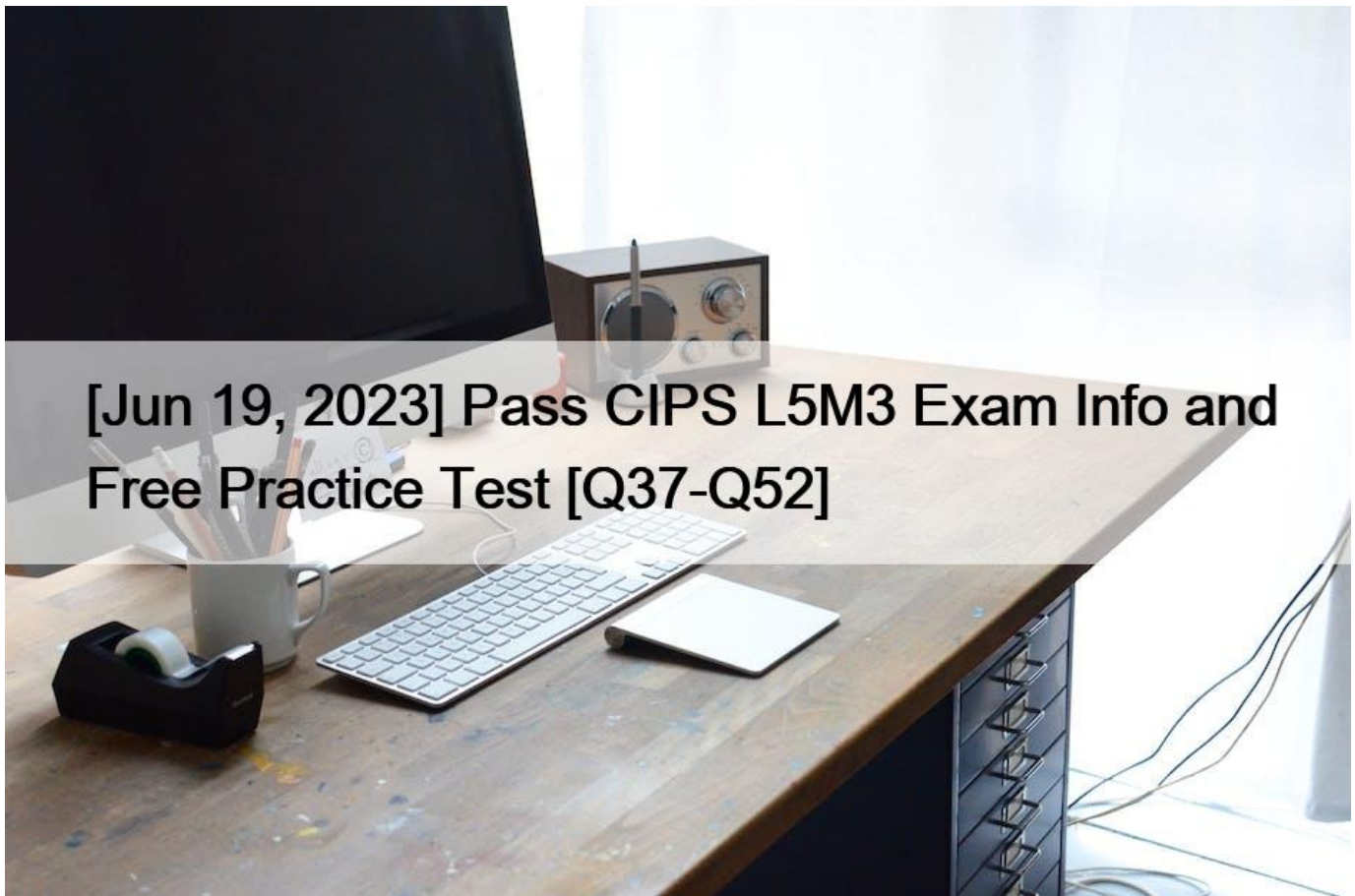


[Jun 19, 2023 Pass CIPS L5M3 Exam Info and Free Practice Test [Q37-Q52]



[Jun 19, 2023] Pass CIPS L5M3 Exam Info and Free Practice Test [Q37-Q52]

[Jun 19, 2023] Pass CIPS L5M3 Exam Info and Free Practice Test
L5M3 Exam Dumps PDF Updated Dump from ExamsLabs Guaranteed Success

The CIPS L5M3 certification exam is a rigorous assessment that tests candidates' knowledge and understanding of the concepts covered in the certification program. The exam consists of 60 multiple-choice questions and is time-bound. Candidates need to score at least 60% to pass the exam and earn the certification. Successfully passing the CIPS L5M3 certification exam demonstrates a candidate's proficiency in managing contractual risks and their ability to effectively manage supplier relationships, making them a valuable asset to any organization.

Q37. Which of these statements about Guarantees are TRUE? Select 2

- * A Guarantee is a secondary obligation of a contract
- * A guarantor's responsibility is higher than the Principle
- * A guarantee is a promise to repair or replace an item within a defined period of time
- * A guarantor's responsibility cannot be higher than the Principle

“A Guarantee is a secondary obligation of a contract’ and ‘A guarantor's responsibility cannot be higher than the Principle’ are the correct answers. Guarantees are explained on p.28. Be careful not to confuse this with Warranty. A promise to repair or replace an item within a defined period of time is the definition of a warranty. That was put in there

to trick you. Sorry. Remember a Guarantor is to do something when the Principle of the contract fails to do it. It's most common in leasing agreements- if you're a young person, you'll often need a responsible adult / parent to sign the lease as your Guarantor. As a Guarantor, they promise to pay the rent if you're unable to. Legally they can't be asked to do any more than you are assigned to do in the contract. So if your rent is £500 a month, that's all they can be asked to pay if you don't pay it. The primary obligation is between you and the landlord. The secondary obligation is between the guarantor and you.

Q38. Which of the following will you put into box 8?

- * Condition
- * Warranty
- * Innominate Term

The correct answers are as follows:

Answers

	Contract Area	Type of Clause
Area 1	1 Time is of the Essence	5 Condition
Area 2	2 Payment Terms	6 Warranty
Area 3	3 Specification	7 Condition
Area 4	4 Subcontracting	8 Innominate Term

This is a condition. Again the food being organic would be fundamental to the contract as the health of the llamas depend on it.

This is arbitration as it involves a panel.

This is an innominate term as it won't be mentioned in the contract. It won't be until a breach occurs when it is decided whether the issue of subcontracting is a condition or a warranty, and which one it will be, will likely depend on the situation. For example if they subcontract out to a non-organic llama food provider, that would probably be a Condition. If they get help fulfilling an order and the subcontractor is also organic, that's probably a warranty.

Q39. Which of the following statements are TRUE about negotiation? Select THREE

- * the process is voluntary
- * the outcome of the negotiation is public
- * the process can involve a neutral third party
- * it is a quick and cost effective method to resolve disputes
- * the process is flexible

The correct answers are 1, 4 and 5. Negotiation does NOT involve a third party and the outcome is private / confidential. See p.63 for more information on negotiation

Q40. Dianne has a loan agreement which contains a clause for default. What does a clause for default imply?

- * this allows the lender to demand overdue payments are made straight away
- * this allows a lender to demand payment from a guarantor if the borrower is unable to pay
- * this allows the lender to declare insolvency
- * this allows the lender to demand full payment of the outstanding balance

A Clause for Default allows the lender to demand full payment of the outstanding balance;. See p.102. And always read the small print before you sign a loan agreement :)

Q41. Which of the following statements about adjudication is true?

- * adjudicators are appointed at random and therefore may not have specific knowledge of the subject matter

- * the decision making process can be lengthy and expensive
- * parties are expected to present their cases in person in front of the adjudicator
- * the decision made by the adjudicator is binding and usually communicated within 28 days

The true statement is the decision made by the adjudicator is binding and usually communicated within 28 days. The other three are false- adjudicators are usually experts in their field, the decision making process has a tight timescale and parties present their arguments in writing. This is the only written conflict resolution method.

Q42. Parky Parks Ltd has a contract with Slides R Us for the provision of children's playground equipment. The contract contains a clause for liquidated damages and puts the figure at £500k. Which of the following statements is correct? Select TWO

- * Liquidated damages needs to be a 100% accurate figure
- * If damages exceed £500k Parky Parks can apply to the courts to get Slides R Us to pay above this amount
- * Damages under the amount of £500k are not required to be paid to Parky Parks
- * liquidated damages is a genuine estimate of loss
- * costs incurred above £500k will be covered by Parky Parks Ltd

The true statements are: liquidated damages is a genuine estimate of loss (it doesn't need to be a 100% accurate figure, so long as it's your best estimate) and costs incurred above £500k will be covered by Parky Parks Ltd. That's one of the disadvantages of stating liquidated damages in a contract for a buyer- if damages total more than this, you have to foot the bill for the rest. See p.30 for more info

Q43. ABC has a contract with its supplier DEF who delivers pasta to ABC's manufacturing plant. DEF has committed a breach and conflict resolution has taken place. The Court has awarded ABC specific performance; damages. What could this involve?

- * DEF must pay money to ABC as stated in the liquidated damages clause
- * DEF must pay an amount of money as determined by the courts
- * DEF must deliver the pasta required by ABC
- * DEF must rescind the contract

DEF must deliver the pasta required by ABC is the correct answer. Specific performance is when the innocent party is rewarded by receiving what was initially negotiated; in this case the delivery of pasta. It's basically a posh way of saying that the court mandates you to do what the contract says. See p. 129 for information on Specific Performance.

Q44. 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?

- * a condition of the contract
- * a warranty
- * an innominate term
- * a time is of the essence clause

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

Q45. Fruity McFruitFace is an exporter of fruit. Which of the following payment terms would be most advantageous for it?

- * open account
- * documentary collection
- * documentary credits
- * advance payment

Exporters prefer advance payment; this puts the risk with the importer / buyer. There's a table of these four terms

on p.36. An importer would prefer an open account arrangements. The other two options are in the middle and the risk is more equally split between the two parties.

Q46. Which of the following statements about Specific Performance; are TRUE? Select TWO.

- * Orders for Specific Performance can be a lengthy and costly process
- * Orders for Specific Performance can be a cheap and quick way to remedy a breach in contract
- * If a party is ordered to complete a Specific Performance; and doesn't, they can be arrested
- * The innocent party must mitigate all losses

1+3 are correct. Specific Performance tend to go through the courts so this is a lengthy and costly process. Because it's mandated by the courts it means that if the offending party doesn't comply, this is a criminal offence and they can be arrested. Option 2 is incorrect as it is the opposite of option 1. Option 4 is incorrect because there is no need for the innocent party to mitigate any losses. See p. 132 for more information on Specific Performance

Q47. 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?

- * they can sue and claim damages
- * they can claim damages and terminate the contract
- * they can terminate the contract but cannot claim damages
- * they can claim damages but not terminate the contract

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

Q48. Which of the following would be included in a contract to assign costs and responsibilities between buyer and seller when products are delivered?

- * Indemnity
- * Liquidated Damages
- * Liability
- * Incoterms

Incoterms assign costs and responsibilities about when products are delivered. See p. 37 for a full list of the different Incoterms. You don't need to know all Incoterms for the exam, but it's a good idea to know what they are and why they'd be put into a contract

Q49. Which of the following is a consensual form of dispute resolution?

- * negotiation
- * mediation
- * litigation
- * adjudication

Mediation is consensual- consensual is when a third party is introduced to help reach an agreement. This is in contrast to adjudicative dispute resolution in which the third party acts as a judge and decision maker. Negotiation doesn't involve a third party so is neither. See p. 137.

Q50. Which of the following will you put into box 6?

- * Condition
- * Warranty
- * Innominate Term

The correct answers are as follows:

Answers

	Contract Area	Type of Clause
Area 1	1 Time is of the Essence	5 Condition
Area 2	2 Payment Terms	6 Warranty
Area 3	3 Specification	7 Condition
Area 4	4 Subcontracting	8 Innominate Term

This is a warranty as it is a minor term. If the invoices aren't processed in 30 days this isn't a major breach- the supplier has said they'd be okay with it.

Q51. Verity Fashion is a clothing manufacturer and has an order to create 10,000 pairs of flipflops for a retailer for the summer. The order was placed over the phone in February. The order has been completed and has been boxed up ready for delivery. The retailer calls Verity Fashion in June and says that the order is no longer required. What action can Verity Fashion take?

- * sue for damages as the flip flops have already been made and this incurred costs
- * nothing- there is no written contract in place
- * subcontract the manufacturing of the flipflops to a third party
- * claim on insurance

Verity can sue for damages. The order was placed over the phone meaning that there was a verbal contract in place. Contracts do not need to be written to be enforceable so option 2 is incorrect. There is no termination clause mentioned in the question so you can assume that there isn't one. This means that the retailer is committing a breach of the verbal contract by cancelling the order. Verity could therefore apply for damages. (Whether or not they'd be awarded is a different matter!). This question tests your understanding of when contracts can be terminated and remedies for breaches. See p. 134.

Q52. Which of the following will you put into box 7?

- * liability
- * payment terms
- * liquidated damages
- * Contract variation

The correct answers are as follows:

	Conflict Resolution Approach	Contract Term
Supplier A	1 avoid	5 liability
Supplier B	2 compete	6 liquidated damage
Supplier C	3 compromise	7 contract variation
Supplier D	4 collaborate	8 payment term

This is a contract variation as they are changing the number of staff and their hours

Pass Your CIPS Exam with L5M3 Exam Dumps:

<https://www.examslabs.com/CIPS/CIPS-Level-5-Advanced-Diploma-in-Procurement-and-Supply/best-L5M3-exam-dumps.html>