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**DIVISION OF
INFORMATION TECHNOLOGY, ENGINEERING & THE ENVIRONMENT**

SCHOOL OF NATURAL & BUILT ENVIRONMENTS

Subject Area:	Contract Administration 2	Catalogue Number:	
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**BACHELOR OF CONSTRUCTION MANAGEMENT AND
ECONOMICS**

Examination Day : Thursday	Examination Date: 25 January 2007
Examination Time: 9.00am	Length of Exam: 3 hours

Examination Venue:	Ridley Centre/Royal Banquet Room/Other __Bonython Jubilee Building Room_BJ3-52_____
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Instructions to Candidates

Answer any five questions

All questions are of equal value

Closed Book Exam



University of South Australia – Natural and Built Environment

Contract Administration 2

Summer Semester Exam – 25 January 2007. Closed Book Exam.

Question 1

- 1.1 A Stone Supplier offered to supply stone to a Local Council for a rate per Tonne, delivered to any site within the Council District. The Council sent a copy of their standard form of contract, for the Stone Supplier to sign and return for the signature of the Council Officer. The Stone Supplier added a condition of his own to the contract, signed it and returned the signed copy to the Council. The Council advised the Supplier that they had deleted the term that had been added by the Stone Supplier, and sent him a copy of the altered contract, signed by the Council.

Following receipt of the advice from the Council regarding their deletion of his amended term, the Stone Supplier commenced deliveries of stone.

Is the added term by the Stone Supplier enforceable in the contract between the two parties? Give reasons for your answer.

- 1.2 The drawings provided to the Contractor by the Principal, as part of a building contract, contain two conflicting details. The Architectural drawing shows that the stair well is to be constructed using clay brick masonry. The Engineer's drawing shows the same walls being constructed using reinforced concrete.

When the Contractor asked the Architect for clarification, he said that the Reinforced Concrete details were to be followed. The Contractor advised the Architect that he intended to claim the additional costs as a variation to the contract, and that he would claim an extension of time, with disruption costs as a result of the changes ordered.

Explain with reasons the criteria used by the Architect to determine whether or not the Contractor is entitled to regard the Architect's instruction as a change in the scope of the Works.

Question 2

- 2.1 Describe the two roles undertaken by the Certifier in a Contract between the Main Contractor and the Principal.
- 2.2 Give two examples of circumstances where an Architect or a Contractor may be liable to third parties, in claims "in tort".

Question 3

- 3.1 A Contractor entered into a contract with a Government body to construct a road.

The price was based on a Schedule of Quantities and Rates, with the Contractor being paid on the basis of his accepted tender rates applied to the actual quantities of excavated material. The Schedule of Quantities included road base, bitumen paving, concrete gutters, and topsoil, that was part of the excavated material, applied to the embankments of the road.

A clause in the contract read, "If sufficient topsoil to meet the requirements of the works cannot be obtained from the excavated material, the Engineer may direct the Contractor in writing to obtain imported topsoil from approved locations."



Discuss the following issues, giving reasons:

- 3.1.1 Is the Engineer entitled to order the Contractor to delete work from the contract, and provide a credit variation to the Principal, for the work not performed?
- 3.1.2 If there is insufficient topsoil from the excavated material to fully satisfy the requirements of the topsoil to all the embankments, is the Engineer entitled to order the Contractor to supply and spread the imported topsoil, as contemplated under the original contract, as a variation extra to the contract?
- 3.1.3 If there is insufficient topsoil from the excavated material to fully satisfy the requirements of the topsoil to all the embankments, is the Engineer entitled to order the Contractor to not provide the imported topsoil, and to then arrange for another Contractor to carry out the work?
- 3.2 A Contractor submits a lump sum quotation to the Principal for a proposed building project, and the Principal accepts the quoted sum. The Contractor provides a rated Bill of Quantities for the scope of the works. During the course of the works, variations to the scope of works are ordered.

Under what circumstances do the rates in the Bill of Quantities apply to the additional work, and under what circumstances can the rates in the Bill of Quantities be altered?

Question 4

Define the following Terms, giving one example of their application, in each case, in the construction industry:

- 4.1 Liquidated and Ascertained Damages
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- 4.2 Adjustment of Prime Cost Sums
- 4.3 Extra Costs necessarily incurred for Delay and Disruption.

Question 5

- 5.1 Take the role of a Project Manager and discuss the advice you would give to the Principal in respect of the risks associated with the excavation of a large Basement, where the ground conditions were uncertain.
- 5.2 Discuss the advantages and disadvantages of the management of a Project using the techniques of Construction Management, and where the Principal engages the services of a Construction Manager. Assume that the Principal intends to enter into Contracts with all the Trade Contractors concerned with the construction of the Works.

Question 6

A Contractor has entered into a contract with the Principal for the construction of a Building Project. The Principal makes progress payments throughout the period of the contract. However, he fails to make the final payment at Practical Completion that has been certified by the Architect. The Contractor has completed the work, and the Principal has taken over the works, and commenced occupation and use of the works for their intended purpose.

When challenged by the Contractor for payment of the final amount certified, the Principal said that the Contractor had major defects in the building, and that no further payment would be made until those defects had been rectified.



Discuss the issues that relate to

- 6.1 the significance of the Certificate of Practical Completion, and
- 6.2 what steps the Contractor can take to obtain the final payment of money due.

Question 7

- 7.1 Describe the process of Arbitration, commencing with the reference to arbitration by one of the parties, up to the publication by the Arbitrator of the Final Award on all the issues in the disputes, as well as the Award on the party liable for the payment of the "Costs".
- 7.2 Discuss the process and the benefits to the parties of attempting to resolve disputes through Mediation, rather than through Arbitration.