



{2026} CIPS L4M3 PDF Questions For Stress-free Exam Preparation

CIPS L4M3 LO1 UPDATED ACTUAL Exam Questions and CORRECT Answers

what is an estimate? - CORRECT ANSWER   - a supplier best guess at what the price will be. it has no legal standing

what is a tender? - CORRECT ANSWER   - a bid obtained via a formal process

what is a quotation? - CORRECT ANSWER   - sometimes called a quote, this is a firm price offer obtained via a formal or informal process; normally it only relates to price on the basis of indicated quality

what is a framework agreement? - CORRECT ANSWER   - a formal agreement between two organisations that is intended to become legally binding in the event that a contract is created

what situations should you use a quotation? - CORRECT ANSWER   - low value, low risk purchases

- the spec and delivery times are fixed

- suppliers are pre-qualified



- a framework or dynamic purchasing system has locked down the contract terms and price is the only variable

what situations should you use a tender? - CORRECT ANSWER   - complex projects

- high-value or high-risk purchases

- projects where quality and price need to be assessed

- access to unknown suppliers is required, and there is no need to either pre-qualify them or to assess their suitability as part of a single-stage open tender process

what is bribery? - CORRECT ANSWER   - the promise, offer or giving of financial advantage to someone in the expectation that they will improperly perform their functions, or to reward them for having done so; also accepting such a promise, offer or advantage

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CIPS L4M3: CIPS Commercial Contracting exam is a computer-based exam that consists of 60 multiple-choice questions. Candidates have two hours to complete the exam. The pass mark for L4M3 Exam is 50%, and it is graded on a scale of 0-100%.

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CIPS L4M3 Exam is divided into three parts. The first part focuses on the principles of commercial contracting. This includes understanding the different types of contracts, the legal and regulatory framework for contracts, and the key elements of a contract. Candidates will also learn about the different methods of contract pricing and the various types of contracts used in procurement.

CIPS Commercial Contracting Sample Questions (Q110-Q115):

NEW QUESTION # 110

Bethy sees a coat on shop window with a \$100 price tag. She comes and asks the shop owner to buy it. The owner states that the price has not been updated and the current price for the coat is \$120. Bethy says the owner should honour the quoted price on window shop. Is Bethy correct?

- A. Yes, the owner has made an offer by showing his product on the shop window and he must honour that offer
- B. No, the owner is revoking his initial offer to sell at \$100 and he is proposing new offer to Bethy
- C. Yes, \$120 for a coat is extremely unreasonable and the owner's later offer therefore void
- D. No, the display on shop window is just an invitation to treat and the owner may change the price at his will

Answer: D

Explanation:

Based on two famous precedents, Fisher v. Bell (1961) and Pharmaceutical Society of Great Britain v. Boots Cash Chemists (1953), the display on shop window is considered as an invitation to treat. The shop owner can change the price when his customer asks to buy.

Reference:

LO 1, AC 1.2

NEW QUESTION # 111

A manufacturing company signed a contract with a raw material supplier. The contract includes a clause on liquidated damages in case of late delivery. Purchaser was obliged to pay after 30 days from delivery.

Eventually raw material was delivered 1 week later than initial plan due to supplier's slow production process.

There is no defect in the delivered batch. Which of the following can be claimed by the manufacturing company?

- A. Right of set-off
- B. Rights to refunds or repairs
- C. Right of third party
- D. Right of extending payment

Answer: A

Explanation:

In certain circumstances, where two parties have monetary debts against each other, the right to set-off may arise. A right of set-off allows a ("Party 1") to take into account the amount owed to it by the second party ("Party 2") against any amount owed by Party 1 to Party 2, each party must be a debtor and a creditor.

Common law provides the key features that must be present for set-off to arise are;

1. mutuality of debts (each party must be the sole beneficial owner of the debt it is owed and the sole person liable for the debt it owes)
2. the claims each party has must be for non-payment of money

The common law provisions of set-off can be greatly enhanced by the inclusion of a contractual right to set-off (this is discussed

further below) so that set-off is applicable in a greater range of situations. If you envisage set-off being a useful right it is not advisable to rely on the implied ability to use it (via common law or equitable set-off). Common law and equitable set-off are subject to various conditions and limitation however, a contractual right of set-off can be drafted to ensure parties are able to agree exactly how and when set-off should be applied.

In the above scenario, the supplier owes the manufacturer the payment for damages, while the manufacturer owes the supplier the payment for goods. This is mutuality of debts, which leads to right of set off.

Reference:

- Set-off on the right foot: a practical guide to set-off
- CIPS study guide page 158-159

LO 3, AC 3.2

NEW QUESTION # 112

An example of a qualitative performance measure could be one that relates to opinions about the service quality of the supplier. Is this correct?

- A. No, this type of measure will relate to the number of incomplete deliveries
- **B. Yes, this is often how satisfaction is measured**
- C. No, this will relate to how much prices have increased by
- D. Yes, this will relate to the actual number of complaints received

Answer: B

Explanation:

Qualitative performance measures capture subjective or non-numerical aspects of service, such as customer satisfaction, perceptions, and opinions. These are often gathered through surveys or interviews. While quantitative data is crucial, qualitative insights can reveal hidden issues and improve relationship management.

Reference: CIPS L4M3 Commercial Contracting Study Guide, Chapter 4, Section 4.3.2 - Qualitative and quantitative performance measures.

NEW QUESTION # 113

Cleveland Insurance (Cleveland) offers a range of insurance services. The main software used in the call centre is a customer relationship management (CRM) system. Cleveland perceived an urgent need to replace the existing CRM system to deal with the increasing number of customers and services.

Urgent Digital Ltd (Digital) is one of the bidders of Cleveland's ITT for designing, building and managing the new CRM system. Its bid team is led by Hank Irvine, its technical director. Hank realises that winning the Cleveland contract (valued at approximately £50M) will enhance his career. During discussions with Cleveland, Hank offers certain assurances regarding timescales for the project. He has not carried out any investigations into the viability of the timescales. Hank has little idea whether the timescales can be met.

Cleveland decides that Digital's bid meets with its requirements, especially given the assurances in timescale offered by Hank, and decides to proceed with it, subject to a formal contract. Eventually, a formal contract is signed by both parties. The initial assurances given by Hank about the timing of the project are never going to be achieved and are at best grossly exaggerated.

Cleveland brought the case to the court and sought rescission of contract with Digital. Is Cleveland's claim appropriate in this case?

- A. Yes, because both parties agreed with rescission of their contract
- B. No, because the contract does not include any provision on rescission
- **C. No, because the work had been carried out which could not be returned**
- D. Yes, because Cleveland needs to seek rescission first before claiming for damages

Answer: C

Explanation:

Hank's pre-contractual assurances may amount to misrepresentation. Remedies for misrepresentation could be rescission of contract or damages. Rescission will be impossible in the following instance:

- Where the innocent party has affirmed the contract; that is, acted in a way confirming that they wish it to continue
- Where the claim has not been brought within a reasonable time (this is a point of general law)
- Where restitution (returning to the pre-contractual position) is impossible (e.g. because the goods have been consumed or have deteriorated)
- Where there has been intervention of innocent third-party (e.g., if the goods have been sold on) In this case, the subject of contract is designing, building and managing the new CRM system which is impossible to be restituted. Therefore, the contract cannot be

Reference: CIPS study guide page 53-55
LO 1, AC 1.2

Maximum Score: 1

- A. Force Majeure
- B. Contract definitions
- C. Fit for purpose
- D. Reasonable care and skill
- E. The delivery schedule

Explanation:

- * Fit for purpose (B) - common implied term for goods.
- * Reasonable care and skill (C) - implied for services.

Reference: CIPS L4M3 Commercial Contracting - Implied terms under sale of goods and supply of services legislation.

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