

**UNIVERSITY OF BOLTON**

**SCHOOL OF THE BUILT ENVIRONMENT &  
ENGINEERING**

**BSc(HONS) IN ARCHITECTURAL TECHNOLOGY**

**BSc(HONS) IN BUILDING SURVEYING AND  
PROPERTY MANAGEMENT**

**BSc(HONS) IN CONSTRUCTION MANAGEMENT**

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

**SEMESTER TWO EXAMINATION 2010/2011**

**CONTRACT PROCEDURES AND PROCUREMENT**

**MODULE NO: BLT2009**

Date: Tuesday 31 May 2011

Time: 10.00 am – 1.00 pm

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**INSTRUCTIONS TO CANDIDATES:**

There are **SEVEN** questions.

Answer **ANY FIVE** questions.

All questions carry equal marks.

Marks for parts of questions are shown  
in brackets.

**STUDENTS ARE ALLOWED TO BRING STANDARD FORMS OR EXTRACTS  
INTO THE EXAMINATION**

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1. There are three possible outcomes to a contest about the validity of a letter of intent.

Discuss with a case law in support of each possible outcome.

**20 marks**

2. Your company has been employed for the construction of a dwelling under the SBC/Q version of the JCT. The contract sum is £250,000. Several items of variations have been orally requested by the architect which the contractor has complied with since relations between all the participants on this contract have been extremely cordial. The total value of these variations to date is £47000. The original contract duration was 3 months, which has expired seven weeks ago. The contractor has been pressing for an extension of time, but the architect has not been forthcoming.

Two weeks ago, the architect made an arrangement with the contractor for the connection of services, for which the client issued a cheque to the contractor in the sum of £3000.00. Yesterday, the architect wrote to the contractor terminating his employment forthwith on account of the contractor's supposed mendacity in connection with the expenditure of the said £3000.00. The architect has expressed his unwillingness to pay for the variations ordered, and has proposed to employ a third party for the completion of the works in keeping with the requirements of the Conditions under the Termination Clause.

Write a memorandum to your managing director giving an impartial outline of your contractual positions on these issues.

**20 marks**

**Please turn the page**

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3. On a construction contract of 42 weeks duration, contract sum £2 million, the contractor has overrun by 12 weeks. Liquidated and Ascertained Damages (LAD) is £4000.00 per week. Discuss each of the following issues which variously came into contention from the implementation of the Damages clause within the SBC/Q conditions:
- a) The contractor is due to allow £48000.00 in LAD. However, they argued that they in fact saved the client money. The client had not got a tenant for the completed building. This meant that they looked after the building for those 12 weeks whilst otherwise it would have stood empty.  
(4 marks)
  - b) In making out an interim certificate, the architect took account of three weeks LAD which were then due without previously notifying the contractor.  
(4 marks)
  - c) The contractor is of the opinion that the £4000.00 per week is far too high.  
(4 marks)
  - d) Some weeks into an overrun period the contractor has been given an Architect's Instruction which means a major variation and therefore a delay in completion. The contractor now believes that 'time is at large' and therefore the client has lost their rights to LAD.  
(4 marks)
  - e) In exchange for the contractor allowing a third party to undertake some work for the client, the client promised to waive their right to LAD but has nevertheless gone ahead to deduct LAD from the final account.  
(4 marks)

**20 marks**

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- 4.(a) Identify the danger signs that a contractor on site is experiencing financial distress and what steps must be taken in the event that the contractor has become insolvent.

(10 marks)

- 4.(b) In the event that the contractor's employment has been terminated, evaluate the alternative strategies available for the completion of the project.

(10 marks)

**Total 20 marks**

5. The preliminaries section is often the final section to be completed in the preparation of a Tender Price.

- (i) Define the terms "Fixed Charge" and "Time Related Charge" by identifying and briefly discussing FIVE items which might be included under each definition

(10 marks)

- (ii) Explain why the Preliminaries section of a Tender is generally the last to be completed

(10 marks)

**Total 20 marks**

6. Under the NEC 3, Compensation events are the counterpart of relevant events under the SBC/Q. Compare and contrast these two sets of clauses.

**20 marks**

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7. You have prepared and submitted the 10<sup>th</sup> interim valuation on a project for the refurbishment of a 16-storey block of flats with a contract sum of £3,456,750 to the architect who has since issued the interim certificate to the contractor. The cumulative amount of payments to date is £1,950,690. In your latest valuation you have undervalued the work to the tune of £75,000 in order to safeguard the interest of the employer who has engaged your services. The main contractor has begun to experience difficulties with his working capital and has discovered that your undervaluation of work is the sole cause of the problem.

In the context of the classic duty of care case of **Merrett v. Babb**, discuss all the ramifications of the challenges posed by this situation.

**20 marks**

**END OF QUESTIONS**