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**Exam** : **L4M8**

**Title** : Procurement and Supply in  
Practice

**Version** : DEMO

### 1.CORRECT TEXT

What is needed for a contract to be binding?

**Answer:**

A contract is written or verbal agreement, made between two or more parties that is legally enforceable. For a contract to be legally binding it must include intention of parties entering into the contracts. All parties must have the capacity to contract or be contracted. They must be of a sound mind, there should be a promise (offer) for performance from the other party and an exchange (consideration) of one thing for another within an agreement for contract to be binding, and there must be an acceptance of the offeror's offer by the offeree.

### 2.CORRECT TEXT

Explain why it is deemed better to use Sea freight rather than air

**Answer:**

It would be rare to find a supplier who does not emit any form of pollution. However, part of ethical and responsible sourcing is to make effort to reduce impact of population on the planets. Pollution can be factory emission, Noise, smell, Transportation Development, waste disposal. Transportation is a major cause of pollution. The carbon dioxide emitted from vehicles contributes greatly to air contamination. Yet it is better to use sea freight rather than air because it has a smaller impact on the environment.

### 3.CORRECT TEXT

What are the two options for the disposal of an asset if resale is not possible?

**Answer:**

Disposal of an asset is the final stage in the decommissioning process of a fixed asset.

When a fixed asset reaches the end of its useful or cost effective life time within an organization, the decision is made as to whether it should be removed from the premises or disposed off.

If the asset is truly at the end of its life, no longer fit for purpose, not cost effective to repair and is not able to be exchanged, then disposal is the only option; there are two options for disposal;

- 1) Take the asset to land fill site
- 2) Taking the asset to a recycling plant.

### 4.CORRECT TEXT

What are the definition of a new buy and a modified re-buy?

**Answer:**

A new buy is the purchase of goods and services by an organization or an individual for its first time. For example a transport organization for the very first time contracting the purchase of a Lorry out to an external supplier. In situations like this, it is advisable to start the procurement cycle from the very first stage.

Which is understanding the need and developing high level specification.

Modified re-buy is the purchase of goods or services that an organization has bought before there was a need but with changes to the specification or supplier or quantity or quality. In carrying out modified re-buy, procurement professional should start from the very first stage of the procurement cycle to justify the added need and follow through. Not in all cases that buyer would have to start from understanding the need. In a situation where the changes required is a change of supplier, the organization will start from its preferred suppliers list and contract the next ranking supplier as the case may be.

#### 5.CORRECT TEXT

Looking at stage 8 of the procurement and supply cycle, what does TCA mean?

**Answer:**

When evaluating offers, it is important to remember that the best price may not be the lowest. To ascertain that; the total cost of Acquisition TCA (the cost a buyer bears for placing orders and re-ceiving a product from a supplier) should be uncovered and compare against offers received.

Things to consider that might make up the total cost of acquisition are;

- 1) logistics and handling costs
- 2) Cost of requisition
- 3) Rework
- 4) stock cost
- 5) Delay
- 6) Inspection
- 7) customer services
- 8) consumables
- 9) Training & support

Refer to the question column for response