

UNIVERSITY OF BOLTON

**SCHOOL OF THE BUILT ENVIRONMENT &
ENGINEERING**

BSc(HONS) IN CONSTRUCTION MANAGEMENT

BSc (HONS) CONSTRUCTION

**BSc(HONS) IN QUANTITY SURVEYING AND
COMMERCIAL MANAGEMENT**

SEMESTER TWO EXAMINATION 2008/2009

COMMERCIAL MANAGEMENT

MODULE NO: BLT3006

Date: Wednesday 27 May 2009

Time: 10.00 am – 1.00 pm

INSTRUCTIONS TO CANDIDATES:

There are SIX questions.

Answer ANY FOUR questions.

All questions carry equal marks.

Marks for parts of questions are shown
in brackets.

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Semester Two Examination 2008/2009
Commercial Management
Module No. BLT3006

1. It may be argued that 'the Olympic Delivery Authority (ODA) has committed itself partially, but not wholeheartedly, to the principles of procurement best practice'.

Critically appraise the commercial judgements of the ODA in the context of the above statement.

25 marks

2. Businesses in most sectors are currently having to re-evaluate their plans over medium and long-time scales.

Evaluate the budgeting process in construction organisations when economic trading conditions, including demand, are volatile.

25 marks

3. A development company, which is experienced in the provision of industrial units, considers its first commercial project. A key issue in determining whether the project is financially viable, is the allocation of risks between itself and other parties in the project. The company asserts it is not interested to merely 'dump risks', since it may pay a premium for that. Also however, it does not wish to retain risks over which it has little expertise or control.

Examine commercial opportunities which are available to the company to sensibly apportion risks.

25 marks

4. Critically appraise whether the investment of substantial resource in cost control systems gives value to construction companies.

25 marks

5. *'It is unwise to pay too much, but it's worse to pay too little. When you pay too much, you lose a little money – that is all. When you pay too little, you sometimes lose everything, because the thing you bought was incapable of doing the thing it was bought to do. The common law of business balance prohibits paying a little and getting a lot – it can't be done. If you deal with the lowest bidder, it is well to add something for the risk you run. And if you do that, you will have enough to pay for something better'* (Ruskin, 1860)

In the context of the construction supply chain, discuss.

25 marks

Please turn the page

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6. a. The table below details the forecast and actual cash flow performance levels on a project, which is scheduled to run for 14 months. Retention is 5%.

Determine the actual cash flow surplus or deficit that will be incurred at the end of each of the first five months of the project. Illustrate your answer with a saw tooth diagram. Assume expenditure is on a straight line basis over time.

	Forecast month 3	Actual month 1	Actual month 2	Actual month 3
Cumulative valuation amounts	£398 000	£78 000	£201 000	£325 632
Cumulative profits	4%	2.80%	1.90%	1.32%
Payment period client to main contractor	1 month	1 month	1½ months	1½ months
Payment period main contractor to subcontractors and suppliers	1 month	1½ months	2 months	2 months

(15 marks)

- 6 .b. 'In times of crisis, cashflow is more important than profit'. Examine to what extent this assertion may be true.

(10 marks)

Total 25 marks

END OF QUESTIONS