



**Free Questions for L5M3 by vceexamstest**

**Shared by Sellers on 22-07-2024**

**For More Free Questions and Preparation Resources**

**Check the Links on Last Page**

# Question 1

---

**Question Type:** MultipleChoice

---

Which of these is NOT a stage in negotiation?

**Options:**

---

A- proposal

B- agreement

C- bargaining

D- adjourning

**Answer:**

---

D

**Explanation:**

---

Adjourning is not a stage. The 6 stages of negotiation are; preparation, opening, discussion, pro-posal, bargaining and agreement. P.64

## Question 2

---

**Question Type:** MultipleChoice

---

Which of the following is usually the default method for resolving disputes?

**Options:**

---

A- litigation

B- mediation

C- negotiation

D- conciliation

**Answer:**

---

C

**Explanation:**

---

Negotiation is usually the default method for resolving disputes. This is a direct quote from p.63

## Question 3

---

**Question Type:** MultipleChoice

---

A buyer and supplier have a contract and the supplier has committed a major breach. However, as they are the sole supplier to the buyer, the buyer has decided not to terminate the contract and instead to work with the supplier to remedy the situation. What is this called?

### Options:

---

- A- affirmation of the contract
- B- conflict resolution
- C- awarding damages
- D- assigning liability

### Answer:

---

A

### Explanation:

---

This is affirmation of the contract. When a breach occurs the injured party has two options; terminate the contract or affirm the contract. In this example they have affirmed the contract- they have chosen to continue working with the offending party. See p.60.

## Question 4

---

**Question Type: MultipleChoice**

---

Popsi Cula is a manufacturer of sugared beverages and produces over 5000 tonnes of soda each day. It is extremely important that ingredients are delivered to the factory on specific days in order for the production to keep to its very tight schedule. Popsi Cula is onboarding a new supplier - which of the following clauses would it be important for the contract to contain?

### Options:

---

- A- liquidated damages
- B- limitation of liability
- C- time is of the essence
- D- KPIs

### Answer:

---

C

**Explanation:**

---

A Time is of the Essence Clause should be included. This stresses the importance of obligations being completed on time, with any delays (e.g. in delivery of ingredients) being treated as a breach of a condition. The other three options are probably important to have in a contract, but don't relate specifically to this example. See p.45 for more information on Time is of the Essence Clauses

## Question 5

---

**Question Type: MultipleChoice**

---

Sarah is a baker and orders free-range eggs from a local supplier which she uses to make cakes. There is a contract in place which included a specification that states that the eggs must be free-range. One day the supplier delivers eggs which Sarah uses in the cakes. Later she dis-covered that these were not free-range. Sarah believes that the supplier has broken the con-tract. Is this true?

**Options:**

---

**A-** Yes- this is a breach of a condition

- B-** Yes- this is a fundamental breach
- C-** no- the specification is not a contract document
- D-** no - there has been a breach in a warranty

**Answer:**

---

D

**Explanation:**

---

'No- there has been a breach in warranty' is the correct answer. The key to answering this question lies in the fact that the specification in this example is a warranty rather than a condition of the contract. P.45 of the study guide explains that the Sale of Goods Act has implications on whether or not a specification is a condition, warranty or innominate term and it's all about whether the product is in 'good condition' and can be used for its intended purpose. In this example the eggs were used for their intended purpose and were in good condition (or Sarah wouldn't have put them in the cakes). Therefore in this example, the eggs needing to be free-range is a warranty of the contract not a condition. Therefore options A and B are both wrong. Answer C is also wrong because the question mentioned that the specification was included in the contract. If you want to know more about the implication of the Sale of Goods act on specifications see p.45.

## Question 6

---

**Question Type: MultipleChoice**

---

A breach which is so severe that it goes to the root of the contract is known as what?

**Options:**

---

- A- fundamental breach
- B- condition breach
- C- major breach
- D- essence breach

**Answer:**

---

A

**Explanation:**

---

This is a Fundamental Breach. Fundamental Breach and Major Breach are very similar- they're both really bad and can lead to damages and the termination of the contract. The difference is that a Fundamental Breach is so bad that it goes to the root of the contract - a breach so bad that the contract is basically worthless. For example if you make a contract with a supplier to have potatoes delivered but it turns out they don't sell potatoes, only apples, and they keep sending you apples instead of potatoes. This would be a fundamental breach because its something so fundamental to the contract that there's no point in the contract existing if there's a breach like this. Condition Breach and Essence Breach are made up words- they don't exist. P.44



## Question 7

---

**Question Type:** MultipleChoice

---

Penguin Ltd has a contract with Blue Company. Blue Company has just broken a warranty in the contract. What remedies does Penguin Ltd have available?

### Options:

---

- A- they can sue and claim damages
- B- they can claim damages and terminate the contract
- C- they can terminate the contract but cannot claim damages
- D- they can claim damages but not terminate the contract

### Answer:

---

D

### Explanation:

---

They can claim damages but not terminate the contract. If Blue company has broken a Condition, they would be able to terminate the contract, but this isn't the case for a breach of a Warranty. See p.43 for more details

## Question 8

---

**Question Type:** MultipleChoice

---

Fishfingers Ltd has a contract with a supplier of cod. When the contract was set up it was not known how important specific delivery times would be for the arrival of the fish. After several months it has now become apparent that delivering the fish within 3 hours of them being caught is fundamental to the contract as delayed delivery results in poorer quality Fish Fingers. When the contract was set up what was the delivery times?

### Options:

---

- A- a condition of the contract
- B- a warranty
- C- an innominate term
- D- a time is of the essence clause

**Answer:**

---

C

**Explanation:**

---

An Innominate Term is the correct answer. At the time the contract was written, we didn't know how important the delivery time was - therefore it wasn't a condition or a warranty- it was an innominate term. An innominate term is a term that is difficult to classify at the time of drafting a contract. A time is of the essence clause would be a good thing to include in this contract now that we know how important the delivery times are. For more information on Conditions, Warranties and Innominate Terms see p. 43

## Question 9

---

**Question Type: MultipleChoice**

---

Which of the following is a source of breach in a contract?

**Options:**

---

**A-** negligence

**B-** liability

**C-** force majeure

**D-** warranty

**Answer:**

---

A

**Explanation:**

---

Negligence can be a source of a breach. P.42

## Question 10

---

**Question Type:** MultipleChoice

---

Which of the following is not a way in which a contract can end?

**Options:**

---

A- performance

B- agreement

C- litigation

D- breach

**Answer:**

---

C

**Explanation:**

---

Litigation is the correct answer. This is not a way in which a contract can end- it is a conflict resolution method. The three ways in which a contract can end are; performance, agreement and breach. See p. 42 for more details on how contracts end

**To Get Premium Files for L5M3 Visit**

**<https://www.p2pexams.com/products/l5m3>**

**For More Free Questions Visit**

**<https://www.p2pexams.com/cips/pdf/l5m3>**

