PassQueen
a.k.a dumpsqueen.com

Commercial Contracting

CIPS L4M3

Version Demo

Total Demo Questions: 29

Total Premium Questions: 295

Buy Premium PDF

https://passqueen.com

support@passqueen.com

Topic Break Down

Topic	No. of Questions
Topic 1, Understand the legal issues that relate to the formation of contracts	62
Topic 2, Understand the main specifications and key performance indicators that can be applied when contracting with suppliers	80
Topic 3, Understand the key aspects of contractual terms	116
Topic 4, Understand the main approaches to achieving competitive pricing and the role of negotiations in establishing contracts with suppliers	35
Topic 5, Mix Questions	2
Total	295

QUESTION NO: 1

SFO procurement manager sent a request for quotation to Vogon International in which he determined the contract terms and specification. In SFO's standard terms and conditions, it is stated that 'Goods shall be delivered and Services performed by the applicable Delivery Date. Supplier must notify Buyer 3 days prior to the Delivery Date if Supplier is likely to be unable to meet a Delivery Date.'

Vogon replied with a quotation without any amendment to SFO's terms & conditions. The SFO procurement manager found the prices were reasonable and submitted to senior management. Senior management team accepted that quotation and sent a notification to Vogon. On the Delivery Date, Vogon said they had no capacity to supply the product as the quotation due to a workers' strike. Did Vogon breach any agreement with SFO?

A. No, because Vogon had no intention to be bound by the quotation, therefore, it didn’t constitute a contract

B. No, because the strike is a force majeur event, so Vogon did not breach any contract with SFO

C. Yes, because the contract was formed since Vogon had sent the quotation as an acceptance to SFO’s offer

D. Yes, because the contract had been formed between SFO and Vogon with the quotation as an offer and the notification as an acceptance

ANSWER: D

Explanation:

“Yes, because the contract had been formed between SFO and Vogon with the quotation as an offer and the notification as an acceptance” is correct. A request for quotation ordinarily invites suppliers to submit offers rather than constituting an offer capable of immediate acceptance. Vogon’s quotation, submitted in response and without proposing amended terms, is therefore an offer incorporating SFO’s stated specification and standard terms. SFO’s senior-management notification accepting that quotation communicates unqualified acceptance to Vogon. At that point, the essential elements of agreement are present: an offer, acceptance, agreed contractual terms, consideration in the form of the promised goods and payment, and intention to create legal relations in a commercial transaction. A binding contract is consequently formed before the delivery date. Vogon’s failure to supply on that date is non-performance of its delivery obligation and therefore constitutes a breach. A strike may potentially engage a force-majeure provision or other contractual relief mechanism, depending on the precise clause, the facts, and the governing law. Such relief concerns the consequences of the breach, particularly liability for damages; it does not mean that a contract was never formed or that the delivery obligation was not breached. CIPS contract-law learning materials emphasise the central role of offer and acceptance in contract formation: CIPS Contract Law. For a practical discussion of force-majeure clauses in commercial contracts, see the UK Government guidance.

QUESTION NO: 2

Which of the following are likely to be included within acceptance criteria for a new item of machinery? Select THREE that apply:

A. Required output capacity

B. Safety compliance

C. Testing method

D. Supplier’s marketing strategy

E. Buyer’s annual procurement budget

ANSWER: A B C

Explanation:

Required output capacity, **Safety compliance** and **Testing method** are appropriate acceptance-criteria components. Required output capacity establishes the level of performance the machinery must achieve before the buyer accepts it. Safety compliance confirms that the equipment meets the specified legal, technical and operational safety requirements.

The testing method is also essential because it defines how compliance will be demonstrated, including the test conditions, responsible parties, evidence required and any witness arrangements. Clear acceptance criteria provide an objective basis for deciding whether the machinery conforms to the contract and whether payment, handover or warranty periods should commence.

QUESTION NO: 3

Which of the following best defines an â€˜expressâ€™ term in general contract arrangements?

A. It is a standard set of terms and conditions published by CIPS

B. It is not necessarily discussed by the parties, but nonetheless forms part of the contract

C. It is the term that is added to the contract by the law or based upon the facts of the case.

D. It is clearly agreed between the parties, whether written in the contract or agreed orally

ANSWER: D

Explanation:

“It is clearly agreed between the parties, whether written in the contract or agreed orally” correctly describes an express term. An express term is one that the contracting parties actively communicate and agree as part of their bargain. It may be recorded in a signed written contract, in a purchase order, specification, quotation, email exchange, meeting record, or other contractual document. Written recording is strongly preferable in commercial contracting because it provides reliable evidence of the parties’ agreement and helps avoid later disputes about scope, price, quality, delivery, liability, or performance requirements. However, an express term does not have to be written: a term agreed verbally can also be express, provided the usual requirements for a binding contract are satisfied and the agreement can be evidenced. In procurement practice, clearly documenting agreed terms supports contract certainty, effective supplier management, and enforceability. The distinction is that the term originates in the parties’ actual agreement rather than being introduced independently of their express discussions. UK consumer-contract guidance also recognises that contractual terms can be agreed orally or in writing; see Citizens Advice consumer rights guidance. The statutory use of “express term” in sale-of-goods law can be seen in section 13 of the Sale of Goods Act 1979.

QUESTION NO: 4

Which of the following are examples of conformance specification? Select TWO that apply:

A. Outcome-focused specification

B. Statement of work

C. Product sample

D. Output-focused specification

E. Technical drawing

ANSWER: C E

Explanation:

Conformance specifications define the detailed characteristics, materials, design, dimensions, processes, or methods that a supplier must follow when providing a requirement. They are therefore input- and method-focused: the buyer specifies not only what is required, but also important aspects of how it is to be made or configured. A product sample is an example because it provides a tangible benchmark against which the supplied goods can be assessed for conformity. It can communicate required appearance, finish, materials, workmanship, size, or other physical characteristics that may be difficult to express fully in words. A technical drawing is also a conformance specification because it prescribes detailed design information, such as dimensions, tolerances, construction features, materials, and assembly requirements. The supplier is expected to manufacture or provide the item in accordance with those stated details. In commercial contracting, these documents help create a common and auditable basis for evaluating tenders, inspecting delivered goods, and managing acceptance. CIPS distinguishes such detailed, prescriptive requirements from specifications that primarily describe the desired result or output. Further guidance on using clear specifications in public procurement is available from the Chartered Institute of Procurement & Supply and the CIPS specification guidance.

QUESTION NO: 5

In order to monitor supplier's performance, an organization decides to draft performance management frameworks. Which of the following are the components of a performance management framework? Select THREE that apply:

A. Targets

B. KPIs

C. Consequences

D. Indemnity

E. Force majeure

F. Justification

ANSWER: A B C

Explanation:

A performance management framework sets out a practical, agreed basis for monitoring how a supplier performs during contract delivery. **KPIs**, **Targets**, and **Consequences** are its central components. KPIs identify the specific aspects of performance to be measured, such as delivery timeliness, service availability, defect rates, quality conformance, or responsiveness. Measures should be relevant to the contract requirements, objectively measurable, and supported by reliable performance data.

Targets establish the required or desired level of achievement for each KPI. They make performance expectations clear and enable the buying organisation and supplier to assess whether delivery is meeting the agreed standard. Targets may specify, for example, a minimum percentage, a maximum response time, or an agreed service level.

Consequences state what will follow when measured performance falls below, meets, or exceeds the agreed targets. These can include corrective-action processes, service credits, improvement plans, escalation, incentives, or performance recognition. Defining consequences in advance supports consistent contract governance and gives both parties clarity about how results will be managed. CIPS describes performance measurement as using indicators and targets to manage supplier delivery and promote improvement; see CIPS Level 4 Diploma information and the UK government's Sourcing Playbook for related contract-management guidance.

QUESTION NO: 6

Which of the following are reasons why a purchaser wants to embed a subcontracting clause into the main contract? Select TWO that apply:

A. To induce the conflicts between the main contractor and subcontractors

B. To improve supply chain transparency

C. To reduce the main contract complexity

D. To keep main contractor liable

E. To condemn whole liabilities to subcontractors

ANSWER: D

Explanation:

To keep main contractor liable is a central reason for including a subcontracting clause. The purchaser's contractual relationship is normally with the main contractor, which remains responsible for delivering the contracted goods, services, quality standards, timescales and other obligations, even where it uses a subcontractor to perform some or all of the work. A well-drafted clause makes this position express: subcontracting may be permitted only under stated conditions, but it does not transfer the main contractor's accountability to the purchaser.

This protects the purchaser from being left to manage, pursue or negotiate directly with a subcontractor with whom it has no contractual relationship. It also gives the main contractor a clear commercial incentive to select, supervise and manage subcontractors effectively, and to ensure that appropriate requirements are flowed down into subcontracts. In public-sector contracting, the UK Government's Outsourcing Playbook similarly stresses the importance of managing supply-chain risk and retaining clear supplier accountability for delivery. See the UK Government Outsourcing Playbook and CIPS' overview of contracting and legal considerations.

QUESTION NO: 7

Which of the following are express terms?

Sale by description

Fitness for purpose

Passing of risk

Passing of title

A. 1 and 2 only

B. 2 and 3 only

C. 2 and 4 only

D. 3 and 4 only

ANSWER: D

Explanation:

"3 and 4 only" is correct. Express terms are terms that the parties specifically articulate and incorporate into their agreement, whether in a signed contract, purchase order, tender documentation or agreed standard terms. In a commercial sale-of-goods contract, the parties will commonly state when title (legal ownership of the goods) passes and when risk of loss, damage or deterioration transfers. These provisions are commercially significant because they allocate responsibility for such matters as insurance, loss in transit, storage and damage before delivery or acceptance.

The Sale of Goods Act 1979 contains default rules that apply where the parties have not made an effective agreement on these matters. However, the Act also recognises that contractual terms can determine when property passes, and that risk follows property unless otherwise agreed. Consequently, an express clause dealing with passing of title and an express clause allocating risk take precedence in defining the parties' intended allocation. Clear drafting should identify the relevant trigger, such as dispatch, delivery, acceptance, payment, or a specified Incoterms® rule, and should ensure that the title and risk provisions operate consistently. See the Sale of Goods Act 1979, section 18 on passing of property and section 20 on risk.

QUESTION NO: 8

Which of the following are likely to be advantages of using invitation to tender? Select TWO that apply:

A. Short turnaround times

B. Quick implementation

C. Driving forward planning culture

D. Lower administration costs

E. Reducing risks of bribery and corruption

ANSWER: C E

Explanation:

“Driving forward planning culture” is an advantage because an invitation to tender requires the buying organisation to define its requirement, scope, evaluation criteria, timetable, contractual terms and approval arrangements before approaching the market. This discipline encourages stakeholders to identify needs early, coordinate technical and commercial inputs, and plan the sourcing and implementation stages realistically. A well-planned tender process therefore supports clearer specifications and more controlled procurement decisions.

“Reducing risks of bribery and corruption” is also an advantage. Invitation-to-tender procedures normally use documented requirements, pre-established evaluation criteria, formal bid submission deadlines and an auditable evaluation record. These controls improve transparency and consistency in supplier selection, helping procurement teams demonstrate that an award decision was based on stated commercial and technical criteria. Clear governance, appropriate segregation of duties and retained records further support ethical conduct and accountability throughout the competition. These features align with public-procurement principles of transparency and equal treatment, as well as the wider integrity expectations applicable to professional procurement practice.

Further guidance on procurement governance and transparency is available from [UK Government public-sector procurement policy] and the [OECD’s public-integrity resources].

QUESTION NO: 9

Buyer D agrees a contract with Supplier C which includes the words 'to be agreed' in relation to the date for delivery of the goods. At the time of the contract, Buyer D is aware that the goods take two days to produce and one day to deliver. Buyer D contacts the supplier one week later, requesting the goods be delivered the following day. Supplier C is unable to deliver the next day but rather delivers the goods three days later. Is it the case that Buyer D can legally refuse to pay for the goods because Supplier C is in breach of contract?

A. Yes, because the delivery date is an express term within the contract

B. Yes, because the goods should have been delivered within three days

C. No, because the goods were delivered within a reasonable time

D. No, because there is a contract in place and the delivery date does not matter

ANSWER: C

Explanation:

No, because the goods were delivered within a reasonable time is correct. Where a contract for the sale of goods does not fix a delivery date, the relevant legal default is that the seller must send or deliver the goods within a reasonable time. What is reasonable is assessed objectively in the circumstances known to the parties, including the nature of the goods and the production and transport lead times. Here, Buyer D knew that production required two days and delivery required one further day. Supplier C delivered three days after receiving the request, exactly matching that known lead time. The buyer’s unilateral request for next-day delivery does not itself create a binding contractual delivery date or turn the supplier’s performance into a breach. The supplier has therefore performed in a timeframe that is reasonable on the stated facts. As there is no breach arising from late delivery, Buyer D is not entitled to refuse payment merely because the goods did not arrive on the requested next day. This reflects section 29(3) of the Sale of Goods Act 1979, which provides that, where the time for sending or delivering goods is not fixed, the seller must do so within a reasonable time. See the [Sale of Goods Act 1979, section 29] and the [CIPS Level 4 Diploma information].

QUESTION NO: 10

When writing an implementation section for an IT requirements specification, which factors would be appropriate for inclusion? Select TWO that apply.

A. Required response timeframes for service requests

B. Mandatory training required for supplier's staff

C. Details of applicable legal and regulatory standards

D. Integrations required with existing systems

E. Lists of technical terms and abbreviations

ANSWER: B D

Explanation:

An implementation section translates the agreed IT requirement into the practical activities and conditions needed to deploy the solution successfully in the buying organisation. "Mandatory training required for supplier's staff" is appropriate because implementation may require supplier personnel to understand the buyer's operating environment, site procedures, access controls, security rules and ways of working before they can configure, install, support or hand over the service. Defining this requirement upfront makes it measurable and allows the supplier to plan suitable resources and onboarding.

"Integrations required with existing systems" is also central to implementation. IT solutions rarely operate in isolation: deployment may depend on interfaces, data migration, identity and access management, testing environments, sequencing, technical dependencies and acceptance activities. Stating the required integrations enables tenderers to assess feasibility, identify assumptions and include the necessary technical work in their proposed implementation plan. This supports the L4M3 focus on producing clear specifications that communicate the requirement and enable an effective contractual arrangement. CIPS describes its Level 4 Diploma and its commercial-contracting content at CIPS Level 4 Diploma in Procurement and Supply. Implementation planning also aligns with NIST guidance that identifies system integration and implementation activities as part of the system development life cycle: NIST SP 800-64 Rev. 2.

QUESTION NO: 11

Which of the following should be considered when drafting a dispute-resolution clause in an international contract? Select THREE that apply:

A. Governing law

B. The forum for resolving disputes

C. The dispute-resolution procedure

D. Supplier's internal cost code

E. Buyer's organisation chart

F. Number of tenderers invited

ANSWER: A B C

Explanation:

Governing law, **the forum for resolving disputes**, and **the dispute-resolution procedure** are key matters for an international contract. Governing law identifies the legal system used to interpret the contract and determine the parties' rights and obligations. The parties should also specify whether disputes will be heard by a particular court or resolved through arbitration.

The dispute-resolution procedure should state the agreed route, such as escalation between contract managers, mediation, adjudication, litigation or arbitration. Where arbitration is selected, the clause should normally identify the seat, rules, language and number of arbitrators. Addressing these matters in advance improves certainty and reduces the risk of costly jurisdictional disputes. The UNCITRAL arbitration resources provide further information on international commercial dispute resolution.

QUESTION NO: 12

CISG will be most likely to apply to which of the following transactions?

A. Sale of electricity

B. Sale of a property

C. Sale of iron ores

D. Sale of a ship

ANSWER: C

Explanation:

Sale of iron ores is the transaction most likely to fall within the scope of the United Nations Convention on Contracts for the International Sale of Goods (CISG). The Convention governs contracts for the international sale of goods where its requirements concerning the parties' places of business and the applicable contracting states are met, or where the rules of private international law lead to the law of a contracting state. Iron ore is a tangible, movable commercial commodity and is ordinarily bought and sold in business-to-business international trade. It is therefore a conventional example of "goods" for CISG purposes.

The CISG's exclusions are important when identifying its scope. Article 2 expressly removes several categories from the Convention, including electricity and ships. The Convention is designed primarily to provide uniform rules for cross-border commercial sales of movable goods, covering formation of contract and the respective obligations and remedies of buyer and seller. In a procurement setting, an international supply agreement for iron ore between qualifying businesses would therefore normally be assessed under the CISG unless the parties have validly excluded its application in their contract. The authoritative Convention text is available from UNCITRAL; see also the UNCITRAL CISG overview.

QUESTION NO: 13

A buyer has received equipment that fails the agreed acceptance tests. Which of the following remedies are likely to be included in the contract? Select THREE that apply:

A. Repair

B. Replacement

C. Re-testing

D. Automatic extension of the contract term

E. Removal of all acceptance criteria

ANSWER: A B C

Explanation:

Repair, **Replacement** and **Re-testing** are likely remedies where equipment fails agreed acceptance tests. Repair requires the supplier to correct the fault or non-conformity so that the equipment meets the specification. Replacement may be appropriate where repair cannot be completed promptly or would not provide an adequate solution.

Re-testing is needed after corrective action so that the buyer can verify objectively that the repaired or replacement equipment now satisfies the agreed acceptance criteria. The contract should also address the period for remedial work, responsibility for costs, the number of permitted re-tests and the buyer's rights if the supplier repeatedly fails to achieve acceptance.

QUESTION NO: 14

Information assurance protects information systems and...?

A. Hard copy

B. Computers

C. Inventory

D. People

E. Information

ANSWER: E

Explanation:

Information assurance protects information systems and **information**. It is a risk-management discipline concerned with safeguarding information throughout its lifecycle, whether it is created, stored, processed, transmitted or disposed of. The protection objective is broader than securing a particular device or technology: information assurance establishes confidence that information remains available to authorised users when needed, accurate and unaltered, confidential where necessary, and supported by authentication and non-repudiation controls. It also includes capabilities to prevent incidents, detect them, respond effectively and restore affected information systems and information. In a commercial-contracting context, this means suppliers may need to demonstrate controls that protect the buyer's information as well as the systems used to handle it, including contractual requirements for access control, secure handling, incident reporting, resilience and recovery. The wording follows the established United States government definition, which refers expressly to protecting and defending "information and information systems." See the NIST Computer Security Resource Center glossary and the Committee on National Security Systems instructions for the recognised information-assurance definition and governance context.

QUESTION NO: 15

Procurement professionals must have an awareness of labour standards and environmental, social and governance issues when contracting with suppliers. Which TWO of the following are relevant for consideration?

A. Indemnity

B. Warranty

C. Modern Slavery

D. Sustainability

E. ISO9000 accreditation

ANSWER: C D

Explanation:

Modern Slavery and **Sustainability** are relevant considerations when procurement professionals assess labour standards and environmental, social and governance matters in supplier contracts. Modern-slavery due diligence addresses risks such as forced labour, human trafficking, servitude and exploitative working conditions within both direct suppliers and deeper supply-chain tiers. Contracting activity should therefore include proportionate supplier checks, transparency requirements, risk assessment, reporting routes and, where appropriate, contractual obligations to remediate identified issues. This supports responsible sourcing and helps an organisation meet applicable legal and ethical expectations.

Sustainability is integral to ESG because it considers the long-term environmental and social effects of purchased goods, services and supply arrangements. Relevant topics can include greenhouse-gas emissions, energy and resource use, waste, biodiversity, responsible materials sourcing, workforce welfare and community impacts. Procurement professionals can translate these concerns into specifications, selection criteria, supplier performance measures and contract-management commitments. Considering sustainability alongside commercial value helps achieve whole-life value and strengthens supply-chain resilience. The UK government's guidance on modern-slavery transparency is available at GOV.UK, while CIPS outlines responsible procurement principles at CIPS.

QUESTION NO: 16

One of the important features in the formation of a contract is the need to have a 'consensus ad idem' between the contracting parties. 'Consensus ad idem' can be translated as meaning:

A. A promise to commit the contract to written form

B. A meeting of minds where all parties have the same understanding of the terms

C. Let the buyer beware before agreeing the contract

D. An agreement on the main item of the contract

ANSWER: B

Explanation:

"A meeting of minds where all parties have the same understanding of the terms" is correct. *Consensus ad idem* is a Latin expression meaning that the parties are in agreement about the same thing. In contract formation, it captures the requirement for genuine mutual assent: each party must objectively appear to agree to the same contractual bargain, including the material terms that define what is being bought or supplied, the obligations undertaken, and the basis on which performance is required. It does not demand that the parties privately hold identical thoughts; English contract law generally assesses agreement objectively, by considering the parties' words and conduct and how these would reasonably be understood. For procurement professionals, this reinforces the importance of clear specifications, unambiguous pricing and scope, defined responsibilities, and a documented acceptance process. These measures help demonstrate that both buyer and supplier have assented to the same terms and reduce the risk of a later dispute about whether a binding agreement was formed or what it requires. The principle is reflected in legal guidance on formation of contracts and the objective approach to determining agreement. See the LawTeacher overview of agreement in contract law and the UK Supreme Court decision in RTS Flexible Systems Ltd v Molkerei Alois Müller GmbH.

QUESTION NO: 17

Maximum Score 1

A construction company wishes to place the contract for the building of a new hotel to a principal contractor using a model form contract. Which of these is an advantage of using a 'model form contract'?

A. It avoids the requirement to create complex contracts each time but can be adapted to suit particular circumstances

B. Formulae or indices can be included to assess any additional supplier's claims for contract price adjustment

C. Incentive payment terms can be included to reward the supplier for attainment of cost savings

D. Legal advice is still required if significant amendments or variations are to be made to the contract

ANSWER: A

Explanation:

It avoids the requirement to create complex contracts each time but can be adapted to suit particular circumstances is correct because a model form contract provides an established, professionally drafted contractual framework that can be selected and completed for a particular construction project. This substantially reduces the time, cost, and uncertainty involved in drafting an entire agreement from the beginning. It also promotes familiarity: employers, contractors, contract administrators, insurers, and legal advisers are more likely to understand the structure and allocation of responsibilities within commonly used standard forms. The parties can then add project-specific information, such as the works, programme, price, payment arrangements, and chosen contractual options, while retaining a coherent set of tested core conditions. This supports clearer administration of the hotel-building contract and helps the parties begin procurement and delivery more efficiently. A model form is therefore valuable both as a reusable starting point and as a framework capable of controlled tailoring to the project's commercial and technical requirements. The Joint Contracts Tribunal describes its contracts as standard forms designed for use across construction projects, while the New Engineering Contract suite provides standard contractual arrangements with selectable options and project data. See JCT and NEC Contracts.

QUESTION NO: 18

Which of the following are likely to be included in a pricing schedule for a rate-based services contract? Select THREE that apply:

A. Hourly rates

B. Expenses treatment

C. Price-review mechanism

D. Supplier's company history

E. Evaluation-panel membership

ANSWER: A B C

Explanation:

Hourly rates, **Expenses treatment** and **Price-review mechanism** are likely to be included in a pricing schedule for a rate-based services contract. Hourly rates define the charges applicable to different roles, grades or categories of work, enabling the buyer to calculate payment for authorised work performed. The schedule should state whether the rates include overheads, profit and other costs.

Expenses treatment is also important because it establishes whether travel, accommodation, materials or other incidental costs are included within the rates, reimbursable at cost, or subject to pre-approval. A price-review mechanism explains whether and how rates may change during a longer contract term, for example by reference to an agreed index, review date or formula. These provisions support transparency and reduce the risk of disputes over invoices.

QUESTION NO: 19

Which of the following are likely to be implied terms in a contract? Select TWO that apply:

A. Common law precedent

B. Definition & interpretation

C. Contract appendix

D. Statute

E. Contract clause

ANSWER: A D

Explanation:

Common law precedent and statute are both recognised sources of implied contractual terms. Common law can imply a term where this is necessary to give the contract business efficacy, where the term is so obvious that it goes without saying, or where the nature of a particular contractual relationship supports implication. The courts apply these tests carefully: an implied term must fit the express agreement and reflect what is necessary rather than merely desirable. The UK Supreme Court's discussion in *Marks and Spencer plc v BNP Paribas* confirms that implication is not a tool for improving an agreement after the event, but may be appropriate where a strict legal test is met. See [Marks and Spencer plc v BNP Paribas [2015] UKSC 67].

Statute can also automatically insert obligations or protections into contracts, even if the parties have not written them down. In a business sale-of-goods contract, for example, the Sale of Goods Act 1979 implies terms concerning title, correspondence with description, satisfactory quality, and fitness for purpose, subject to the Act's rules on exclusion or variation. These statutory provisions illustrate why procurement and contract professionals must understand the legislative framework as well as the signed wording. See the [Sale of Goods Act 1979, section 12].

QUESTION NO: 20

In the application of price adjustment formulae, which of the following would be acceptable for a supplier to increase its selling price?

A. Rising share prices

B. Rising fuel costs

C. Rising market expectations

D. Rising incidence of defects

ANSWER: B

Explanation:

Rising fuel costs are an acceptable basis for a supplier to increase its selling price where the contract contains an agreed price-adjustment formula that uses fuel costs, or a relevant published fuel index, as a defined input. Price adjustment clauses are designed to manage the risk of significant and objectively measurable movements in underlying input costs during the contract term, particularly in longer-term arrangements. The clause should state the base date, the relevant index or evidence source, the weighting assigned to fuel within the supplier's cost model, the timing and frequency of review, and the calculation method. This makes any adjustment transparent, auditable and proportionate to the cost movement rather than a matter of commercial discretion. Fuel is commonly a material cost driver in transport, distribution, energy-intensive manufacturing and site-based service delivery, so an increase can legitimately affect the contract price when it falls within the agreed formula. The UK government's road fuel price statistics illustrate the type of independently published data that may support objective cost monitoring. CIPS' professional guidance on contract and supplier relationship management also emphasises clear contractual mechanisms for managing supplier and cost risk.

QUESTION NO: 21

A buyer is in the process of supporting colleagues internally in the drafting of a specification for a new product. They have limited personal knowledge of the product and of the market. They are at the very early stages of drafting the specification and are seeking to increase their knowledge, whilst at the same time, keeping their likely future needs a commercial secret at this stage. Which of the following would be the best method of achieving this?

A. Issue a formal request for information

B. General networking at relevant trade events

C. Interview staff from finance

D. Advertising on a relevant online forum

ANSWER: B

Explanation:

General networking at relevant trade events is the best method because it enables the buyer to build market and product knowledge before defining a requirement, without making the organisation's prospective purchasing plans visible. At exhibitions, conferences and professional events, the buyer can discuss general market developments, available technologies, common specification approaches, supplier capabilities and emerging trends. This intelligence can help internal stakeholders develop a more realistic, outcome-focused specification and identify the questions that need further research.

Crucially, these discussions can remain broad and exploratory. The buyer need not reveal details such as anticipated volumes, timing, budget, technical priorities, internal business drivers or the fact that a formal procurement may follow. This preserves commercial confidentiality while the requirement is still immature. CIPS describes market analysis as an important activity for understanding the supply market and informing procurement strategy; early, informal market engagement can contribute useful intelligence where it is conducted ethically and without creating an unfair supplier advantage. See CIPS guidance on supply market analysis and the UK Government's guidance on market engagement.

QUESTION NO: 22

Which of the following practices support a fair and robust tender-evaluation process? Select THREE that apply:

A. Using published evaluation criteria

B. Applying a consistent scoring methodology

C. Keeping an audit trail of evaluation decisions

D. Changing the criteria after tenders are received

E. Disclosing one supplier's prices to competitors

F. Allowing evaluators to use undisclosed criteria

ANSWER: A B C

Explanation:

Using published evaluation criteria, **applying a consistent scoring methodology**, and **keeping an audit trail of evaluation decisions** support a fair and robust tender evaluation. Published criteria enable suppliers to understand how their submissions will be assessed and allow evaluators to focus on the matters that are relevant to award.

A consistent scoring methodology supports equal treatment by ensuring that all tender responses are assessed against the same standards. An audit trail should record scores, evaluator comments, moderation outcomes, clarifications and the reasons for the award decision. These controls improve transparency, help manage challenges from unsuccessful suppliers and demonstrate appropriate procurement governance. See the UK Government's guidance on tendering for public-sector contracts for related principles.

QUESTION NO: 23

Which of the following shall help the purchaser control the selection of tier 2 suppliers?

A. Subcontracting clause

B. Warranty clause

C. Guarantee clause

D. Insurance clause

ANSWER: A

Explanation:

Subcontracting clause is correct because a tier 2 supplier is ordinarily a subcontractor appointed by the purchaser's direct supplier. A well-drafted subcontracting clause enables the purchaser to retain contractual control over whether subcontracting is permitted and the process by which it occurs. For example, it may require the supplier to obtain the purchaser's prior written consent before appointing or replacing a subcontractor, submit due-diligence information, and ensure that specified requirements are flowed down into the subcontract. These can include confidentiality, data protection, insurance, ethical sourcing, health and safety, quality, audit, and compliance obligations.

The clause can also require the direct supplier to remain fully responsible for performance of the contract despite any approved delegation. This is important because the purchaser's primary contractual relationship is with its tier 1 supplier, while the selection and management of tier 2 suppliers can materially affect continuity, quality, regulatory compliance, and reputational risk. CIPS treats subcontracting provisions as a means to regulate delegation of contractual obligations to third parties and preserve the purchaser's oversight of the supply chain. General legal guidance on subcontracting and the continuing responsibility of the original contracting party is available from the LexisNexis subcontracting guidance. The UK government's supplier selection guidance also illustrates the importance of proportionate supplier assurance and selection controls.

QUESTION NO: 24

Which of the following are typically included in an SLA? Select TWO that apply:

A. Requirements for packaging

B. Service definition

C. KPI details

D. Code of conduct

E. Product's lifespan

ANSWER: B C

Explanation:

An SLA (service-level agreement) defines the service a supplier will provide and the standards against which that service will be measured and managed. “Service definition” is therefore a core inclusion: it establishes the scope of the service, its activities or deliverables, responsibilities, service hours, and any relevant boundaries. A clear definition gives both parties a shared operational understanding of what is being bought and supplied.

“KPI details” are also central to an SLA. Key performance indicators translate the required service level into measurable criteria, such as availability, response time, accuracy, delivery performance, or resolution times. Effective KPI details specify the measurement method, target level, reporting frequency, data source, and the management response where performance does not meet the agreed standard. This enables transparent performance monitoring and supports contract governance throughout the service period.

These elements reflect established SLA practice: the agreement should identify the services covered and define measurable service-performance commitments. See the IBM overview of service-level agreements and the UK Government’s guidance on service-level agreements.

QUESTION NO: 25

Social and environmental criteria are often incorporated into which of the following type of specification?

A. Design specification

B. Technical specification

C. Conformance specification

D. Output specification

ANSWER: D

Explanation:

Output specification is correct because it defines the result, function, or performance level the supplier must achieve rather than prescribing in detail the materials, design, method, or process they must use. This approach enables the buying organisation to embed required social and environmental outcomes directly into the requirement. For example, an output specification may require reduced lifecycle carbon emissions, minimised packaging waste, ethical labour practices in delivery of the contract, use of responsibly sourced materials, or an end-of-life recovery solution. Suppliers can then propose innovative and proportionate methods for achieving those stated outcomes, while remaining accountable for measurable performance.

In commercial contracting, this is particularly valuable where the market may offer different solutions to the same need. Framing sustainability requirements around outputs encourages competition based on whole-life value and allows suppliers to improve environmental and social performance without the buyer unnecessarily restricting solution design. The desired outcomes must be clear, relevant to the contract, capable of verification, and supported by appropriate performance measures and contract-management arrangements. UK public-procurement guidance similarly stresses incorporating environmental considerations into specifications and assessing requirements over the lifecycle: [UK Government Procurement Policy Note 06/21](). Practical guidance on writing specifications and using outcome-based requirements is also available through [Procurement Journey]().

QUESTION NO: 26

Which of the following are likely to feature within an outcome-specification?

1. Dimension

2. Performance requirement

3. Input material

4. Product function

A. 2 and 4 only

B. 3 and 4 only

C. 1 and 2 only

D. 1 and 3 only

ANSWER: A

Explanation:

2 and 4 only is correct because an outcome-specification defines the result, capability, or service outcome the buyer needs, rather than prescribing the detailed method or components that a supplier must use. A performance requirement states the measurable standard that the required solution must achieve. This can include criteria such as capacity, reliability, speed, availability, safety, quality level, or response time. Clear performance requirements enable evaluation of whether the delivered solution achieves the intended business outcome.

Product function is also central to an outcome-specification because it describes what the product, service, or works must do for the user or organisation. Defining function directs attention to the required purpose and benefits, while allowing suppliers scope to propose innovative, value-for-money solutions and select the most suitable design, process, or technology. This approach is particularly useful where the buyer wishes to encourage supplier expertise and avoid unnecessarily restricting competition through detailed technical instructions.

CIPS describes specification development as establishing requirements clearly while choosing an appropriate balance between defining the need and allowing supplier flexibility. Further guidance on performance-based requirements is available from the [CIPS specifications resource]() and the UK government's [guidance on specifying needs]().

QUESTION NO: 27

Express terms in a contract are stated in which of the following? Select TWO that apply

A. Orality

B. Idea

C. Trade customs

D. Writing form

E. Statutes

ANSWER: A D

Explanation:

Express terms are provisions that the contracting parties actively communicate and agree as part of their bargain. They may be stated orally during negotiations or agreement-making; therefore, *Orality* is a valid way in which an express term can be made. An oral term can concern such matters as the goods or services to be supplied, price, delivery arrangements, quality requirements, or payment. Although evidencing an oral agreement can be more difficult if a dispute later arises, its spoken nature does not prevent it from being an express term.

Writing form is also correct because express terms are commonly recorded in a written contract, purchase order, specification, schedule, quotation, or other contractual document incorporated into the agreement. Written expression provides a clear and durable record of what the parties agreed, supporting effective contract administration and reducing uncertainty about obligations. In commercial contracting, procurement professionals should ensure that key agreed terms are accurately documented, unambiguous, and properly incorporated before contract award or signature.

English contract law generally recognises that contracts and their express terms can be made orally or in writing, subject to limited statutory formality requirements for particular transaction types. See the UK Government's guidance on how to make a contract and the Unfair Contract Terms Act 1977.

QUESTION NO: 28

Which of the following are most likely to be substantive elements of the specification of a truck? Select TWO that apply:

A. Guarantee

B. Foreword

C. Expected lifespan

D. Ethics

E. Abbreviation

ANSWER: A C

Explanation:

Guarantee and **Expected lifespan** are substantive because they define important, measurable aspects of the truck's required performance and whole-life value. A guarantee establishes the level and duration of supplier assurance expected for the vehicle and can set out the buyer's required remedy or support where the truck does not meet the stated standard. This is particularly material for a capital asset whose availability, reliability and maintenance costs affect operational performance.

An expected lifespan specifies the required durability of the truck: for example, the anticipated operating life in years, mileage, engine hours or duty cycles. Stating this requirement allows suppliers to propose equipment suitable for the intended use and enables the buyer to assess value on a total-cost-of-ownership basis, rather than considering purchase price alone. It also provides an objective basis for acceptance, performance monitoring and asset-replacement planning. CIPS identifies lifespan and durability expectations, along with product characteristics and performance requirements, as substantive content for specifications. Further useful guidance on writing clear, outcome-focused requirements is available from the UK Government Commercial Function's Sourcing Playbook and the Chartered Institute of Procurement & Supply's procurement knowledge resources.

QUESTION NO: 29

A procurement manager is preparing a long-term contract with a major supplier. She decides to use the variable pricing arrangement using price indices. The payment terms describe the circumstances and mechanism where the price is allowed to change. In order to successfully manage this type of contract, the buying organisation should have...?

A. Good market knowledge

B. Selection of base year

C. Value for money

D. Economy of scale

ANSWER: A

Explanation:

Good market knowledge is essential when a long-term contract uses variable pricing linked to price indices. The buying organisation needs to understand the relevant supply market, including the cost drivers that genuinely affect the supplier's price, the suitability and reliability of available indices, historic and expected market movements, and the extent to which an index reflects the contracted goods or services. This knowledge allows the buyer to set an appropriate base date, index source, review frequency, adjustment formula, and any limits or safeguards on price movements. It also supports informed contract-management discussions when an adjustment is proposed, ensuring that changes are applied in line with the agreed mechanism rather than simply accepted without scrutiny. Index-linked arrangements can provide a fair and transparent way to share the effects of changing input costs between buyer and supplier, but this depends on the buyer being able to interpret market evidence and validate the relevance of the index throughout the contract term. CIPS identifies market knowledge as a key requirement for managing price-adjustment mechanisms in long-term contracts. See CIPS Level 4 Diploma in Procurement and Supply and the UK Government's Sourcing Playbook for guidance on understanding markets and managing commercial pricing risks.