ABSTRACT

Variations are almost inevitable in most building contracts and the valuation of variations is one of the commonest sources of disputes in construction projects.

In this dissertation, the author attempts to identify the major problems faced by most quantity surveyors in assessing variation claims for lump sum contract. This type of contract was found, through this study, to be the one with most problems associated with the assessment of variation claims among others i.e. Bills of Quantities and Design & Build contract.

Unless otherwise stated, it is required by most standard forms that varied works in lump sum contract are to be valued using schedule of rates whereby the rates are inserted by either the contractor or the consultant quantity surveyors. Such rates are often the issue of disputes. They are frequently claimed as being “loaded” by the contractor to improve cash flow or found to be unrealistic to be applied for the varied work. In addition, it will sometimes lead to a result whereby the amount calculated using schedule of rates to be substantially different from the tender price breakdown. Such problem becomes apparent when there is a variation order involving an entire omission of an item from the tender cost breakdown as each party to the contract (i.e. the client or the employer) will pursue for the method of valuation that is most likely to benefit them and hence leading to dispute. In view of this, the study also attempts to investigate whether schedule of rates, in the opinion of most quantity surveyors, is the best method in paying variation claims in lump sum contract. It was recognized that schedule of rates is the best method as a basis for the valuation of variations in this type of contract.