delays ranging from 44 to 285 days.

Among other claims, GPP, acting through its two investment vehicles, claimed liquidated damages of 500 per day in all four contracts for Prosolia UK's failure to achieve completion of the plants by the due date. The liquidated damages claimed amounted to 1,804,221 across the four delayed contracts.

Prosolia, alongside various other defences, raised the defence that the liquidated damages provision in each contract was a penalty, and therefore unenforceable against it. Is Prosolia contractually obliged to make the payment to the plaintiff?

Options:

A- No, the amount claimed is too excessive and it may put Prosolia into insolvency. The clause must be void
B- No, the clause must be treated as a penalty clause which is unenforceable in UK
C- Yes, the amount is a reward to the employer as they have supervised and monitored the projects
D- Yes, the clause is a genuine estimate of possible losses that GPP may have suffered and therefore, it is enforceable.

Answer:

D

Explanation:

A liquidated damages clause specifies a predetermined amount of money that must be paid as damages for failure to perform under a contract. The amount of the liquidated damages is supposed to be the parties' best estimate at the time they sign the contract of the damages that would be caused by a breach. If a breach occurs and the liquidated damages clause is enforceable, the parties do not calculate the actual damages (i.e., how much money a party actually lost as a result of the breach). Instead, the breaching party pays the predetermined sum provided by the liquidated damages provision.

To be enforceable, a liquidated damages clause should meet the following criteria.

Damages are difficult to estimate. A court will be more likely to enforce a liquidated damages provision if the damages that will be incurred as a result of a breach of the contract are difficult to estimate when the contract is entered into. In certain situations, injuries are easy to prove. For example, if a breach will result in the loss of sales, it is easy to determine the actual damages by calculating lost profits. Others are more difficult, like the harm caused by breach of a confidentiality agreement or theft of trade secrets. To be enforceable, the damages should be either uncertain or difficult to quantify at the time the contract is entered into.

The amount is reasonable and not a penalty. If the amount of the liquidated damages is grossly disproportionate to the actual harm incurred, a court will likely find it is a penalty or punishment and will not enforce the provision. When making this analysis, courts usually consider what was reasonable at the time the contract was entered into as opposed to when the breach occurred. There have been cases, however, where courts will decide the reasonableness of the damage estimate based on the actual harm at the time of the breach.

The scenario is excerpted and edited based on a real world case law. In that case, the court held that GPP was entitled to liquidated damages under all four of the EPC contracts, ruling that the provisions did not amount to unenforceable penalties in each of the contracts.

- CIPS study guide page 158-159

- Liquidated damages in energy projects

- What Is a Liquidated Damages Provision?

LO 3, AC 3.2

Question 11

Question Type: MultipleChoice

Which of the following can be considered as implied terms in a contract?

1. Case law

2. Statute

3. Trade custom

4. A term can never be implied, it must always be expressed by the parties

Options:

A- 1,3 and 4 only
B- 1, 2 and 3 only
C- 1, 2 and 4 only
D- 2, 3 and 4 only

Answer:

B

Explanation:

An implied term is a term which the courts imply into a contract because it has not been expressly included by the parties. This may be because the parties did not consider it, did not think that any problem would arise in relation to it or simply omitted to include it.

The courts are very reluctant to imply terms into contracts and will only do so in the following circumstances:

1. terms implied under statute

2. terms implied under common law

3. terms implied because of custom or usage

4. terms implied due to previous dealings

5. terms implied 'in fact' or to reflect the parties' intentions

- Contracts: Express and Implied Terms

- CIPS study guide page 126

LO 3, AC 3.1

Question 12

Question Type: MultipleChoice

The model form contract invented by Institute of Civil Engineers is...?

Options:

A- NEC
B- IMechE/IET
C- FIDIC
D- JCT

Answer:

A

Explanation:

NEC - New Engineering Contracts is a family of contracts invented by Institute of Civil Engineers. The contracts are suitable for procuring a diverse range of works, services and supply, ranging from major framework projects through to minor works and the purchase of supplies and goods.

FIDIC is a French language acronym for Fdration Internationale Des Ingnieurs-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 Joint Contracts Tribunal, also known as the JCT, produces standard forms of contract for construction, guidance notes and other standard documentation for use in the construction industry in the United Kingdom. From its establishment in 1931, JCT has expanded the number of contributing organisations.

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.

LO 3, AC 3.1

Question 13

Question Type: MultipleChoice

When should liquidated damages clauses be written into a contract?

Options:

A- When the innocent party wants to punish the breaching party.
B- When the breaching party wants to exclude all its liabilities
C- When the court approves the damages amount before the contract is executed.
D- When the loss to the innocent party will be either too uncertain or too difficult to calculate.

Answer:

D

Explanation:

Liquidated damages are presented in certain legal contracts as an estimate of otherwise intangible or hard-to-define losses to one of the parties. It is a provision that allows for the payment of a specified sum should one of the parties be in breach of contract.

Liquidated damages are meant as a fair representation of losses in situations where actual damages are difficult to ascertain. In general, liquidated damages are meant to be fair, rather than punitive.

Limitations of Liquidated Damages

It is possible that a liquidated damages clause might not be enforced by the courts. This can occur if the monetary amount of liquidated damages cited in the clause is extraordinarily disproportional to the scope of what was affected by the breached contract.

Such limitations prevent a plaintiff from attempting to claim an unsubstantiated exorbitant amount from a defendant. For instance, a plaintiff might not be able to claim liquidated damages that amount to multiples of its gross revenue if the breach only affected a specific portion of its operations. The concept of liquidated damages is framed around compensation related to some harm and injury to the party rather than a fine imposed on the defendant.

The courts typically require that the parties involved make the most reasonable assessment possible for the liquidated damages clause at the time the contract is signed. This can provide a sense of understanding and reassurance of what is at stake if that aspect of the contract is breached. A liquidated damages clause can also give the parties involved a basis to negotiate from for an out-of-court settlement.

- Liquidated Damages

- CIPS study guide page 158-159

LO 3, AC 3.2