

## Contracts and Tenders

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### ABSTRACT:

For a contract to be undertaken, contractor should get a proposal from the owner to execute some specified type of work in the form of a tender notice, in news papers, notice boards, gussets according to the cost of work. In tender notice name of the work and estimated cost were mentioned. If a tender is accepted there will be an agreement between the contractor and owner which contains legal obligations and conditions of the owner. Each page of the contract document holds up the signature of the contractor. Impossible promises were not encouraged. The whole work must be completely finished to the satisfaction of executive engineer from the date of order the beginning of work. Every tender must be lead by a deposit of 2% of the estimated cost as earnest money. The tenders submitted without earnest money are rejected.

**KEYWORDS:** Contract, Agreement, Document, Tender, Bid, Gussets, Quotation, Specifications.

### I. INTRODUCTION:

In this article we are discussing about contract, tenders, types of contracts and advantages disadvantages, process of accepting the tender and their obligations in it.

#### Definitions:

[1]. **Contract:** contract is a legally binding document undertaken by a person to do any project or work, undertaken agreement.

➤ Document regulates and admits the task of the person or parties.

**Contractor:** A person undertaking the duty of providing materials, labor to complete the project.

#### [1]. LEGAL OBLIGATIONS OF CONTRACT:

➤ If a contractor refuses to continue the process before the completion will be subjected for break of the contractor.

➤ Impossible promises should not be done in contract, it will not be accepted.

➤ When a contractor finishes half of the work and decline to complete the whole work, the employer may control the work after due notice.

➤ When it is impossible to carry out the work or when the contractor cannot fulfill the conditions and promises will not be excused.

➤ Recovery is only possible after the completion of a definite work.

#### [1]. CONTRACT DOCUMENT:

Before a project is given for contract, bond is being prepared by the department. This document is called as contract document.

[2]. The contract document contains the following:

**Tender notice:** The tender notice describes about the work and cost of the work, time of tender, date, and time of completion of the project, amount of earnest money deposit (E.M.D.) and security deposit.

**Tender forms:** Providing specific rates for each item, rates of the contractor, and total cost will be mentioned.

**Schedule of quantities:** Exact quantities and rate of each item of work.

**Schedule of issues of materials:** Giving the list of materials to be offered to the contractor with bill.

**General specifications:** it consists of requirement class, grades, and materials.

**Detailed specifications:** in this specification item of work mentioned in a detailed manner to avoid repetition.

**Drawings:** plans, elevations, sections, site plans are mentioned.

**Condition of contracts:** It contains the terms and conditions must be fulfilled.

#### [3]. TYPES OF CONTRACT SYSTEMS:

It depends upon the nature and cost of work there are some important types of contracts:

**Item rate contract:** This contract is known as unit price contract or schedule contract. A company can take the execution of work on item rate bases. This company is known as contract. The contract require final rate for individual item of work. Detailed

measurements of individual item of different work should be done before payment, after completion of project. This contract is used by the government undertaking engineering works including railways.

**[4]. Merits:**

- This method gives detailed analysis of cost and measurements of each item of work.
- Drawings and quantities of each individual item can be changed with the agreed limit.

**Demerits:**

- The item of work may have higher rate for items and lightly increased to the lower rate for items.
- Owner may face financial problems.

**[5]. Percentage rate contract:** The contractors require offer to carry out the work. The percentage above or below applicable on the overall cost of the work also.

**Merits:**

- The ranking of the contractor is known for just opening the tenders.
- The contractor is efficient in the utilization of the resources then the cost of the client should represent a fair price for the work undertaken.

**Demerits:**

- The owner aims to get maximum work out of money he spends, whereas the contractor to get maximum money.

**[6]. Labor contract:** This contract undertaken by the labor portion. Excluding the materials are arranged are supplied at the work site by the owner. It is based on labor portion only, and the contractor is paid for the quantities of the work done.

**Merits:**

- This system is convenient for private building constructions.

**Demerit:**

- The department has to check the materials.
- The large area is required for material storage.

**[7]. Lump sum contract:** This contractor agrees to execute to complete the work. The detailed drawings, plans and detail specification of all item of work must include in the contract agreement .the payment is done by checking the work.

**Merits:**

- Construction cost is low and the total cost of the work is known before.
- The owner can arrange the funds in time.

- The work must finish before the given time.

**Demerits :**

- There will be no changes done in drawings and specifications once the contract is achieved.

- If the plan and specifications are not mentioned clearly, the contractors may charge higher rates, leads to the high cost of the work.

**[8]. Material supply contract :** The contractor must supply the required quantity of materials offered by the rate of the owner and all materials should be checked for the quality and quantity , when delivery is taken .

**Merits:**

- The total cost of the work is known before and the owner can arrange the funds.
- Detailed measurements are not required.

**Demerits:**

- Constant control over the quality of materials and batches at different times is required
- Cost plus percentage contract:** The contractor accepts to take the work of construction for allotted percentage above the actual cost of construction. And the labor, material cost defers.

**Merits:**

- The construction can be quickly drawn up and work is completed in shorter span.

**Demerits :**

- Before the completion of the work the price cannot be regulated.
- There may be a difficulty in checking the cost

**[9]. SUBCONTRACT:**

A subcontractor is a person who performs just a part of work or a specific task of the whole project . General contractor hires the sub contractor to complete a specific task.

**TENDER**

**[10]. Quotation :** It is the offer made by the suppliers in which the rates of different items according to their business conditions .

**[11]. Tender:** The tender is defined as an offer written under certain terms and conditions of the contract and an agreement between contractor and the department to supply specified articles specified or certain time and rate.

**Tenderers:** It can be defined as the person who tenders a contract at some estimated cost. Contractor names will be registered under a particular class; only the registered contractors can

tender their rates at particular call. Registration is done by their financial status and capability.

#### **NEED FOR CALLING OF TENDERS:**

**Necessity of tenders:** Assign the work by calling tenders is an advantage because a lower bid can be obtained due to competition among the contractors and special interests, preferences, partiality can be avoided. So fairness, equality can be done .

#### **Advantages of tender system;**

- The lowest price is accepted here and money is saved.
- Employment opportunity increases.
- There is no favor to any supplier and unfair practices are minimized.
- There is no need of debate and discussions.
- Everyone can apply for the tenders.

#### **Disadvantages of tender system:**

- The best quality may not available at every time because the reason is that the lowest price means the lowest standard.
- If the market price falls the agreed prices must paid by the officer.

#### **[12]. TENDER NOTICE:**

Tender notice can be defined as an invitation to accept a offer or to take over the project. Tenders can be invited from registered or not registered. A tender includes many particular of works. The time period to submit the tender is one month.

Tender notice holds the following information:

- Tender notice contains some specific details like submission of bids, last date.
- There will be a specific time and dates for opening the tenders.
- Selection of the officer in inviting the tenders.
- The cost of tender document including all the taxes.
- Legal acceptability of tenders.

#### **Signed tender :**

Basically the tender is prepared with important information, specification, details of project. The form should be signed by the Tenderers is called as assigned tender form.

List of documents to be attached to the signed tender:

- Original tender documents with signed tender and stamped at all papers.
- Terms and conditions mentioned in the tender notice.
- Rates shall be quoted, including all the taxes, service charges.

➤ Tenders received after the prescribed time, date will not be accepted at any conditions.

➤ Income tax returns and solvency statement.

#### **[13]. TENDER DOCUMENTS:**

Tender documents should vitally call on behalf of the governor of state to meet the requirements of constitution.

Before inviting of tenders, document has to be prepared:

- It must consist of important conditions like important documents and availability of financial records, insurance documents and previous project records.
- It must contain specification of required goods, service, materials etc.
- The time of completion and submission of the project.
- It should contain all the rights and responsibilities and all the terms and conditions mentioned should be clearly followed.
- The contractor must give the official agreement with all the terms and conditions of the contract.
- Completion and submission of the project should be provided.
- A complete drawing detail should be provided.

The following individuals must be equipped in the tender documents:

- Location of the work site.
- Tapping point of power and rates.
- Weather conditions, communication facilities in the working area should be mentioned.
- The power of declining of tender without giving any reasons.
- Penance held for slow progress and hold up in fulfillment of work.
- Hire charges for transportation, and approximate quantity of work for each item of work should be mentioned.

#### **[14]. SHORT TENDER NOTICE:**

When the offer is not received from the contracts of the earlier tender a notice with short period is again issued. Such notice within a short duration is known as short tender notice.

#### **[15]. EAREST MONEY DEPOSIT (E.M.D)**

It is the amount which the contractor should deposit along with the department at the period of submitting the tender. It can be either submitted in the form of bankers check. Every tender will be lead by earnest money equivalent will be 1-2% by the estimated price .E.M.D. serves as a check to avoid the contractor from declining

to agree the work when the tender as been already accepted . Unwanted competition will be avoided, it acts as a punishment.

#### SECURITY DEPOSIT:

The contract has to deposit about 10% of the tendered amount along with the department as soon as the tender is accepted. This includes earnest money deposit by the contractor. This money serves as a check. So the contractor should achieve all the terms and conditions of the contractor. If he fails to satisfy the conditions of the contract the full or some of the amount of the security deposit should give up to the department. After the completion of work as per all specifications, drawings and directions of departments within a certain time period. Satisfying all the terms and conditions of the department. The security deposit will be refunded to the contractor after the sustaining period.

#### [16]. OPENING OF TENDERS:

Tender must be submitted before prescribed date and time. It should be in a sealed cover to ensure security till they opened. Due date and the name of the work should be mentioned on the cover for the purpose of identity. The tender which are not received in a proper manner, not filled properly or not signed will be rejected. The sealed tenders which are received will be opened in the presence of the tenders.

#### [17]. COMPARATIVE STATEMENT:

The cost and amounts quoted in all official tenders are arranged in the form of a statement is known as comparative statement. Calculations with respect to rates, quantities, amounts and total must be checked.

#### ACCEPTENCE OF TENDER:

Generally the lowest tender is accepted till there is no reason to reject, like poor past performance, financial status. Conditional tender will not be accepted, in case there is a low bidding conditional tender may be accepted. If high rates are quoted, all tenders will be rejected.

#### [18]. WORK ORDER:

In work order the form of agreement is generally used for small works. In this type of contract contract is taken without calling tenders and quotations. The work order is done on the conditions of the department .The exact quantities of different item of work, detailed specification of each item of work and time of completion of entire work must satisfy terms and conditions given in work order. The payments are done based on the

measurement of work. Normally 10% of the amount is detected from the managing account bill as security.

## II. CONCLUSION

A contract should be done by satisfying all terms and conditions. Quality less material should not be used after the payment is done. A visit to the project site must be done by the department to check the quality of material and the work done. Agreement between the parties of a contract is finished when it is legally bond and to attain adequate agreement. The agreement should be variable in written form. Drawings, detailed specifications, total cost, quantity and quality of the materials should be accurate. Execution of work must be done according to the approved schedule.

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