Exercise 3

1. State if True (T) or False (F):
   a. Contract changes are more likely to occur on a single fixed price contract than on a
cost plus a fee contract.
   b. The delivery method that an owner chooses should be in response to the amount and
type of risk that an owner sees in a project.
   c. In lump sum contracts, it is allowed to change in the quantity of work performed
   within a limit of 25%.
   d. In the admeasurement contracts, the item description, quantity, unit of measure, unit
cost and the total cost in the B.O.Q should be cleared.
   e. The owner has the ability to know the contractor profit in the unit price contracts.
   f. The direct costs are the summation of the cost of the labor, equipment, materials, and
subcontractors.
   g. Overheads include the cost of items which cannot be directly charged to a specific
work element.
   h. Loading of rates may be risky to both the contractor and the owner.
   i. Contract type has not effect on the project deadline.

2. Select the right answer:
   I. The advantage(s) of a traditional delivery method is (are):
      a. Reduced project time  b. Known project cost before construction
      c. Non-adversarial relationships between participants d. All of the above
   II. The developer of a 40 story high-rise office building desires the shortest possible
construction time. What delivery method would be the best?
      a. Traditional  b. Design-build
      c. B and C only  d. Construction project management
      d. All of the above
III. Which type of contracted arrangement would be best used when the quantities of work are difficult to determine in advance?
   a. Single fixed price     b. Unit price
   c. Cost plus a fee       d. None of the above

IV. If the contractor considers that the quantity of an item in the BOQ has been underestimated:
   a. He should phone the Client to declare this item
   b. He has to use this quantity.       c. He can raise the rate of this item.

IV. The contractor may decide to subcontract an item of work in order to:
   a. give a chance to another contractor
   b. cover lack of specialized resources.   c. reduce project cost.

3. Briefly differentiate among the various project delivery approaches (various organizational structures).

4. Explain what is meant by loading of rates in B.O.Q.

5. What are the main types of construction contracts?

6. What are the construction contract documents?

7. Explain what is meant by the two terms: “Price-based Contracts” and “Cost-based Contracts”.

8. Compare the following types of contracts from the point of view of flexibility for design changes and variations:
   - Lump Sum.
   - Admeasurement.
   - Target cost.

9. Compare the lump sum, admeasurements, and cost plus contracts from the following point of view:
   - Early start to construction.       - Risk sharing.

10. Give three examples of secondary objectives which could affect the selection of the contract strategy decision.

11. Give two examples of project organizational structure which can be used to achieve fast-track construction.