

DUMPS ARENA

Procurement and Supply in Practice

CIPS L4M8

Version Demo

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QUESTION NO: 1 - (SIMULATION)

What is depreciation and deterioration?

ANSWER: See the answer in explanation.

Explanation:

When an organization wants to purchase an asset, it considers the depreciation and deterioration in the whole life of the asset and how it will be managed.

Depreciation is the reduction in value of a tangible and a fixed asset over time. The purpose of calculating the depreciation of the asset is to give the organization a fair and current view of what the asset is worth at a particular time. Depreciation is a way of converting the cost of an asset into an expense over a period of time. Depreciation is a permanent feature listed against an asset throughout its life time and it is based on wear and tear, reduction in performance and reduction in value.

Deterioration is the process of something becoming lower in quality or performance. The longer the asset can last without deteriorating the better value the asset represents.

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Refer to the question column for response

QUESTION NO: 2

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 – Cost and Freight
- C. CIF – Cost Insurance and Freight
- D. AS – Free Alongside Ship

ANSWER: B

QUESTION NO: 3 - (SIMULATION)

Describe what should be considered when creating damages terms in a contract.

ANSWER: See the answer in explanation.

Explanation:

Damages are 'sum of money that the supplier pays if it fails to carry out its contractual obligation.

When creating terms for damages in the contract, it should be considered that Damages are categorized into two types (liquidated and un-liquidated). And which or if both are applicable to the contract in hand.

Liquidate Damages are fixed amount of money agreed between the parties that is payable if a contract is breached. For example, knowing that supplier not being able to install a device properly in a power transformer may destroy the device and going ahead to include a fee in the contract if the device was destroyed.

Un-liquidated damages are unfixed amount of money. It is used when the amount of money that will compensate the injured party cannot be known in advance. A court decides the amount when the damages occur. For example, knowing that supplier not being able to install a device properly in a power transformer may destroy the device, other appliances and equipment unknown, cause the buyer delay in the process and reputational damage as in customer dissatisfaction. Yet, unquantifiable as both parties are unable to fix a fee in advance on the damages and leaving it to the court to decide the damage if it may occur.

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Refer to the question column for response

QUESTION NO: 4

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 Career**
- C. CPT – Carriage Paid To**
- D. CIP – Carriage and Insurance Paid to**

ANSWER: A

QUESTION NO: 5

Which Incoterm applies here?

The supplier is responsible for delivering the goods to a point alongside a water vessel (such as a dock or quay) as determined by the buyer at a named port. Once delivered, all risk is transferred to the buyer until the goods are transported and delivered to their name destination.

- A. DAT – Delivered At Terminal
- B. DAP – Delivered At Place
- C. DDP – Delivery Duty Paid
- D. FAS – Free Alongside Ship

ANSWER: D

QUESTION NO: 6

What Incoterm applies here?

The supplier is responsible for delivering the goods to a carrier or to an intermediate agreed place. From this point, the buyer is responsible for ensuring these goods reach their named destination.

- A. EXW – Ex Works
- B. FCA – Free Career
- C. CPT – Carriage Paid To
- D. CIP – Carriage and Insurance Paid to

ANSWER: C

QUESTION NO: 7

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. DAT – Delivered At Terminal
- B. DAP – Delivered At Place
- C. DP – Delivery Duty Paid
- D. FAS – Free Alongside Ship

ANSWER: A

QUESTION NO: 8

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

QUESTION NO: 9

Which Incoterm applies here?

The supplier is responsible for delivering the goods directly onto the vessel that will transport them to their named destination. As soon as the goods are on the vessel, the risk transfers to the buyer

- A. FOB – Free On Board
- B. DAP – Cost and Freight
- C. CIF – Cost Insurance and Freight
- D. FAS – Free Alongside Ship

ANSWER: A

QUESTION NO: 10

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 Career
- C. CPT – Carriage Paid To
- D. CIP – Carriage and Insurance Paid to

ANSWER: B