

L4M3 Exam Questions And Answers - L4M3 Valid Test Cram

CIPS L4M3

CIPS Commercial Contracting

3

Explanation:

ISO has about 22,000 international standards covering a vast range of aspects of product or service quality. Below are some of the most common ISO standards:

- ISO 9001: Quality management system
- ISO 27001: Information security management
- ISO 5001: Energy management
- ISO 14001: Environmental management

Reference:

- ISO 14001:2015 Environmental management systems - Requirements with guidance for use
- CIPS study guide page 86

LO 2, AC 2.1

NEW QUESTION 34

According to rule of contract formation, which of the following is a valid acceptance?

- A. The person orally agrees to pay the offered price
- B. The person asks for a lower price
- C. The person says that she will think about it overnight
- D. The person states that she is able to pay the offered price

Answer: A

Explanation:

Once a valid acceptance takes place, a binding contract is formed. It is therefore important to know what constitutes a valid acceptance in order to establish if the parties are bound by the agreement. There are three main rules relating to acceptance:

1. The acceptance must be communicated to the offeree.
2. The terms of the acceptance must exactly match the terms of the offer.
3. The agreement must be certain.

Among the answers:

"The person says that she will think about it overnight" does not match the terms of the offer. The offeree does not assure that she will accept the offer.

"The person asks for a lower price": This is a counter-offer.

"The person states that she is able to pay the offered price" is not certain. The offeree merely provides information on her financial ability.

Reference:

- Contractual agreement - offer and acceptance
- CIPS study guide page 33-35

LO 1, AC 1.2

NEW QUESTION 35

Transformers & Rectifiers Ltd wanted to buy some specialist gaskets. They sent a request for quotation with specification to Needs Ltd. The supplier replied with a quotation in which had its own terms and conditions. The buyer edited delivery terms on the quotation and sent the document back to Needs Ltd. Gaskets were delivered to Transformers' premise with an invoice from Needs Ltd. Which of the following is most likely to be the governing terms if the two companies must settle the dispute at court?

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CIPS Commercial Contracting Sample Questions (Q37-Q42):

NEW QUESTION # 37

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

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

Answer: B

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 # 38

Maximum Score 1

The nature of the "Battle of the forms" is when both buyer and supplier are attempting to ...

- A. Create a performance specification
- B. Create a collaborative relationship
- **C. Secure their own terms and conditions**
- D. Form a joint contract

Answer: C

Explanation:

The "battle of the forms" arises when each party seeks to have its own terms and conditions govern the contract.

Under common law, the terms last sent and accepted (expressly or by conduct) usually apply.

Reference: CIPS L4M3 Commercial Contracting - "Battle of the forms and contract acceptance."

NEW QUESTION # 39

A large company supplies a lot of products. Their shipments are often delayed and customers are not satisfied. Which of the following KPIs is most likely to be applied to this situation?

- A. Technical support
- B. Consignment stock availability
- C. Delay damages
- **D. OTIF delivery**

Answer: D

Explanation:

If the deliveries often delay, buyer should use KPI to measure how many missed deliveries there are and the percentage of total missed deliveries on total number of deliveries for period. OTIF (one-time in-full) delivery might help.

Consignment stock availability means that the supplier holds adequate range/number of units of stock to offer a reliable service. Delay damages are the consequences caused by delay of deliveries. Technical support is the acceptable quality of technical information/support provided by supplier for goods supplied.

LO 2, AC 2.2

NEW QUESTION # 40

Danielle buys a car from Aaron. Not long after, she receives an proposal from Brian, who is interested in buying the car but his budget is very constraint. Then, Brian decides to sign a hire purchase agreement with Danielle which lasts 4 years. Brian lives very far from Danielle, so he hires Charlie to deliver the car to his place. During the transport, Charlie has an accident and the car is written off. At the time of accident, who has the title of the car?

- A. Brian
- B. Danielle
- C. Aaron
- D. Charlie

Answer: B

Explanation:

Hire purchase is an arrangement for buying expensive consumer goods, where the buyer makes an initial down payment and pays the balance plus interest in installments. The ownership of the merchandise is not officially transferred to the buyer until all the payments have been made.

Danielle has purchased the car from Aaron, which means its title has been transferred to her. The accident happens before the last instalment is paid. Therefore, the ownership of the car still belongs to Danielle. Reference:

LO 1, AC 1.3

NEW QUESTION # 41

Which of the following KPIs is qualitative?

1. Openness and co-operation of supplier
2. Responsiveness of supplier
3. Customer satisfactory ratings
4. Cost management
5. OTIF deliveries

- A. 2 and 3 only
- B. 2 and 5 only
- C. 1 and 4 only
- D. 1 and 3 only

Answer: D

Explanation:

Qualitative KPIs are based on pure opinions about how well or otherwise the goods are performing or the service is being delivered. Most often, these will be linked to, or converted into, a numerical measure.

However, such satisfaction surveys often also include free fields for respondents to explain why they feel the way they do, and what they might have liked to have been different.

On the other hand, quantitative KPIs are based on numerical measure with either definite number (e.g., actual number of orders incomplete or otherwise inaccurate during the time period) or as a percentage (e.g. number of inaccurate orders as a percentage of the total number of orders).

Openness and co-operation means that supplier is open and co-operative in its relationship with purchaser, e.g., in terms of joint problem solving. This KPI is qualitative since it is measured by individual judgement.

Responsiveness of supplier means the supplier responds rapidly to requests for information and support without having to be chased. It is measured by the number of times requests chased as a percentage of number of requests. It is a quantitative KPI.

Customer satisfactory ratings means the level of customer's satisfaction. This KPI is measured by periodic survey and it is a qualitative KPI.

Cost management is another quantitative KPI. It can be measured by comparing between the actual costs and the contractual costs.

OTIF (one-time in-full) deliveries is a quantitative KPI. It can be measured by counting the inaccurate deliveries in the period or

inaccurate deliveries as a percentage of total number of deliveries for period.

Reference: CIPS study guide page 117-122

LO 2, AC 2.2

NEW QUESTION # 42

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