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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
THIRD YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 13th August, 2024
Time: 8.30am – 10.30am

KPS 2300 CONTRACT ADMINISTRATION

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

CONTRACT OF SALE

A developer planned to construct a shopping center in Maragua and solicited bids from contractors. A contractor desired to bid on the project and sent an email to various subcontractors soliciting bids. Peter Njoroge delivered a bid for Asphalt paving work in the amount of ksh.2,000,000. Peter's bid was the lowest and the contractor used it in computing its final bid. The next lowest bids were ksh.3,150,000 and ksh.3,250,000. Later that day, Peter realized he had made a clerical error in calculating his cost of materials and immediately called the contractor to advise he was changing his bid to ksh.3,000,000. Contractor advised Peter it was too late as the final bid had already been submitted. Peter refused to perform the work and the contractor was forced to use the next lowest bidder. The developer awarded the general contract to contractor to build the shopping center for ksh.5,000,000.

The general contract provided: "This contract constitutes the parties entire agreement". This contract cannot be amended, modified or added to in any respect except by writing signed by both parties". During construction, a sink hole opened up under the property and caused part of the structure to collapse. Contractor estimated it would cost ksh.1,000,000 to replace the damaged portion. Contractor called the developer, during the phone conversation, contractor stated he would not finish the project unless developer promised to pay contractor an additional ksh.1,000,000. Developer agreed. The developer completed the shopping center. Developer refused to pay contractor any amount over ksh.5,000,000. Contractor goes to a law court to sue the developer.

Required:

- a) Peter Njoroge, a sub-contractor could have avoided the change in price leading to loss of work . Explain three measures that Peter could have put in place to avoid price variations. (6 Marks)
- b) Discuss contractors rights, if any against developer (4 Marks)

- c) In case the contractor sued the developer. Did he win the case? Give two reasons. (6 Marks)
- d) In your own argument, was there any valid contract between the contractor and developer? Give reasons. (6 Marks)
- e) Discuss any two possible types of contracts that could have been suitable for the two parties. (4 Marks)
- f) Discuss any two main contract clauses that could have been inserted in the contract document to safeguard the contractor against any financial loss. (4 Marks)

QUESTION TWO (20 MARKS)

- a) Procurement methods are used in selection of reliable suppliers to the business. Explain three methods of procurement that can be used by buyers. (6 Marks)
- b) Specification of a product is one of the elements found in procurement contracts that sets out the detailed requirements for a product. Explain three benefits of specification in contract administration (6 Marks)
- c) Contract administration is the process that ensures that contracts are executed in a timely and efficient manner. Discuss four importance of contract administration in both public and private sector (8 Marks)

QUESTION THREE (20 MARKS)

- a) Contract disputes occur during negotiation of the contract terms and after the contract has been executed. Explain three causes of disputes during contract administration (6 Marks)
- b) The procurement contract process begins when a bid is confirmed and any form of negotiation is completed. Describe the procurement contract process between the buyer and service provider. (8 Marks)
- c) In order for a contract to be valid, it must include certain features. Explain three features of a valid contract. (6 Marks)

QUESTION FOUR (20 MARKS)

- a) Contract administration concludes with final inspection and acceptance goods, works or services prior to completion date. Discuss three factors the inspection team should consider during inspection (6 Marks)
- b) Explain three duties of a buyer in a contract of a sale (6 Marks)
- c) Contract clauses are inserted in the contract document to safeguard the party to the contract from suffering financial loss. Explain any four main contract clauses that are found in a contract. (8 Marks)

QUESTION FIVE (20 MARKS)

- a) Contract administration ensures that both parties to a contract meet their required objective while protecting each party's rights. Discuss four activities undertaken during contract administration process to make it efficient and effective. (8 Marks)
- b) Key performance indicators forms an essential part of a performance management framework during contract administration. Explain three benefits of performance management framework to a buyer. (6 Marks)
- c) Selection of contract pricing methods is necessary to provide effective management of contracts. Explain three types of contracts in purchasing and sale goods and services. (6 Marks)