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Question 1

Question Type: MultipleChoice

Which of the following is the best definition of consideration in contract law?

Options:

- A- Full statement about something to provide
- B- The act of thinking carefully about one thing
- C- One thing given in exchange
- D- Formal discussion between people who are trying to reach an agreement

Answer:

C

Explanation:

A simple definition of consideration is as follows -- an exchange between the parties which results in a benefit to one party, and a detriment to the other. The case of *Currie v Misa* (1874) LR 10 Ex 153 provides an apt description of this:

"A valuable consideration, in the sense of the law, may consist either in some right, interest, profit, or benefit accruing to the one party, or some forbearance, detriment, loss, or responsibility, given, suffered, or undertaken by the other."

A practical example of this can be found by examining a simple contract. Party A offers 500 to Party B, who in exchange will fit his car with a new engine. Party A receives the benefit of his car being fixed, whilst Party B incurs the detriment of having to take time, effort, and perhaps expenses to fix the car.

- Consideration & Promissory Estoppel

- CIPS study guide page 36-40

LO 1, AC 1.2

Question 2

Question Type: MultipleChoice

A procurement professional is preparing a sale & purchase contract of a machinery. Which of the following clauses should be added to the contract? Select TWO that apply

Options:

A- Supplier selection mechanism

B- Insurance requirements

C- Period of hire

D- Ratio decidendi

E- Guarantees

Answer:

B, E

Explanation:

The complexity of the contract will reflect the complexity of the purchase. For simple, low-value purchases, standard terms and conditions may be all that is required, but do not assume that just because the purchase is one-off, the contract will be simple. It may still need to cover the following areas:

- Warranties and guarantees if the one-off purchase has a considerable life-span and is business-critical (e.g., a back-up generator for the office which houses the national computer servers).
- Insurance requirements: including professional indemnity, public/products liability, employer's liability, and cover for any specific risks such as pollution or working at height.
- Specification requirements on quality, timing and delivery

- Minimum quality standards on the business operation (e.g., a catering provider might only be providing sandwiches for a team meeting lunch, but you still need to know its hygiene practices).
- Built-in change process for any goods or services that are beyond very simple (e.g., works contracts always have variations procedures because of the unpredictable nature of such projects).
- Ability to extend the scope of the contract should be minimal or none, and restrained to the single requirement.
- Ability to extend the duration of the contract should be limited to the ability to accommodate unexpected time overruns (which itself should be subject to a damages/penalty provision where they are attributable to the supplier, and an extension to overheads costs where they are attributable to the purchaser).
- Data security protocols need to be considered if personal data is being shared.

LO 1, AC 1.3

Question 3

Question Type: MultipleChoice

Which of the following are always considered as minimum preconditions for a contract? Select TWO that apply:

Options:

- A- Specification
- B- Promise
- C- Omission
- D- Consideration
- E- Intention to be bound

Answer:

D, E

Explanation:

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

Question 4

Question Type: MultipleChoice

Transformers & Rectifiers Ltd wanted to buy some specialist gaskets. They sent a request for quotation with specification to Needs Ltd. The supplier replied with a quotation in which had its own terms and conditions. The buyer edited delivery terms on the quotation and sent the document back to Needs Ltd. Gaskets were delivered to Transformers' premise with an invoice from Needs Ltd. Which of the following is most likely to be the governing terms if the two companies must settle the dispute at court?

Options:

- A- Edited terms and conditions
- B- Terms and conditions in the request for quotation
- C- Terms and conditions in the invoice
- D- Terms & conditions in the original quotation

Answer:

A

Explanation:

In the 'battle of the forms', generally who shot the last will win. This is not applied to this case. Initial RFQ is an invitation to treat, then the quotation forms an offer. Transformers & Rectifiers Ltd edits terms and conditions then sends back to supplier, this act terminates Needs's offer and makes a new offer. Delivery of goods can be deemed as acceptance from Needs Ltd. The contract is formed with its details in the edited terms and conditions.

LO 1, AC 1.2

Question 5

Question Type: MultipleChoice

A supermarket purchases a new batch of house cleaner from new supplier. The supermarket is concerned about possible damage that the house cleaner may cause to consumers' floor. What type of insurance must they cover?

Options:

- A- Fire and explosion insurance
- B- Product liability insurance
- C- Professional indemnity insurance
- D- Public liability insurance

Answer:

B

Explanation:

Product Liability Insurance is a form of general liability insurance meant to protect a business from financial and legal consequences as a result of bodily injury or property damage due to the use of the business's sold goods or products. Situations that are typically covered by Product Liability Insurance may include:

- A customer harms herself because of the faulty packaging on one of your products
- A drapery set that a customer purchased from your business was highly flammable and caught on fire, eventually damaging her entire kitchen
- A customer with a severe allergy finds trace amounts of tree nuts in your homemade gourmet muffins
- A homemade house cleaner that you sell damaged one of your customer's entire hardwood floor

- A customer becomes sick with food poisoning after eating old shellfish at your restaurant, goes to the hospital, and incurs medical costs caused by your contaminated food products
- A customer's pet becomes ill from ingesting some lining in a pet toy product that you sell

In the scenario above, the supermarket is purchasing and reselling house cleaner, which can be covered by product liability insurance.

Public liability insurance is a type of business insurance that covers the cost of claims made by the public that happen in connection with the business activities.

Professional indemnity (PI) insurance is a commercial policy designed to protect business owners, freelancers and the self-employed if clients claim a service is inadequate.

LO 3, AC 3.2

Question 6

Question Type: MultipleChoice

ABC Ltd is a UK based company. It plans to enter into a contract with XYZ Ltd which is based in Singapore. Which of the following are the mandatory elements for the contract between ABC Ltd and XYZ Ltd to be legally binding? Select THREE that apply.

Options:

- A- All parties must have capacity to contract
- B- The two parties must have intention to be bound
- C- The invitation to tender must be sent by the agreed deadline
- D- There must be an offer and an acceptance
- E- An amount of money must be paid upfront
- F- There must be an invitation to treat

Answer:

B, D

Explanation:

The formation of the contract is where the contractual journey begins; if no contract is formed, neither of the parties can be under any obligations. Therefore, it is very important to have an understanding of each part of a contract's formation.

In order for a legally binding agreement to be formed, there are four basic requirements to be met:

2.1 Offer

2.2 Acceptance

2.3 Certainty & Intention to Create Legal Relations

2.4 Consideration & Promissory Estoppel

- CIPS study guide page 28-42

- Formation of the contract

LO 1, AC 1.2

Question 7

Question Type: MultipleChoice

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

Options:

A- Sale of electricity

B- Sale of a property

C- Sale of iron ores

D- Sale of a ship

Answer:

C

Explanation:

Article 2 of CISG states that:

This Convention does not apply to sales:

(a) of goods bought for personal, family or household use, unless the seller, at any time before or at the conclusion of the contract, neither knew nor ought to have known that the goods were bought for any such use;

(b) by auction;

(c) on execution or otherwise by authority of law;

(d) of stocks, shares, investment securities, negotiable instruments or money;

(e) of ships, vessels, hovercraft or aircraft;

(f) of electricity.

LO 1, AC 1.2

Question 8

Question Type: MultipleChoice

Bandpro is a reseller of branded computer products to the private and public sector. The procurement team must purchase 500 items each day solely by multiple phone calls and emails to suppliers. Due to this practice, it takes a lot of time to track and collect relevant documents. Some important documents even get lost, which makes procurement audit more burdensome. Which of the following would increase the robustness of audit trails in procurement activities?

Options:

- A- Every evidence must be recorded by paper
- B- Adopt e-procurement
- C- Spend less time on auditing procurement procedures
- D- Rectify non-compliant activities

Answer:

B

Explanation:

Audit trail is a chronological record the sequence of events connected to a given transaction, such as a purchase of raw materials, payroll disbursements, or a detailed financial statement. The record includes all the source documents connected to the transaction, providing context and clarity in the event a review is required. The more comprehensive the documentation, the more effective the audit trail is when used to create financial reports, verify information, and ensure compliance while eliminating fraud.

In the scenario, the procurement team gets the quotation from phone calls and emails which have weak audit trails and lack of transparency. One solution may be increasing the use of e-procurement system.

- What is an audit trail?
- CIPS study guide page 6-7

LO 1, AC 1.1

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