

# Contracts

Contracts are legally-binding document that explains a formal agreement between two parties.

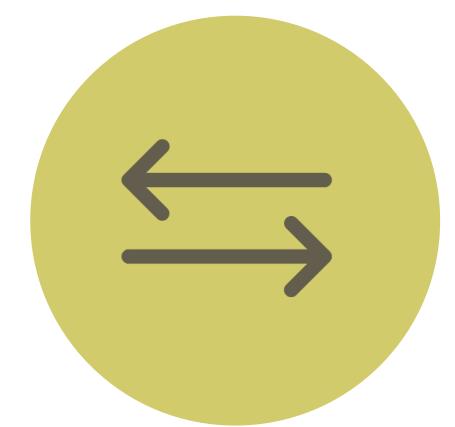


# ELEMENTS OF A CONTRACT



## OFFER

One party makes an offer to other for some action.



## CONSIDERATION

Something of value in exchange for action.



## ACCEPTANCE

Offer is accepted.



## MUTUALITY

Both parties have authority, understand, and agree.

# Fixed Price Contracts

RISK IS WITH SELLER

Firm Fixed Price – most common

Fixed Price Incentive

Fixed Price with Economic Price Adjustment

## Time & Materials

RISK IS WITH THE BUYER

Buyer reimburses the seller for the cost of material and labor needed to complete the work.

## **Cost Plus Contract**

RISK IS WITH BUYER

Buyer agrees to pay the actual incurred cost from the seller plus, a previously agreed upon fee .

# Retainer

RISK IS WITH BUYER

Seller pre-pays a specific amount for a specific number of employee hours.