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Q1. Which **ONE** of the following is a provision in a contract under which one party commits to compensate the other for any harm or loss arising out of the contract?

- a. Indemnity
- b. Intellectual property
- c. Exclusion clause
- d. Warranty

LO: 3  
AC: 3.2  
Correct answer: A

Q2. Which of the following are likely to feature within a request for quotation (RFQ)?

1. Delivery terms are fixed
2. Suppliers are not pre-qualified
3. Suppliers have been pre-qualified
4. Quality must be assessed

- a. 1 and 2 only
- b. 2 and 3 only
- c. 1 and 3 only
- d. 2 and 4 only

LO: 1  
AC: 1.1  
Correct answer: C

Learning outcome (LO) Assessment criteria (AC) The correct answer is listed below each question

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CIPS L4M3 Exam is a rigorous exam that requires a significant amount of preparation. Candidates must have a strong understanding of the principles of commercial contracting, as well as the ability to apply those principles in a practical setting. To prepare for the exam, candidates should review the exam syllabus, which provides detailed information about the topics that will be covered on the exam.

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## CIPS Commercial Contracting Sample Questions (Q153-Q158):

### NEW QUESTION # 153

Maximum Score 1

The Bravo Engineering Company is negotiating a maintenance contract with Express Deliveries Ltd. This large logistics company uses modern robotic storage and picking warehouse machinery to identify, sort, and facilitate over 200,000 orders each day. The volatile nature of the business means that the parties should build maximum flexibility into the performance management aspects of the contract.

Which of the following would be most appropriate to set out the parties' obligations under the maintenance contract?

- A. A Service Level Agreement issued after the maintenance contract
- B. A non-binding side-agreement to the maintenance contract
- C. A clause that disclaims all accountability for the contract for the buyer
- **D. A formal appendix to the maintenance contract**

**Answer: D**

Explanation:

Performance obligations are best captured in a formal appendix (schedule) to the main contract, ensuring flexibility while remaining legally binding.

A non-binding or post-issued SLA would lack enforceability.

Reference: CIPS L4M3 Commercial Contracting - "Contract appendices and schedules."

### NEW QUESTION # 154

Which of the following are key features of standard terms and conditions? Select TWO that apply

- **A. Designed to be used in repetitive transactions**
- B. Standard terms always comply with implied terms
- **C. Non-negotiable**
- D. Specific to each purchase order
- E. Non-disclosure

**Answer: A,C**

Explanation:

The key features, advantages and disadvantages of standard terms are summarised below:

- Form: Concise, generic and designed to be attached to purchase or sales orders
- Non-negotiable
- Ineffective terms: may be replaced by implied terms or national legal code rules, or subject to court 'balance of interest' judgement.
- Advantages: Basic contractual protection for most common circumstances; Avoid having to create new contract for repeat business.
- User friendly
- Usage: Low value, low risk, repetitive transactions
- Coverage: Definitions, relationship to other contracts, formation of the contract, order of precedence, price, invoicing and payment, specification, legal compliance, warranty and liability, ownership and risk, intellectual property, data management and ethics.
- Disadvantages: Does not allow for specific circumstances; Risk for creating battle of the forms; Can create contractual uncertainty if used with purchase orders under call-off contracts.

Reference: CIPS study guide page 139

LO 3, AC 3.1

### NEW QUESTION # 155

Southwark is negotiating a contract with Orchard to provide software and IT services. Orchard will manufacture and install the products which are contractually supplied by IBM. Southwark's procurement manager is worried that during the contract there would be some problems that they would not be able to claim for damages from Orchard. Which of the following should be included in the head contract so that Southwark can sue IBM, should the need arise?

- A. Collateral warranty deed
- B. Insurance
- C. Negligence
- D. Indemnity

**Answer: A**

Explanation:

A Collateral Warranty is a contract under which a consultant, a building contractor or a sub-contractor warrants to a third party that it has fulfilled its obligations under its professional appointment, building contract or sub-contract. The purpose of a Collateral Warranty is to give a third party, who is not a party to the original contract, rights to enforce that original contract.

In this case, IBM is the subcontractor, then purchaser can use collateral warranty deed to bind them.

Reference:

- Collateral Warranties - an Overview
  - CIPS study guide page 39-40
- LO 1, AC 1.2

### NEW QUESTION # 156

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

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

**Answer: D,E**

Explanation:

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.

Reference:

LO 1, AC 1.1

### NEW QUESTION # 157

A construction company is undertaking a housing development project. They need lots of bricks and other building materials, but the construction site doesn't have large area for storage of materials. Therefore, the company's suppliers must deliver the building materials with fixed quantity and at fixed time intervals. What type of contract is used between the construction company and its suppliers?

- A. One off contract
- B. Call off contract
- C. Spot transaction
- D. Framework agreement

**Answer: B**

Explanation:

In the scenario, the contract between the company and its suppliers is continuous rather than one-off. So it cannot be one-off contract or spot purchase. The quantity and time is well known and fixed, this type of contract is known as call-off contract or blanket order.

Reference: CIPS study guide page 63-64

LO 1, AC 1.3

