

CPCCBC4003A SELECT AND PREPARE A CONSTRUCTION CONTRACT, CPCCBC4016A ADMINISTER A CONSTRUCTION CONTRACT & CPCCBC4032A APPLY CONTRACT LAW TO SALES PROCESSES

The assessment activities for *CPCCBC4003A Select and prepare a construction contract*, *CPCCBC4016A Administer a construction contract* & *CPCCBC4032A Apply contract law to sales processes* cover all aspects of the unit of competency required. To demonstrate competence in this unit, a participant must undertake all tasks and complete them satisfactorily and consistently. For Apprentices and Trainees, this includes employer completion of the Employer Record Book (ERB).

Participants must read all the information given before starting any assessment task. The assessment tasks are intended to be equitable, fair and flexible. If a participant has any questions or requires alternative arrangements to be made such requests should be directed to their Trainer/Assessor, who should note such arrangements in the 'Assessor Comments' on the affected assessment. If a participant feels they are not yet ready to be assessed, they should discuss their options with their Trainer/Assessor.

To satisfactorily complete the assessment, the participant is required to answer all questions correctly and demonstrate their skills to industry standards. If a participant does not answer some questions or perform some tasks, they will be deemed 'Not Satisfactory' for the task and 'Not Yet Competent' for the unit of competency. The Trainer/Assessor is able to provide the participant with additional information on interpreting the assessment outcomes and provide guidance on the participant's options. Should a participant still be deemed 'Not Satisfactory' they will have the opportunity to undertake a supplementary assessment or appeal the result.

By signing the cover page for each assessment item, the participant acknowledges they understand the assessment instructions and requirements and consent to being assessed. The participant also verifies and assures the RTO that the work submitted is their own work.

Participant Name	Jack Morris
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Task	Assessment Results	
Theory Exam	☐ Satisfactory	☐ Not Yet Satisfactory
Practical Assessment	☐ Satisfactory	☐ Not Yet Satisfactory
Outcome for CPCCBC4003A	☐ Competent	☐ Not Yet Competent
Outcome for CPCCBC4016A	☐ Competent	☐ Not Yet Competent
Outcome for CPCCBC4032A	☐ Competent	☐ Not Yet Competent

Assessor Name	
Assessor Signature	
Unit Competence Determination Date	Click here to enter a date. 27/5/20

**CPCBC4003A SELECT AND PREPARE A
CONSTRUCTION CONTRACT,
CPCBC4016A ADMINISTER A CONSTRUCTION
CONTRACT &
CPCBC4032A APPLY CONTRACT LAW TO SALES
PROCESSES**

THEORY EXAM INSTRUCTIONS

1. This exam will occur under standard assessment conditions.
 1. An oral examination may be allowed under certain circumstances, whereby the Participant's answers will be documented by a party other than the Participant. This must be acknowledged in writing (e.g. FT001 and Assessor Comments)
2. Participants must provide enough detail in their responses to demonstrate their knowledge and skills.
3. Please fill in the details below, providing your name, signature and date of assessment.
 1. Your signature acknowledges that this is your own work.
4. Assessors are to complete marking in pen of a different colour to the Participant.
5. If a Participant initially answers a question incorrectly but modifies their response, they must follow the instructions below:
 1. If a Participant changes their response in writing, they must put their initials next to the written change.
 2. If a Participant changes their response verbally, this must be noted on the exam paper by the assessor.

Participant name Jack Morris

Participant signature

Date

Click here to enter a date. 27/5/20

Assessor name

Assessorsignature

Date

Click here to enter a date.

Number of questions	Number of questions answered correctly	Task outcome (Tick)	
		Satisfactory	Not Yet Satisfactory
51		☐	☐

ASSESSOR COMMENTS

Q1. Order the following elements of an agreement from 1 to 4.

Answer

Element Number	Element
2	Acceptance
4	Consideration
3	Intention of legal consequences
1	Offer

☐

Q2. When would an offer be considered to have lapsed?

Answer

If the offer is withdrawn before it is accepted.
Time sensitive – the greater the value of the contract, the longer time is given to the contract.

☐

Q3. What happens to the offer if new terms are suggested?

Answer

New terms or counter offer can be suggested during the acceptance stage of the contract negotiation. These offers can either be accepted or rejected. If accepted the negotiation ends and the new terms and conditions are added to the contract.

☐

Q4. What does it mean when a contract is supported by 'valuable consideration'?

Answer

When one party promises to do something for the other party, a promise is to be made in return
Providing each party has agreed to a price and a promise to follow through is called consideration.
Usually the consideration is the payment of money

☐

Q5. Identify two (2) parties who may be deemed to not have the capacity to enter into a contract.

Answer A person suffering from a mental disability, intoxication or senile persons) ☐

- **Outline your understanding of 'consent' as it applies to contractual agreements. Identify when 'apparent consent' might not actually exist.**

Answer

A person who possesses and exercises sufficient mental capacity to make an intelligent decision has the cognitive ability to consent by performing an act recommended by another.

Consent is implied in every agreement. This is an act of deliberation and reason.

Apparent consent may not actually exist if there has been a mistake, fraud, innocent misrepresentation, duress or undue influence, all of which are defences to the enforcement of the contract.

 ☐

Q6. Identify the building industry regulator in your state and describe its role, particularly with regards to providing advice about contracts.

Answer

Queensland Building and construction commission Act 1991
-An act to regulate the building industry.

Building Act 1975
-An Act to regulate building development approvals, building work, building classification, building certifiers and pool safety inspectors, and to provide for particular matters about swimming pool safety and sustainable buildings, and for other purposes.

Building Industry Fairness (security of payment) Act 2017
-An act to imply terms in construction contracts, to provide for adjudication of payment disputes under construction contracts, and for other purposes.

 ☐

Q7. Under what laws are domestic building contracts regulated?

Answer Schedule 1B of the QBCC Act ☐

Q8. Domestic building contracts must be put in writing once the work exceeds what value?

Answer Once work exceeds \$3,300 contract must be put in writing.

☐

Q9. A commercial building contract must be put in writing before the building work is started if the reasonable cost of the work is more than what amount? Identify the relevant law that imposes this requirement.

Answer If the reasonable cost is of \$10,000 or more a building contract must be signed.
Schedule 1B of the QBCC Act
Queensland Building and Construction Commission Act 1991

☐

Q10. Contractors must give the owner a signed copy of the entire contract (including any plans and specifications) within how many days after entering the contract?

Answer Once negotiation ends and final offer is accepted and terms and conditions have been finalized, contract is to be drawn up. And given to all parties involved within 5 days.

☐

Q11. What are the benefits of having a written contract in place between parties?

Answer Having a written contract protects all parties involved. These written contracts stipulate timeframes, payments, procedures etc. Having a written contract provides an extra sense of security as opposed to a spoken promise. Ensuring both parties are legally protected if the need for expert or legal advice is required.

☐

Q12. Match the common building contract clauses and definitions below by writing the appropriate letter next to each number in the centre column.

Answer	Clauses	Answers	Definition	
1	Acceptances	1 - F	A Provide specific reasons that allow the contract period to be adjusted	
2	Cost adjustments	2 - E	B A provision for which remedies can be sought if breached	
3	Extensions of time	3 - A	C Specifically outlines the tasks to be completed as part of the construction work	
4	Payments	4- D	D Outlines the requirements for deposits	
5	Scope of work	5- B	E Address the risk of rise/fall of expenses	
6	Term	6- C	F Require that the contract be accepted or rejected by a certain date, otherwise the contract will not be binding	

Q13. Which of the following are preliminary contracts that a builder could ask a client to sign prior to signing the main contract? Tick all that apply.

Answer	Choice	Possible Answers	
	☐	Contract estimate	
	☐	Contract request	
	☒	Preliminary agreement	

Q14. True or False (Tick your response): Clauses within pre-contract agreements may carry over into the contract, so it is important to discuss these with the client and come to an agreement.

Answer			
	☒	True	
	☐	False	

Q15. Identify and explain the purpose of four (4) standardised building construction contracts – two (2) residential and two (2) commercial.

Answer

Contract name	Description
RESIDENTIAL New homes construction contract	This contract is designed for new home and are tailor made to conform with state legislation, covering all general conditions and schedules
RESIDENTIAL Basic works contract	This contract is designed to be used for either level or 2 residential dwellings. This contract is only to be used for work up to \$80,000 including GST
COMMERCIAL Commercial building contracts	This contract is designed to for the construction of commercial building work. A principle agent is not required.
COMMERCIAL Commercial Minor Works Contract	A lump sum contract for minor commercial work up to the value of \$100,000



Q16. Identify an appropriate standardised contract that would be suitable for a commercial works job up to \$100,000.

Answer

Commercial Minor Works Contract



Q17. Identify one (1) standardised residential building contract and explain the maximum value of the work it may be used for.

Answer

Basic Works Contract.

This contract is designed to be used for either level or 2 residential dwellings. This contract is only to be used for work up to \$80,000 including GST



Q18. Describe the requirements for each of the topics listed below, with regards to residential contracts priced at \$20,000.

In Queensland, these are outlined in the QBCC Consumer Building Guide, which the consumer must sign before work is undertaken.

Answer

Topics	Definition
Builder's Licence	
Contract price	
Building approvals and inspections	
Practical completion and handover	
Implied warranties	



- Which of the following documents can be referred to as collectively making up a contract? Tick all that apply.

Answer

Choice	Possible Answers
✓	Engineer specifications
✓	Plans, drawings and specifications
✓	Prime Cost Items Schedule
✓	Processes for applying for extensions of time
☐	Product catalogues
✓	Project timelines and schedules
✓	Provisional Sums Schedule
☐	Rise and fall calculations
✓	Site conditions report
✓	Soil and sedimentation report

☐

- Q19. What is the difference between the Prime Cost Item Schedule and the Provisional Sum Schedule in a contract? Provide an example of each type to help explain your response.

Answer

A prime cost item schedule is an agreed estimated amount for speciality items, such as bathroom kitchen fittings, doors and tiles. The builder is required to base and estimate either inline or above the lowest amount these items could cost. If the item selected by the client is more expensive then that described in the contract the client is responsible for covering the additional funds.

A provisional sum is described as an amount of money added to the contract to cover work or materials not stipulated in the contract. The builders are required by law to take all possible steps to ensure an accurate costing. But in the case of unforeseen issues, the provisional sum cost is added to the contract. Unforeseen issues can take during earth movement and slab prep, soil may be unsuitable and require excessive earth works, this can be covered by the provisional sum in the contract.

☐

Q20. Cost adjustment provisions under a contract address risk by providing mechanisms for adjusting contract payment to reflect changes in costs. What can cost adjustment apply to?

Answer With all building development the cost associated will rise or fall differing from the estimation. However this cost adjustment only applies to long term costing and specific costing, including duties, taxes, labour and materials. ☐

Q21. True or False (Tick your response): Variations can be requested by both the client and the builder.

Answer

✓	True
□	False

☐

- **How should you deal with a client variation request that consequently requires a time extension? How are time extensions addressed within the contract?**

Answer Variations must be in writing and agreed to in writing by both parties. This should take place before work commences, if the client requests a variation which requires a time extension. Both parties are to establish extra costs in relation to variation. The contractor is then required to submit an extension of time and payment schedule in relation to the contract. ☐

Q22. Name the Fair Trade legislation that applies in your state and identify which persons/bodies it applies to.

Answer

Fair Trading Act 1989

1

Person carrying on business within Queensland

Bodies corporate incorporated or registered under the law of Queensland

Persons ordinarily resident in Queensland

Persons otherwise connected with Queensland

2

Subject to subsection (1) this act extends to conduct, and other acts, matters and things, occurring or existing outside or partly outside Queensland (whether within or outside Australia).

☐

Q23. Under the National Consumer Credit Code, before entering into a credit contract, what must the credit provider do?

Answer

Credit providers must be licensed and are only legally able to lend money responsibly.

Before the contract is entered into the creditor must supply the client with a pre contractual statement along with an information statement. These documents must include the –

Credit provider name and licence number

Contact detail

Amount of credit applied for

Repayment terms and conditions

Percentage rate

Fees and additional charges

Details of the right to complain must also be issued to the client, along with access to their external dispute resolution scheme (EDR)

☐

Q24. What does the 'cooling off' period refer to when undertaking domestic building work with a total contract price of \$20,000 or more?

Answer

A cooling off period of five days from receipt of contract is given to the client where they have to option to withdraw. This is stipulated in Schedule 1B of the QBCC Act

☐

Q25. What are the maximum deposits recommended for a residential building project?

Answer If the project is between \$3300 -\$20000 maximum deposit cannot exceed 10% ☐

If the project is \$20000 or more the maximum deposit cannot exceed 5%

Q26. Throughout the building schedule, progress payments are made when each new stage is ready to commence.

Identify the recommended stages and percentages for these progress payments on a typical new residential housing building project.

Answer

Stage	%of total contract
Deposit	5%
Base stage	15%
Frame stage	20%
Enclosed stage	25%
Fixing stage	20%
Practical completion	15%

☐

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Deposit	5%
Base stage	15%
Frame stage	20%
Enclosed stage	25%
Fixing stage	20%
Practical completion	15%

- You have been engaged by a client to construct their residential dwelling for \$550,000. Your client is pressuring you to accept a \$70,000 deposit to get priority on their construction. Should you accept the deposit? Explain your response.**

Answer By law if the project is \$20000 or more the maximum deposit cannot exceed 5% This is stipulated in the QBCC Act. If this is broken the builder can face both legal and financial ramifications. ☐

- Explain the following types of contractual breach and identify the consequences for the contractual arrangement due to each type of breach.

Answer

Breach	Explanation
Breach of condition under contract	These are essential terms. If a condition is not fulfilled, the nature of the contract is drastically changed. Breach of conditions can warrant the contract void.
Breach of warranty under contract	If a warranty is not fulfilled, the nature of the contract is not drastically changed. Warranty is not the same as a guarantee. A minor clause in a contract the remedy for breach of which is damages for any loss. Also, a promise to repair or replace defective goods.

☐

Q27. What does repudiation of a contract mean?

Answer

Repudiation means that if one party believes the other is unwill or suggest behaviour that they will not be able to perform the contractual duties as stipulated. That party has the right to terminate or void the contract due to repudiation.

☐

Q28. True or False (Tick your response): In the event of repudiation, the injured party has two options:

6. Continue with the contract

7. Accept the repudiation and move to terminate the contract

Answer

✓	True
☐	False

☐

Q29. Why should you exercise caution, even if you are sure that the other party has repudiated the contract?

Answer In Cases where repudiation occurs legal ramifications generally follow, leaving you with the possibility of legal fees and being liable for damages.

☐

Q30. What does 'abandonment of contract' mean?

Answer Abandonment of contract can have to different meanings.

1. Contract abandonment, where both parties have behaved of conducted themselves in a way that the contract is no longer viable. Both parties are able to mutually agree or this abandonment can become part of a claim.
2. Contractor failure, this is where a contract fails to perform stipulated in the contract, by not stating or completing work in a reasonable time frame. Abandonment of a construction project with out a viable legal excuse can lead to disciplinary action.

☐

Q31. A contract can be terminated for 'cause' or for 'convenience'. Explain these two terms.

Answer Contract termination for 'cause' occurs when one party stops work because of poor performance on the part of the other party. Because the contract is terminated as a result of a party's own poor performance, the law typically provides the terminated party with minimal options in relation to the termination of the contract.

Contract termination for 'convenience' this comes as a result of the owner stopping work for issues in relation to issues other than that of the performance of a contractor. As this termination is not based on performance the law may provide to contractor with additional rights against the owner in breach.

☐

Q32. Yes or No (Tick your response): Referring to Section 25 of Schedule 2 of the *Competition and Consumer Act 2010* (Cth), would a contract be

unfair if it contains a term that permits the builder, but not the client, to terminate the contract?

Answer

✓	Yes
☐	No

☐

Q33. If time is not of the essence for contract completion and one party fails to perform on time, the other party may terminate the contract after serving notice – specifying a time for performance on the first party. What are the requirements of a valid notice to complete?

Answer

After notification is given 14 days are given to the first party.

☐

Items required in a valid notice to complete.

-what must occur to perform the contract

-a reasonable time in which the contract is to be completed

-a statement of consequences for not performing in accordance with the notice.

If the given notice doesn't include all of the above elements it may be noted as unreasonable and unsatisfactory. Another notice must be served or they may need to provide proof of repudiation to be able to terminate the contract.

Q34. True or False (Tick your response): Where the notice given (as per Q33.) is deemed invalid, the innocent party must either serve another notice or prove repudiation by the defaulting party, in order to terminate the contract.

Answer

✓	True
☐	False

☐

Q35. When is the client owner required to pay the final contract payment? How might this be affected by defects and omissions?

Answer Final payment is made at practical completion not handover.



A defect report is created during handover, if defects or omission are reported, the contractor has 28 calendar days to rectify defects. Or breach of contract may be issued.

Q36. Explain the concept 'conditions for completion at the cost of the contractor'.

Answer If defects or omissions are discovered within 6 months of the date of completion, the contractor is liable to complete repairs or rectification. If defects or omissions are discovered on hand over a period of 28 calendar days is given for rectification.



Q37. Describe what must be stated in a 'warranty against defects' about the person who gives the warranty [as per Section 90 of the *Competition and Consumer Regulations 2010* (Cth)].

Answer -the name, business address, phone number, email
-what you must do to make a claim under the warranty, and what the person or business must do to honour the warranty
-a statement that the warranty is given in addition to consumer guarantees and cannot exclude them.



Q38. Name one (1) person you should consult if you are considering ousting a contractor from a building site.

Answer

Consult your contract or lawyer to understand your rights and obligations.

☐

Q39. What document should you refer to if you are considering ousting a contractor from a building site?

Answer

Both owner and builder must be meticulous in applying the dismissal procedure delineated in the contract. Seek advice from your lawyer to understand your rights and obligations.

☐

Q40. How should you handle a customer complaint?

Answer

Deal with the complaint immediately
Stay calm
Identify the problem
Decide what can be done
Arrange a second opinion to confirm your view
Keep records
Fix the problem

☐

Q41. How do you reduce the risk of dispute?

Answer

Ensuring all documentation is completed accurately and any changes fully documented. Ensuring all parties involved in the project have a full understanding of the time line, and expectations outlined in the contract.

☐

Q42. What is the process for dispute resolution?

Answer

If issues do arise and all parties are unable to reach an amicable agreement arbitration can be used before legal proceeding need to occur, and arbitrators decision is final and cannot be appealed

☐

- During your build the client has emailed you at 7:00pm to say they have been to the premises and noticed the installed bath in the bathroom is the wrong style.

You check the contract and the white goods and chattels list selected by the client. You cross check this with the specifications and your materials order and the receivable order sheets. You establish that the bath, as per these details, is correct and there has been no mistake on your part.

Draft a detailed response email to your client alerting them to the pertinent parts of the contract and specification, cross-referencing the details in regard to this item and its installation.

Answer To Client,

In response to your email regarding the installed bath in the main bathroom is incorrect.

I wish to inform you upon receiving this notification, a cross check was made with the contract and the stipulations related to the bath, and the choices you had made. Further checks were done on both the material order form and receivable order sheets.

As per the stipulations outlined by you the client, the bath in question is the correct make and model.

If you wish to make changes to the bath please don't hesitate to make contact, and we will endeavour to rectify this situation, and update the contract.

Your sincerely



Q43. Where would you find any possible penalties associated with a build?

Answer ACCC



**Q44. Explain the process for obtaining the final inspection certificate.
Explain how such documentation is to be stored/lodged.**

Answer The final inspection certificate is issued once the construction contract has been fully completed. This is issued once the defect liability period has expired and any outstanding funds due to the contract have been rectified. Including and remaining retention.



As per the directions dictated in the Planning Act 2016 and the Building Act 1975 a private certifier is to lodge building work documentation with Council.

- **Select and prepare an appropriate standardised contract for the client in the scenario below.**

Mr. and Mrs. Cousins intend to engage your company Resilient Homes Pty Ltd (License 141526) in order to build a new low-rise residential dwelling as their future retirement property. Mid-term of this build the clients intend putting their current home on the real estate market for sale.

Additional details:

The land has been secured and paid for by the Clients.

Proposed contract amount is \$580,000.00 plus \$85,000 for a kidney shaped 9m x 6m in-ground swimming pool, landscaping, gardens and lawns.

Mr. and Mrs. Cousins have finance approval from the Commonwealth Bank for \$390,000.00 and the balance in cash. You have received written assurance from the Clients finance company and bank that their finances for the build are fully secured.

Mr. and Mrs. Cousins want to pay you \$75,000.00 upon signing of the contract to get their build at the top of your priority list.

The residential dwelling will be a low set single skin masonry structure with hip and valley roof using glazed clay tiles, contrast metal fascia and gutters and colour/rendered finish on a 1000m² level block upon which there are three large standing hardwood trees which will need to be fully removed.

The Clients want the largest tree wood chipped and the chipped bark retained on site for the future gardens and landscaping.

Mr. and Mrs. Cousins operate an aluminium window supply company and have advised they will supply all the windows and shower glass for the build.

The dwelling has four bedrooms with built-ins. The master bedroom has ensuite with toilet, spa bath and double shower and walk-in robe and dressing area. There is an office, gourmet kitchen with stone bench tops and butler's pantry, media room, separate open plan dining adjacent to the kitchen plus slate tiled outdoor entertaining area adjacent to the pool, two living areas (formal and informal), two bedrooms share a bathroom with bath, shower, double vanity and toilet and the guest bedroom is ensuited with shower only, toilet and single vanity, there is a powder room (toilet and vanity only), three car garage (one double and one single) and a store/workshop room at the rear of the double bay garage. A slab is to be put down in the back corner of the allotment for a 5m x 3m garden shed.

The council approved building plans have been provided by Mr. and Mrs. Cousins these do not include the garden shed slab.

0. The construction period excluding inclement weather and possible delays is 23 weeks

1. Provisional sums are required for the wet areas, alfresco area and living area tiling. (Only the bedrooms are carpeted).

2. Prime costs are required for the solar hot water system and ducted air conditioning

3. Provide fictitious details for all other sections of the contract.

4. 18 solar panels are to be installed on the roof

Answer

