

**CIPS Level 4 – Diploma in Procurement and
Supply**

Module 3 – Commercial Contracting

SAMPLE EXAM QUESTIONS

OBJECTIVE RESPONSE QUESTIONS AND ANSWERS

The correct answer will be identified as [key]

Q1. Which of the following is a provision in a contract under which one party commits to compensate the other for any harm or loss arising out of the contract?

- a. Indemnity
- b. Intellectual property
- c. Liquidated damages
- d. Warranty

LO: 3

AC: 3.2

Q2. Which of the following are likely to feature within an output-specification?

- 1. Product functions
 - 2. Technical inputs
 - 3. Performance requirements
 - 4. Conformance standards
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- a. 1 and 2 only
 - b. 2 and 3 only
 - c. 1 and 3 only
 - d. 2 and 4 only

LO: 1

AC: 1.1

Q3. A procurement manager has negotiated a firm fixed price throughout the contract duration of two years. Was this the right thing to do?

- a. No, because even with these contracts the pricing can change
- b. No, because this is an unfair term and therefore is not legally binding
- c. Yes, because this has provided certainty and so is an aid to budgeting
- d. Yes, because this type of pricing will always be better than a spot price

LO: 3

AC: 3.3

Q4. Ace Group is seeking to encourage one of its key suppliers to improve its contract delivery performance. Ace Group wants to encourage the supplier to identify cost savings and ways to enhance quality. Which of the following would help?

- a. Gainshare
- b. Indexation
- c. Liquidated damages
- d. Service credits

LO: 3

AC: 3.3

Q5. When is the best time for the buyer's express terms to be provided to the supplier in a competitive bidding process with negotiation?

- a. At the contract kick off meeting
- b. When the negotiation is nearing completion
- c. With the contract award notification
- d. As part of the invitation to tender

LO: 3

AC: 3.1

Q6. Which of the following are often used in conjunction with service level agreements (SLAs) as part of the performance management regime to encourage the supplier to meet the buyer's requirements?

- a. Service guarantees
- b. Service credits**
- c. Service warranties
- d. Service penalties

LO: 2

AC: 2.2

Q7. A major public body maintain a large and diverse property estate comprising more than 100 buildings in multiple locations around the country. To maintain this property estate, which of the following is likely to be the most effective arrangement between the organisation and suppliers?

- a. Framework agreements**
- b. One off purchases
- c. Spot transactions
- d. Purchase orders

LO: 1

AC: 1.3

Q8. A large manufacturing group is going through a period of investment under which a number of its facilities will close on a short-term basis for re-fit and upgrade works to be undertaken. The CPO is concerned about the impact on the organisation's ability to meet customer orders should any of the work carried out by suppliers overrun. In respect of this particular concern, the CPO should consider using which of the following contractual terms with these suppliers?

- a. Insurance
- b. Force majeure
- c. Liquidated damages**
- d. Jurisdiction

LO: 3

AC: 3.2

Q9. Which of the following will typically be included with the invitation to tender (ITT)? Select the **THREE** that apply?

a. Specification

b. Purchase order

c. Terms and conditions

d. Requisition

e. Performance measures

f. Mandate

LO: 1

AC: 1.1

Q10. Under general legal principles of contract formation, which of the following will always automatically result in the termination of an offer? Select **TWO** that apply.

a. Acceptance

b. Negotiation

c. Variation

d. Non-disclosure

e. Revocation

LO: 1

AC: 1.2
