

CIPS Commercial Contracting exam study guide & L4M3 exam prep material & CIPS Commercial Contracting latest exam simulator

CIPS - L4M3 Commercial Contracting -Comprehensive Exam (Study Guide) Chapter 1 2025.

Difference between Estimate, Quote and Tender (1.1, p. 2) - Answers- Estimate = has no legal standing, simply a 'best guess' by the supplier. 'NOT a firm offer'. should be avoided within a commercial contract
Tender / Quotation = "both are firm offers" to do something at a quoted rate or price. Tenders are more comprehensive / detailed.

Quotation (1.1, p.3) - Answers-- normally used when the only variable is price
- T/Cs are often NOT specified here
- Should only be used in the following situations: 1) low value/low risk purchases; 2) specification / delivery terms are fixed; 3) suppliers have been pre-qualified; 4) purchasing system has locked down the terms and price is the only variable

Tender (1.1, p. 3) - Answers-- measuring more than one variable (not only price)
- formal process, requiring sealed bids which are not to be opened before the specified date
- used in the following situations: 1) for complex projects; 2) for high value, high risk projects; 3) projects where quality AND price need to be assessed; 4) pre-qualification is required for new suppliers, using a two-stage process.

Request for Quotation (1.1, p.3-4) - Answers-- often misused (w/o terms or specifications).
- work well under framework agreements where the terms are already fixed
- main features (degree of formality, speed and relationship to contract docs), and the advantages/ disadvantages / controls are outlined on p.4
REMEMBER - RFOs are useful when they are quick/informal, but they cannot look at quality / may not be tied adequately to contract documents

Invitation to Tender (1.1, p.5) - Answers-- formal sourcing exercise, where more thought is given to the suppliers / creation of the contract documentation.
- normally well documented process; can be regulated by law for the public sector
- detailed requirements are common, e.g., method statements, timescales or other quality aspects
- for open tenders, supplier vetting is common.
- main features (degree of formality, speed and relationship to contract docs), and the advantages/ disadvantages / controls are outlined on p.5)

Real world comparisons of quotes and tenders (1.1, p. 6-7) - Answers-Four real-life examples / issues:
- Process Admin costs
- Audit Trails
- Transparency of process (controlled opening of offers)
- Urgency and speed

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CIPS L4M3 certification exam covers a wide range of topics related to commercial contracting, including the principles of contract law, contract types, contract formation and management, dispute resolution, and contract termination. L4M3 exam is designed to test candidates' understanding of these topics and their ability to apply this knowledge in real-world scenarios. L4M3 Exam is divided into two parts: the first part is a multiple-choice exam, while the second part is a case study-based exam.

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CIPS Commercial Contracting Sample Questions (Q107-Q112):

NEW QUESTION # 107

Maximum Score: 1

Where a supplier is incentivised to deliver improvements that create added value for the buyer, this is described as what type of outcome?

- A. Lose-lose
- B. Lose-win
- C. Win-lose
- **D. Win-win**

Answer: D

Explanation:

Incentive mechanisms that reward suppliers for delivering improvements (such as cost reductions, quality enhancements, or innovation) create mutual benefit:

* The buyer gets better value or reduced costs.

* The supplier receives rewards such as bonuses, gain-share, or stronger relationships.

This is the definition of a win-win outcome (D).

Reference: CIPS L4M3 Commercial Contracting - Incentive contracts and win-win supplier relationships.

NEW QUESTION # 108

Which of the following are commonly used as model forms of contracts in construction in the UK?

- A. Select TWO that apply
- **B. JCT**
- C. IET
- D. AS
- **E. NEC**
- F. CIPS

Answer: B,E

Explanation:

- NEC: New Engineering Contract - a family of standard contracts primarily used in construction in the UK; includes works, consultants, services

- JCT: Joint Contracts Tribunal - a family of standard contracts used in construction in the UK; includes works, consultants, subcontracts, services

- AS: Australian Standards contracts - different contracts for a range of purchase types including constructions, consultancy, periodic supply of goods

- IET: Institution of Engineering and Technology which issue jointly agreed model forms covering the design, supply and installation of electrical, electronic and mechanical plant 'including special conditions for the ancillary development of software'

- CIPS: Chartered Institute of Procurement and Supply - CIPS has developed its own suites of standard forms of contract for IT functions including: supply and installation of computer equipment, support and maintenance of bespoke software, servicing of computer equipment.

Reference:

LO3, AC 3.1

NEW QUESTION # 109

A procurement manager is setting KPIs measurement for user satisfaction. He also wants to encourage users to share the reason why they feel the way they do. Which of the following types of KPI should the procurement manager apply?

- A. Quantitative measure

- B. Qualitative assessment
- C. Binary measure
- D. Numerical measure

Answer: B

Explanation:

There are 3 types of KPI measure:

- Binary KPIs
- Quantitative KPIs (or numerical)
- Qualitative KPIs

User satisfaction is subjective, therefore, using qualitative assessment is the best answer.

Reference:

LO 2, AC 2.2

NEW QUESTION # 110

The model form contract invented by Institute of Civil Engineers is...?

- A. IMechE/IET
- B. FIDIC
- C. NEC
- D. JCT

Answer: C

Explanation:

NEC - New Engineering Contracts is a family of contracts invented by Institute of Civil Engineers. The contracts are suitable for procuring a diverse range of works, services and supply, ranging from major framework projects through to minor works and the purchase of supplies and goods.

FIDIC is a French language acronym for Federation Internationale Des Ingenieurs-Conseils, which means the international federation of consulting engineers. It was started in 1913 by the trio of France, Belgium and Switzerland. The United Kingdom joined the Federation in 1949. FIDIC is headquartered in Switzerland and now boasts of membership from over 60 different countries. FIDIC published its first contract, titled The Form of contract for works of Civil Engineering construction, in 1957. As the title indicated, this first contract was aimed at the Civil Engineering sector and it soon became known for the colour of its cover, and thus, The Red Book. It has become the tradition that FIDIC contracts are known in popular parlance by the colour of their cover. This first contract by FIDIC was undertaken jointly with the International federation of Building and Public works. FIDIC's concerted effort at achieving broad consultation and acceptance of its contract forms has seen subsequent editions of its contracts being ratified by the International Federation of Asian and Western Pacific Contractors Association, Associated General Contractors of America and the Inter-American Federation of the Construction Industry, Multilateral Development Banks among others. Because of the broad support it enjoys, FIDIC contracts are the foremost contracts in international construction.

The Joint Contracts Tribunal, also known as the JCT, produces standard forms of contract for construction, guidance notes and other standard documentation for use in the construction industry in the United Kingdom.

From its establishment in 1931, JCT has expanded the number of contributing organisations.

IMechE/IET: Institution of Mechanical Engineers/Institution of Engineering and Technology - two separate institutes that issue jointly agreed model forms covering the design, supply and installation of electrical, electronic and mechanical plant including special conditions for the ancillary development of software.

Reference: CIPS study guide page 142

LO 3, AC 3.1

NEW QUESTION # 111

Which of the following should be applied when measuring frequency of on-time deliveries during a contract period?

- A. Numerical measure
- B. Subjective measure
- C. Qualitative assessment
- D. Binary measure

Answer: A

LO 2, AC 2.2

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