

Identify at least three types of project procurement contracts. describe each and...

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Types of Contracts Affiliation The three types of project procurement contracts are; Firm Fixed Price, Time & Material, and Cost Reimbursable Contracts (Carstens, Richardson & Smith, 2013). The Firm Fixed Price Contract is the most popular type and is characterized by a set price that is unchangeable with the exception of alterations in the scope of work.

Therefore, liability with regards to increased costs above the agreed contractual price falls absolutely on the seller. This is especially the case where the variance stems from poor workmanship or logistics.

Cost Reimbursable Contracts are also referred to as Cost-Plus Contracts. This contract settle the costs incurred by the seller and a pre-determined fee above the actual costs which represent the profit enjoyed (Carstens, Richardson & Smith, 2013). The seller therefore embarks on a project without limitations to expenditure but files all expenses incurred to be passed on to the buyer. This contract exposes the buyer to more risk than the seller because valuation will contain all expenses despite cases of poor workmanship and material resource mismanagement. An example of risk is where the buyer only receives receipts of purchases that are subject to negligence of the seller who may overlook good pricing of commodities in favor of convenience.

Time and Material Contracts contain elements that are characteristic of the Cost Reimbursable Contracts and The Firm Fixed Price Contract. The contracts are best applied in cases of ambiguity or unclear statement of work (Carstens, Richardson & Smith, 2013). An example is where the workers need to be increased for shorter executions with an aim of meeting

challenges previously unforeseen on the project. Alternatively, engagement of experts on certain aspects of work may require such contracts. This type of contract shares the burden of risk between the sellers and buyers. The risk falls more on the partner who requires the adjustments beyond basic agreements of project procurement contract. However, most cases call for open ends on buyers cost increase during periods of uncertainty.

References

Carstens, S., Richardson, G. & Smith, R. (2013). Project Management Tools and Techniques: A Practical Guide. Broken Sound Parkway, NW: CRC Press.