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Procurement and Supply in Practice

CIPS L4M8

Version Demo

Total Demo Questions: 14

Total Premium Questions: 141

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Topic Break Down

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QUESTION NO: 1

Which Incoterm applies here?

The supplier arranges and pays for transport to the buyer's named destination. However, delivery takes place and risk transfers when the supplier hands the goods to the first carrier.

A. CPT – Carriage Paid To

B. CIP – Carriage and Insurance Paid To

C. DAP – Delivered At Place

D. FCA – Free Carrier

ANSWER: A

Explanation:

CPT – Carriage Paid To is correct. Under CPT, the supplier contracts for and pays the carriage necessary to bring the goods to the named destination. However, risk transfers much earlier, when the supplier delivers the goods to the carrier at the agreed place of shipment.

This separation between the point to which carriage is paid and the point at which risk transfers is a key feature of CPT. The buyer should therefore consider arranging insurance from the point at which the first carrier receives the goods. CPT may be used for any mode or combination of modes of transport. Further information is available from the ICC Incoterms® rules.

QUESTION NO: 2

The supplier is responsible for delivering the goods to a named port or destination (such as an air-port or warehouse), as well as unloading them from the terminal from this point, risk passes to the buyer.

A. DPU – Delivered at Place Unloaded

B. DAP – Delivered At Place

C. DDP – Delivered Duty Paid

D. FAS – Free Alongside Ship

ANSWER: A

Explanation:

DPU – Delivered at Place Unloaded is the applicable Incoterms® 2020 rule because it requires the seller to deliver the goods to the agreed named place of destination and unload them from the arriving means of transport. Delivery, and therefore the transfer of risk from seller to buyer, occurs only once the goods have been unloaded and placed at the buyer's disposal at that named destination. The destination can be a terminal, port, airport, warehouse, or another specifically agreed location, provided the seller can arrange and safely perform unloading there. The seller is responsible for export clearance and carriage to the named place; the buyer normally completes import formalities and pays applicable import duties and taxes. DPU is particularly appropriate where the purchasing organisation wants the supplier to retain responsibility for the transport operation through unloading, rather than merely delivering goods ready for unloading. Under Incoterms® 2020, DPU replaced the earlier DAT term, because delivery is not limited to a terminal. See the International Chamber of Commerce's Incoterms® 2020 overview and its explanation of DPU – Delivered at Place Unloaded.

QUESTION NO: 3

What Incoterm applies here?

The goods are considered 'delivered' at the point of release from the supplier's premises or another name place. The supplier is not responsible for loading or transporting the goods and does not have to arrange export clearance – this must be arranged by the buyer. The risk is on the buyer from this point.

a) EXW – Ex Works

b) FCA – Free Career

c) CPT – Carriage Paid To

d) CIP – Carriage and Insurance Paid to

A. EXW – Ex Works

B. FCA – Free Carrier

C. CPT – Carriage Paid To

D. CIP – Carriage and Insurance Paid To

ANSWER: A

Explanation:

EXW – Ex Works is correct because it describes the minimum obligation placed on the seller under Incoterms® 2020. Delivery occurs when the seller places the goods at the buyer's disposal at the seller's named premises, such as its factory or warehouse, or at another named place. The goods do not need to be loaded onto the collecting vehicle for delivery to occur. From that point, the buyer bears the risk of loss of or damage to the goods and takes responsibility for arranging and paying for onward carriage.

The description also correctly reflects the export formalities allocation under EXW: the buyer is responsible for export clearance. This term is therefore suited to the stated situation, in which the supplier releases the goods without loading them, undertaking transport, or arranging export procedures. In practice, parties should specify the named place precisely—for example, the supplier's warehouse address—because it establishes where delivery and the transfer of risk occur. The International Chamber of Commerce outlines the Incoterms® framework at ICC Incoterms® rules; practical guidance on using Incoterms® in international trade is also available from GOV.UK.

QUESTION NO: 4

Which Incoterm applies here?

The supplier is responsible for delivering the goods directly onto the vessel that will transport them to their named destination and must also cover the cost of this. The supplier bears all risks until the goods are delivered to the buyer at their named place.

A. FOB – Free On Board

B. DAP – Delivered at Place

C. CIF – Cost Insurance and Freight

D. FAS – Free Alongside Ship

ANSWER: B

Explanation:

DAP – Delivered at Place is the appropriate term because the defining allocation of risk is that the supplier carries risk until the goods reach the named place of destination and are placed at the buyer's disposal on the arriving means of transport, ready for unloading. The supplier also arranges and pays for carriage to that agreed destination. Therefore, where the supplier is responsible for the sea transport and remains exposed to transit risk until delivery at the buyer's named place, the delivery obligation aligns with Delivered at Place.

The reference to loading goods onto the vessel describes an operational stage in the carriage journey, but the decisive feature is the stated destination-based transfer of risk. Under Incoterms® 2020, DAP may be used with any mode or combination of modes of transport, including sea carriage. The named place must be specified clearly in the contract, since it identifies the point at which delivery and risk transfer occur. The supplier is not required to unload the goods under DAP; delivery occurs before unloading. See the ICC's Incoterms® rules overview and the UK Government's guidance on international trade paperwork.

QUESTION NO: 5

Which Incoterm applies here?

The supplier loads non-containerised goods on board a vessel, pays the freight to the named destination port, and obtains marine insurance for the buyer's benefit. Risk transfers when the goods are on board the vessel at the port of shipment.

A. CFR – Cost and Freight

B. CIF – Cost, Insurance and Freight

C. CIP – Carriage and Insurance Paid To

D. FOB – Free On Board

ANSWER: B

Explanation:

CIF – Cost, Insurance and Freight is the appropriate rule. The supplier delivers the goods on board the vessel at the port of shipment, pays the freight to the named port of destination, and obtains insurance cover for the buyer's transit risk. Delivery and risk transfer take place on board at the shipment port, not at the destination port.

CIF is used only for sea or inland-waterway transport. The supplier's obligation to arrange insurance distinguishes CIF from CFR. As risk passes before the sea journey begins, the buyer should ensure that the agreed insurance cover is adequate for the nature and value of the goods. The ICC Incoterms® rules explain the allocation of obligations under CIF.

QUESTION NO: 6

Which Incoterm applies here?

The supplier is responsible for delivering the goods directly onto the vessel that will transport them to their named destination, covering the cost of both the transport and the insurance to cover this. Again, the supplier bears all risks until the goods are delivered to the buyer at their named place.

A. FOB – Free On Board

B. DAP – Delivered At Place

C. CIF – Cost Insurance and Freight

D. FAS – Free Alongside Ship

ANSWER: B

Explanation:

DAP – Delivered At Place is the term that matches the decisive feature in the scenario: the supplier bears the risk of loss of or damage to the goods until they are delivered at the named place of destination. Under DAP, the supplier arranges and pays for carriage to that agreed place and makes the goods available to the buyer on the arriving means of transport, ready for unloading. The buyer takes over risk at that delivery point and is normally responsible for unloading and import clearance.

The reference to sea transport does not prevent use of DAP, because DAP may be used for any mode or combination of modes of transport, including a sea leg. Similarly, while DAP does not impose a specific Incoterms obligation on the supplier to purchase cargo insurance, the parties may agree that the supplier will obtain insurance as part of its transport arrangements. What identifies the rule is the stated destination delivery point and the supplier's continuing risk up to it. The ICC's overview of Incoterms® 2020 confirms that DAP is an any-mode rule and that delivery occurs at the named destination before unloading. See the International Chamber of Commerce Incoterms® 2020 overview and the ICC Incoterms® 2020 guidance.

QUESTION NO: 7

The buyer requires the supplier to arrange transport to a named warehouse, retain risk until arrival, and make the goods available on the arriving vehicle. The buyer will unload the goods and complete import clearance. Which Incoterm applies?

A. DAP – Delivered At Place

B. DPU – Delivered at Place Unloaded

C. DDP – Delivered Duty Paid

D. CPT – Carriage Paid To

ANSWER: A

Explanation:

DAP – Delivered At Place applies because the supplier arranges carriage and bears risk until the goods are placed at the buyer's disposal at the named destination, ready for unloading. The buyer then unloads the goods and normally undertakes import clearance.

DAP can be used for any mode or combination of modes of transport. It differs from DPU because the supplier does not unload, and it differs from DDP because the buyer remains responsible for import clearance, duties, and taxes. The parties should specify the warehouse and, where appropriate, the exact receiving point. See the ICC Incoterms® rules.

QUESTION NO: 8 - (SIMULATION)

Create a list of primary and secondary Data sources?

ANSWER: See the explanation for the answer

Explanation:

Primary data sources are collected first-hand for the specific requirement or research task:

Interviews
Questionnaires and surveys
Meetings, focus groups and workshops
Direct observation
Experiments, trials and case studies
Supplier or customer feedback collected directly

Secondary data sources are information already collected, published or compiled by another party:

Books, journals and academic publications
Websites and online databases
Trade magazines, industry reports and market research reports
Government publications and official statistics
Company records, previous spend analyses and historic procurement files
Supplier catalogues, annual reports and financial information

In summary, primary data is original, first-hand data; secondary data comes from an existing source.

QUESTION NO: 9 - (SIMULATION)

Explain the difference between bonded and forced labor.

ANSWER: See the explanation for the answer

Explanation:

Bonded labour (or debt bondage) occurs where a person is required to work to repay a debt or obligation. The debt may be unfair, inflated, inherited, or structured so that the worker cannot realistically repay it, leaving them tied to the employer.

Forced labour is any work or service that a person has not offered voluntarily and is compelled to perform under threat of a penalty, such as violence, intimidation, withheld documents, deportation, loss of wages, or other punishment.

Therefore, bonded labour is a specific form of forced labour in which **debt is the means used to control the worker**; forced labour is the broader term covering coercion by any form of threat or penalty.

QUESTION NO: 10

Which Incoterm applies here?

The supplier is responsible for delivering the goods directly onto the vessel that will transport them to their named destination, covering the cost of both the transport and the insurance to cover this. Again, the supplier bears all risks until the goods are delivered to the buyer at their named place.

A. FOB – Free On Board

B. DAP – Delivered At Place

C. CIF – Cost Insurance and Freight

D. FAS – Free Alongside Ship

ANSWER: B

Explanation:

DAP – Delivered At Place is the appropriate term because the defining feature in the scenario is that the supplier bears the risk until the goods are delivered at the buyer's named place. Under DAP, delivery occurs when the goods are placed at the buyer's disposal on the arriving means of transport at the agreed destination, ready for unloading. The supplier therefore arranges and pays for carriage to that named place and remains responsible for loss of or damage to the goods during the journey.

DAP may be used with any mode or combination of transport, including a sea journey. Although Incoterms® 2020 does not impose a separate insurance obligation on the seller under DAP, a supplier that retains transit risk would commonly arrange insurance to protect its own exposure; the stated insurance arrangement is therefore compatible with DAP. The critical allocation is risk through to delivery at the named destination, rather than risk transferring when the goods are loaded on board the vessel. The buyer takes responsibility once the goods have been delivered in the agreed DAP condition, including unloading them unless the parties agree otherwise in their contract.

See the International Chamber of Commerce overview of Incoterms® 2020 and its guidance on DAP – Delivered At Place.

QUESTION NO: 11

Which Incoterm applies here?

The supplier is responsible for delivering the goods to the buyer's premises include arranging any custom clearances that applies, bearing all risk up until this point.

A. DAT – Delivered At Terminal

B. DAP – Delivered At Place

C. DDP – Delivery Duty Paid

D. FAS – Free Alongside Ship

ANSWER: C

Explanation:

DDP – Delivery Duty Paid applies because it places the maximum delivery obligation on the supplier. Under DDP, the supplier arranges carriage to the named destination, which may be the buyer's premises, and bears the risks of loss of or damage to the goods until they are placed at the buyer's disposal there, ready for unloading. Crucially, the supplier is responsible for export and import clearance, including obtaining required licences or formalities and paying applicable import duties, taxes, and other charges. This directly matches the scenario's requirement that the supplier arrange the relevant customs clearances while retaining risk up to delivery at the buyer's premises.

The named place should be stated precisely in the contract, for example, "DDP Buyer's Warehouse, [full address], Incoterms® 2020", so that both parties understand the exact point at which delivery and risk transfer occur. The buyer's principal responsibility at that point is unloading the goods, unless the contract separately allocates unloading to the supplier. ICC guidance identifies DDP as the rule where the seller clears the goods for import and delivers them at the agreed destination. See the ICC Incoterms® 2020 rules overview and U.S. International Trade Administration's Incoterms guidance.

QUESTION NO: 12

Which Incoterm applies here?

The supplier places the goods on board the vessel at the port of shipment, pays the freight to the named destination port and arranges marine insurance. Risk passes to the buyer once the goods are on board.

A. CFR – Cost and Freight

B. CIF – Cost, Insurance and Freight

C. CIP – Carriage and Insurance Paid To

D. DDP – Delivered Duty Paid

ANSWER: B

Explanation:

CIF – Cost, Insurance and Freight is correct. CIF requires the supplier to deliver the goods on board the vessel at the port of shipment, pay the freight to the named destination port, and procure marine cargo insurance for the buyer's benefit.

Risk transfers when the goods are on board the vessel at the port of shipment, rather than when they arrive at the destination port. CIF is limited to sea and inland-waterway transport. It is distinct from CIP because CIF uses the on-board vessel delivery point, whereas CIP uses delivery to the carrier and can be used for any transport mode. The ICC Incoterms® 2020 overview provides further information.

QUESTION NO: 13

Which Incoterm is intended only for sea or inland-waterway transport and requires the supplier to place the goods alongside the vessel nominated by the buyer?

A. FAS – Free Alongside Ship

B. FCA – Free Carrier

C. CPT – Carriage Paid To

D. DPU – Delivered at Place Unloaded

ANSWER: A

Explanation:

FAS – Free Alongside Ship is correct. The supplier delivers when the goods are placed alongside the vessel nominated by the buyer at the named port of shipment. Risk transfers to the buyer at that point, before the goods are loaded on board.

FAS is appropriate for sea or inland-waterway shipments, particularly where goods can be placed at a quay, dock, barge, or similar point alongside the vessel. The buyer is responsible for loading the goods and arranging the main carriage. For containerised goods delivered to a terminal, FCA will often be more appropriate. The ICC Incoterms® 2020 overview provides further guidance.

QUESTION NO: 14

What Incoterm applies here?

The supplier is responsible of placing the goods in the hands of a chosen carrier by the buyer, at which point the buyer takes on the risk.

A. EXW – Ex Works

B. FCA – Free Carrier

C. CPT – Carriage Paid To

D. CIP – Carriage and Insurance Paid to

ANSWER: B

Explanation:

FCA – Free Carrier is the applicable Incoterm® rule because its defining delivery point is when the seller places the goods in the charge of the carrier or another person nominated by the buyer, at the agreed named place. At that moment, delivery has occurred and the risk of loss of or damage to the goods transfers from the seller to the buyer. The wording in the scenario directly describes this transfer of responsibility: the buyer chooses the carrier, while the supplier must hand the goods over to that carrier.

Under FCA, the supplier also completes export clearance where this is required and provides the buyer with appropriate evidence that delivery to the nominated carrier has taken place. The named place should be specified precisely in the contract, since it determines the practical delivery point. If delivery is at the supplier's premises, the supplier normally loads the goods onto the collecting vehicle; if it is at another agreed location, delivery occurs when the goods are made available to the carrier there in accordance with the rule. FCA is a flexible Incoterm® 2020 rule suitable for any mode, or combination of modes, of transport. See the ICC's Incoterms® rules overview and its FCA guidance.