

UNBALANCED CONTRACT

TYPE OF TENDERS

<u>ITEM RATE</u>	<u>LUMP SUM</u>	<u>COST PLUS PERCENTAGE</u>
1. Balanced one as no undue profit or loss to the contractor.	1. Unbalanced one resulting in excessive profit or loss to the contractor.	1. Unbalanced one resulting in more cost of construction and hence more profit for contractor unless checked by bonus and penalty clause.
2. Speculation to a very small extend.	2. More of a speculative nature.	2. No speculation at all.
3. Work can be commenced after complying with a few formalities like acceptance of tender, etc.	3. Unless all the formalities are complied with the work cannot be commenced.	3. Work can be commenced immediately without waiting for all formalities.
4. All plans, specifications should be prepared in advance. Elevations and details can be supplied later on.	4. All the details, plans, elevations, specifications, etc. required to be prepared in advance.	4. All details, elevations etc. need not to be prepared prior to the commencement of the work.
5. Standard quality of materials and good workmanship are assured.	5. Standard quality of materials and good workmanship are not assured.	5. Standard quality of materials and good workmanship at the cost of economy.

The key principle of contractual relations between contractors and contractors is the financial balance, which is the relationship between the contractor's costs and the contractor's remuneration, which must be maintained for the duration of the contract.

Every time a new event breaks this relationship, it is necessary to establish its balance.

When a company wins the bid for a particular work and signs the contract, with the conditions set forth in the bidding document, the technical specifications, quantitative and unit costs included in the budget worksheet, the Social and Complementary Laws used, the composition of BDI , global price, physical-financial schedule defined by the term stipulated in the proposal, means all of these elements represents the initial financial economic equation of the contract, which presuppose balance for all purposes.

It is important to note that the so-called economic financial imbalance of the contract refers solely to these initial conditions and cannot be attributed to the possible mismanagement of the contract.

Therefore, the initial equation means that, when signing the contract, the tenderer studied, analyzed and presented a price proposal based on data that presuppose that it is perfectly feasible to execute it under conditions of economic and financial unbalanced.

Some hypothesis of unbalance:

- Unilateral amendment of the contract
- Act of authority
- Modification in design or specifications
- Unpredictable facts
- Extension of contractual deadlines