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Quiz 2026 High Hit-Rate CIPS L4M3: CIPS Commercial Contracting Exam Sample Questions

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CIPS Commercial Contracting Sample Questions (Q202-Q207):

NEW QUESTION # 202

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. Model form of contract eliminates the need for legal advice totally
- B. The company could avoid the need to draft a complex contract from blank
- C. The company does not need to draft the drawings as well as specification anymore
- 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 contracts. 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 # 203

Prior to circulating the service specification to a tendering supplier, it is good practice for the purchasing organisation to request completion of a non-disclosure agreement. Is this statement correct?

- A. No, because the non-disclosure agreement only applies after contracting
- B. No, because the non-disclosure agreement has no legal standing
- C. Yes, because the non-disclosure agreement encourages transparent bidding
- **D. Yes, because the non-disclosure agreement protects intellectual property**

Answer: D

Explanation:

Non-disclosure agreements (NDAs) are legally binding documents that protect confidential and proprietary information, including intellectual property, during pre-contractual discussions. NDAs ensure that sensitive data shared during early engagement or tender development is not misused.

Reference: CIPS L4M3 Commercial Contracting Study Guide, Chapter 3, Section 3.2.1 - Confidentiality agreements and intellectual property protection.

NEW QUESTION # 204

Which of the following would be suitable key performance indicators (KPIs) for supplier performance?

- Ensure you have customer loyalty
- Value or percentage of cost reductions obtained
- Win an award in the next 12 months
- Percentage of on-time in full deliveries

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

Answer: B

Explanation:

"Cost reductions" and "on-time in full deliveries" are quantifiable, objective performance measures that align directly with supplier effectiveness and value. "Customer loyalty" and "awards" are subjective or aspirational and not reliable indicators of contract or supplier performance.

Reference: CIPS L4M3 Commercial Contracting Study Guide, Chapter 4, Section 4.3.1 - Development and use of KPIs in contract management.

NEW QUESTION # 205

A tire manufacturer entered into a contract with a distributor. In the contract, the distributor is prohibited from selling the tire under the price list. The distributor must pay \$5 for each tire sold in breach. The amount of \$5 is known as...?

- A. Caveat Emptor
- B. Penalty
- **C. Liquidated damages**
- D. Quantum meruit

Answer: C

Explanation:

This scenario is in fact based on a famous case law: *Dunlop Pneumatic Tyre Company v New Garage & Motor Co* [1915] AC 79.

In this case law, the House of Lords identified the clause as liquidated damages, and therefore enforceable.

However, if this case had happened in 2015 or afterwards, there would be some legal issues:

- The price agreement is prohibited by Competition Act 1998

- If the agreement is allowed by Competition Act, as in the case *Cavendish Square Holding BV (Appellant) v Talal El Makdessi (Respondent)*, the clause can also be identified as a penalty and it is still enforceable.

Reference: CIPS study guide page 158-159

LO 3, AC 3.2

NEW QUESTION # 206

According to mailbox rule in some common law countries, at which point the offeree's acceptance will be effective?

- A. When the letter of acceptance is opened and its contents read by the offeree.
- B. When the letter of acceptance has been written.
- C. When the letter of acceptance is received by the offeror.
- **D. When the letter of acceptance has been correctly addressed, its postage paid, and posted.**

Answer: D

Explanation:

When parties do not negotiate face-to-face, a key question becomes when things like acceptances, rejections and revocations take effect. The general rule is that acceptances are effective on dispatch (when they are mailed). Everything else becomes effective when the offeror actually receives them. This idea is codified by the "mailbox rule" which states that acceptance is effective on dispatch, even before the offeror has received it. (The one minor exception to this rule involves option contracts for which acceptances are not effective until they are received by the offeror.) Reference:

- The Mailbox Rule

- CIPS study guide page 34

NEW QUESTION # 207

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