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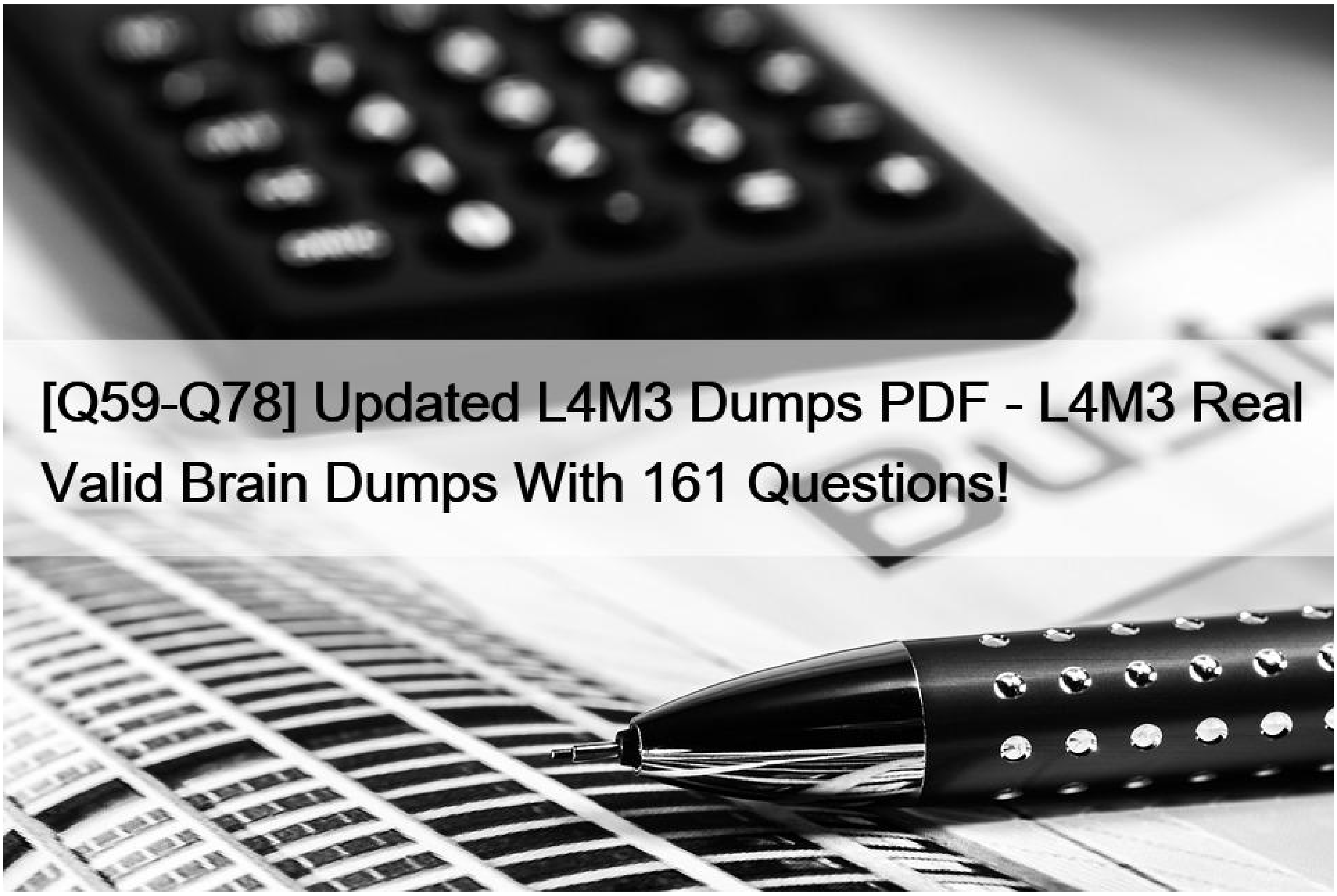


Updated L4M3 Dumps PDF - L4M3 Real Valid Brain Dumps With 161 Questions! 100% Free L4M3 Exam Dumps Use Real CIPS Certifications Dumps NO.59 A large company supplies a lot of products. Their shipments are often delayed and customers are not satisfied. Which of the following KPIs is most likely to be applied to this situation?
* Technical support
* OTIF delivery
* Delay damages
* Consignment stock availability

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

NO.60 Which of the following are always considered as minimum preconditions for a contract? Select TWO that apply:

* Specification
* Promise
* Omission
* Consideration
* Intention to be bound
In order to form a contract to come into being, there are five conditions:

– Offer

– Acceptance

– Consideration

– Intention to be legally bound

– Capacity to contract

Reference:

LO 1, AC 1.2

NO.61 In a sale contract, a clause requires the seller to “defend, reimburse, and hold harmless” the buyer and its personnel from and against any and all damages arising in connection with some specific circumstances. This clause is an example of…?
* Insurance
* Liquidated damages
* Indemnity
* Force Majeure
An indemnity is a promise by one party to compensate another for the loss suffered as a consequence of a specific event, called the ”trigger event”.

The trigger event can be anything defined by the parties, including:

– A breach of contract;

– A party’s fault or negligence;

– A specific action.

An indemnity operates as a transfer of risks between the parties, and changes what they would otherwise be liable for or entitled to under a normal damage claim.

Force Majeure Provisions: A force majeure event refers to the occurrence of an event which is outside the reasonable control of a party and which prevents that party from performing its obligations under a contract.

Liquidated damages are presented in certain legal contracts as an estimate of otherwise intangible or hard-to-define losses to one of the parties. It is a provision that allows for the payment of a specified sum should one of the parties be in breach of contract.

LO 3, AC 3.2

NO.62 Which of the following will be included in a conformance specification?

1. Brand names

2. Description of the operating environments

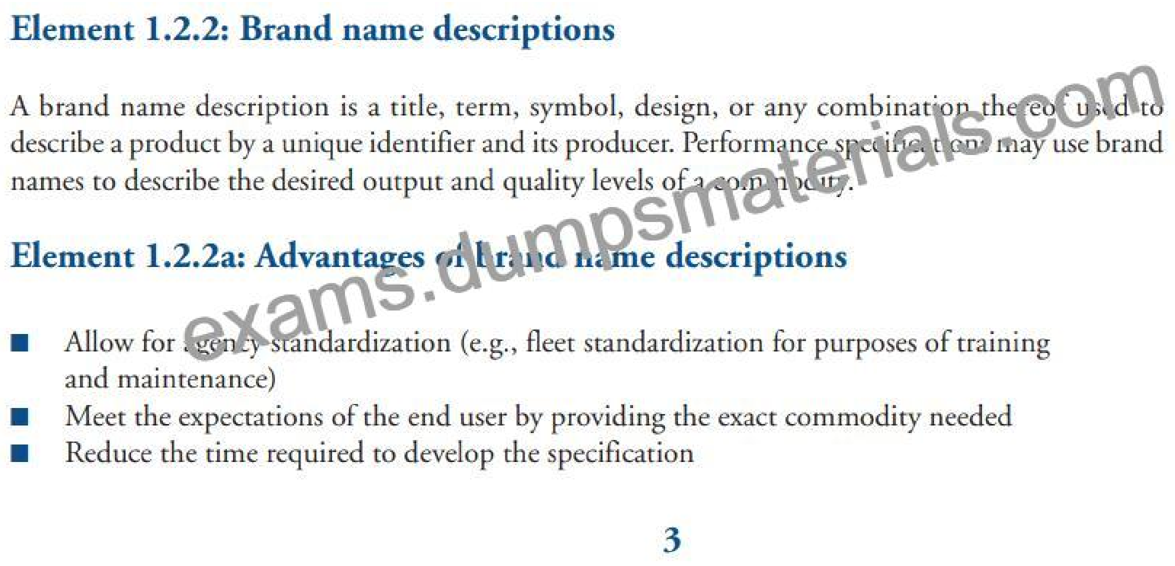
3. Chemical formulae

4. Required safety level
* 1 and 2 only
* 1 and 3 only
* 1 and 4 only
* 2 and 3 only
According to CIPS, there are two main types of specification:

– Conformance specification – is more output driven as it outlines the product details exactly which may include the material, dimensions, tolerances, source, ingredients, packaging, storage of the part or material.

– Performance specification – is more output driven in terms of what the part or material must achieve.

Among the four options, only 2. ‘Description of the operating environments’ and 3. ‘Chemical formulae’ are possible components of a conformance specification. Brand names can be a part of a performance specification, according to a document published by CIPS and NIGP.



Element 1.2.2: Brand name descriptions

A brand name description is a title, term, symbol, design, or any combination thereof used to describe a product by a unique identifier and its producer. Performance specifications may use brand names to describe the desired output and quality levels of a commodity.

Element 1.2.2a: Advantages of brand name descriptions

- Allow for agency standardization (e.g., fleet standardization for purposes of training and maintenance)
- Meet the expectations of the end user by providing the exact commodity needed
- Reduce the time required to develop the specification

3

Reference:

– CIPS study guide page 8-10

– Knowledge Byte – Specification Development

– Principles and Practices of Public Procurement: Specifications

LO 1, AC 1.1

NO.63 Rochdale Ltd is looking for a new IT system to automate some of its operations. In designing the specification, procurement manager supposes that it should be done solely by the IT department who have deep expertise on this matter. Is procurement manager’s opinion appropriate?
* No, because challenging the user’s demand is the role of procurement
* Yes, because designing complex specification would waste procurement manager’s time
* Yes, because procurement professional has no expertise in IT sector
* No, because designing complex specification could only be outsourced

Procurement professionals have a role in challenging specifications. Technical experts can get things wrong and asking naive questions can be useful in bringing these to light. The challenging may include:

– Does the organisation really need these features/functions?

– With this specification, are there many available suppliers in the market?

– How many does the organisation really need?

etc

Reference:

LO 1, AC 1.1

NO.64 Which of the following are likely to be advantages of using invitation to tender? Select TWO that apply:

Short turnaround times
* Quick implementation
* Driving forward planning culture
* Lower administration costs
* Reducing risks of bribery and corruption

Advantages of using invitation to tender may be as below:

No Nepotism: Tenders or bids are evaluated on the basis of certain predetermined criteria, such as price, quality and value for money. In other words, the firm offering the highest quality product or service at the lowest price point would win the contract. As most tender documents are opened and evaluated in a public process, I think that there remains little room for nepotism or favoritism of any kind.

Value for Money: From the perspective of the client, tenders offer the greatest value for the amount of money spent. This is due to the fact that the client can choose from a wide pool of potential suppliers to select the ones that can produce the highest quality product or service at the lowest price point. This allows the company, establishment or organization to save money without having to compromise on quality. Therefore, despite being quite time consuming, tendering is, in my opinion, a profitable long-term process from an organization’s point of view.

Encourages Competition: The process of tendering helps promote a competitive market. This is because a number of potential contractors, firms or suppliers get a chance to bid for every project. And because selection depends on quality and price, every bidder tries to reduce operational inefficiencies and redundancies as much as possible in order to lower expenses and improve quality. This entire process encourages healthy competition in the market and prevents complacency and laziness, which in turn provides a boost to innovation and new ideas.

Easier Entry: The system of tendering makes it easier and simpler for new firms to enter the market or even a particular industry. This is due to the fact that contracts under this system are awarded on the basis of predetermined, objective criteria. As a result, even a firm that is a new entrant to the market, having no connections or contacts in the industry, can win a prestigious and lucrative contract by providing the highest value for the client’s money. This process therefore helps new firms to quickly get a foothold in the market or industry, thus significantly lowering the traditional barriers to entry.

Reference:

– Characteristics and Benefits of the Tendering Process

– CIPS study guide page 6-8

LO 1, AC 1.1

NO.65 A fashion company is drafting a specification for an order in next year. The company wants to expand its supply base in low cost countries. The procurement department is considering applying standard ISO 3759 on method for the preparation, marking and measuring of textile fabrics, garments and fabric assemblies for use in tests for assessing dimensional change after a specified treatment. Which of the following should be taken into account when embedding this standard into the specification?
* Date of publication
* Supplier selection
* Type of specification
* Legality
Standards are incorporated into specifications by simply cross-refering to the relevant standard by its number and date of publication. It is important to include the date of publication. All standards are reviewed from time to time and their content changes. The absence of the publication date will lead to disrupts over which version of the standard actually applies to the contract.

Reference:

LO 2, AC 2.1

NO.66 CMS Corp goes into a gainshare agreement with the contractor, EIP Ltd. Both parties agree that the final fee will be calculated on target cost – target fee basis. Which of the following will affect the final fee payable in this gainshare agreement? Select TWO that apply:
* Accrual expense
* Final price
* Purchaser goodwill
* Supplier share
* Actual cost
An incentive contract is a sub-segment of a fixed-price or cost-reimbursement contract when there are specific cost or time commitments that are desired for a project. The standard incentive contract will allow for a fixed price to be paid for work to be completed by a specific deadline and at a specific cost.

There are two major types of incentive contracts: Cost-plus-incentive fee and Fixed-price incentive (firm target) contracts. Both types have the same formula for calculating final fee and final price.

The target fee is the amount that will be paid if the actual costs (which can be proven) match the target costs The actual fee will be adjusted in proportion to the difference between the target cost and the actual cost. The usual calculation is:

Target fee + ((target cost – actual cost) x Supplier share) = final fee The final price then becomes:

Actual cost + final fee = final price

Reference:

LO 3, AC 3.3

NO.67 Express terms in a contract are stated in which of the following? Select TWO that apply
* Orality
* Idea
* Trade customs
* Writing form
* Statutes
Express terms are the terms of the agreement which are expressly agreed between the parties. Ideally, they will be written down in a contract between the parties but where the contract is agreed verbally, they will be the terms discussed and agreed between the parties.

Implied terms are terms implied into the contract by the courts. They are not expressly set out in the contract but are taken to be as effective as if they were and as if they had been included from day one of the contract. The express terms and any implied terms together create the legally binding obligations on the parties.

Reference:

– Contracts: Express and Implied Terms

– CIPS study guide page 126-132

LO 3, AC 3.1

NO.68 Which of the following statement is true about one-off contract?
* Suppliers have many opportunities to improve the quality during the performance of one-off contract
* One-off contracts can be used for services and works
* Ad-hoc purchase is not a type of one-off purchase
* One-off contracts only apply to low-value, low-risk purchase
One-off contract is the type of contract that relates to a single purchase. One-off contracts can be used for goods, services or works. One-off contract can be simple (such as buying a small number of office stationeries) or complex (such as a construction project or buying an aircraft).

A one-off contract lasts “until completion of the obligations of the parties”. The performance is unlikely to be improved during contract performance since the duration is relatively shorter than framework agreement or call-off contract.

Ad-hoc purchase is an item bought for a single and non-recurring use or purpose. Ad-hoc purchase is a type of one-off contract.

Reference:

LO 1, AC 1.3

NO.69 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?
* It shifts the balance of power in the favour of the buyer rather than the contractor
* The company could avoid the need to draft a complex contract from blank
* Model form of contract eliminates the need for legal advice totally
* The company does not need to draft the drawings as well as specification anymore

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 contacts. 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 a powerful buyer as if c negotiated
Avoids 'reinventing the wheel' – but can be adapted to suit particular circumstances	Terms may not include requirements to cover position
Industry model forms are widely accepted, reducing negotiation time and costs	Legal advice is still requ amendments or variati
Designed to be fair to both parties	Costs of training buyer forms

Reference:

– Procurement Study Buddy on Facebook

– CIPS study guide page 147

NO.70 Which of the following contracts would be best suited to a ‘variable pricing’ arrangement?
* A contract for window cleaning during the next three months
* A contract for road building estimated to take five years to complete
* A contract for the supply of 100 printing machines to be delivered next month
* A contract for the supply of lubricating oil for immediate delivery

Variable pricing is suitable to situations when the cost of certain elements of the product fluctuate unpredictably. For road building, asphalt fluctuates regularly. Furthermore, 5 years are long period, then variable pricing is the most appropriate method to achieve value for money and control budget.

A contract for window cleaning during the next three months is a short-term service contract, fixed price is the most suitable method.

A contract for the supply of lubricating oil for immediate delivery is an one-off contract, only fixed price is applicable.

A contract for the supply of 100 printing machines to be delivered next month is also an one-off contract.

Reference:

LO 3, AC 3.3

NO.71 Under a framework agreement, which of the following are supplier selection mechanisms? Select TWO that apply:
* Rescission of contract
* Mini competition
* Contract for lease
* Direct call-off
* Call off contract

A framework agreement is an agreement with one or more suppliers/providers which sets out terms and conditions under which individual contracts (call-offs) can be made throughout the term of the agreement.

A framework agreement itself is not a contract, but the call-offs made from it are.

Framework arrangements create a streamlined and flexible process for procuring goods, works or services Where a framework for the same goods, works or services is awarded to several suppliers, there are three possible options for awarding call-off contracts: direct award (or direct call-off), mini-competition or a combination of both.

Option 1 – Apply the terms of the framework agreement (direct award).

Where your requirements match the terms and/or specification of the framework agreement (in the event of any query, you should clarify the situation with the organisation that established the framework), a particular call-off should be awarded without re-opening competition. The call-off should be awarded to the provider who is identified as the most economically advantageous tender based on the award criteria used at the time that the framework was established (i.e. the supplier ranked no. 1). Randomly selecting a supplier off a framework is not permitted.

Option 2 – Hold a mini-competition between capable suppliers.

If your requirements do not match the terms and/or the specification of the framework, you should conduct a mini-competition exercise. Whilst it is not permitted to substantially change the basic terms or specification of the framework, in running a mini-competition it is possible to supplement or refine the basic terms of the framework prior to making a call-off. Examples of such terms are:

– The particular goods/services/works required;

– Particular delivery timescales;

– Particular invoicing arrangements and payment profiles;

– Associated services such as installation, maintenance and training;

– Quantity;

– Functional specification.

Under no circumstances should brand names or brand-specific descriptions of goods be used e.g. BIC Biro Pen, Hewlett-Packard Printer, Dell computer. Descriptions should give reference to the characteristics and outputs of the product or service. Where no other description is possible, any reference should be qualified by adding the words ‘or equivalent’.

When a mini-competition exercise is held, all suppliers appointed to the framework that are capable of meeting the requirement must be invited to submit a tender. (This might just relate to suppliers within a particular ‘lot’). You must not limit the mini-competition exercise to selected providers. A time limit for submitting the tender must be set and advised to competing suppliers. This time limit must be reasonable, taking account of the complexity of the requirement.

The call-off must be awarded on the basis of the framework award criteria and new criteria cannot be added, although, where permitted, the weightings may be varied to take account of a particular requirement. However, in adjusting the weightings, care must be taken to ensure that any such changes do not have an adverse effect on competition.

Option 3 – Combination of direct award and mini-competition

To use a combination approach, the procurement documents must state that this route may be used. The procurement documents will also specify which terms may be subject to the re-opening of competition.

Reference:

– Guidance on the Use of Framework Agreements

– CIPS study guide page 60-62

LO 1, AC 1.3

NO.72 Which of the following is used to detail the complex matter that may be verbiage to the main document?
* Contract variation
* Schedule
* Subcontracting
* Standard terms and conditions
Without further explanation, a schedule may be deemed to form an integral part of the obligations of either or both parties.

Obviously, the scope or binding nature of such schedule depends on the way it is referred to in the obligatory language of the main agreement. Accordingly, merely attaching the general terms and conditions of sale without explaining to which part of the sale they apply or which provisions apply does not subject a sale pursuant to the body text of the agreement to those general terms and conditions.

Subcontracting is the practice of assigning, or outsourcing, part of the obligations and tasks under a contract to another party known as a subcontractor.

Reference:

– Schedules, annexes and exhibits

– CIPS study guide page 22-26

LO 1, AC 1.1

NO.73 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?
* Framework agreement
* Spot transaction
* One off contract
* Call off contract
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

NO.74 Which of the following are commonly used as model forms of contracts in construction in the UK?
* Select TWO that apply
* JCT
* AS
* NEC
* CIPS
* IET
– 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

NO.75 Is the government only source of industrial standards within a country?
* No, the government can only adopt standards regarding security and defence
* Yes, while ISO make standards for international trade, the government standardises other facets of their country
* No, an organisation can also generate its own internal standards
* Yes, the standards must be made by legislative branch of the country

A standard is a document that sets out requirements for a specific item, material, component, system or service, or describes in detail a particular method or procedure. Standards are established by consensus and approved by recognized standardization bodies.

There are several different types of standards. Some of the most commonly-used standards set out the requirements that a particular kind of product, service or process must fulfil, in order to establish that it is ‘fit for purpose’. Other types of standard relate to methods of testing, terminology and definitions, information requirements, or the compatibility of connections.

Standards provide individuals, businesses and all kinds of organizations with a common basis for mutual understanding. They are especially useful for communication, measurement, commerce and manufacturing.

Standards make trade easier by ensuring compatibility and interoperability of components, products and services. They bring benefits to businesses and consumers in terms of reducing costs, enhancing performance and improving safety.

Standards are voluntary, which means that businesses and other organizations are not legally obliged to apply them. However, in certain cases standards may facilitate compliance with legal requirements, such as those contained in European directives and regulations.

Standards can be made by a company, a standard organisation (such as ISO or BSI) or regulatory bodies.

Reference:

– CIPS study guide page 93-94

– Standards and your business

LO 2, AC 2.1

NO.76 The cost in cost reimbursable contract is…?
* Actual cost
* Variable cost
* Fixed cost
* Profit

A cost reimbursable contract (sometimes called a cost plus contract) is one in which the contractor is reimbursed the actual costs they incur in carrying out the works, plus an additional fee. Option E of the NEC3 Engineering and Construction Contract (ECC) is an example of a cost reimbursable contract.

Reference:

– CIPS study guide page 176-179

– Cost reimbursable contract

LO 3, AC 3.3

NO.77 Which of the following will be always automatically deemed as a consideration?
* Promise to perform over and above an existing obligation
* Promise given to a third party
* Implied consideration
* Past consideration

Consideration only appears in common law countries. Below are some examples of what is and what is not consideration:

– Past consideration is something that has already been done or given. This cannot act as consideration

– Implied consideration: if the detail of a promise to pay is expressed after the provision of goods or services, but there is an implication that such promise would be forthcoming, this may (depending on the facts) be valid consideration.

– A promise given to a third party: this is not normally consideration, and is based on a concept known as privity of contract. Anyone who is not a party to the contract, even if they are beneficiary of it, cannot sue if the terms of the contract are breached.

– A promise to perform over and above an existing obligation: This is always consideration Reference:

– Consideration & Promissory Estoppel

– CIPS study guide page 36-40

LO 1, AC 1.2

NO.78 A company is considering entering a new market. Which of the following are the external factors that influence the difference between cost and price of this company? Select THREE that apply
* Procurement policy
* Process efficiency
* Business strategy
* Threat of substitution
* Competitiveness of the market
* Relative bargaining power of supplier and purchaser

The difference between cost and price is profit. According to Michael E.

Porter, the profitability of an industry is shaped by five forces:

1. Competition in the industry

2. Potential of new entrants into the industry

3. Power of suppliers

4. Power of customers

5. Threat of substitute products

The Question: only mentions

external factor, then business strategy is not accepted.

Reference:

LO 3, AC 3.3

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