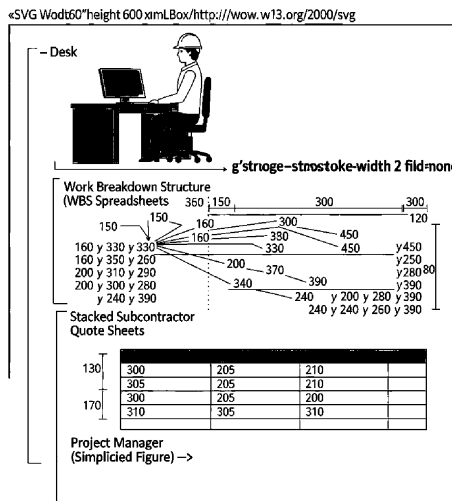


SPECIFIC - CASE

WORKSHEET 8 OF 9

Subcontractor Bankruptcy Requiring Re-Estimation of Remaining Work

Scenario: a subcontractor responsible for 30% of total project value -- mechanical installation over the next 8 weeks -- has ceased operations mid-project. Their work is 40% complete. The contractor must now re-estimate the remaining 60% of that subcontractor's scope to find a replacement or self-perform, without a schedule extension in the contract.



Complementary worksheet for
Project Cost Estimation
by Ibrahim Anwar

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What This Is For

A subcontractor failure mid-project creates three simultaneous problems: the cost of completing the remaining scope will almost certainly exceed the original subcontract value, the schedule is at risk unless the replacement can mobilise immediately, and the original project contingency may be insufficient to cover the gap. This worksheet structures the re-estimation of the remaining scope so that the cost increase is quantified before the contractor commits to a replacement, not after. The resulting figures determine whether the cost increase can be absorbed by the contingency reserve, whether a management reserve draw is needed, or whether the event qualifies as a force majeure or extraordinary circumstance that can be claimed to the client.

The worksheet also produces the documentation needed for any performance bond or guarantee claim against the defaulted subcontractor, and the schedule recovery plan that must be presented to the client before the project can proceed.

Benefits

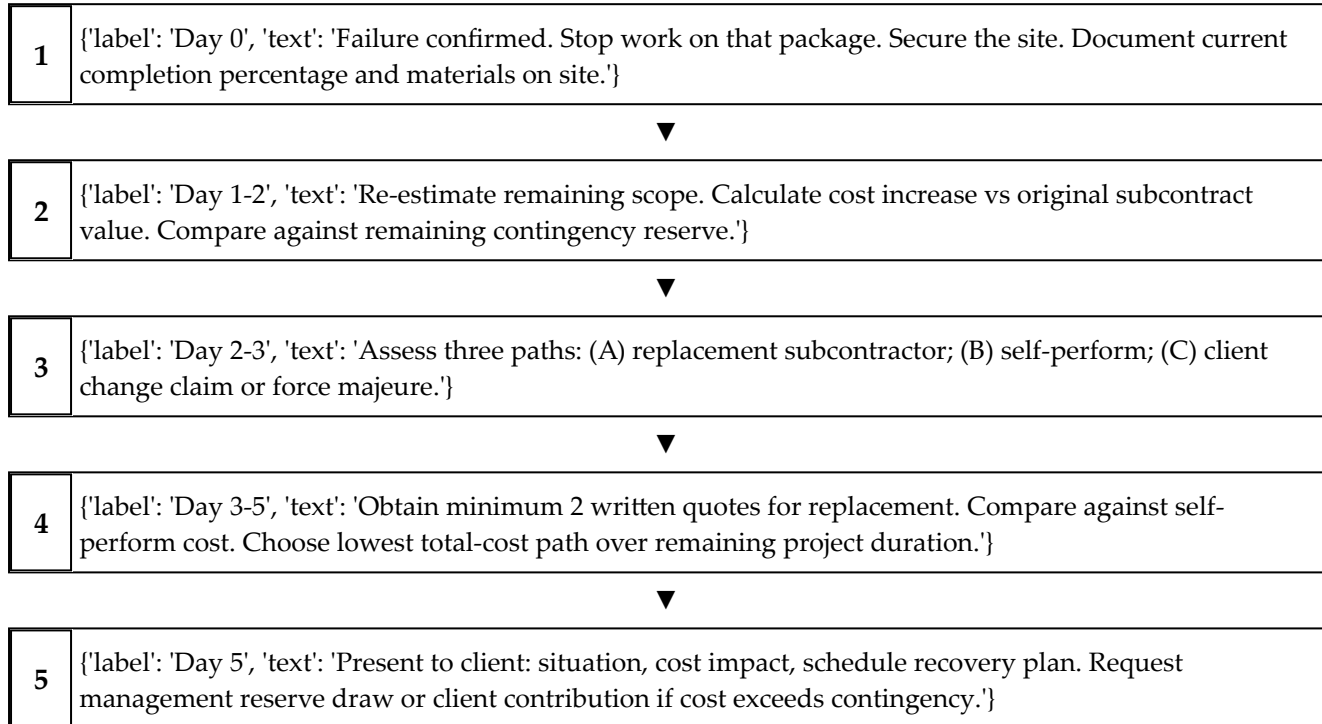
What you get when you actually run this worksheet on a real situation:

- Quantifies the cost increase from the subcontractor failure before committing to a replacement, enabling an informed decision rather than a panicked one.
- Compares the cost increase against the remaining contingency reserve so the cash-flow exposure is known immediately.
- Produces the documentation trail needed for a performance bond or insurance claim against the defaulted subcontractor.
- Forces a schedule recovery plan to be written before presenting the situation to the client, which is a stronger position than arriving with only a problem.
- Identifies whether the event qualifies for a client change claim or management reserve draw, which requires a paper trail showing when the failure was discovered and what the contractor did immediately.

Framework To Use

— Three-Path Cost Recovery Analysis

After a subcontractor failure, three paths exist. Each has a cost and a time. Choose before committing, not after.



How To Use

Follow these steps in order. Each one builds on the previous.

- 1 On the day the failure is confirmed: document the current completion percentage for each work package the subcontractor was responsible for. Measure against physical progress, not payment records.
- 2 Calculate the Work Completed value: original subcontract value x completion percentage per package.
- 3 Calculate the Remaining Scope value: original subcontract value minus Work Completed. This is what needs to be re-estimated.
- 4 Obtain at minimum two written quotes from replacement subcontractors or self-perform cost estimates. For the self-perform option: calculate from the same unit rates as the original bid.
- 5 Fill in the Re-estimate from New Source column. Calculate Cost Increase vs Original as Re-estimate minus Remaining Scope from original sub.
- 6 Sum the Cost Increase column. Compare against remaining contingency reserve. If the cost increase exceeds the remaining contingency: identify whether the shortfall qualifies for a management reserve draw or a force majeure claim to the client.
- 7 Write the schedule recovery plan in three to five sentences before approaching the client.

Example Use

A contractor is running a commercial building services project (\$200,000 contract, BAC \$176,000). A mechanical subcontractor handling HVAC and plumbing (\$60,000 subcontract, 30% of contract) ceases operations at 40% completion. Six weeks remain in the project schedule.

Work completed by defaulted subcontractor: $40\% \times \$60,000 = \$24,000$ of work in place. Remaining scope: \$36,000 at original subcontract rates.

Physical site walk: HVAC rough-in 50% complete, plumbing rough-in 30% complete, duct insulation 0%, commissioning 0%. Physical completion is lower than the 40% payment threshold because the subcontractor was paid to the contract milestone, not to physical progress.

Two replacement quotes obtained within 48 hours:

Quote A (Firm X): \$52,000 to complete all remaining scope. Mobilisation in 5 working days.

Quote B (Firm Y): \$47,500 with 10-day mobilisation lead time. Schedule risk: 10-day delay puts commissioning past contract completion date.

Self-perform: the contractor does not have licensed HVAC technicians. Not feasible.

Cost increase using Quote A: $\$52,000 - \$36,000 = \$16,000$.

Remaining contingency: \$11,760 originally set, \$4,200 used to date, remaining \$7,560.

The cost increase of \$16,000 exceeds the remaining contingency of \$7,560 by \$8,440. The contract's risk allocation clause places subcontractor default risk with the contractor on private construction contracts of this type. Management reserve draw is the path. Owner notification is required.

Schedule: Quote A mobilises in 5 days. Estimated completion: 5.5 weeks after new sub starts. Net schedule overrun: 10 calendar days. Client notified on day 2 with a three-page summary: situation, cost impact, management reserve draw request for \$8,440, and schedule recovery plan showing 10-day extension request.

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Subcontractor Bankruptcy Requiring Re-Estimation of Remaining Work

Scenario: a subcontractor responsible for 30% of total project value -- mechanical installation over the next 8 weeks -- has ceased operations mid-project. Their work is 40% complete. The contractor must now re-estimate the remaining 60% of that subcontractor's scope to find a replacement or self-perform, without a schedule extension in the contract.

SUB WORK PACKAGE	ORIGINAL SUB VALUE (\$)	WORK COMPLETED (% / \$)	REMAINING SCOPE (\$)	RE-ESTIMATE FROM NEW SOURCE (\$)	COST INCREASE VS ORIGINAL (\$)	IMPACT ON PROJECT CONTINGENCY (\$)

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. Sum the Cost Increase vs Original column. Compare against the remaining contingency reserve. If the sum exceeds the contingency reserve: calculate the shortfall. Assess whether the shortfall qualifies as a management reserve draw (needs owner sign-off), a force majeure claim to the client (requires contract language that supports it), or a performance bond claim against the defaulted subcontractor's guarantee. Write the path chosen and the basis in one paragraph before approaching the client.

2. For the re-estimate from new source: obtain at minimum two written quotes before selecting the replacement. Confirm that each quote includes the same scope boundary as the original subcontract -- mobilisation costs, materials, commissioning, and any warranty obligations.

3. Write the schedule recovery plan before the client meeting: (1) how many days of schedule have been lost; (2) what actions will compress the remaining schedule; (3) what schedule relief is being formally requested; (4) what daily penalty exposure exists if the contract completion date is missed. Four sentences, four answers.

Tips and Traps

TIPS

- Secure all materials on site belonging to the defaulted subcontractor on the day the failure is confirmed. If the subcontractor's liquidator arrives, materials on site may be claimed as assets. A dated inventory prepared immediately establishes the contractor's position.
- Measure actual physical completion independently before accepting the subcontractor's last progress claim as the basis for Work Completed. Subcontractors in financial distress often front-load billing.
- When obtaining quotes from replacement subcontractors, provide the same scope document, drawings, and specifications the original sub received. A quote prepared without a complete scope document will miss components.
- If the defaulted subcontractor held a performance bond or guarantee, file the bond claim on day one. Bond claims have time limits and require evidence of the failure at the time it occurred.

TRAPS

- Starting the replacement without two written quotes. One quote becomes the price regardless of whether it is fair.
- Absorbing the cost increase into the project margin without informing the owner. Even if the contingency reserve technically covers the shortfall, the owner should know the reserve has been materially drawn.
- Letting the client discover the situation from a third party. The contractor should control the communication.
- Assuming the replacement subcontractor can start at the same productivity rate as an established crew. A new subcontractor starting on a partially completed project almost always runs 15-20% slower in the first week.

Appendixes

Appendix A -- Site Condition Snapshot (Day of Failure)

Project: _____ Date: _____
 Defaulted subcontractor: _____ Contract value: \$ _____

Work package	Est. % complete	Physical % measured	Materials on site (\$)

Last payment made to sub: \$ _____ Date: _____
 Balance of subcontract outstanding at failure: \$ _____

Performance bond / guarantee:

Bond issuer: _____ Bond value: \$ _____

Bond claim deadline: _____ Filed: Y / N

Materials inventory on site: [attach separate sheet]

Signed and dated by: _____ Title: _____

Appendix B -- Cost Recovery Path Decision

Total cost increase above original subcontract remaining value: \$ _____
 Remaining contingency reserve at time of failure: \$ _____
 Shortfall (if cost increase > contingency): \$ _____

Path 1 -- Absorb within contingency

Applicable if: cost increase <= remaining contingency reserve.

Action: draw contingency. Document by risk event.

Owner notification: yes, even if within contingency.

Path 2 -- Management reserve draw

Applicable if: cost increase > contingency but < management reserve.

Action: request owner approval for management reserve draw.

Documentation required: this worksheet + failure evidence

+ replacement quotes + schedule recovery plan.

Path 3 -- Force majeure / client claim

Applicable if: contract allocates subcontractor insolvency risk to the client, or a force majeure clause covers it.

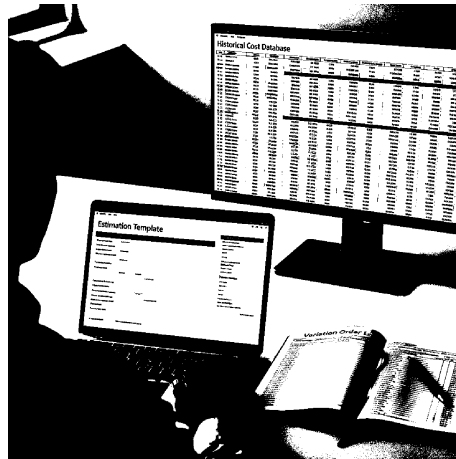
Risk: most private construction contracts place this risk with the contractor. Read the clause before claiming.

Path 4 -- Performance bond claim

Applicable if: original subcontract required a performance bond.

Action: file claim with bond issuer on day of confirmed failure.

Time limit: check the bond document. Most require claim within 30-60 days of the event.



WHERE THIS WORKSHEET COMES FROM

Project Cost Estimation

Calculate the Cost Before Signing, Not After the Work Has Started

by Ibrahim Anwar

This worksheet is one of nine in the *Project Cost Estimation* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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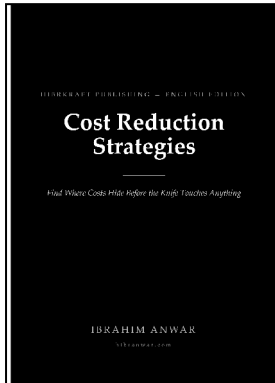
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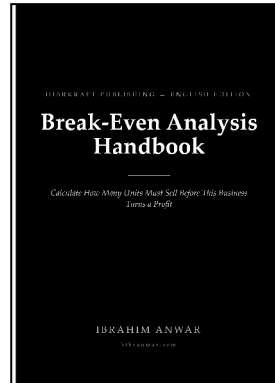


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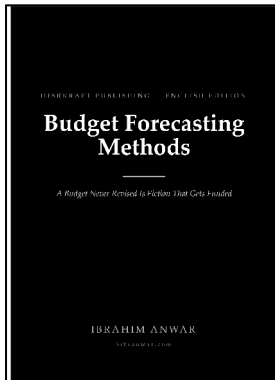


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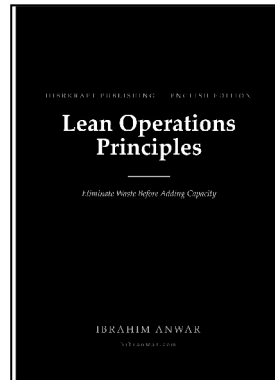


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