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Exam : **L3M3**

Title : **Contract Administration**

Vendor : **CIPS**

Version : **DEMO**

NO.1 What is a contract?

- A.** An agreement between two or more parties which is intended to be enforceable by any means feasible.
- B.** An agreement between two or more parties which is enforceable in law.
- C.** An agreement between two or more parties which is intended to be honoured.
- D.** An agreement between two or more parties which, all other things being equal, is intended to be enforceable by law.

Answer: B

Explanation:

An agreement between two or more parties which is enforceable in law.

This definition separates a contract from a social or domestic arrangement, in that contracts are intended to be enforceable at law. The other answers shown here dilute the concept, and so are unacceptable as answers to the question.

NO.2 What do we call it when a seller sets a low introductory price to win customers, or to discourage competitors owing to the low margins achievable in the marketplace? Choose one.

- A.** Cost mark-up pricing
- B.** Competitive pricing
- C.** Promotional pricing
- D.** Penetration pricing

Answer: D

Explanation:

The seller tries to penetrate the market, to build market share, depriving competitors of those sales, and hoping to retain the customers for future sales. This is penetration pricing.

'Cost mark-up' would be based on cost - add a certain amount to create the selling price. For example, in UK clothing retail often simply 100% added to the cost of the goods - simple, fast and hope-fully sufficient to cover all costs, as well to enable the goods to sell. This approach hinges on effective buying, at the right cost.

Promotional pricing is a temporary price drop to encourage purchases of a particular product or range.

Competitive pricing would simply mean pricing at around the market level - monitoring market and competitor prices.

NO.3 When negotiating, it is highly desirable to have both a:

- A.** ZOPA and a TABNA
- B.** BATNA and a ZOPA
- C.** DOPA and a BANTA
- D.** BATNA and a FOPA

Answer: B

Explanation:

Best alternative to a negotiated agreement; and a zone of potential agreement.

The other terms shown are just fictions.

NO.4 Which of the following is least likely to lend itself to whole life cost calculations?

- A. Crane for a construction site
- B. A single photocopier for long-term office use
- C. Contract caterer for staff restaurant
- D. Supply of fresh flowers for the reception desk

Answer: D

Explanation:

Not only are the flowers a relatively short-term acquisition of low value, there are unlikely to be many whole life cost elements / possibilities.

The other suggestions however, contain a minefield of long-term cost possibilities.

NO.5 Looking specifically at how a quoted price compares to the cost of production is called:

- A. Factor analysis
- B. Price analysis
- C. Psycho analysis
- D. Cost analysis

Answer: D

Explanation:

Comparison of prices across different suppliers would be called 'price analysis'; drilling down into costs of making or doing something would be called 'cost analysis'.

NO.6 Key players have a:

- A. High level of interest but little influence
- B. High level of interest and little power
- C. High level of power and a high level of interest
- D. High level of power but little interest

Answer: C

Explanation:

High level of power and a high level of interest.

You should hope that in your exam you get such an easy question !

NO.7 Transfer of the rights and obligations of a contract onto a third party, is called:

- A. Assignment
- B. Association
- C. Acceptance
- D. Assingation

Answer: A

Explanation:

Essentially the contract is now between two different parties because one party has assigned the contract to someone else.

It's always a good idea to check whether this is permitted under a contract, otherwise you might finish up doing business with someone you didn't plan to do business with.

NO.8 Johnson, Scholes and Whittington suggested three key criteria for options which can be used in the evaluation of a business case. Which word was not one of these three key criteria?

- A. Transferability
- B. Feasibility
- C. Acceptability
- D. Suitability

Answer: A

Explanation:

'Is it acceptable, feasible and suitable?' are the tests.

NO.9 When a proposal fits with organisational strategy / direction / values, this can be described as:

- A. Alignment
- B. Adjournment
- C. Accompaniment
- D. Ailment

Answer: A

Explanation:

When a company's goals, resources, plans are aligned we should hope for better performance. And when the employee's values are also aligned, it just gets better.