

L4M3 Valid Exam Objectives, Valid L4M3 Exam Answers



CIPS Level 4 – Diploma in Procurement and Supply

Commercial Contracting [L4M3]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question

L4M3 Sample Questions V5 Sept 2020

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>> L4M3 Valid Exam Objectives <<

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CIPS Commercial Contracting Sample Questions (Q87-Q92):

NEW QUESTION # 87

Which of the following best defines an 'express' term in general contract arrangements?

- A. It is not necessarily discussed by the parties, but nonetheless forms part of the contract
- B. It is a standard set of terms and conditions published by CIPS
- C. It is the term that is added to the contract by the law or based upon the facts of the case.
- **D. It is clearly agreed between the parties, and is virtually always written down in the contract**

Answer: D

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.

Implied terms are terms implied into the contract by the courts. They are not expressly set out in the contract but are taken to be as effective as if they were and as if they had been included from day one of the contract. The express terms and any implied terms together create the legally binding obligations on the parties.

Reference:

- Contracts: Express and Implied Terms
- CIPS study guide 126-132
- LO 3, AC 3.1

NEW QUESTION # 88

Sally places a purchase order to the supplier for some components that her company requires. The supplier delivers the goods as she asks, but the quality assurance team finds that these components are defective and unfit for the company's operations. Which document is the ground to decide whether the goods received are fit for purpose?

- A. Pre-qualification questionnaire
- B. Code of conduct
- **C. Specification**
- D. CSR policies

Answer: C

Explanation:

According to USLegal Inc, fitness for purpose refers to the standard that must be met by a seller in the course of a business.

Generally, when a buyer makes known to a seller the particular purpose for which the goods are bought, there is an implied condition that the goods are reasonably fit for that purpose (customer's requirements, needs, or desires). Specification is the ground for deciding whether goods received are fit for purpose.

We already know that there are two types of specifications: conformance and performance specifications. With conformance specification, the buyer lists out technical requirements to which the goods must conform. Lacking of any requirement may be enough for the goods to be unfit. On the other hand, if performance specification is in use, the goods must be fit for specific outputs that buyer has listed in the specification.

Providing the 'fit for purpose' goods is one of the fundamental obligations of seller in sale contract. Unfulfilling this obligation would lead to legal consequences. If the goods are unfit for purpose, seller may have to:

- replace the non-conforming goods
- pay the damages to the buyer

Reference:

- Why you should keep attention to the specification when contracting with suppliers
- CIPS study guide page 137
- LO 3, AC 3.1

NEW QUESTION # 89

Which of the following is the best definition of consideration in contract law?

- **A. One thing given in exchange**
- B. Full statement about something to provide
- C. Formal discussion between people who are trying to reach an agreement
- D. The act of thinking carefully about one thing

Answer: A

Explanation:

A simple definition of consideration is as follows - an exchange between the parties which results in a benefit to one party, and a detriment to the other. The case of *Currie v Misa* (1874) LR 10 Ex 153 provides an apt description of this:

"A valuable consideration, in the sense of the law, may consist either in some right, interest, profit, or benefit accruing to the one party, or some forbearance, detriment, loss, or responsibility, given, suffered, or undertaken by the other." A practical example of this can be found by examining a simple contract. Party A offers £500 to Party B, who in exchange will fit his car with a new engine. Party A receives the benefit of his car being fixed, whilst Party B incurs the detriment of having to take time, effort, and perhaps expenses to fix the car.

Reference:

- Consideration & Promissory Estoppel
- CIPS study guide page 36-40
- LO 1, AC 1.2

NEW QUESTION # 90

Maximum Score: 1

Buyer O has placed an order for the supply and installation of six new servers for a total amount of £600,000 from Supplier A. Which of the following could potentially be treated as examples of a liquidated damages clause within the contract for the supply of the servers?

- * If the supplier delivers any of the servers late, £1,000 per server will be deducted from the order per day
- * This contract is subject to delay remedies of £X - the amount to be agreed by both parties during delivery
- * The sum for breach of the completion date for the order is £40,000 per day up to a maximum of 50% of the contract price
- * If the performance of any of the servers degrades within five years, a full refund of £600,000 will be provided

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

Answer: C

Explanation:

Liquidated damages (LDs) are pre-agreed sums payable for specific breaches (commonly late delivery), intended as a genuine pre-estimate of loss.

- * Clause 1: £1,000 per server per day for late delivery # clear pre-agreed daily amount = LD.
- * Clause 3: £40,000 per day up to 50% of contract price # again, defined LD structure.
- * Clause 2: "Amount to be agreed" is uncertain and not a valid LD amount.
- * Clause 4: A full refund after five years for performance degradation is more like a warranty / guarantee, not a liquidated damages clause.

Thus, LD examples are 1 and 3 only # option C.

Reference: CIPS L4M3 Commercial Contracting - Liquidated damages vs. penalties and warranty obligations.

NEW QUESTION # 91

Which of the following is the best definition of "ultra vires"?

