

# Practice Test 5

**Time Allowed:** 4 hours

**Passing Score:** 70% (88 out of 125 questions correct)

## **Instructions:**

- Read each question carefully and select the BEST answer
- Mark your answers on a separate sheet
- You may use a calculator for mathematical calculations
- Answer all questions - there is no penalty for guessing
- Review your answers if time permits

## **SECTION 1: BUSINESS ORGANIZATION AND LICENSING (Questions 1-16)**

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1. What is a sole proprietor's tax treatment?

- A. Corporate tax rates
- B. Partnership taxation
- C. Business income/losses reported on personal tax return (pass-through taxation)
- D. Separate tax return required

2. What is the main business advantage of partnerships?

- A. Combining resources, skills, and capital of multiple partners
- B. Limited liability
- C. Corporate structure
- D. Tax advantages only

3. What is a general partnership's formation requirement?

- A. State filing required
- B. Formed by agreement (written or oral) without state registration
- C. Must incorporate
- D. Federal registration

4. What is partnership dissolution?

- A. Partnership formation
- B. Adding partners
- C. Business expansion
- D. Partnership ending (retirement, death, withdrawal of partner)

5. What is a buy-sell agreement in partnerships?

- A. Agreement establishing terms for buying out departing partners' interests
- B. Customer sales contract
- C. Supplier agreement
- D. Equipment purchase

6. What is the purpose of partnership agreements?

- A. Building permits
- B. Insurance policies
- C. Establishing rights, responsibilities, profit sharing, and dispute resolution
- D. Tax filing

7. What is profit sharing in partnerships?

- A. All partners share equally always
- B. Distribution of partnership profits according to agreement (equal or specified percentages)
- C. Senior partner gets all profits
- D. No profit distribution

8. What is capital contribution in partnerships?

- A. Charitable donation
- B. Tax payment
- C. Insurance premium
- D. Initial investment partners make to partnership

9. What is a non-profit corporation?

- A. Business losing money
- B. Unprofitable company
- C. Failed business
- D. Failing enterprise

10. What is required for non-profit status?

- A. Any company qualifies
- B. No requirements
- C. Organization formed for charitable, educational, religious, or social purposes (not profit)
- D. Low revenue only

11. What is tax-exempt status for non-profits?

- A. Automatic for all non-profits
- B. IRS 501(c)(3) or similar designation exempting from federal income tax
- C. State designation only
- D. No process required

12. What distinguishes non-profit from for-profit corporations?

- A. Size only
- B. Revenue amount
- C. Number of employees
- D. No shareholders/owners; surplus used for mission (not distributed to owners)

13. What is required contractor licensing insurance?

- A. \$1 million general liability and workers' compensation meeting state requirements
- B. Life insurance only
- C. Health insurance
- D. No insurance required

14. What is aggregate coverage in general liability?

- A. Per occurrence limit
- B. Single incident limit
- C. Total maximum insurance pays during policy period across all claims
- D. Unlimited coverage

15. What is per occurrence limit?

- A. Total policy limit
- B. Maximum paid for single incident or claim
- C. Annual limit
- D. Aggregate limit

16. What is claims-made policy retroactive date importance?

- A. Policy start date
- B. Renewal date
- C. Cancellation date
- D. Claims before this date aren't covered even if filed during policy

## **SECTION 2: BUSINESS FINANCES (Questions 17-35)**

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17. What is the purpose of a pro forma financial statement?

- A. Projected or forecasted financial statement for future periods
- B. Historical statement
- C. Tax return
- D. Audit report

18. What is financial leverage?

- A. Equipment
- B. Labor efficiency
- C. Using debt to finance assets increasing potential returns (and risk)

D. Cash management

19. What is the debt service coverage ratio?

A. Profit margin

B. Operating income  $\div$  Debt service (principal + interest) measuring ability to pay debt

C. Asset turnover

D. Equity ratio

20. What does DSCR below 1.0 indicate?

A. Strong debt payment ability

B. Excellent financial health

C. Surplus cash flow

D. Insufficient income to cover debt payments

21. What is the purpose of breakeven analysis?

A. Determining sales volume where revenue equals total costs (no profit or loss)

B. Tax calculation

C. Profit maximization

D. Revenue forecasting

22. What is contribution margin ratio?

A. Total profit

B. Gross margin

C. Contribution margin  $\div$  Sales (percentage each sale contributes to fixed costs/profit)

D. Net margin

23. What is fixed cost per unit behavior?

A. Stays constant

B. Decreases as volume increases (spreading fixed costs over more units)

C. Increases with volume

D. No relationship

24. What is the high-low method in cost accounting?

A. Pricing strategy

B. Inventory valuation

C. Tax method

D. Estimating fixed and variable costs using highest and lowest activity levels

25. What is marginal cost?

A. Cost of producing one additional unit

B. Total cost

C. Average cost

D. Fixed cost

26. What is cost-volume-profit (CVP) analysis?

A. Inventory management

B. Analyzing relationships between costs, volume, and profit for decision-making

C. Tax planning

D. Asset valuation

27. What is operating leverage?

A. Equipment purchases

B. Debt ratio

C. Asset efficiency

D. Extent of fixed costs in cost structure (higher fixed costs = higher operating leverage)

28. What is the effect of high operating leverage?

A. Small sales changes cause large profit changes (magnified impact)

B. No effect on profits

C. Stable profits

D. Reduced risk

29. What is a flexible budget?

A. No budget limits

B. Estimated budget

C. Budget adjusting for different activity levels (not static)

D. Historical budget

30. What is standard costing?

A. Actual costs

B. Predetermined expected costs for products serving as benchmarks

C. Historical costs

D. Market costs

31. What is a variance in standard costing?

A. No difference

B. Budget amount

C. Estimated cost

D. Difference between standard (expected) and actual costs

32. What is favorable variance in standard costing?

A. Actual costs less than standard costs (spending less than expected)

B. Actual exceeds standard

C. Meeting standard exactly

D. No variance

33. What is the accounting cycle?

A. One-time process

B. Annual event

C. Series of steps for recording and processing transactions during accounting period

D. Tax filing

34. What is a trial balance?

A. Financial statement

B. List of all accounts with debit and credit balances verifying accounting equation

C. Tax form

D. Budget report

35. What is the purpose of closing entries?

A. Opening accounts

B. Starting business

C. Beginning period

D. Transferring temporary account balances (revenue/expense) to retained earnings

### **SECTION 3: EMPLOYMENT REQUIREMENTS (Questions 36-60)**

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36. What is the Worker Adjustment and Retraining Notification (WARN) Act?

A. Federal law requiring 60 days notice for mass layoffs or plant closures

B. Training requirement

C. Safety law

D. Wage law

37. What triggers WARN Act requirements?

A. Any layoff

B. Single termination

C. Mass layoffs (50+ workers) or plant closings affecting 50+ employees

D. Retirement

38. What is the penalty for violating WARN Act?

A. No penalty

- B. Back pay and benefits for violation period up to 60 days
- C. Small fine only
- D. Warning letter

39. What is required under the Immigration Reform and Control Act (IRCA)?

- A. Visa sponsorship
- B. Immigration quotas
- C. Border enforcement
- D. Verifying employee work authorization and completing I-9 for all employees

40. What is the penalty for knowingly hiring unauthorized workers?

- A. No penalty
- B. Warning only
- C. Small fine
- D. Business license revocation

41. What is constructive termination?

- A. Proper firing
- B. Voluntary resignation
- C. Employer makes conditions so intolerable reasonable employees feel forced to quit
- D. Layoff

42. What is the difference between for-cause and at-will termination?

- A. No difference

- B. For-cause requires reason; at-will allows termination without cause (absent discrimination)
- C. Same process
- D. Cost only

43. What must be provided at termination in California?

- A. Nothing required
- B. Reference letter
- C. Severance pay
- D. Notice period

44. What is wrongful constructive discharge?

- A. Legal termination
- B. Proper process
- C. Valid discharge
- D. Acceptable practice

45. What is a non-compete agreement?

- A. Partnership agreement
- B. Sales contract
- C. Agreement restricting employee from competing with employer after employment ends
- D. Insurance policy

46. What is California's position on non-compete agreements?

- A. Fully enforceable

- B. Limited enforceability with restrictions
- C. California generally prohibits non-compete agreements (except in sale of business)
- D. Requires court approval

47. What is a non-solicitation agreement?

- A. Sales prohibition
- B. Marketing ban
- C. Advertising restriction
- D. Employment ban

48. What is confidentiality agreement (NDA)?

- A. Non-compete
- B. Sales contract
- C. Prohibiting disclosure of proprietary information or trade secrets
- D. Partnership agreement

49. What are trade secrets?

- A. Public information
- B. Common knowledge
- C. Confidential business information providing competitive advantage (formulas, processes, customer lists)
- D. General practices

50. What is the Defend Trade Secrets Act?

- A. State law

- B. Federal law allowing civil lawsuits for trade secret theft
- C. Criminal law only
- D. International treaty

51. What is misappropriation of trade secrets?

- A. Legal use
- B. Authorized disclosure
- C. Proper sharing
- D. Unauthorized acquisition, use, or disclosure of protected information

52. What is the Uniformed Services Employment and Reemployment Rights Act (USERRA)?

- A. Federal law protecting military service members' employment rights
- B. State law
- C. Voluntary program
- D. Military draft law

53. What rights does USERRA protect?

- A. No protections
- B. Military only benefits
- C. Reemployment after military service, continuing benefits, and no discrimination
- D. Discharge rights only

54. What is required when employees return from military service?

- A. New application

- B. Reemployment in position they would have attained absent service
- C. Entry-level position
- D. No obligation

55. What is the Genetic Information Nondiscrimination Act (GINA)?

- A. Healthcare law
- B. Insurance requirement
- C. Medical testing mandate
- D. Privacy regulation

56. What does GINA prohibit?

- A. Health insurance
- B. Genetic testing
- C. Medical exams
- D. Research

57. What is the National Defense Authorization Act (NDAA)?

- A. Military budget law (includes employment protections for military families)
- B. Defense contract law
- C. Veterans' benefits only
- D. Draft authorization

58. What is bereavement leave?

- A. Sick leave

- B. Time off following death of family member (may be paid or unpaid)
- C. Vacation
- D. Holiday

59. What is jury duty leave?

- A. Optional time off
- B. Unpaid leave only
- C. No protection
- D. Employer discretion

60. What is voting leave requirement in California?

- A. Employees can take sufficient time to vote (typically 2 hours paid at start/end of shift)
- B. No time off for voting
- C. Unpaid time only
- D. Use vacation time

#### **SECTION 4: INSURANCE AND LIENS (Questions 61-75)**

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61. What is the purpose of umbrella insurance?

- A. Weather coverage
- B. Additional liability coverage above underlying policies
- C. Property insurance
- D. Workers' comp supplement

62. What is the typical umbrella policy structure?

- A. Standalone coverage
- B. Replaces general liability
- C. Primary insurance
- D. Covers specific risks only

63. What is a deductible in insurance?

- A. Premium payment
- B. Policy limit
- C. Coverage amount
- D. Insurance discount

64. What is aggregate deductible?

- A. Per claim deductible
- B. Annual deductible
- C. Total deductible applied across all claims during policy period
- D. Lifetime deductible

65. What is self-insured retention (SIR)?

- A. Insurance premium
- B. Amount insured retains before insurance pays (similar to large deductible)
- C. Coverage limit
- D. Policy term

66. What is the difference between deductible and SIR?

- A. No difference
- B. Same concept
- C. Cost only
- D. Deductible: insurer pays full amount then collects deductible; SIR: insured pays first

67. What is subrogation in insurance?

- A. Policy renewal
- B. Premium payment
- C. Coverage limit
- D. Policy cancellation

68. What is a waiver of subrogation benefit?

- A. Higher premiums
- B. Reduced coverage
- C. Preserves project relationships by preventing insurer lawsuits between parties
- D. Lower limits

69. What is notice of non-renewal?

- A. Policy cancellation
- B. Advance notice that policy won't be renewed at expiration
- C. Premium increase
- D. Coverage change

70. What is the purpose of stop notice on private projects?

- A. Stopping construction
- B. Safety violation notice
- C. Building code violation
- D. Inspection requirement

71. What is the bonding requirement for stop notice release?

- A. No bond required
- B. 1.25 times stop notice amount
- C. Equal to amount
- D. Double the amount

72. What information must stop notice include?

- A. Nothing specific
- B. General description
- C. Job description, claimant identity, amount owed, and lien rights notice
- D. Price only

73. What is the difference between stop notice and mechanics lien?

- A. Same remedy
- B. Stop notice freezes funds; lien encumbers property
- C. No difference
- D. Both encumber property

74. What must be filed to release a mechanics lien?

- A. Verbal agreement
- B. Email confirmation
- C. Phone call
- D. Recorded release of lien or bond substitute

75. What is a lien priority?

- A. All liens equal
- B. No priority system
- C. Random order
- D. Newest liens first

## **SECTION 5: CONTRACT REQUIREMENTS AND EXECUTION (Questions 76-101)**

76. What is a unilateral mistake in contracts?

- A. Both parties mistaken about facts
- B. Mutual misunderstanding
- C. Common error
- D. Shared mistake

77. What is the effect of mutual mistake?

- A. Contract valid
- B. No effect
- C. Contract may be voidable if mistake concerns basic assumption
- D. Contract strengthened

78. What is fraud in contract formation?

- A. Honest mistake
- B. Intentional misrepresentation inducing party to enter contract
- C. Negligent error
- D. Good faith error

79. What elements must be proven for fraud?

- A. Mistake only
- B. Error only
- C. Confusion only
- D. False representation, knowledge of falsity, intent to deceive, reliance, and damages

80. What is the remedy for fraud?

- A. None available
- B. Damages only
- C. Rescission only
- D. Must accept contract

81. What is negligent misrepresentation?

- A. Fraud
- B. Intentional deception
- C. False statement made without reasonable basis (not intentional but careless)
- D. Honest mistake

82. What is the statute of frauds exception for part performance?

- A. No exceptions
- B. When contract partially performed, court may enforce despite no writing
- C. Always requires writing
- D. No enforcement possible

83. What is the promissory estoppel doctrine?

- A. Requires writing
- B. Prevents offers
- C. Cancels contracts
- D. Enforces promises when promisee reasonably relied to their detriment

84. What is accord and satisfaction?

- A. Original contract
- B. Initial agreement
- C. Contract formation
- D. Dispute resolution

85. What is the purpose of liquidated damages?

- A. Punishing breach
- B. Penalizing parties
- C. Avoiding need to prove actual damages (predetermined reasonable estimate)
- D. Increasing damages

86. What makes liquidated damages enforceable?

- A. Any amount acceptable
- B. Must be reasonable estimate of actual damages and difficult to calculate actual damages
- C. No requirements
- D. Punishment allowed

87. What is the difference between liquidated damages and penalties?

- A. No difference
- B. Same concept
- C. Cost only
- D. Liquidated damages compensate; penalties punish (penalties unenforceable)

88. What is an indemnity clause?

- A. Insurance requirement
- B. Payment term
- C. Schedule provision
- D. Warranty

89. What is comparative indemnity?

- A. Full indemnity
- B. No indemnity
- C. Allocating indemnity responsibility based on comparative fault
- D. Unlimited indemnity

90. What types of indemnity are there?

- A. One type only
- B. Broad form (all liability), intermediate form (negligence except sole negligence), limited form (indemnitor's negligence only)
- C. Two types
- D. No categories

91. What is anti-indemnity legislation?

- A. Requires indemnity
- B. Encourages indemnity
- C. Promotes indemnity
- D. Mandates insurance

92. What is breach of express warranty?

- A. Implied warranty breach
- B. Meeting warranty terms
- C. Fulfilling obligations
- D. Honoring commitments

93. What is breach of implied warranty?

- A. Express warranty breach
- B. Meeting expectations
- C. Product/service fails to meet implied standards (merchantability, fitness)
- D. Exceeding standards

94. What is disclaimer of warranties?

- A. Creating warranties
- B. Contractual language attempting to limit or eliminate warranty obligations
- C. Expanding warranties
- D. Guaranteeing performance

95. What language disclaims implied warranties?

- A. Any language works
- B. General disclaimers sufficient
- C. Verbal disclaimers adequate
- D. "As is" or "with all faults" language (must be conspicuous)

96. What is the UCC's perfect tender rule?

- A. Substantial performance acceptable
- B. Close enough is sufficient
- C. Minor deviations allowed
- D. Approximate compliance adequate

97. What is commercial impracticability under UCC?

- A. Any difficulty excuses performance
- B. Increased costs excuse performance
- C. Extreme unforeseen difficulty or expense may excuse performance
- D. Minor inconvenience excuses

98. What is a requirements contract?

- A. Fixed quantity contract
- B. Buyer purchases all requirements from seller (quantity not specified)
- C. Specified amount
- D. No obligation

99. What is an output contract?

- A. Input contract
- B. Fixed quantity
- C. Specified amount
- D. Seller sells all output to buyer (quantity based on actual production)

100. What must parties do under requirements and output contracts?

- A. No obligations
- B. Any quantity acceptable
- C. Unlimited amounts
- D. No limits

101. What is the UCC's battle of the forms rule?

- A. First form governs
- B. Last form governs
- C. Additional terms may become part of contract between merchants unless objected to
- D. No forms allowed

## **SECTION 6: PUBLIC WORKS (Questions 102-107)**

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102. What is the difference between state and federal prevailing wage?

- A. No difference
- B. State prevailing wage (California DIR) for state projects; Davis-Bacon for federal
- C. Same rates
- D. Identical requirements

103. What is required apprentice-to-journeyman ratio?

- A. No requirements
- B. Any ratio acceptable
- C. 1:10 ratio
- D. Varies by trade

104. What happens if apprentices aren't available?

- A. Penalties automatically apply
- B. Work must stop
- C. Contract cancellation
- D. Project termination

105. What is required apprentice-to-journeyman ratio documentation?

- A. No documentation needed
- B. Verbal confirmation
- C. Monthly reports showing good faith efforts requesting apprentices

D. Annual filing

106. What is certified payroll signature requirement?

A. Anyone can sign

B. Employee signature required

C. No signature needed

D. Accountant signature

107. What is the penalty for failing to submit certified payroll?

A. No penalty

B. \$100 per day until submitted, debarment, and contract payment withholding

C. Warning only

D. Small fine

## **SECTION 7: SAFETY (Questions 108-125)**

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108. What is the purpose of a safety committee?

A. Employee-employer collaboration identifying hazards and improving safety programs

B. Management only group

C. Discipline committee

D. Investigation team

109. What is required for safety committee effectiveness?

A. Management control only

- B. Supervisors only
- C. Employee participation, regular meetings, and management support
- D. Consultants only

110. What is a job safety analysis (JSA)?

- A. Financial analysis
- B. Breaking tasks into steps identifying hazards and establishing controls
- C. Performance review
- D. Productivity study

111. What must JSA include?

- A. Cost analysis
- B. Schedule
- C. Revenue impact
- D. Equipment list

112. What is the hierarchy of controls in safety?

- A. One method only
- B. Two options
- C. Three levels
- D. No hierarchy

113. What is the most effective safety control?

- A. Elimination (removing hazard entirely)

- B. PPE
- C. Administrative controls
- D. Training

114. What is the least effective safety control?

- A. Elimination
- B. Engineering controls
- C. Substitution
- D. Isolation

115. What is engineering controls in safety?

- A. Training programs
- B. PPE
- C. Policies
- D. Physical changes to workplace isolating workers from hazards

116. What are administrative controls?

- A. Physical barriers
- B. Equipment modifications
- C. Policies, procedures, training, and work practices reducing exposure
- D. Eliminating hazards

117. What is required for contractor safety orientation?

- A. Optional training

- B. Voluntary program
- C. Site-specific safety training before starting work covering hazards and rules
- D. No orientation needed

118. What must safety orientation include?

- A. Company history
- B. Site hazards, emergency procedures, PPE requirements, and reporting
- C. Financial information
- D. Marketing strategies

119. What is required recordkeeping for safety training?

- A. No records required
- B. Verbal confirmation
- C. Optional documentation
- D. Mental notes

120. What is OSHA Form 300?

- A. Accident report
- B. Training record
- C. Inspection checklist
- D. PPE inventory

121. What is OSHA Form 300A?

- A. Individual incident report

- B. Training certificate
- C. Annual summary of work-related injuries/illnesses posted February-April
- D. Inspection record

122. What is OSHA Form 301?

- A. Summary form
- B. Injury and illness incident report with detailed information
- C. Training record
- D. Inspection form

123. What is required OSHA 300 log retention?

- A. 1 year
- B. 3 years
- C. 10 years
- D. Records must be retained for 5 years

124. What must be reported on OSHA 300 log?

- A. All injuries including first aid
- B. Work-related injuries and illnesses requiring medical treatment beyond first aid
- C. Near misses only
- D. Property damage

125. What is the OSHA recording criteria?

- A. Any injury

B. All incidents

C. Work-related injury/illness causing death, lost work days, medical treatment, or loss of consciousness

D. Property damage only

## Answer Key With Explanations

- 1. C** - Sole proprietors report business income and losses on personal tax returns (Schedule C) with net income subject to self-employment tax and personal income tax. There's no separate business tax return—business and personal finances are combined for tax purposes. This pass-through taxation avoids double taxation but offers no liability protection.
- 2. A** - Partnerships' primary advantage is combining multiple partners' resources (capital), skills (complementary expertise), and effort creating stronger businesses than individuals alone could build. Partners share workload, bring different strengths, and pool financial resources. However, partnerships don't provide limited liability—all general partners have unlimited liability.
- 3. B** - General partnerships form automatically when two or more people agree to conduct business for profit. No state filing is required—oral or written agreements create partnerships. However, written partnership agreements are strongly recommended preventing disputes. Partnerships should file DBAs if using names other than partners' names.
- 4. D** - Partnership dissolution occurs when partnerships end due to partner retirement, death, withdrawal, bankruptcy, or expiration of partnership terms. Dissolution triggers winding up affairs, liquidating assets, paying debts, and distributing remaining assets to partners. Buy-sell agreements establish terms for orderly dissolution and partner buyouts.
- 5. A** - Buy-sell agreements (buyout agreements) establish terms for purchasing departing partners' interests including valuation methods, payment terms, triggering events (death, retirement, disability), and funding mechanisms (life insurance). They prevent disputes and ensure orderly transitions when partners leave. Every partnership should have comprehensive buy-sell agreements.
- 6. C** - Partnership agreements establish partners' rights and responsibilities, capital contributions, profit/loss sharing, management authority, decision-making processes, partner withdrawal/addition procedures, dispute resolution, and dissolution terms. Well-drafted agreements prevent disputes and clarify expectations. Oral partnership agreements are legal but written agreements are essential.
- 7. B** - Profit sharing distributes partnership profits according to agreements. Partners can share equally (common default) or in specified percentages based on capital contributions, work contributions, or other factors. Without agreements specifying otherwise, most jurisdictions default to equal sharing regardless of contribution differences.
- 8. D** - Capital contributions are initial investments partners make to partnerships—cash, property, equipment, or services. Contributions fund startup and operations. Partnership agreements should document contributions, establish whether additional contributions are required, and specify how contributions affect profit sharing and ownership percentages.
- 9. C** - Non-profit corporations are organizations formed for charitable, educational, religious, scientific, literary, or social purposes—not for generating profits for owners. Non-profits can earn revenue and have surpluses but cannot distribute profits to members/directors. Surpluses must be used for organizational missions.

**10. C** - Non-profit status requires incorporation for charitable, educational, religious, or other qualifying purposes stated in articles of incorporation. Organizations must operate exclusively for exempt purposes, not distribute profits to individuals, and comply with operational requirements. Simply losing money doesn't make organizations non-profits—purpose and structure determine status.

**11. B** - Tax-exempt status requires separate IRS application (typically Form 1023 or 1023-EZ for 501(c)(3) status). Non-profit corporate status from states doesn't automatically provide federal tax exemption. IRS reviews applications to ensure organizations meet requirements. Tax exemption exempts from federal income tax but not necessarily employment taxes or state taxes.

**12. D** - Non-profits lack shareholders/owners. No individuals own equity or receive profit distributions. Surpluses must be used for organizational purposes. Directors serve non-profit missions, not personal gain. This fundamental distinction separates non-profits from for-profits which exist to generate owner profits.

**13. A** - California contractors must carry minimum \$1 million general liability insurance (with broader limits recommended) and workers' compensation insurance meeting state requirements. Insurance requirements protect consumers and workers. CSLB requires proof of insurance for licensing. Adequate insurance is essential business protection and legal requirement.

**14. C** - Aggregate coverage is total maximum amount insurance pays during policy periods across all claims combined. If aggregate limit is \$2 million, total payouts for all claims during the policy period cannot exceed \$2 million. Once aggregate is exhausted, no further coverage exists until renewal.

**15. B** - Per occurrence limits are maximum amounts paid for single incidents or claims. If per occurrence limit is \$1 million, each separate incident is covered up to \$1 million. Multiple incidents during policy periods are each covered to per occurrence limits until aggregate limits are reached.

**16. D** - Retroactive dates (only on claims-made policies) establish cutoff dates before which incidents aren't covered even if claims are filed during policy periods. If retroactive date is January 1, 2020, incidents occurring before that date aren't covered. Continuous claims-made coverage without retroactive date gaps is essential.

**17. A** - Pro forma financial statements are projected or forecasted statements showing expected future financial positions, results, and cash flows based on assumptions. They're used for planning, securing financing, evaluating proposed transactions, and budgeting. Pro forma statements differ from historical statements which show actual past results.

**18. C** - Financial leverage uses debt (borrowed money) to finance assets increasing potential returns on equity but also increasing risk. Leverage magnifies gains and losses. If returns on leveraged assets exceed borrowing costs, equity returns are amplified. However, if returns are insufficient, losses are magnified. Leverage is double-edged sword.

**19. B** - Debt Service Coverage Ratio (DSCR) equals  $\text{Operating Income} \div \text{Debt Service (principal + interest payments)}$  measuring ability to pay debt from operations. DSCR of 1.5 means operating income is 1.5 times debt payments. Lenders require minimum DSCR (typically 1.25+) ensuring debt payment capacity.

**20. D** - DSCR below 1.0 indicates insufficient income to cover debt payments—operating income doesn't fully pay debt service. Companies must use reserves, borrow more, or default. DSCR below 1.0 signals financial distress and debt repayment problems. Lenders avoid lending when DSCR is inadequate.

**21. A** - Breakeven analysis determines sales volume where total revenue equals total costs producing zero profit or loss. Below breakeven, companies lose money; above breakeven, they profit. Breakeven analysis guides pricing, sales targets, and cost management. Formula: Breakeven Units = Fixed Costs ÷ (Price - Variable Cost per Unit).

**22. C** - Contribution margin ratio equals Contribution Margin ÷ Sales showing percentage of each sales dollar contributing to covering fixed costs and generating profit. CM ratio of 40% means 40 cents of each dollar covers fixed costs/profit; 60 cents covers variable costs. Higher CM ratios are better.

**23. B** - Fixed costs per unit decrease as production volume increases because total fixed costs are spread over more units. If fixed costs are \$100,000, per-unit fixed cost is \$10 at 10,000 units but \$5 at 20,000 units. This economies of scale effect is why volume businesses benefit from higher production.

**24. D** - The high-low method estimates fixed and variable costs using activity data from highest and lowest activity periods. Variable cost per unit = (High Cost - Low Cost) ÷ (High Activity - Low Activity). Fixed cost = Total Cost - (Variable Cost per Unit × Activity). It's simple cost estimation method.

**25. A** - Marginal cost is cost of producing one additional unit. If producing 100 units costs \$10,000 and 101 units costs \$10,050, marginal cost is \$50. Marginal cost helps pricing and production decisions. Continue production while marginal revenue exceeds marginal cost. Marginal cost typically equals variable cost.

**26. B** - Cost-Volume-Profit (CVP) analysis studies relationships between costs (fixed and variable), sales volume, and profit. CVP shows how changes in costs, prices, and volume affect profit. It's fundamental management accounting tool for pricing, product mix, and break-even decisions. CVP assumes linear relationships.

**27. D** - Operating leverage is the extent of fixed costs in cost structures. High operating leverage means high fixed costs relative to variable costs. High operating leverage magnifies profit changes from sales changes—small sales increases cause large profit increases (and vice versa). Low operating leverage provides more stable profits.

**28. A** - High operating leverage causes small sales changes to produce large profit changes because fixed costs don't change with volume. If sales increase 10%, profit might increase 30% (magnification effect). However, sales declines also magnify losses. High operating leverage increases risk and return volatility.

**29. C** - Flexible budgets adjust for different activity levels showing expected costs at various volumes rather than one static volume. If activity differs from budget, flexible budgets recalculate expected costs at actual volumes enabling meaningful variance analysis. Static budgets assume one activity level—they don't adjust.

**30. B** - Standard costing establishes predetermined expected costs (standards) for products based on engineering studies, historical data, and efficiency assumptions. Standards serve as benchmarks for performance measurement. Actual costs are compared to standards identifying variances requiring investigation. Standard costing is common in manufacturing.

**31. D** - Variance in standard costing is difference between standard (expected) costs and actual costs. Favorable variances occur when actual costs are less than standard; unfavorable variances when actual exceeds standard. Variance analysis investigates causes enabling corrective action. Material, labor, and overhead variances are tracked separately.

**32. A** - Favorable variances occur when actual costs are less than standard costs—spending less than expected. Favorable variances might indicate good performance, favorable market conditions, or unrealistic standards. Always investigate significant variances (favorable and unfavorable) to understand causes and adjust standards or operations.

**33. C** - The accounting cycle is systematic series of steps for recording and processing transactions during accounting periods: journalizing transactions, posting to ledgers, preparing trial balances, making adjusting entries, preparing financial statements, and closing temporary accounts. The cycle repeats each period ensuring accurate financial reporting.

**34. B** - Trial balances list all accounts with debit and credit balances verifying total debits equal total credits (proving accounting equation balance). Trial balances don't prove accuracy—they only prove mathematical balance. They're prepared before adjusting entries and after closing entries as checkpoints in the accounting cycle.

**35. D** - Closing entries transfer temporary account balances (revenues, expenses, dividends) to retained earnings at period end. This zeros temporary accounts for new periods and updates retained earnings with period profit/loss. Permanent accounts (assets, liabilities, equity) aren't closed—they carry forward to new periods.

**36. A** - The Worker Adjustment and Retraining Notification (WARN) Act is federal law requiring 60 days advance notice to employees before mass layoffs (50+ workers at single site) or plant closures. WARN provides time for affected workers to seek new employment or training. Violations result in back pay and benefits.

**37. C** - WARN triggers when employers employ 100+ workers and: lay off 50+ workers at single site (if 33%+ of workforce) or 500+ workers, or close facilities affecting 50+ workers. Covered employers must provide 60 days notice to affected workers, unions, and government. Small layoffs don't trigger WARN.

**38. B** - WARN violations result in liability for back pay and benefits for each violation day up to 60 days maximum. If employers give no notice and lay off 100 workers, they owe 60 days pay and benefits to each worker. Civil penalties up to \$500 per violation day also apply.

**39. D** - The Immigration Reform and Control Act (IRCA) requires employers verify all employees' identity and work authorization by completing Form I-9 within 3 days of hire. Employers must examine

original documents proving identity and work eligibility. IRCA prohibits knowingly hiring or continuing to employ unauthorized workers.

**40. A** - Knowingly hiring unauthorized workers results in civil penalties (\$500-\$25,000+ per unauthorized worker depending on violation history) and potential criminal prosecution (fines and imprisonment) for pattern or practice violations. Penalties increase for repeat violations. First violations: \$573-\$4,586 per unauthorized worker (2023 amounts).

**41. C** - Constructive termination (constructive discharge) occurs when employers make working conditions so intolerable that reasonable employees feel compelled to resign. Though employees "quit," law treats it as termination triggering wrongful termination claims. Examples: harassment, discrimination, impossible demands, dangerous conditions forcing resignation.

**42. B** - For-cause termination requires legitimate business reasons (poor performance, misconduct, policy violations). At-will termination allows terminating without cause—employers need no reason. However, at-will doesn't permit illegal terminations (discrimination, retaliation, public policy violations). Most employment is at-will but multiple exceptions exist.

**43. D** - California requires immediate final payment (same day) when terminating employees or within 72 hours when employees quit without notice (immediately if employee gives 72+ hours notice). Final pay must include all wages, unused vacation, and earned compensation. Waiting time penalties apply for late payment.

**44. A** - Wrongful constructive discharge is when employers deliberately make conditions intolerable forcing resignations to avoid formal termination (and avoid wrongful termination claims or paying unemployment). However, courts treat constructive discharge as termination. If discharge was for illegal reasons (discrimination, retaliation), wrongful termination liability attaches.

**45. C** - Non-compete agreements restrict employees from competing with employers after employment ends—working for competitors, starting competing businesses, or soliciting customers for specified periods and geographic areas. Non-competes protect employers' legitimate business interests but restrict employees' ability to work.

**46. C** - California strongly disfavors non-compete agreements generally prohibiting them as restraints on trade. Business and Professions Code Section 16600 voids non-compete agreements except in sale of business, dissolution of partnerships, or LLC dissociation. California protects employee mobility and competition. Other states enforce non-competes with reasonableness limits.

**47. D** - Non-solicitation agreements prohibit employees from soliciting employer's customers, clients, or employees after employment ends for specified periods. They're narrower than non-competes—they don't prevent competing, only solicitation. California enforces reasonable non-solicitation agreements protecting trade secrets and confidential information.

**48. C** - Confidentiality agreements (Non-Disclosure Agreements/NDAs) prohibit employees from disclosing employers' proprietary information, trade secrets, customer lists, business strategies, or

confidential data. They protect valuable business information from unauthorized disclosure. NDAs are enforceable in California protecting legitimate confidential information.

**49. C** - Trade secrets are confidential business information providing competitive advantages that companies take reasonable efforts to keep secret—formulas, processes, techniques, customer lists, pricing strategies, or business methods. Trade secrets derive value from secrecy. Theft or misappropriation of trade secrets violates state and federal law.

**50. B** - The Defend Trade Secrets Act (DTSA) is federal law creating federal civil cause of action for trade secret misappropriation. Previously, trade secret protection was state law only. DTSA allows federal court lawsuits for trade secret theft providing nationwide protection. Remedies include injunctions, damages, and attorney fees.

**51. D** - Misappropriation of trade secrets is unauthorized acquisition, use, or disclosure of protected trade secrets. It includes theft, breach of confidentiality, industrial espionage, or improperly obtaining secrets through deception. Misappropriation triggers civil and potentially criminal liability. Victims can seek injunctions, damages, and punitive damages.

**52. A** - The Uniformed Services Employment and Reemployment Rights Act (USERRA) is federal law protecting military service members' employment rights. It prohibits discrimination based on military service, requires reemployment after service (up to 5 years cumulative), and protects seniority and benefits during service. USERRA applies to all employers.

**53. C** - USERRA protects: reemployment rights after military service (including training and active duty), prompt reemployment in positions employees would have attained absent service with accrued seniority and benefits, continuation of health insurance for up to 24 months, and prohibition on discrimination based on military service.

**54. B** - Upon timely return from military service, employees must be reemployed in positions they would have attained with reasonable certainty had they remained continuously employed (escalator principle). They're entitled to seniority, pay increases, and benefits as if never absent. Employers cannot demote returning service members.

**55. D** - The Genetic Information Nondiscrimination Act (GINA) is federal privacy law prohibiting employment discrimination based on genetic information and restricting employers from requesting, requiring, or purchasing genetic information. GINA protects individuals from discrimination based on genetic predisposition to diseases. Health insurers also cannot use genetic information.

**56. A** - GINA prohibits employers from discriminating based on genetic information in hiring, firing, promotion, or terms of employment. Employers cannot request or require genetic testing or family medical history (except limited circumstances). Employers cannot purchase genetic information. GINA protects genetic privacy and prevents genetic discrimination.

**57. A** - The National Defense Authorization Act (NDAA) is annual federal law authorizing defense spending and military programs. It includes various employment protections for military families and

service members. NDAA provisions address military spouse employment protections, veteran hiring preferences, and military leave provisions expanding beyond USERRA.

**58. B** - Bereavement leave (funeral leave or compassionate leave) is time off following deaths of family members. California doesn't mandate bereavement leave for private employers (though some localities do). Many employers provide 3-5 days paid bereavement leave as benefit. Public employees may have statutory bereavement leave.

**59. D** - California law requires employers allow employees jury duty leave. Employers cannot discharge, threaten, or discriminate against employees for jury service. Employers don't have to pay wages during jury duty but cannot require employees to use vacation. Employees must provide reasonable notice of jury duty.

**60. A** - California requires employers provide employees sufficient time off to vote (typically 2 hours paid time at beginning or end of shifts if insufficient time outside work hours). Employees must request time off at least 2 days before elections. Employers must post voting leave notices 10 days before elections.

**61. B** - Umbrella insurance provides additional liability coverage above underlying policies (general liability, auto, employer's liability). When underlying policy limits are exhausted, umbrella coverage continues paying additional amounts up to umbrella limits (typically \$1-5 million). Umbrella policies are relatively inexpensive providing high limits protecting against catastrophic claims.

**62. B** - Umbrella policies require maintaining adequate underlying coverage limits (typically \$1 million general liability and auto liability). They sit "over" underlying policies like umbrellas providing extra coverage when underlying limits are exceeded. Umbrella policies don't replace underlying coverage—they supplement it providing additional layers.

**63. A** - Deductibles are amounts insureds pay before insurance coverage begins. With \$1,000 deductible, insureds pay first \$1,000 of claims and insurance pays amounts above \$1,000 up to policy limits. Deductibles reduce premiums by having insureds share loss costs. Higher deductibles mean lower premiums.

**64. C** - Aggregate deductibles are total deductibles applied across all claims during policy periods rather than per claim. Once aggregate deductible is met through multiple claims, insurance pays subsequent claims without additional deductibles. Aggregate deductibles benefit insureds with multiple small claims meeting deductible through accumulation.

**65. B** - Self-Insured Retention (SIR) is amount insureds must pay first before insurance coverage applies—similar to large deductible. With \$25,000 SIR, insureds pay first \$25,000 of claims. SIRs reduce premiums significantly. They're common in large commercial policies and umbrella policies.

**66. D** - With deductibles, insurers pay full claim amounts then collect deductibles from insureds. With SIR, insureds pay their retention amounts directly (handling claims and making payments) before insurers become involved. SIR shifts more claim handling responsibility to insureds. The payment sequence differs though amounts are similar.

**67. A** - Subrogation is insurers' rights to pursue third parties responsible for losses after paying insureds' claims. If your insurer pays for damage caused by another party, your insurer can sue that party recovering amounts paid. Subrogation prevents unjust enrichment and allows insurers to recover costs from responsible parties.

**68. C** - Waiver of subrogation prevents insurers from suing other parties to recover claim payments. This preserves project relationships—general contractors and owners don't want their insurers suing each other over project incidents. Waivers are common in construction contracts preventing insurer litigation disrupting project relationships.

**69. B** - Notice of non-renewal is advance notification (typically 30-90 days before expiration depending on policy type and state law) that insurers won't renew policies at expiration. This differs from cancellation (terminating mid-term). Non-renewal notices give insureds time to secure replacement coverage before expiration.

**70. D** - Stop payment notices on private projects direct owners or construction lenders to withhold payments from contractors sufficient to satisfy claimants' claims. They're alternatives to mechanics liens providing direct access to construction funds. Stop notices freeze money rather than encumbering property creating immediate payment pressure.

**71. B** - When stop payment notices are served, funds are withheld from contractors. To release withheld funds while contesting claims, contractors (or owners) can post bonds equal to 125% of stop notice amounts. Bonds substitute security allowing fund release to contractors while protecting claimants if claims are validated.

**72. C** - Stop payment notices must include: project description and location, property owner and contractor identity, claimant identity, amounts owed, description of labor or materials provided, and notice of potential liability. Specific statutory language is required. Deficient notices may be ineffective. Use statutory forms ensuring compliance.

**73. B** - Stop payment notices freeze construction funds—they direct withholding money from contractors to pay claimants. Mechanics liens encumber property creating interests that must be cleared for sale or refinancing. Stop notices are faster and provide direct fund access; liens affect property title. Both are powerful payment tools.

**74. D** - Releasing mechanics liens requires recording formal releases of lien (signed by lien claimants) or posting release bonds (owners posting bonds equal to 125% of lien amounts causing liens to release from property). Releases must be recorded with county recorders where liens were recorded. Verbal agreements don't release recorded liens.

**75. A** - Lien priority determines payment order when properties are sold—first priority liens are paid first, then second priority, etc. Generally, liens have priority based on recording dates (first recorded, first paid). However, tax liens often have priority over all others. Mechanics liens have priority from commencement of work dates, not recording dates.

**76. A** - Unilateral mistake is one party's mistaken belief about material contract facts. Generally, unilateral mistakes don't void contracts—the mistaken party bears the risk. However, if non-mistaken parties knew or should have known of mistakes and took advantage (unconscionable), mistaken parties may void contracts.

**77. C** - Mutual mistake (both parties share identical mistakes about basic assumptions) may make contracts voidable by either party. If both parties mistakenly believe facts that, if known, would have prevented contract formation, courts may rescind contracts. However, mistakes must be material—minor mistakes don't void contracts.

**78. B** - Fraud is intentional misrepresentation of material facts with intent to deceive inducing reliance causing harm. It's deliberate deception to gain unfair advantage. Fraud differs from innocent misrepresentation (unintentional false statements) or negligent misrepresentation (careless false statements). Fraud involves deliberate lying or concealment.

**79. D** - Proving fraud requires establishing: (1) false representation of material fact, (2) knowledge of falsity (scienter), (3) intent to deceive, (4) justifiable reliance on the misrepresentation, and (5) damages resulting from reliance. All elements must be proven—missing any defeats fraud claims.

**80. A** - Fraud remedies include rescission (canceling contracts and returning parties to pre-contract positions) and/or damages (compensating for losses including consequential damages and potentially punitive damages). Fraud victims can choose between affirming contracts and seeking damages or rescinding contracts. Fraud also may support criminal prosecution.

**81. C** - Negligent misrepresentation is false statement made without reasonable grounds believing it true—careless misrepresentation without intent to deceive. The speaker negligently makes false statements that others reasonably rely upon suffering harm. Negligent misrepresentation doesn't require intent to deceive—negligence is sufficient.

**82. B** - Part performance exception allows enforcing contracts despite statute of frauds when partial performance occurred that is unequivocally referable to contracts. If parties partially performed oral contracts in ways provable only by those contracts' existence, courts may enforce them. Part performance must be clear evidence of contracts.

**83. D** - Promissory estoppel enforces promises when promisees reasonably relied to their detriment even without consideration. If promisors made promises expecting reliance, promisees reasonably relied, and injustice results without enforcement, courts enforce promises despite lacking traditional contract elements. Promissory estoppel prevents unjust results.

**84. A** - Accord and satisfaction is agreement (accord) between parties with contract disputes accepting different performance (typically lesser payment) as full satisfaction of original obligations. If creditors accept lesser amounts as payment in full, original debts are discharged. Accord and satisfaction settles disputes through compromise.

**85. C** - Liquidated damages avoid difficulties proving actual damages by establishing reasonable predetermined amounts payable for breach. When actual damages are difficult to calculate and liquidated

amounts reasonably estimate probable damages, parties can agree in advance to fixed amounts simplifying dispute resolution and avoiding proof issues.

**86. B** - Enforceable liquidated damages require: (1) damages from breach must be difficult to calculate at contract formation, and (2) liquidated amount must be reasonable estimate of probable actual damages—not excessive. If requirements aren't met, courts treat clauses as unenforceable penalties. The reasonableness standard protects against punitive provisions.

**87. D** - Liquidated damages reasonably compensate for anticipated breach damages. Penalties punish breaches imposing amounts grossly disproportionate to actual harm. Courts enforce liquidated damages but void penalties. The distinction lies in reasonableness—are amounts fair estimates of harm or punishment? Only compensatory liquidated damages are enforceable.

**88. A** - Indemnity clauses require one party (indemnitor) to reimburse another party (indemnitee) for losses, damages, or liabilities arising from specified events. They shift liability from indemnitees to indemnitors. Indemnity goes beyond insurance—it's contractual promise to hold harmless. Indemnity provisions are heavily negotiated and jurisdiction-dependent.

**89. C** - Comparative indemnity allocates responsibility based on comparative fault. If indemnitors are 30% at fault and indemnitees are 70% at fault, indemnitors indemnify only 30%. Comparative indemnity recognizes shared responsibility. It's fairer than absolute indemnity where indemnitors bear all liability regardless of relative fault.

**90. B** - Indemnity types include: Broad form (indemnitor indemnifies for all losses including indemnitee's sole negligence), Intermediate form (indemnitor indemnifies except for indemnitee's sole negligence), and Limited form (indemnitor indemnifies only for indemnitor's own negligence). Many states prohibit broad form indemnity in construction as unconscionable.

**91. D** - Anti-indemnity statutes (common in construction) prohibit or limit certain indemnity provisions, typically voiding clauses requiring contractors to indemnify owners for owners' own negligence. These laws protect contractors from one-sided indemnity shifting all risk regardless of fault. Many states have anti-indemnity laws in construction.

**92. A** - Breach of express warranty occurs when products or services fail to meet specific stated promises or guarantees. If contractors warrant roofs won't leak for 10 years and roofs leak in 5 years, express warranty is breached. Express warranties create contractual obligations for performance as promised.

**93. C** - Breach of implied warranty occurs when products or services fail to meet implied standards. Implied warranty of merchantability means products are fit for ordinary purposes. Implied warranty of fitness means products are suitable for particular purposes when sellers know buyers' needs. Breach occurs when implied standards aren't met.

**94. B** - Disclaimer of warranties is contractual language attempting to eliminate or limit warranty obligations. "As is" or "with all faults" language disclaims implied warranties. Express warranty disclaimers require conspicuous language. Effective disclaimers protect sellers from warranty liability. However, disclaimers must meet legal requirements to be enforceable.

**95. D** - Disclaiming implied warranties requires conspicuous language like "AS IS," "WITH ALL FAULTS," or specific language mentioning "merchantability" or "fitness." Disclaimers must be obvious—buried fine print is insufficient. Language must be clear and prominent. Consumers should be aware they're buying without warranty protection.

**96. A** - UCC's perfect tender rule requires sellers' performance conform exactly to contracts. Any deviation—quality, quantity, timing—allows buyers to reject goods. Perfect tender is harsh—even minor non-conformity permits rejection. However, sellers have right to cure (correct) non-conforming tender if time remains. Perfect tender applies to goods sales.

**97. C** - Commercial impracticability under UCC excuses performance when unforeseen events make performance extremely difficult or unreasonably expensive (not merely unprofitable). It's narrower than impossibility requiring severe unforeseen circumstances fundamentally altering performance. Courts rarely find impracticability—it requires extraordinary circumstances beyond normal business risks.

**98. B** - Requirements contracts obligate buyers to purchase all requirements of particular goods from sellers. Quantity isn't specified—it's based on buyers' actual needs. Buyers cannot shop around—they're committed to purchasing from contracting sellers. However, requirements must be reasonable and in good faith.

**99. D** - Output contracts obligate sellers to sell all output of particular goods to buyers. Buyers must purchase whatever sellers produce. Quantity depends on actual production. Output contracts guarantee markets for sellers' production. However, output must be reasonable and in good faith—sellers cannot unreasonably increase production.

**100. A** - Requirements and output contracts require good faith performance. Buyers cannot demand unreasonably disproportionate quantities exploiting requirements contracts. Sellers cannot unreasonably reduce output to avoid unprofitable contracts. Quantities must be consistent with good faith, reasonable expectations, or comparable prior quantities.

**101. C** - UCC Section 2-207 governs battle of forms when buyers and sellers exchange forms with conflicting terms. Additional terms in acceptances become part of contracts between merchants unless: (1) offers expressly limit acceptance to offer terms, (2) additional terms materially alter contracts, or (3) offerors object to additional terms.

**102. B** - State prevailing wage (California DIR) applies to state, county, city, and local government projects. Davis-Bacon Act applies to federal projects. They're separate systems with different rates, requirements, and enforcement. Both require certified payroll but DIR enforces state projects; Department of Labor enforces federal projects.

**103. D** - Apprentice-to-journeyman ratios vary by trade established by Apprenticeship Standards for each craft. Ratios range from 1:1 to 1:5 typically. Electricians might be 1:4; carpenters 1:5. Contractors must comply with ratios for each trade. Ratios ensure adequate supervision and training for apprentices.

**104. A** - When apprentices requested from Dispatch Services aren't available, contractors document good faith efforts requesting apprentices. If apprentices aren't available, contractors may use journeymen.

However, contractors must request apprentices through proper channels proving good faith compliance. Documentation protects from penalties when apprentices genuinely aren't available.

**105. C** - Contractors must maintain monthly compliance reports documenting apprentice-to-journeyman ratios, requests for apprentices through Dispatch Services, and good faith efforts to comply. Reports prove compliance or document unavailability. DAS (Division of Apprenticeship Standards) reviews compliance. Lack of documentation results in penalties.

**106. B** - Employers or their authorized representatives must sign certified payrolls certifying accuracy under penalty of perjury. Signatures attest to correctness of hours, wages, and classifications. Electronic signatures are acceptable. Unsigned certified payrolls don't meet requirements. Penalties apply for false certifications—signature carries legal weight.

**107. D** - Penalties for failing to submit certified payroll include \$100 per day per violation until submitted, withholding of contract payments until submission, debarment from public works up to 3 years for repeated violations, and potential additional penalties. Awarding bodies cannot make final payment without certified payroll.

**108. A** - Safety committees are joint employee-employer groups meeting regularly to identify hazards, discuss safety concerns, review incidents, recommend improvements, and promote safety culture. Employee participation is essential—workers have firsthand knowledge of hazards. Effective committees improve safety through collaboration rather than top-down mandates.

**109. C** - Effective safety committees require genuine employee participation (not token representation), regular meetings (monthly minimum), management support and action on recommendations, worker empowerment to raise concerns, and follow-through on identified issues. Committees without real authority or management commitment are ineffective window dressing.

**110. B** - Job Safety Analysis (JSA) breaks job tasks into sequential steps, identifies hazards in each step, and establishes controls eliminating or reducing risks. JSAs proactively identify hazards before work begins enabling prevention. They're essential safety planning tools creating hazard awareness and establishing safe work procedures.

**111. D** - JSAs must include: step-by-step task breakdown, hazards identified for each step, controls for each hazard (elimination, engineering, administrative, PPE), and worker training on JSA procedures. JSAs should be living documents updated based on experience and new hazards. Workers should help develop JSAs for their tasks.

**112. A** - The hierarchy of controls ranks control effectiveness: (1) Elimination (removing hazards), (2) Substitution (replacing with less hazardous), (3) Engineering controls (isolating workers from hazards), (4) Administrative controls (policies, training, procedures), and (5) PPE (personal protective equipment). Higher controls are more effective and preferred.

**113. A** - Elimination is most effective control—removing hazards entirely. If hazards don't exist, workers can't be harmed. Examples: designing out hazards, changing processes eliminating risks, or avoiding

hazardous materials. Elimination is preferred when feasible but isn't always possible. Always consider elimination first.

**114. B** - PPE is least effective control—it's last line of defense relying on proper use, fit, and maintenance. PPE fails if not used correctly. It doesn't eliminate hazards—it only protects individuals. Use PPE only when higher controls are infeasible. Never rely solely on PPE when better controls are possible.

**115. D** - Engineering controls are physical workplace changes isolating workers from hazards—machine guarding, ventilation systems, barriers, enclosures, or automation. They don't rely on worker behavior—protection is built into work. Engineering controls are more reliable than administrative controls or PPE since they're inherent in equipment/workplace design.

**116. C** - Administrative controls are policies, procedures, training, work practices, schedules, or job rotation reducing hazard exposure. Examples: limiting exposure time, job rotation, training, procedures, or warning signs. They rely on worker compliance—less reliable than engineering controls. Use administrative controls when engineering controls are infeasible.

**117. C** - Site-specific safety orientation trains workers before starting work covering specific site hazards, safety rules, emergency procedures, PPE requirements, reporting procedures, and site layout. Generic safety training is insufficient—workers need site-specific information. Orientation ensures all workers understand unique site hazards and rules.

**118. B** - Safety orientation must cover: specific site hazards (excavations, fall hazards, electrical), emergency procedures (evacuation, first aid, emergency contacts), required PPE and locations, incident reporting procedures, site rules and discipline policy, and responsible persons. Documentation proving orientation attendance is required.

**119. D** - Safety training records must document: trainee names, trainer qualifications, training dates, topics covered, and attendance confirmation. Retain records for duration of employment plus specified periods (typically 1-5 years after termination). Training records prove compliance and defend against OSHA citations. Lack of documentation means lack of training.

**120. A** - OSHA Form 300 (Log of Work-Related Injuries and Illnesses) is annual log recording all recordable work-related injuries and illnesses with case numbers, employee names, job titles, injury descriptions, and days away/restricted. It's running log maintained throughout the year. Form 300 provides overview of workplace injuries.

**121. C** - OSHA Form 300A is annual summary of work-related injuries and illnesses from Form 300. It totals injuries by type and severity. Companies must post Form 300A from February 1-April 30 annually where employees can see it. Form 300A provides snapshot of annual safety performance.

**122. B** - OSHA Form 301 (Injury and Illness Incident Report) provides detailed information about each recordable injury/illness including: how incident occurred, object/substance involved, nature of injury, treatment provided, and days away from work. Complete Form 301 for each recordable incident within 7 days.

**123. D** - OSHA 300 logs must be retained 5 years following the year covered. This allows OSHA inspectors to review 5 years of records identifying patterns and trends. Records must be available for employee and OSHA review. Destroying records within retention period violates OSHA requirements.

**124. B** - Record on OSHA 300 log: work-related injuries and illnesses requiring medical treatment beyond first aid, loss of consciousness, work restrictions, job transfers, or resulting in death. Minor first aid (cleaning, bandages, over-the-counter medications) isn't recorded. Work relationship is key—personal injuries off-duty aren't recorded.

**125. C** - OSHA recording criteria: injuries/illnesses are recordable if they're work-related and result in: death, loss of consciousness, days away from work, restricted work or job transfer, medical treatment beyond first aid, significant injury/illness diagnosed by healthcare professional, or needle stick injuries. First aid-only cases aren't recorded.