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A8 Exam

Preparing and Managing Contracts Exam

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Questions
& Answers

Question: 1

International Advanced Certificate in Purchasing and Supply
Preparing and Managing Contracts

A8

Instructions for Candidates:

This examination is in THREE sections.

Section A Has TEN compulsory multiple-choice questions, worth 2 marks each.

Section B Has SIX compulsory short-answer questions, worth 5 marks each.

Section C Has THREE compulsory longer-answer questions. Questions 17 and 18 are worth 15 marks each. Question 19 is worth 20 marks.

1. Do not open this question paper until instructed by the invigilator.
2. All answers must be written in the answer booklet provided.
3. All rough work and notes should also be written in the answer booklet.

Question: 2

SECTION A

Questions 1–C10 are multiple choice questions. For each question, select ONE correct answer from A to D and write it in your answer booklet. You are advised to spend approximately 30 minutes on this section.

Question: 3

Q1. Which of the following should be carried out before passing an invoice for payment?

- A. Check that the details of the invoice match those of the purchase order and delivery note
- B. Check that the purchasing company has enough money to pay for the goods
- C. Check that the accounts department is able to settle the invoice in accordance with the required payment method
- D. Check that the suppliers bank account details are on the invoice.

Answer: B

Question: 4

Q2. Which of the following would you expect to be included in legislation whose purpose is to protect the buyer when purchasing goods?

- A. A condition that the seller must provide adequate service to the buyer
- B. A condition that the buyer must pay for the goods in advance
- C. A condition that the goods belong to the seller and that they have the right to sell them
- D. A condition that the buyer will accept the goods when they are delivered by the seller.

Answer: C

Question: 5

Q3. Which of the following best defines the term 'variable pricing'?

- A. A price that can, by agreement between buyer and seller, fluctuate over the length of the contract
- B. A price that is fixed for the length of the contract unless both parties agree to a change
- C. A price that covers the seller's costs plus a mark-up to provide the seller's profit
- D. A price that allows discount if the buyer buys more than a stated amount during the contract period.

Answer: D

Question: 6

Q4. Which of the following best describes damages as awarded by a court of law?

- A. A sum of money awarded to the injured party that gives them extra profit to compensate for the time lost during the dispute
- B. An order by the court that the defendant should pay back to the injured party any money that they might already have paid
- C. An order by the court that the defendant must complete the contract free of charge
- D. A sum of money awarded by the court to compensate the injured party by putting them in the financial position they were in before any dispute arose.

Answer: A

Question: 7

Q5. Which of the following would you expect to find as a fundamental part of legislation whose aim is to protect the buyer when purchasing services?

- A. The service provided must be carried out using reasonable care and skill
- B. The service provided must be fit for the purpose
- C. The service provided must be the same as is carried out for other customers
- D. The service provided must conform to any description of the service

Answer: C

Question: 8

Q6. Which of the following is considered by most observers to be the least effective way to manage a contracts progress?

- A. Have a member of staff go to the sellers premises and work with the sellers staff until the contract is completed
- B. Telephone the seller several times a day to ask detailed questions about the contracts progress

- C. To do nothing and leave the contract to run its course until completion
- D. Arrange meetings on a regular basis to check the contracts progress and take action in case of problems.

Answer: B

Question: 9

Q7. Which of the following best defines the term 'retention clause'?

- A. The supplier keeping the goods to be supplied and not delivering them until the buyer has paid for them in full
- B. An agreed percentage of the contract price held back by the buyer to be paid when they are satisfied as to the quality of goods delivered or work completed.
- C. The supplier retaining legal title to goods that have been delivered until the buyer has paid for them in full
- D. An agreement whereby the supplier will keep spare parts available, for equipment supplied to the buyer, for a certain time period.

Answer: D

Question: 10

Q8. Which of the following is generally regarded as a drawback of cost-reimbursable pricing?

- A. The price, once agreed, cannot be changed unless as a result of negotiation between buyer and supplier
- B. The final price paid depends on monitoring indices which are not always readily available
- C. The price paid depends on being able to forecast the resources required to fulfil the contract at its outset
- D. The supplier may be in no rush to complete the contract because the longer they take, the more they get paid.

Answer: A

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