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Application of Price Adjustment Provisions

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1. Price Adjustment Formula

$$P_n = a + b\left(\frac{L_n}{L_0}\right) + c\left(\frac{E_n}{E_0}\right) + d\left(\frac{L_n}{L_0}\right) + \ldots$$

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Price Adjustment Formula (cont.)

"a"; is a fixed coefficient, representing the non adjustable portion

"b", "c", "d"; are coefficients representing the adjustable portions

"Ln", "En", "Mn"; are the current cost indexes or reference prices for period "n"

"Lo", "Eo", "Mo"; are the base cost indexes or reference prices

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2. Table of Adjustment Data

Description	Source of Index	Coefficients
Nonadjustable		0,15
F1	A	N1
F2	B	N2
F3	B	N3
F4	C	N4
F5	B	N5
F6	B	N6
F7	B	N7
F8	B	N8
Total		1,00

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3. Non-Adjustable Portion

(+) Contingency

(+) Overheads

(+) Profit

(+) Controllable Cost Elements

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4. Adjustable Portion

(+) Labour

(+) Materials

(+) Equipment

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5. Calculation of Adjustment Multiplier

Items	Source of Index	Coefficients	Index		Adjustment Multiplier
			Base	Current	
Non Adjustable		0,15	n/a	n/a	0,15
F1	A	N1	B1	C1	N1x(C1/B1)
F2	B	N2	B2	C2	N2x(C2/B2)
F3	B	N3	B3	C3	N3x(C3/B3)
F4	C	N4	B4	C4	N4x(C4/B4)
F5	B	N5	B5	C5	N5x(C5/B5)
F6	B	N6	B6	C6	N6x(C6/B6)
F7	B	N7	B7	C7	N7x(C7/B7)
F8	B	N8	B8	C8	N8x(C8/B8)
Total		1,000			

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6. Calculation of Adjustment Amount

(+) Total Estimated Value

(-) Value from Previous Period

(+) Effective Value of Work (EV)

(x) Adjustment Multiplier (Pn)

(+) Adjusted Estimated Value (EV x Pn)

(-) Effective Value of Work (EV)

(+) ADJUSTED AMOUNT

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SUMMARY

1. Price Adjustment Formula
2. Table of Adjustment Data
3. Non-Adjustable Portion
4. Adjustable Portion
5. Calculation of Adjustment Multiplier
6. Calculation of Adjustment Amount

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