Republic of the Philippines

gppb

Government Procurement Policy Board

Department of Budget and Management
GOVERNMENT PROCUREMENT POLICY BOARD
TECHNICAL SUPPORT OFFICE

NPM No. 03-2013

15 January 2013

HON. CELSO L. LOBREGAT
City Mayor
OFFICE OF THE CITY MAYOR
CITY OF ZAMBOANGA
City Hall, Valderroza Street,
Zamboanga City 7000

Re   :   **Computation for Cumulative Amount of Positive Variation Order**

Dear Mayor Lobregat:

We respond to your letter dated 25 October 2012, which we received on 5 November 2012, in relation to the letter[1] of your City Budget Officer, Ms. Virginia San Agustin Gara, requesting for clarification on the computation for the cumulative amount of variation order involving positive (additive) and negative (deductive) variation orders.

As represented, a contractor submitted a claim for change order with a negative (deductive) variation order amounting to Fifty Eight Thousand Six Hundred Ninety Eight Pesos and Nineteen Centavos (PhP58,698.19) and a positive (additive) variation order in the amount of Two Pesos and Fifty One Centavos (PhP2.51). The total contract price for the project is Four Hundred Ninety Seven One Hundred Seventy Two Pesos and Seventy Five Centavos (PhP497,172.75).

In computing for the cumulative amount of positive (additive) variation order, we use the following formula:

$$\text{Cumulative Amount of Positive Variation Order (CAPVO)} = \frac{\text{Total Positive Variation Order (TPVO)} + \text{Total Negative Variation Order (TPVO)}}{\text{Original Contract Price (OCP)}} \times 100\%$$

The positive (additive) variation order represents the amount of Extra Work Order or Change Order resulting in an increase in the cost of the contract, while negative (deductive) variation order represents the amount of Change Order resulting in a decrease in the cost of the contract. As such, the amount of the negative (deductive) variation order maintains its nature as a negative value, and should be subtracted to the amount of the positive (additive)

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[1] Dated 30 January 2012.

variation order, which has a positive value. Simply put, the mathematical formula is expressed as follows:
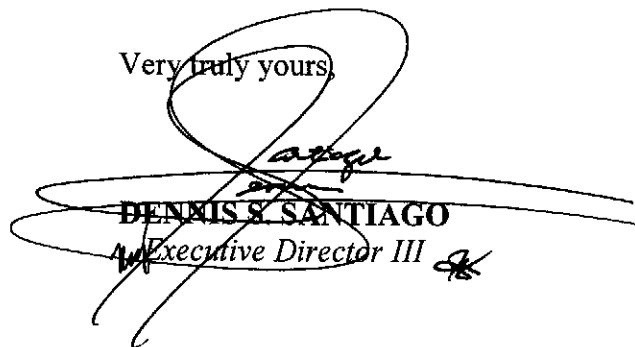
$$CAPVO = \frac{(TPVO) + (-TPVO)}{(OCP)} \times 100\%$$

Based on the foregoing, computing for the cumulative amount of positive variation order using the data you provided will result in **-11.81%**, which is well within the threshold amount of 10% of the original contract price. The detailed computation appears as follows:

$$CAPVO = \frac{(2.51) + (-58,698.19)}{497,172.75} \times 100\%$$

$$= \frac{-58,695.68}{497,172.75} \times 100\%$$

$$= -0.11805 \times 100\%$$

$$= \mathbf{-11.81\%}$$

We hope our advice provided sufficient guidance on the matter. Note that this opinion is being issued on the basis of facts and particular situation presented, and may not be applicable given a different set of facts and circumstances. Should you have other concerns, please do not hesitate to contact us.

Very truly yours,

DENNIS S. SANTIAGO
Executive Director III

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