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CIPS Commercial Contracting exam is designed to test the knowledge and skills of individuals in the areas of commercial contracting, contract law, and contract management. L4M3 exam covers a wide range of topics, including procurement principles, contract formation, contract types, risk management, and contract administration. L4M3 Exam is designed to help individuals develop a comprehensive understanding of the legal and commercial aspects of contracting.

## CIPS Commercial Contracting Sample Questions (Q65-Q70):

### NEW QUESTION # 65

To expand its operation, Steel Co. decides to build a new plant. Despite of excitement, the senior management is very concerned about the complexity and risks of such project. Hugo, the procurement manager, suggests that the company can adopt a model form of contract. What is the advantage of using model form of contract?

- A. The company does not need to draft the drawings as well as specification anymore
- B. The company could avoid the need to draft a complex contract from blank
- C. Model form of contract eliminates the need for legal advice totally
- D. It shifts the balance of power in the favour of the buyer rather than the contractor

**Answer: B**

Explanation:

Advantages and Disadvantages of using model form contracts.

Model form contracts save a lot of time and money. They are written by industry experts and the buyers and suppliers both understand what is included in the contract.

They are mainly used in Construction and term maintenance contacts. Typical ones are JCT and NEC.

Without the use of model form contracts the buyer and supplier will take a long time to write the terms, negotiate and finalise the contract.

This is time and money wasted.

However, model form contracts require buyers and suppliers to have training so you understand them.

Finally, if you are a buyer in a powerful position you cannot exploit that with a model form contract as these are written for mutual benefit.

ADVANTAGES	DISADVANTAGES
Helps reduce time and costs of contract development (including legal costs)	Terms may not be as advantageous to a powerful buyer as if contract was negotiated
Avoids 'reinventing the wheel' – but can be adapted to suit particular circumstances	Terms may not include special clauses or requirements to cover the buyer's position
Industry model forms are widely accepted, reducing negotiation time and costs	Legal advice is still required if significant amendments or variations are to be made
Designed to be fair to both parties	Costs of training buyers to use model forms

Reference:

- Procurement Study Buddy on Facebook
- CIPS study guide page 147

### NEW QUESTION # 66

Which of the following will be included in a conformance specification?

1. Brand names
2. Description of the operating environments
3. Chemical formulae
4. Required safety level

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

**Answer: A**

Explanation:

According to CIPS, there are two main types of specification:

- Conformance specification - is more output driven as it outlines the product details exactly which may include the material, dimensions, tolerances, source, ingredients, packaging, storage of the part or material.
- Performance specification - is more output driven in terms of what the part or material must achieve.

Among the four options, only 2. 'Description of the operating environments' and 3.'Chemical formulae' are possible components of a conformance specification. Brand names can be a part of a performance specification, according to a document published by CIPS and NIGP.

Graphical user interface, text, application Description automatically generated

**Element 1.2.2: Brand name descriptions**

A brand name description is a title, term, symbol, design, or any combination thereof used to describe a product by a unique identifier and its producer. Performance specifications may use brand names to describe the desired output and quality levels of a commodity.

**Element 1.2.2a: Advantages of brand name descriptions**

- Allow for agency standardization (e.g., fleet standardization for purposes of training and maintenance)
- Meet the expectations of the end user by providing the exact commodity needed
- Reduce the time required to develop the specification

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Reference:

- CIPS study guide page 8-10
- Knowledge Byte - Specification Development
- Principles and Practices of Public Procurement: Specifications

LO 1, AC 1.1

**NEW QUESTION # 67**

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

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

**Answer: D**

Explanation:

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.

Reference: CIPS study guide page 55-58

LO 1, AC 1.3

**NEW QUESTION # 68**

Parkers Medical Supplies is a distributor of first aid supplies to supermarkets nationwide. A new supplier has approached Parkers with an offer to supply a new and innovative product. Parkers have never dealt with this company before, so are looking to ensure that the new supplier has the necessary insurance cover as the new product could potentially cause personal injury. Which type of

insurance should Parkers insist the new supplier takes out?

- A. Public liability
- B. Employers' liability
- **C. Product liability**
- D. Professional indemnity

**Answer: C**

Explanation:

In the context of commercial contracting, it's crucial for buyers to ensure that suppliers have appropriate insurance coverage to mitigate potential risks associated with the products or services provided. Product liability insurance specifically covers the supplier against claims of personal injury or property damage caused by products they have supplied. This type of insurance is essential when introducing new or innovative products to the market, as there may be unforeseen risks associated with their use.

According to the CIPS L4M3 Commercial Contracting Study Guide, product liability insurance is designed to protect against claims arising from injuries or damages caused by defective products. This insurance is particularly important when the buyer is introducing a new product from a supplier with whom they have no prior experience, as it provides a safety net against potential legal and financial repercussions.

Reference: CIPS L4M3 Commercial Contracting Study Guide, Chapter 3, Section 3.2.1 - Key terms in contracts for indemnities and liabilities, sub-contracting, insurances, guarantees, and liquidated damages.

#### **NEW QUESTION # 69**

Which of the following is a true statement on express and implied terms?

- A. Express terms always take precedent over implied terms
- B. Express terms must always be in writing
- **C. Implied terms may derive from oral negotiations**
- D. Express terms must be prepared by the party with expert knowledge

**Answer: C**

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.

The types of express terms to be found in a contract are many and varied and will depend on the type of contract. Any term written into the contract is an express term and may refer to price, time scales, warranties and indemnities, limitations on liability, conditions precedent and so on.

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

Reference:

- CIPS study guide page 126-132
- Contracts: Express and Implied Terms

LO 3, AC 3.1

#### **NEW QUESTION # 70**

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