

# CIPS L3M3

## Contract Administration

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# Latest Version: 6.0

## Question: 1

What gets measured, gets ...'?

- A. Measured
- B. Procured
- C. Managed
- D. Lost

**Answer: C**

Explanation:

Managed.

This an old management adage, which is intended to encourage managers to measure helpful indicators (not everything!).

## Question: 2

Revenue-earning possibilities which are foregone as a result of implementing a plan; the cost of not doing something else.

- A. Opportunity cost
- B. Absorption cost
- C. Indirect cost
- D. Overhead cost

**Answer: A**

Explanation:

An opportunity cost is the cost of not being able to do something else.

For example, if a firm opts to build a new factory, it may not be able to create ten new retail outlets which was another option open to it, in spending these particular funds. Or if you buy a holiday, you may not be able to buy a new television. The television is the opportunity cost of the holiday ie the benefit foregone.

The other types of cost shown are methods of classifying actual (real) costs. Opportunity costs are, in a sense, not real; they are hypothesized and therefore do not show in the balance sheet or profit and loss account of a business.

### Question: 3

Contracts published by third party experts such as trade associations or professional bodies, widely regarded as favouring neither buyer nor seller, are called:

- A. Uni form
- B. Model form
- C. Paper form
- D. Trans form
- E. Good form

**Answer: B**

Explanation:

These are 'model form' contracts. Industry standard templates eg NEC ('New Engineering Contract'); or FIDIC model form contracts. You will find some examples produced by CIPS on the CIPS website eg for IT procurements.

### Question: 4

Win-win negotiations can be described as expanding the:

- A. Pie
- B. Sky
- C. Tie
- D. Dye

**Answer: A**

Explanation:

This is the idea that negotiations can be of the sort which shares the (apple) pie, often aggressively and not 50/50 (win-lose); or it can seek to create additional value - expand the pie (win-win).

### Question: 5

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.

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