

CIPS L4M3 Exam Questions in Convenient PDF Format



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 L4M3 (CIPS Commercial Contracting) Exam is a globally recognized qualification that is offered by the Chartered Institute of Procurement and Supply (CIPS). L4M3 exam is designed for individuals who are already working in the procurement and supply chain field and are looking to enhance their knowledge and skills in commercial contracting. Candidates who pass the exam are eligible to obtain a CIPS Level 4 Professional Diploma in Procurement and Supply.

CIPS L4M3 exam, also known as the CIPS Commercial Contracting exam, is a crucial certification for procurement professionals who want to excel in commercial contracting. L4M3 Exam is designed to test the candidate's knowledge and understanding of the entire contracting process, from identifying the need for a contract to managing the post-contractual relationship. L4M3 exam assesses the candidate's ability to develop, negotiate, and manage commercial contracts effectively.

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CIPS L4M3 (CIPS Commercial Contracting) Certification Exam is designed to test the knowledge and skills of procurement and supply chain professionals in the area of commercial contracting. L4M3 exam is intended for individuals who are seeking to enhance their expertise in commercial contracting and negotiation, and who are interested in pursuing a career in procurement or supply chain management.

CIPS Commercial Contracting Sample Questions (Q143-Q148):

NEW QUESTION # 143

Which of the following are the conditions for revocation of offer to be valid?

1. The offeree has not received the offer yet
2. Revocation of offer must be communicated with the offeree
3. Revocation of offer must be sent via email
4. Offeree has not accepted the offer yet

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

Answer: C

Explanation:

A revocation of offer is the withdrawal of a previous offer to engage in some sort of legally binding contract. The previous offer had to have been such that it would have immediately become legally binding if the other party had formally agreed to it.

A core ruling defining revocation of offers was established by *Payne v. Cave*. This case established that neither party is bound to an agreement until an offer has been made by one and formally accepted by the other.

If an offer has been made, the offering party has a right to withdraw it up to formal acceptance by the offeree. Revocation basically serves as formal, legally verifiable notice that a withdrawal was made, and it's valid so long as it is communicated to the offeree before they accept.

The case of *Byrne v. Van Tienhoven* supports this by establishing that the withdrawal of an offer by telegram is only valid if the telegram is received before the offer is accepted. The case of *Dickinson v. Dodds* further establishes that the party making the offer can communicate the revocation through a third party.

Reference:

- What Is a Revocation of Offer?
- CIPS study guide page 31

LO 1, AC 1.2

NEW QUESTION # 144

Nestle gave away records of "Rockin' Shoes" or a voucher to people who sent in three wrappers from Nestle's 6d. milk chocolate bars as well as 1s 6d. Which of the following were the consideration of Nestle's customer? Select TWO that apply

- A. The voucher
- B. Milk chocolate bar
- C. Three wrappers
- D. 1s 6d
- E. "Rockin' Shoes" record

Answer: C,D

Explanation:

Consideration is one thing given in exchange for another.

In this case, considerations of customers are three wrappers and 1s6d. Consideration of Nestle is Rockin' Shoes record or a voucher.

Reference: CIPS study guide page 36-40

LO 1, AC 1.2

NEW QUESTION # 145

The pricing arrangement in which markup is added into cost base to calculate the final price is known as...?

- A. Fixed Price approach
- B. Price indices
- **C. Cost plus pricing**
- D. Market based approach

Answer: C

Explanation:

The market approach is a method of determining the value of an asset based on the selling price of similar assets.

A fixed-price strategy means you set a price and keep it constant for an extended period of time.

Cost-plus pricing is also known as markup pricing. It's a pricing method where a fixed percentage is added on top of the cost to produce a price index (PI) is a measure of how prices change over a period of time, or in other words, it is a way to measure inflation. There are multiple methods on how to calculate inflation (or deflation).

Reference:

LO 3, AC 3.3

NEW QUESTION # 146

Company A based in Canada signed a commercial contract with Company B in Egypt. Both countries are Contracting States to Vienna Convention on Contracts for the International Sale of Goods. The contract states that "The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of Canada". Which of the following set of rules will be applied if dispute between contracting parties occurs?

- A. Egypt's legal system
- B. CISG
- **C. Canada's legal system**
- D. WTO rules

Answer: C

Explanation:

Where the sale of goods is between two businesses in different Contracting States, then it is international and the CISG rules of law automatically apply unless they have been excluded. A contract clause stating that the contract is subject to the legal systems and courts of a particular country overrides or excludes the CISG rules, since the local rules of that country would apply instead.

So the answer should be Canada's legal system.

Reference:

LO 1, AC 1.2

NEW QUESTION # 147

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

Answer: A

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:

LO 1, AC 1.3

