



**Free Questions for L4M3 by dumpssheet**

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# Question 1

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**Question Type:** MultipleChoice

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Which of the following are commonly used as model forms of contracts in construction in the UK?

## Options:

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**A-** Select TWO that apply

**B-** JCT

**C-** AS

**D-** NEC

**E-** CIPS

**F-** IET

## Answer:

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B, D

## Explanation:

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- NEC: New Engineering Contract - a family of standard contracts primarily used in construction in the UK; includes works, consultants, services
- JCT: Joint Contracts Tribunal - a family of standard contracts used in construction in the UK; includes works, consultants. subcontracts, services
- AS: Australian Standards contracts - different contracts for a range of purchase types including constructions, consultancy, periodic supply of goods
- IET: Institution of Engineering and Technology which 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'
- CIPS: Chartered Institute of Procurement and Supply - CIPS has developed its own suites of standard forms of contract for IT functions including: supply and installation of computer equipment, support and maintenance of bespoke software, servicing of computer equipment.

LO3, AC 3.1

## Question 2

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**Question Type:** MultipleChoice

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Under which of the following scenarios an RFQ is most likely to be used?

### Options:

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- A- Purchase of a small number of standardised products under a framework agreement
- B- Purchase of complex machinery
- C- Design of a unique and complex software code
- D- When the buying organisation does not know the requirements in details and needs the input from suppliers

### Answer:

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A

### Explanation:

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The request for quotations is a procurement method that is used for small value procurements of readily available off-the-shelf goods, small value construction works, or small value services procurements. Request for quotations works best under a framework agreement

This procurement method is also known as invitation to quote and shopping, and it does not require the preparation of tender documents to the same extent as open tendering, request for proposals or two-stage tendering.

Among 4 options:

- 'Purchase of a small number of standardised products under a framework agreement': the products are standardised and there is a framework agreement in place, so RFQ is the best solution.

- 'Purchase of complex machinery': Complex machinery is often a large purchase. Furthermore, suppliers' quality may vary. So RFQ is not suitable, instead, depending on the situation, buyer may opt ITT or RFP to purchase this type of machinery.
- 'Design of a unique and complex software code': Unique and complex software is not off-the-shelf, thus RFQ is not suitable.
- 'When the buying organisation does not know the requirements in details and needs the input from suppliers': When the detailed requirements are unknown, the best solution is request for proposal or developing dialogue with suppliers.
- Request for Quotations
- CIPS study guide page 3-4

LO 1, AC 1.1

## Question 3

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**Question Type:** MultipleChoice

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Which of the following statement is true about one-off contract?

**Options:**

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- A- Suppliers have many opportunities to improve the quality during the performance of one-off contract
- B- One-off contracts can be used for services and works
- C- Ad-hoc purchase is not a type of one-off purchase
- D- One-off contracts only apply to low-value, low-risk purchase

**Answer:**

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B

**Explanation:**

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One-off contract is the type of contract that relates to a single purchase. One-off contracts can be used for goods, services or works. One-off contract can be simple (such as buying a small number of office stationeries) or complex (such as a construction project or buying an aircraft).

A one-off contract lasts "until completion of the obligations of the parties". The performance is unlikely to be improved during contract performance since the duration is relatively shorter than framework agreement or call-off contract.

Ad-hoc purchase is an item bought for a single and non-recurring use or purpose. Ad-hoc purchase is a type of one-off contract.

LO 1, AC 1.3

## Question 4

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**Question Type:** MultipleChoice

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Which of the following should be specially noticed in market dialogue with suppliers in specification development?

### Options:

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- A- Both parties must respect confidentiality
- B- The buying organisation must avoid social media at all cost
- C- Market dialogue is banned in the public sector
- D- Market dialogue should only be conducted with well-known supplier

### Answer:

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A

### Explanation:

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Being clear on your objectives helps you to design the best approach to the dialogue. There are some notices in developing dialogue with suppliers:

- All meetings should be documented
- Respect commercial confidentiality. Although insights gained from one conversation lead to questions in another, you must be very careful not to allow this to happen in a way that breaches the confidentiality of the first conversation.

LO 2, AC 2.1

## Question 5

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**Question Type: MultipleChoice**

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Which of the following is the contract provision that relieves the parties from performing their contractual obligations when certain circumstances like natural disasters, terrorist attacks, etc arise?

### Options:

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- A-** Indemnity clause
- B-** Liquidated damage clause
- C-** Insurance clause



## D- Exclusion clause

### Answer:

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D

### Explanation:

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The contract provision that relieves the parties from performing their contractual obligations when certain circumstances like natural disasters, terrorist attacks, etc arise is called Force majeure. Force majeure is an example of exclusion clause.

An exemption clause in a contract is a term which either limits or excludes a party's liability for a breach of contract. In order for an exclusion clause to be binding and operable upon the parties, the clause must:

1. The clause must be incorporated into the contract as a term.
2. The clause must pass the test of construction.
3. The clause must not be rendered unenforceable by the statutory provisions in the Unfair Contract Terms Act 1977 or the Consumer Rights Act 2015 (enacting the Consumer Rights Bill 2013-14).

- Exclusion Clauses Lecture

- CIPS study guide page 149

LO 3, AC 3.2

## Question 6

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**Question Type:** MultipleChoice

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Which of the following are examples of conformance specification? Select TWO that apply:

### Options:

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- A- Outcome-focused specification
- B- Statement of work
- C- Product sample
- D- Output-focused specification
- E- Technical drawing

### Answer:

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C, E

### Explanation:

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There are two main types of specification: performance specification and conformance specification (sometimes called prescriptive or technical specifications).

A conformance specification establishes the characteristics a commodity must possess, including details of how the commodity will be manufactured; engineering plans, drawings, or blueprints may be included. The design specification states in prescriptive terms what the potential offeror must provide to the buyer.

Conformance specifications have following features:

- Focus on inputs
- Give specific method, processes and materials
- May identify specific manufacturers or components
- The 'how' as well as the 'what'
- Ties supplier to set details
  
- Public Procurement Practice: SPECIFICATIONS
- CIPS study guide page 8-10

LO 1, AC 1.1

## Question 7

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**Question Type: MultipleChoice**

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Which of the following should include in the service level agreement that is an appendix of a contract?

1. How often the service is measured
2. Minimum qualification of supplier staffs
3. Remedies to resolve dispute
4. On time service delivery

**Options:**

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

**Answer:**

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D

**Explanation:**

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When the SLA is a schedule or an appendix to the contract, it should clearly state the following:

1. KPIs: how they are to be measured, who measures them and how often
2. How the measurements convert into scores
3. Any other service level standards, which may be of lesser importance than the KPIs
4. Minimum acceptable standards or scores in each case
5. Range of scores both above and below the minimum acceptable
6. Any mitigating factors which might apply in the event of poor performance
7. Any time period permitted in which to remedy a situation or poor performance.

In this question, '2. Minimum qualification of supplier staffs' and '4. On time service delivery' are the KPIs, while '1. How often the service is measured' is the frequency in which the KPIs are measured.

The remedies available in the event of poor performance should be set out in the body of the contract, along with those for any other contractual breach. These clauses should be cross-referenced in the SLA.

LO 2, AC 2.2

## Question 8

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**Question Type: MultipleChoice**

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Nestle gave away records of "Rockin' Shoes" or a voucher to people who sent in three wrappers from Nestle's 6d. milk chocolate bars as well as 1s 6d. Which of the following were the consideration of Nestle's customer? Select TWO that apply

**Options:**

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- A- Three wrappers
- B- 1s 6d
- C- "Rockin' Shoes" record
- D- The voucher
- E- Milk chocolate bar

**Answer:**

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A, B

**Explanation:**

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Consideration is one thing given in exchange for another.

In this case, considerations of customers are three wrappers and 1s6d. Consideration of Nestle is Rockin' Shoes record or a voucher.

## Question 9

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**Question Type:** MultipleChoice

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Social and environmental criteria are often incorporated into which of the following type of specification?

**Options:**

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- A- Design specification
- B- Technical specification
- C- Conformance specification
- D- Output specification

**Answer:**

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D

## **Explanation:**

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Developing and using generic specifications is as important in the sustainable procurement process as it is in the traditional procurement process. During this stage, human/labour rights and environmental performance criteria should be translated into specifications that meet specific requirements of the specified outcome, desired by the procurement action.

The specification stage is key to all types of contract. Building in environmental and social considerations at this early stage, provides a clear indication to suppliers that sustainability is important to the UN organization. Consider available alternatives which are less environmentally and socially damaging. Consider all the phases of a product's life cycle (e.g. production, transportation, maintenance, disposal, etc) when determining its cost and environmental impact. Assess the overall environmental and social integrity of suppliers by looking at their policies and practices.

Specifications which are output-based rather than input-based can increase supplier innovation, reduce waste and minimise harmful social and environmental impacts.

- Sustainable Procurement
- CIPS study guide page 95-99

LO 2, AC 2.1

## **Question 10**

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**Question Type:** MultipleChoice

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Michelle contacts Hannah and asks her if she would be interested in purchasing her car for 2000. Hannah immediately takes 2000 to Michelle and says she wants to buy the car. Michelle subsequently refuses to proceed. Has the contract between Michelle and Hannah been made?

### Options:

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- A- No, because Michelle has rejected Hannah's offer on buying the car
- B- Yes, because both parties have full legal capability to enter into a contract
- C- Yes, by her performance Hannah has accepted Michelle's offer on selling the car
- D- No, because by refusing to proceed, Michelle rejects Hannah's counter-offer

### Answer:

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A

### Explanation:

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To solve the question, you must distinguish the following notion:

- Offer: The case of *Storer v Manchester City Council* [1974] 1 WLR 1403 outlines that an offer is: An expression of willingness to contract on specified terms, with the intention that it is to be binding once accepted

- Acceptance: in order for a contract to be formed, the offer must be accepted. Acceptance represents the meeting of the minds of the parties to the contract -- both agree to exchange something for the other (payment, services, goods, etc.).
- Counter offer: is an offer made in response to a prior offer.
- Invitation to treat: An important distinction to make in contract law is that between an offer and an invitation to treat. An invitation to treat is usually an invitation for another party to make an offer. It may also be defined as an indication that a party is open to negotiation.

Here are some key distinctions of offers and invitation to treats.

Offer:

- \* Certain promise to be bound
- \* Clear and specified terms
- \* The conduct or words of the party show certainty
- \* There is no room for negotiation

Invitation to treat:

- \* There is room for negotiation
- \* There is an invitation for offers
- \* There is a request for information
- \* Lack of certainty

In the scenario above, initially Michelle just gives an invitation to treat because she is asking whether Hannah is interested to buy her car (request for information from Hannah). Hannah may reject or go into a negotiation with Michelle. Then, Hannah makes an offer by taking the money and shows her intention to be legally bound. At this point, when Hannah's offer is present, Michelle can accept or reject. When she rejects, the contract is not formed. The answer must be 'No, because Michelle has rejected Hannah's offer on buying the car'.

- Definition of Counter Offer
- Formation of the contract
- CIPS study guide page 28-35

LO 1, AC 1.2

## Question 11

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**Question Type:** MultipleChoice

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Streaming Ltd is a music streaming provider based in the UK. The company is looking for extending its presence in the US. To achieve this, the company needs to outsource the data centre service to a local company. To monitor the performance, the procurement manager would like to introduce a service level agreement (SLA) to the data centre service provider. Which of the following should be included in the SLA?

1. System availability

2. The mean time to recover from system failure
3. The actual number of on-time service delivery
4. Dispute resolution procedure

**Options:**

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

**Answer:**

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B

**Explanation:**

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A service-level agreement (SLA) defines the level of service you expect from a vendor, laying out the metrics by which service is measured, as well as remedies or penalties should agreed-on service levels not be achieved.

According to CIPS L4M3 study guide, SLA should cover the following:

- KPIs
- How the measurements convert into scores
- Any other service level standards
- Minimum acceptable standards or scores in each case
- Range of scores both above and below the minimum acceptable
- Any mitigating factors which might apply in the event of poor performance
- Any time period permitted in which to remedy a situation of poor performance
- Remedies available
- Dispute settlement
- How to deal with inconsistencies or conflicts between KPIs and any other documents.

In IT service (such as in the scenario), the SLA often covers:

- Uptime
- Call metrics
- Customer satisfaction
- Turn around time

- Quality
- Mean time to recovery
- Mean time between failure
- Backlog
- Business results

You can read the details of above indicators here.

- CIPS study guide page 112-115
- 9 Examples of SLAs
- What is an SLA? Best practices for service-level agreements

LO 2, AC 2.2

## Question 12

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**Question Type:** MultipleChoice

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Which of the following are true statements about RFQ process? Select TWO that apply.

## **Options:**

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- A-** Buying organisation should only send RFQ to pre-qualified suppliers
- B-** RFQ process requires the suppliers to submit their technical proposals
- C-** RFQ process creates heavier administrative burdens than tendering process
- D-** Price is often the only variable in the RFQ and quotations
- E-** RFQ process is not suitable for low value purchase

## **Answer:**

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A, D

## **Explanation:**

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Request for quotations is often used when the only variable is price and the purchase value is under a financial threshold. This process is less formal than ITT. RFQ should be used in the following circumstances:

- Low-value, low-risk purchases
- When the specifications are sufficiently defined or the product/service is standardised
- Where the suppliers are pre-qualified

- Where there is a framework agreement which specifies the contract terms and conditions.

LO 1, AC 1.1



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