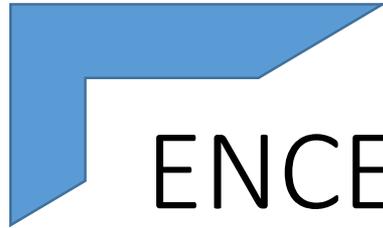
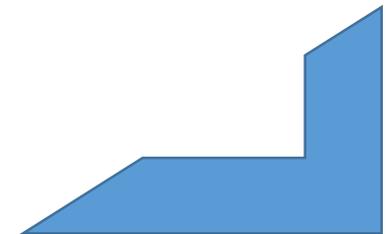


# Contracts, Specifications and Quantity Surveying



ENCE421:

## Payment Methods



# Today's Presentation Outline

- Revisit previous lecture
- Payment method
- Priced based
- Cost Based

# Revisit previous lecture

- Contract strategies/ delivery methods Cont'd

# The Payment Method

Payment can be based either on PRICES submitted by or agreed with the contractor or on the ACTUAL COST which the contractor incurs.

## ➤ Priced based:

- Lump sum
- Measure & Value-Bill of Quantities/Schedule of Rates

## ➤ Cost based:

- Target cost
- Cost-Reimbursable

# Lump Sum

- Normally used for design-build, and turnkey projects.
- Contract final price is fixed & known at tender time.
- Limited flexibility for design changes.
- Higher risk to contractor.

# Measure & Value-Bill of Quantities/Schedule of Rates

## جدول رقم (2)

نوع العمل : أعمال الخرسانة

اسم المشروع : انشاء وانجاز وصيانة مركز صحي

جدول (2) من 1

رقم البند	بيان العمل	الوحدة	الكمية	السعر		المجموع	
				سنت	نولار	سنت	نولار
2	<p><b>الأسعار :</b></p> <p>أسعار أعمال الخرسانة والخرسانة المسلحة تشمل</p> <ul style="list-style-type: none"> <li>- توريد وتخزين الأسمنت، والمياه، الحصى والرمل</li> <li>- الخلط والصب والرج في جميع المواقع.</li> <li>- أعمال الطوبار ومواقها حسب ما هو موصوف ومطلوب بالمخططات</li> <li>- الكيل هندسي حسب المخططات</li> <li>- الخرسانة المسلحة تشمل حديد الصليح</li> <li>- الارضيات الخرسانية او الاسفلتية او الارصفة يجب ان تطابق المناسيب بدقة تامه ولا يسمح بتفاوت يزيد عن 5ملم عند الفحص بقده المتبوع طول 6م وتشمل الاسعار جميع الفواصل ومعالجتها .</li> </ul>						
2-1	أ		270	م			
2-1	ب		20	3م			
2-2			50	3م			
2-3			42	3م			
2-4			495	2م			
						المجموع	

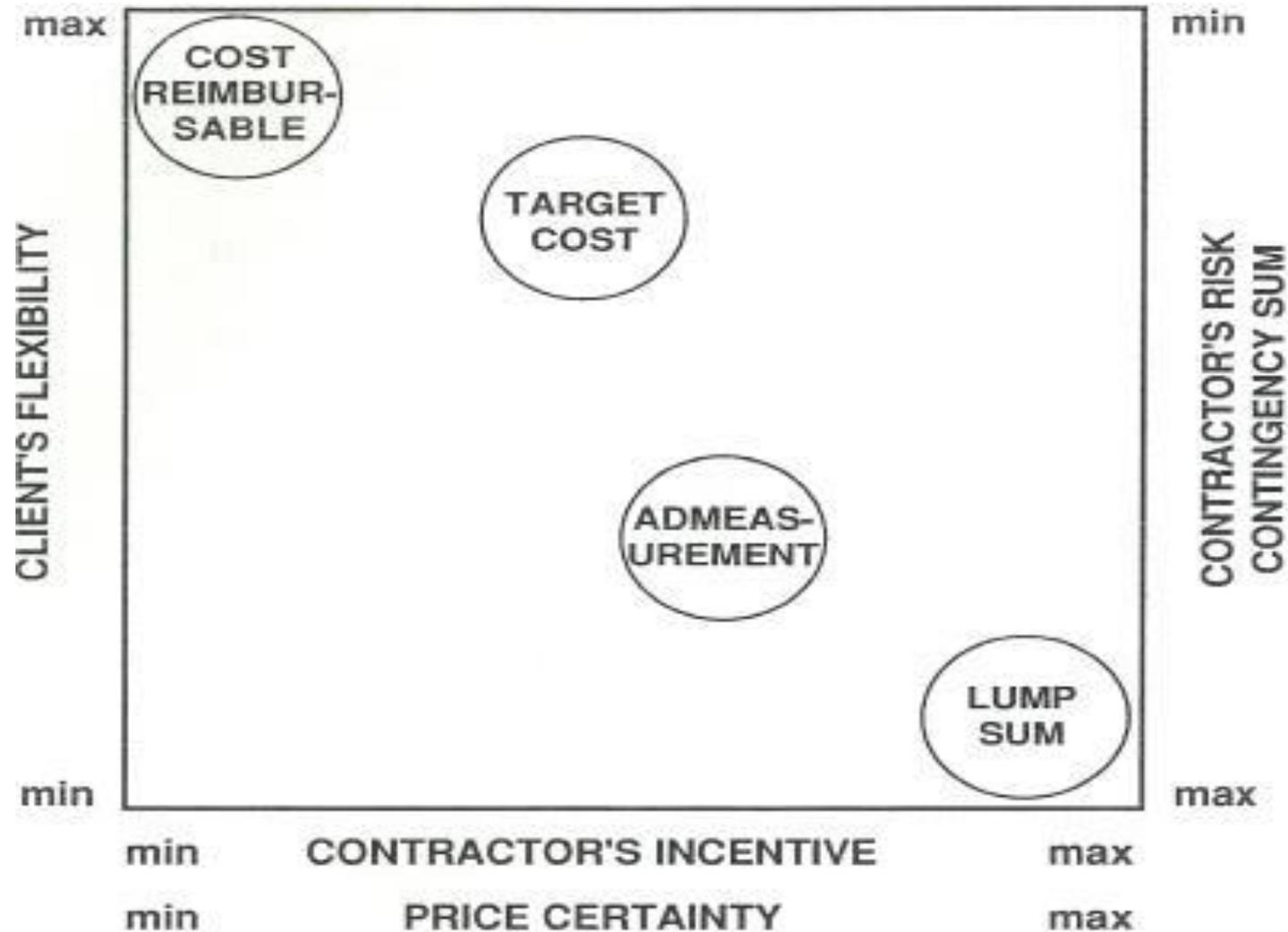
# Target Cost

- The owner and the contractor share the saved money.

# Cost-Reimbursable

- The owner shares the risk by reimbursing the contractor for his/her actual cost plus a specified fee for overhead and profit
- Flexibility for design changes

# Characteristics of Different Payment Methods



# The Payment Method Cont'd

## The main factors influencing the choice are:

- The degree of certainty about the quantities
- The flexibility required to cope with design change likely to be encountered during the contract (and whether it can be systematically and equitably evaluated).
- The incentive for efficient performance by contractor, matched by incentive for the client to provide the contractor with timely information and decisions
- The extent of risk likely to be encountered during the contract and the most cost and time efficient way of allocating it.

# Summary

- ✓ Payment method
- ✓ Priced based
- ✓ Cost Based

Any Questions??