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Managing Contractual Risk

CIPS L5M3

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QUESTION NO: 1

Derrek owns a factory and employs a Facilities Management Company called Balls FM to look after certain aspects of the factory including cleaning and testing the machinery to ensure they are in good working condition. One day he realises that one of the cleaners doesn't work for Balls FM, he works for another company called Bells FM. Which of the following statements regarding subcontracting is true?

- A. Subcontracting would be if Derrek delegated responsibility for managing the contract to a member of his team
- B. Balls FM have committed a fundamental breach of the contract
- C. It is okay for Balls FM to subcontract out part of the contract to Bells FM if they are unable to fulfil their obligations
- D. Subcontracting is never allowed in a contract unless specifically mentioned.

ANSWER: C

QUESTION NO: 2

Which of the following processes is the most adversarial?

- A. mediation
- B. litigation
- C. adjudication
- D. negotiation

ANSWER: B

QUESTION NO: 3

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

- A. Indemnity
- B. Liquidated Damages
- C. Liability
- D. Incoterms

ANSWER: D

QUESTION NO: 4

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

- A. the process is voluntary
- B. the outcome of the negotiation is public
- C. the process can involve a neutral third party
- D. it is a quick and cost effective method to resolve disputes
- E. the process is flexible

ANSWER: A D E

QUESTION NO: 5

Which of the following are a suitable course of action to take in the event of a minor breach of a contract? Select TWO

- A. litigation
- B. progress meetings
- C. collaboration
- D. adjudication
- E. liquidated damages

ANSWER: B C

QUESTION NO: 6

Molly is a wedding planner who has just set up as a sole-trader. She has a meeting with a potential couple to organise their wedding. The couple is extremely risk adverse and have asked Molly to email them a copy of her insurances. Which insurances should Molly send? Select TWO

- A. Products Liability Insurance
- B. Employers Liability Insurance
- C. Professional Indemnity Insurance
- D. Public Liability Insurance

ANSWER: C D

QUESTION NO: 7

Buyer A and Supplier B have had a disagreement regarding a breach in the contract. They are looking to resolve the issue via arbitration. Which of the following is true about arbitration?

- A. the outcome is binding and enforceable
- B. there are strict rules and processes to follow
- C. the arbitrator's role is to facilitate dialogue
- D. the outcome will set a legal precedent

ANSWER: A

QUESTION NO: 8

Tutu Incorporated has a contract with a software company to provide their IT software. They want to ensure that the supplier pays compensation if there are any issues with service (e.g. the software doesn't work for a day). Which two items would Tutu Incorporated need to include in the contract?

- A. unliquidated damages
- B. letter of credit
- C. service level agreement
- D. service credit
- E. insurance

ANSWER: C D

QUESTION NO: 9

A warranty is a minor term of a contract. Is this TRUE?

- A. yes- it does not affect the prime benefit
- B. yes- it affects the prime benefit of the contract
- C. no- a warranty is a fundamental term in a contract
- D. no- a warranty is a type of innominate term

ANSWER: A

QUESTION NO: 10

Which of these statements about mediation is true? Select TWO

- A. mediation is flexible
- B. mediation produces legal precedents
- C. mediation can be used as a stalling tactic
- D. mediation is expensive
- E. mediation involves a third party who makes a judgement on the issue

ANSWER: A C