

**Level 4 Diploma in Procurement and Supply**

**D5 - Managing contracts  
and relationships in  
procurement and supply**

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**EXAM EXEMPLAR QUESTIONS**

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**QUESTIONS AND INDICATIVE ANSWER CONTENT**

## QUESTIONS AND MARKING SCHEME

### Q1 Learning outcome: 1.0

Produce a 'STEEPLE' analysis of the factors which can affect supply chain relationships in an organisation of your choice.

(25 marks)

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#### Marking scheme

Comprehensive answers will include all of the following aspects; 'pass' level answers are more likely to contain the first two or three of these aspects only.

An explanation that 'STEEPLE' can help to make informed and aware decisions, and to plan for future events.

An introduction and explanation of the 'STEEPLE' headings: Social, Technological, Economic, Environmental, Political, Legislative, and Ethical.

Examples of factors that could appear under each of these seven categories, such as economic downturn, ageing populations, obesity levels, legal and regulatory changes such as EU procurement directives and Incoterms reviews, environmental issues such as carbon neutrality, global warming, emissions targets, etc.

Identification of the organisation on which the candidate is conducting the STEEPLE analysis.

Application of the STEEPLE tool to factors affecting the chosen organisation.

Comprehensive identification and explanation of factors; and why they have been classified under particular STEEPLE heading(s).

An explanation that, by understanding the wider and future environment, an organisation may detect and understand the broader, long-term trends, and the risks and opportunities that it faces. This can in turn lead to the need to regularly review supply chain relationships, to end some, and to forge new ones: this is an essential component of managing contracts and relationships in procurement and supply.

Strongest answers will contextualise that understanding, and then apply it to the chosen organisation.

Higher marks should be awarded to the more comprehensive answers, which explain STEEPLE well and conduct the more comprehensive and insightful applications of the tool.

Illustration, explanation, and application of STEEPLE by charts or by diagrams are perfectly acceptable and these too should attract marks.

(25 marks)

CIPS study guide reference: Chapter 3, section 2.1 to 2.21

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## Q2 Learning outcome: 2.0

Model forms of contracts may be used by buyers and sellers as the basis for their contractual agreement.

- (a) Identify examples of model contract forms and outline where they are likely to be used. (9 marks)
- (b) Explain **TWO** advantages and **TWO** disadvantages of the use of standard and model form contracts as the basis of a legally binding agreement between two organisations. (16 marks)

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### Marking scheme

- (a) Examples of sources identified for model form contracts include:

CIPS - CIPS publish a range of model contract forms, which can be used in a wide range of purchasing situations.

The Institute of Civil Engineering - the Association of Consulting Engineers, the Federation of Civil Engineering contractors. These are all used in the construction sector.

The Joint Contracts Tribunal – Standard form of Building Contract – including model form or call-off contracts, these standard forms of documentation are used by the construction industry.

The Freight Transports Association – conditions for carriage of goods.

Chartered institute of Building – used in commissioning and facilities management contract.

The New Engineering Contract – used in civil engineering, building, electrical or mechanical works contracts.

A general explanation of where these forms of contract are likely to be used will include complex contracts that are beyond the usual experience of either the buyer or the seller.

These contracts may also be used as an industry “norm” which is broadly accepted by participants in a particular industry or sector.

Other valid examples of model form contracts accepted.

(9 marks)

- (b) Two advantages and two disadvantages of the use of standard and model form contracts in an agreement between two organisations, include the following:

#### **Advantages for the use of this type of contract include:**

- Helps to reduce the time and cost in contract development, particularly in detailed negotiation of terms and conditions.
- Avoids starting from the beginning each time, avoids “re-inventing the wheel” each time.
- Model contract forms may be widely accepted by both buyers and sellers across the industry or sector.
- Model contract forms are even handed and designed to be fair to both parties in the contract.
- Model contract forms include standard clauses that can be selected or deleted on an as required basis.
- Model contract form’s standard clauses are more likely to contain the correct legal terminology without recourse to third party experts.

**Disadvantages of this type of contract include:**

- Terms may be less advantageous, than may be achieved through negotiations, particularly where there is one party who is much stronger than the other.
- The generic contract may be difficult to adapt to the specific circumstances between two parties.
- Terms may not necessarily include special clauses or requirements to cover a particular or unusual situation.
- Legal advice and input may still be required, particularly where significant variations to the norm are required.
- There may be costs associated with training staff in the detailed application of the model forms of contract.

Other valid points explained and justified to be accepted.

Higher scoring candidates will provide examples of the application and use of the e-contracts.

4 marks for each advantage / disadvantage identified. 1 mark for identification, 3 marks for explanation / examples.

**(16 marks)**

**CIPS study guide reference: Chapter 5, pages 82-83**

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**Q3 Learning outcome: 3.0**

Explain **FIVE** of the main responsibilities of a contract manager.

**(25 marks)**

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**Marking scheme**

There are many possible responsibilities of a contract manager that could be explained in response to this question.

Candidates can choose any five responsibilities of a contract manager to explain, but they must be legitimately describable as 'main' responsibilities; making coffee is not one! Each main responsibility explained is worth up to 5 marks.

Comprehensive answers will include five appropriate and relevant main responsibilities of a contract manager. Weaker but passing answers are likely to only explain three or four responsibilities of a contract manager, and in less detail; they may also be less obviously 'main' responsibilities and may be relatively minor, or arguably the main responsibilities of other parts of the organisation or other people or other organisations, perhaps, the contractor.

The learning outcome suggests the following five headings for the main responsibilities of a contract manager and they provide useful examples of acceptable answer headings in a structured response:

- Performance management and ensuring compliance to agreed standards;
- Payment responsibilities;
- Risk assessment and risk management;
- Contract development and relationship management.

All other variants that meet the criteria of the question can be accepted and awarded marks.

Maximum marks available are therefore 5 explanations of five genuinely 'main' responsibilities of a contract manager x 5 marks each = 25 marks.

No additional marks for giving any sixth or further responsibilities of a contract manager. And no marks to be awarded for answers that explain e.g. the skills, attributes, or experience required by a contract manager, rather than their main responsibilities; that is a different question, and not one being asked here.

**(25 marks)**

**CIPS study guide reference: Chapter 9, section 3.1 to 4.26**

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#### Q4 Learning outcome: 4.0

- (a) Explain the 'balanced scorecard' approach to measuring contractors' performance. **(15 marks)**
- (b) Explain 'continuous improvement' ('kaizen') as a technique for improving relationships in procurement and supply. **(10 marks)**
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#### Marking scheme

- (a) To achieve at least a 'pass' level score, of 7 or 8 marks out of the 15 available for this part of this question, candidates should at least give a clear explanation of the 'balanced scorecard' approach to measurement (as first described by Kaplan and Norton) and they should also convey explicitly the concept of a 'balance' between the different measurable areas of performance, in order to get a well-rounded overall organisational performance; rather than allowing, for example, the creation of excellence within one part only of the organisation, at the expense of poor performance in all other parts of the organisation, an 'imbalanced' performance.

Stronger answers will then go on to contextualise these concepts to the specifics set by the question: that is, to the circumstances of measuring contractors' performance. Here, there is a need to explain feasible 'balanced scorecard' measurements of contractors' performance and how to achieve a 'balance' between those measures, whilst making sure that the measurements are meaningful, relevant and 'SMART'. Candidates may also suggest the types of measurement that could be appropriate; the range of scores that could be regarded as acceptable; and the tolerances that could be permitted in order to achieve the 'balance'. Any relevant examples from studies and/or from work experience that might be offered by candidates in their answers should also be awarded marks.

**(15 marks)**

- (b) To achieve at least a 'pass' level score, of 5 or more marks of the 10 available for this part of this question, candidates should at least give a clear description of 'continuous improvement' ('Kaizen' in Japan), identifying that it is a technique, as its English name suggests, of ongoing and regular performance review, seeking potential performance improvements and implementing them; than of re-appraising performance on an ongoing basis. This idea of never-ending incremental improvements can be contrasted with that of making a single, radical, precipitous change or attempt at improvement. Kaizen has its origins in the Japanese car manufacturing industry. Stronger answers will then go on to contextualise these concepts to the specific area set by the question; the use of continuous improvement as a technique for improving relationships in procurement and supply. Here again, any relevant examples from studies and/or from work experience offered by candidates in their answers should also be awarded marks.

**(10 marks)**

CIPS study guide references: (a): Chapter 11, section 3.8 to 3.23  
(b): Chapter 11, section 4.22 to 4.27

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