Contract Administration

CIPS L3M3

Version Demo

Total Demo Questions: 11

Total Premium Questions: 111

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Topic Break Down

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QUESTION NO: 1

In legal circles, ownership of something is often called:

A. Tithe

B. Tittle-tattle

C. Title

D. Total

ANSWER: C

Explanation:

Title is the legal term used for ownership of property or goods. In a procurement and contract-administration context, establishing good title means that the supplier has the legal right to sell the goods and can transfer ownership to the buyer free from undisclosed claims or third-party rights. This matters because a buyer needs assurance that it will obtain lawful ownership, rather than merely physical possession of items. A contract may specify when title passes, which can differ from the point at which goods are delivered or the risk of loss transfers. For example, parties can agree that title passes on payment, delivery, acceptance, or another clearly defined contractual event. Clear provisions on title are therefore important when drafting and administering contracts for the supply of goods, particularly where goods are high value, held in inventory, or subject to financing arrangements. The Sale of Goods Act 1979 provides that, in a contract for the sale of goods, it is generally an implied term that the seller has the right to sell the goods and that the buyer will enjoy quiet possession of them. See Sale of Goods Act 1979, section 12 and the UK government's overview of consumer rights when goods are sold.

QUESTION NO: 2

The expression 'consideration' means:

A. Being over 18 and being of sound mind

B. Some form of valuable exchange

C. Being nice to people, in the expectation that they in turn will be nice

D. Taking time to think about the gravity of the contract you may be about to be entering into

ANSWER: B

Explanation:

Some form of valuable exchange is correct. In English contract law, consideration is the value that each party gives or promises in return for the other party's promise. It is the reciprocal element of a bargain: for example, a buyer promises to pay an agreed price and the supplier promises to provide specified goods or services. Consideration need not always be money; it can include an act, a promise to act, a service, or an agreement not to exercise a legal right, provided it has recognised legal value. In procurement and contract administration, clearly recording the consideration is important because it identifies the commercial obligations exchanged by the parties, such as payment terms, deliverables, volumes, and service commitments. A contract may involve more complex arrangements than a straightforward payment for goods, but it must still identify what each party is providing or committing to provide. This principle supports the enforceability of ordinary commercial contracts governed by English law. The UK Supreme Court has described consideration as part of the requirements for a legally binding contract in its discussion of contractual formation: UK Supreme Court, RTI Ltd v MUR Shipping BV. Further practical legal guidance on consideration is available from LawTeacher: Consideration in Contract Law.

QUESTION NO: 3

Which STEEPLE factor deals with issues of foreign exchange rates, inflation, consumer spending, labour costs and unemployment levels?

A. Economic

B. Political

C. Socio-cultural

D. Environmental

ANSWER: A

Explanation:

Economic is correct because this STEEPLE category covers external economic conditions that influence an organisation's costs, markets, purchasing power and supply decisions. Foreign-exchange rates directly affect the price of imported goods, overseas supplier payments and the value of international contracts. Inflation affects input prices and can create a need for price-adjustment mechanisms in longer-term agreements. Consumer spending indicates the level and pattern of market demand, which can affect sales forecasts and procurement volumes. Labour costs influence suppliers' production and service-delivery costs, while unemployment levels can affect wage pressure, the availability of skills and overall demand in the economy.

In contract administration and procurement, monitoring these economic indicators helps a buyer understand potential commercial risks during a contract's life. For example, material currency movements or sustained inflation may affect supplier viability, costs and the practicality of agreed pricing arrangements. CIPS identifies economic factors, including exchange rates, inflation and employment, as part of analysing the external business environment. Further background on economic indicators is available from the UK Office for National Statistics and on inflation from the Bank of England.

QUESTION NO: 4

Which two statements correctly distinguish price analysis from cost analysis when a buyer is assessing a supplier's quotation? Choose two.

A. Price analysis compares the quoted price with relevant benchmarks or competing prices

B. Cost analysis examines the elements contributing to the supplier's proposed price

C. Price analysis requires the supplier to disclose its labour and material costs

D. Cost analysis is used only after a supplier has made a loss

E. Price analysis ignores whether the quoted price is commercially reasonable

ANSWER: A B

Explanation:

Price analysis compares the quoted price with relevant benchmarks or competing prices and **cost analysis examines the elements contributing to the supplier's proposed price** are correct.

Price analysis considers the overall quoted price, for example by comparing it with previous prices, market information or competing bids. Cost analysis goes further by examining elements such as labour, materials, overheads and profit. Cost analysis is not limited to situations where a supplier has made a loss, and price analysis does not require the supplier to disclose a detailed cost breakdown.

QUESTION NO: 5

Which of the following is unlikely to be regarded as a conformance specification?

A. A chemical formula

B. A statement of outputs

C. Drawings

D. A brand name

ANSWER: B

Explanation:

A statement of outputs is correct because it describes the result, service level, or outcome that the buyer expects the supplier to achieve, rather than prescribing the precise materials, design, process, or technical characteristics to which the supply must conform. This is the defining approach of a performance or output specification. For example, a buyer may specify that a building must accommodate a stated number of users, achieve an energy-efficiency target, or be available for use by a specified date, while allowing suppliers scope to propose the means of achieving those outcomes.

Conformance specifications, sometimes called technical or design specifications, establish detailed requirements against which the offered goods, services, or works can be checked for compliance. They are particularly appropriate where consistency, compatibility, safety, or exact technical control is needed. In contrast, an output statement focuses contract administration on whether the required result has been delivered and whether agreed performance measures have been met. This distinction supports proportionate specification drafting: requirements should be sufficiently clear and measurable to enable fair tender evaluation and effective post-award monitoring, without unnecessarily restricting supplier innovation. CIPS' professional standards emphasise defining requirements and managing performance throughout the procurement lifecycle; see the CIPS Global Standard and the UK Government's Sourcing Playbook.

QUESTION NO: 6

'The CIPS Code of Conduct states that procurement professionals should not accept any business gifts under any circumstances.' True or false?

A. True

B. False

ANSWER: B

Explanation:

False is correct. The CIPS Ethical Procurement and Supply Code of Conduct does not impose an absolute prohibition on every business gift in every circumstance. Rather, it requires procurement and supply professionals to avoid accepting gifts, hospitality, or benefits that could compromise—or reasonably appear to compromise—their professional judgement, impartiality, or integrity. The key considerations are the item's value, frequency, context, transparency, and whether acceptance could create an actual or perceived obligation to a supplier or other business party.

A gift of nominal value may be acceptable where it is permitted by the employing organisation's policy, properly declared, and cannot reasonably be viewed as influencing a procurement decision. Professionals should follow their organisation's gifts and hospitality register and approval process, because declaration protects both the individual and the organisation by making the interaction transparent. CIPS members are expected to uphold high ethical standards, avoid conflicts of interest, and act in a way that maintains confidence in fair and objective procurement practice. See the CIPS Ethical Procurement and Supply Code of Conduct and CIPS guidance on ethical and sustainable procurement.

QUESTION NO: 7

A target-cost contract sets a target cost of £500,000. The actual allowable cost is £460,000. The contract provides that savings below the target will be shared equally between buyer and contractor.

What gainshare payment is due to the contractor?

A. £20,000

B. £40,000

C. £230,000

D. £250,000

ANSWER: A

Explanation:

The saving is £40,000, calculated as the £500,000 target cost less the £460,000 actual allowable cost. Under an equal gainshare arrangement, the contractor receives 50 per cent of that saving: £20,000. The buyer retains the other £20,000 benefit.

The contractor does not receive the whole saving, because the contract states that it is shared. Nor is the calculation based on the total target cost or the actual cost alone. Clear target-cost, allowable-cost and sharing provisions are important so that gainshare can be calculated transparently.

QUESTION NO: 8

A contract manager needs to maintain an auditable record of a significant agreed change to a contract. Which two documents provide the strongest evidence that the change was validly made? Choose two.

A. An authorised written variation setting out the revised scope, price and effective date

B. Written acceptance of the variation by authorised representatives of both parties

C. An internal meeting note stating that a change was discussed

D. A revised invoice submitted by the contractor

E. An informal instruction sent by a service user without delegated authority

ANSWER: A B

Explanation:

An authorised written variation records the precise contractual amendment and confirms that the required approval has been given. A record of the parties' agreement, such as signed acceptance or written confirmation from authorised representatives, provides further evidence that both parties accepted the revised terms.

An internal meeting note may record discussion but does not itself amend a contract. A contractor's revised invoice is evidence of a payment request, not agreement to change the scope or price. An informal instruction from an operational user may be useful background information, but it is not sufficient where the contract requires formal authority.

QUESTION NO: 9

A buyer wishes to specify a reception service by the results to be achieved rather than by prescribing the supplier's staffing model. Which two requirements are most consistent with an output-based specification? Choose two.

A. Answer at least 95 per cent of incoming calls within three rings each month

B. Register all visitors accurately in accordance with the agreed security procedure

C. Employ exactly four receptionists on each weekday shift

D. Use the buyer's specified visitor check-in system without alternatives

E. Follow the buyer's existing staff rota at all times

ANSWER: A B

Explanation:

Output-based specifications describe the required deliverables and standards of achievement. A requirement for calls to be answered within an agreed time and a requirement for visitors to be registered accurately are both measurable results. They allow the supplier scope to decide how to organise staff, technology and processes in order to meet the required standard.

Mandating a fixed number of named staff or a particular check-in system specifies inputs or methods. Requiring use of the buyer's existing rota is similarly input-driven. Such requirements may sometimes be necessary, but they do not represent an output-based approach.

QUESTION NO: 10

A contract for outsourced information-services support will end in six months and the buyer intends to move to a replacement supplier. Which two actions should form part of an effective exit and transition plan? Choose two.

A. Agree arrangements for the secure return or transfer of buyer data and assets

B. Define the knowledge-transfer activities required before the contract ends

C. Allow the outgoing supplier to dispose of buyer-owned equipment

D. Wait until the final day of the contract to plan transition activities

E. Rely solely on verbal assurances that the supplier will cooperate

ANSWER: A B

Explanation:

Agree arrangements for the secure return or transfer of buyer data and assets and **define the knowledge-transfer activities required before the contract ends** are correct. These actions help protect continuity of service, information security and the buyer's ability to operate with the incoming supplier.

Exit planning should be undertaken before the end of the contract and in accordance with the agreed exit provisions. It should not depend on informal assurances, and the outgoing supplier should not be permitted to dispose of buyer-owned property merely because the contract is approaching expiry.

QUESTION NO: 11

A contractor repeatedly fails to meet a critical service level. Before deciding whether to exercise a contractual termination right, which two actions are normally appropriate? Choose two.

A. Document the failure against the contractual service level and relevant evidence

B. Check the contractual notice and remedy requirements before issuing formal action

C. Terminate immediately on the basis of an informal user complaint

D. Withhold every payment due to the contractor regardless of the contract terms

E. Offer an additional bonus for achieving the existing service level

ANSWER: A B

Explanation:

The contract manager should establish and document the performance failure against the agreed service level, including the supporting evidence and any previous notices. The manager should also check the contract's notice, remedy-period and termination provisions and obtain appropriate authority before taking formal action. These steps help ensure that any remedy is applied fairly and in accordance with the contract.

Termination should not be based solely on an informal complaint, particularly where the contract requires a deficiency or cure process. Withholding all payments without contractual authority can create a separate breach by the buyer. Offering extra payment to secure basic contractual performance is also unsuitable, because the contractor is already required to meet the agreed standard.