

Exam CIPS L4M3 Overview - L4M3 Test Objectives Pdf



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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CIPS Commercial Contracting Sample Questions (Q194-Q199):

NEW QUESTION # 194

Which of the following will always give rise to a claim of misrepresentation?

1. Silence
2. False thought
3. Statement of fact
4. Representation by conduct

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

Answer: C

Explanation:

A misrepresentation is a false statement of fact or law which induces the representee to enter a contract. Where a statement made during the course of negotiations is classed as a representation rather than a term an action for misrepresentation may be available where the statement turns out to be untrue.

For a party to claim for misrepresentation, there must be a false statement of fact or law as oppose to opinion or estimate of future events. It does not matter whether the incorrect information is given by words or takes the form of misleading conduct.

Silence will not generally amount to a misrepresentation. However, it can become a misrepresentation in some exceptional circumstances.

In the L4M3 study guide, the author states that "A statement of law is not misrepresentation". This is untrue in both common law and civil law systems. In the UK, false statement of law will now amount to an actionable misrepresentation (see *Pankhania v Hackney* [2002] EWHC 2441).

Reference:

- Misrepresentation
- L4M3 study guide page 53-55
- LO 1, AC 1.2

NEW QUESTION # 195

A supermarket purchases a new batch of house cleaner from new supplier. The supermarket is concerned about possible damage that the house cleaner may cause to consumers' floor. What type of insurance must they cover?

- A. Product liability insurance
- B. Fire and explosion insurance
- C. Professional indemnity insurance
- D. Public liability insurance

Answer: A

Explanation:

Product Liability Insurance is a form of general liability insurance meant to protect a business from financial and legal consequences as a result of bodily injury or property damage due to the use of the business's sold goods or products. Situations that are typically covered by Product Liability Insurance may include:

- A customer harms herself because of the faulty packaging on one of your products
- A drapery set that a customer purchased from your business was highly flammable and caught on fire, eventually damaging her entire kitchen
- A customer with a severe allergy finds trace amounts of tree nuts in your homemade gourmet muffins
- A homemade house cleaner that you sell damaged one of your customer's entire hardwood floor
- A customer becomes sick with food poisoning after eating old shellfish at your restaurant, goes to the hospital, and incurs medical costs caused by your contaminated food products

- A customer's pet becomes ill from ingesting some lining in a pet toy product that you sell. In the scenario above, the supermarket is purchasing and reselling house cleaner, which can be covered by product liability insurance. Public liability insurance is a type of business insurance that covers the cost of claims made by the public that happen in connection with the business activities. Professional indemnity (PI) insurance is a commercial policy designed to protect business owners, freelancers and the self-employed if clients claim a service is inadequate.
Reference:
LO 3, AC 3.2

NEW QUESTION # 196

In a contract, express terms and implied terms may contradict on the same issues. Under which of the following circumstances, implied terms will override express terms?

- A. Contracting parties are silent on a matter that was not included in express terms
- B. Implied terms are created by trade customs
- C. Implied terms are created by law which prevents them to be overridden
- D. No circumstances. Express terms always take precedence over implied terms

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.

Express terms are explicit and will normally override implied terms unless the implied term is created by statute and the law states that it cannot be overridden.

Reference:

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

LO 3, AC 3.1

NEW QUESTION # 197

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

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

Answer: D,E

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:

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