# CPCCBC4032A
# APPLY CONTRACT LAW TO SALES PROCESSES

## THEORY EXAM INSTRUCTIONS

- This exam will occur under standard assessment conditions.
  - An oral examination may be allowed under certain circumstances. Answers will be documented and FT003 (Oral examination declaration form) must be completed.
- Participants must provide enough detail in their responses to demonstrate their knowledge and skills.
- Please fill in the details below, providing your name, signature and date of assessment.
  - Your signature acknowledges that this is your own work.
- If a participant initially answers a question incorrectly but modifies their response, they must follow the instructions below:
  - If a participant changes their response in writing, they must put their initials next to the written change.
  - If a participant changes their response verbally, this must be noted on the exam paper by the assessor.

Participant name DAVID MOORE

Participant signature

Assessor name

Assessor signature

Date Click here to enter a date. 28/06/18

| Number of questions | Number of questions answered correctly | Satisfactory? | |
|---|---|---|---|
| | | Yes | No |
| 25 | | ☐ | ☐ |

| ASSESSOR COMMENTS |
|---|
| |

Q1. **What are the four (4) essential elements of an agreement for it to be regarded as a contract?**

**What is the consequence if any essential element is missing?**

**Answer**

* OFFER
* Acceptance
* Intention of legal consequences
* consideration

-with any element the contract is not legally binding.

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

**Answer**

* Time for acceptance has expired
* Offer has been withdraw before acceptance.
* Longer than the life of the contract.

Q3. **What is able to be 'accepted'? What happens to the offer if new terms are suggested?**

**Answer**

Only what is offered in the contract can be accepted.

- If new terms are suggested this is regarded as a counter offer which can be accepted or rejected.

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

**Answer**

* One party promises to do something in return for a promise from another party.
* Consideration is what each party gives to the other as agreed price for the other's promises.
* Usually the consideration is the payment of money.

Q5. **Section 67AZN of the *Queensland Building and Construction Commission Act 1991* specifies that domestic building contracts are regulated under which Schedule?**

**Answer**

1B

Q6. **Domestic building contracts must be put in writing once the work exceeds what value?**

**Answer**

$3300

Q7. **Section 67G of the *Queensland Building and Construction Commission Act 1991* specifies that it is an offence for a commercial building contract not to be put in writing before the building work is started if the reasonable cost of the work is more than what amount?**

**Answer**

$10,000

Q8. **Under Queensland law, 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**

5 Business days

Q9. **What are the benefits of having a written contract in place between parties?**

**Answer**

- client receives desired result
- Builder gets paid agreed sum
- Prevents dispute using contract as reference.

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Q10. **Match the clauses and definitions by writing the appropriate letter next to each number in the centre column.**

**Answer**

| | Clauses | Answers | | Definition |
|---|---|---|---|---|
| 1 | Acceptances | 1 - B | 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 sough 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 - C | E | Address the risk of rise/fall of expenses |
| 6 | Term | 6 - F | F | Require that the contract be accepted or rejected by a certain date, otherwise the contract will not be binding |

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Q11. **What are some of the preliminary contracts that a builder could ask a client to sign prior to signing the main contract?**

**Answer**

* Soil reports
* Foundation Data
* Preparation of plan agreements
* Dilapidation Surveys

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Q12. **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 |

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Q13. **Identify the various types of building and construction contracts and explain when it is appropriate to apply each type of contract.**

**Answer**

QBCC

New Home Contract - For construction of entire home

Lvl 1 - Renovation - Renovation on existing $3,301 $19,999

Lvl 2 - Renovation - Renovation $20,000 and above

Natural Disaster repair - Repairs below $3,300

Demolition of Residence - Severely damaged from natural Disaster.

Master Builders

Basic Works - Price up to $80,000

Commerical Minor Works - Works up to $100,000

QBCC Variation Document - changes to the contract.

Small building Projects - Works less than $3,300

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Q14. **Which of the following QBCC contracts would be most appropriate for a house renovation exceeding $20,000? Tick your response.**

**Answer**

| Choice | Possible Answers |
|---|---|
| ☐ | New home construction |
| ☐ | Level 1 |
| ☑ | Level 2 |
| ☐ | Small building projects |
| ☐ | Natural disasters repairs |
| ☐ | Demolition of residential premises |

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Q15. **The *Master Builders Queensland Commercial Minor Works Contract* can be used for work up to which value?**

**Answer** $100,000 ☐

Q16. **True or False (Tick your response): Variations can be requested by both the client and the builder.**

**Answer**

| | |
|---|---|
| ☑ | True |
| ☐ | False |

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Q17. **Describe the process for seeking a variation to a contract.**

**Answer**

- Speak with builder about the change in contract and issue this in writing.
- Builder will fill out variation document detailing the changes in contract and issued to client for approval.
- Once signed builder to supply copy within 5 Business days.
- Variation payment may be included in stage progress claim or however the parties agree after works has started.

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Q18. **What is the difference between the Prime Cost Item Schedule and the Provisional Sum Schedule in a contract? Give one example to help explain your answer.**

**Answer**

Prime Cost :- Amount of money included in the contract relating to items such as taps, doors, fittings
- Specific items are agreed at a later stage
- builder is to estimate at or above the lowest amount of cost.

Example: $100 tap instead of the $50 tap allowed in the prime cost, this will require at variation to the contract price.

Provisional Sum:- Money included for site works labor/materials not detailed when entering the contract.
- Included in site works clearing vegetation/foundations
- Builder to make estimate fair/reasonable to sum
- If sum/estimate is exceeded this will be added to contract price.

Example:- Earth works uncovers old pool/rubbish/hardstone

Q19. **Under Section 4A of the *Fair Trading Act 1989* (Qld), to which persons/bodies does this Act apply? Tick all that apply.**

**Answer**

| Choice | Possible Answers |
|---|---|
| ☑ | Bodies corporate incorporated or registered under the law of Queensland |
| ☑ | Persons carrying on business within Queensland |
| ☑ | Persons ordinarily resident in Queensland |
| ☑ | Persons otherwise connected with Queensland |

Q20. **True or False (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 |

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Q21. **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**

- Name
- Business address
- Phone number
- Email address

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Q22. **Under the National Consumer Credit Code, before entering into a credit contract, what must the credit provider do?**

**Answer**

Credit provider needs to be registered and licensed.
Credit provider also needs to assess :-
- Why ?
- Investigate the borrowers financial situation and see if it is suitable / fair.

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Q23. **Describe the topics outlined in the QBCC Consumer Building Guide (listed below), which the consumer must sign before work is undertaken for contracts priced $20,000 or more.**

**Answer**

| Topics | Definition |
|---|---|
| QBCC Licence | Recommended to deal only with QBCC licenced contractor, due to being covered under the QHWS scheme. Check contractor's licence and history online. |
| Contract price | The total contract price must be stated on the first page of contract schedule. Contain a warning about provisions that may cause change in price. |
| Building approvals and inspections | Responsibility of building certifier inspections and approvals. Mandatory building inspections may be required at certain stages. |
| Practical completion and handover | Practical completion payment is required once all contracted work is complete in accordance with the contract. A defects document will be supplied by contractor for defects minor. Building certifier may be involved in this process. |
| Implied warranties | Warrenties are deemed to be part of all regulated domestic building contracts. Warranty period is six years for structural defects and one year for all other defects. |

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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**

Parties involved may withdraw from the contract within five business days of recieving signed copies of the contract.
* Advise the contractor in writing
* $100 plus any out of pocket expenses the contractor has incurred.

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Q25. **What are the maximum deposits recommended and how should progress payments be scheduled?**

**Answer**

Ref:- QBCC
Deposits - $20,000 ↑ 5%
- $20,000 ↓ 10%

Base Stage - 15%
Frame Stage - 20%
Enclosed Stage - 25%
Fixing Stage - 20%
Practical Completion - 15%

Invoices for Progress payments at end of each stage certified completions.

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