

PRACTICE EXAM 10: MISSISSIPPI LAW AND BUSINESS MANAGEMENT SIMULATION (50 QUESTIONS)

Time Allowed: 2 Hours | 50 Questions | **Passing Score:** 70% (35 Correct)

This is an openbook examination. You may use the NASCLA Contractors Guide to Business, Law and Project Management, Mississippi 6th Edition and a silent, nonprinting, nonprogrammable calculator.

1. A contractor is awarded a \$4,200,000 public hospital construction project. The contract requires performance and payment bonds at 100% of the contract value. During the project, a major subcontractor performing \$680,000 of mechanical work goes bankrupt and abandons the project. The general contractor hires a replacement mechanical subcontractor at a cost of \$780,000 — \$100,000 more than the original subcontract. Who bears the financial responsibility for this \$100,000 cost increase?

- A. The project owner bears the cost because the owner selected the original mechanical subcontractor during the prequalification process
- B. The surety company that issued the general contractor's performance bond automatically pays the difference because the bond guarantees against all subcontractor defaults
- C. The cost is shared equally between the general contractor and the bankrupt subcontractor's estate under Mississippi's mandatory costsharing statute for subcontractor defaults
- D. The general contractor bears the immediate cost of the \$100,000 difference because the general contractor is responsible to the owner for the performance of all subcontractors — the general contractor may seek recovery from the bankrupt subcontractor or the subcontractor's bonding company if a subcontractor bond was required

2. A contractor's project has the following financial data at the end of Month 8: contract price \$1,600,000, original estimated total cost \$1,360,000, actual costs to date \$1,020,000 (75% complete), revised estimated cost to complete \$380,000. The project manager states the project is "on budget." Is this assessment accurate?

- A. Yes, because the \$1,020,000 in actual costs at 75% completion is exactly proportional to the \$1,360,000 total budget ($75\% \times \$1,360,000 = \$1,020,000$)
- B. No, because the revised total projected cost of \$1,400,000 ($\$1,020,000 + \$380,000$) exceeds the original estimate of \$1,360,000 by \$40,000 — the project is trending \$40,000 over budget, reducing projected profit from \$240,000 to \$200,000, and the project manager's assessment is inaccurate
- C. Yes, because actual costs have not yet exceeded the total budget of \$1,360,000 and the project still shows positive projected profit
- D. The assessment cannot be evaluated because cost projections at 75% completion are unreliable and should not be used for financial analysis

3. A Mississippi contractor wants to form a new LLC for their construction business. The LLC will have a single member — the contractor. What is the default federal tax classification for a single-member LLC that makes no tax election with the IRS?

- A. Disregarded entity — the LLC is ignored for federal tax purposes and the member reports all business income and expenses on Schedule C of their personal Form 1040, identical to a sole proprietorship
- B. Partnership, requiring the LLC to file Form 1065 and issue a Schedule K1 to the single member
- C. Ccorporation, requiring the LLC to file Form 1120 and pay corporate income tax at the 21% rate
- D. Scorporation, requiring the LLC to file Form 1120S and issue a Schedule K1 to the single member

4. A contractor's project involves installing a new fire alarm system in an existing 4-story commercial office building. The work requires the contractor's electricians to run conduit and wire through ceiling plenums on all four floors. During the installation, workers discover that the existing ceiling contains vermiculite-based insulation that may contain asbestos. The workers have already disturbed some of the material while cutting conduit holes. What is the contractor's immediate obligation?

- A. Continue work wearing standard dust masks because vermiculite insulation contains only trace amounts of asbestos that do not pose a health risk during brief exposure
- B. Complete the conduit installation on the current floor and then test the material before proceeding to the next floor
- C. Stop all work in the affected areas immediately, evacuate workers, secure the areas to prevent further disturbance, and arrange for qualified asbestos testing — do not resume work until test results confirm the material's status and appropriate control measures are implemented if asbestos is confirmed

D. Seal the conduit penetrations with fireproof caulk to encapsulate any disturbed fibers and continue the installation on the remaining floors

5. A contractor operating as a sole proprietor earns \$350,000 in net business income. The contractor converts to an LLC with S corporation tax election and sets a reasonable salary at \$140,000. The remaining \$210,000 is distributed as shareholder distributions. What is the approximate selfemployment tax savings from this conversion compared to remaining a sole proprietor?

A. Approximately \$49,000, representing the full selfemployment tax that would be eliminated on the entire \$350,000

B. Approximately \$29,700, representing the selfemployment tax savings on the \$210,000 in distributions that are no longer subject to selfemployment tax — calculated as $\$210,000 \times 92.35\% \times 15.3\% \approx \$29,700$

C. Approximately \$10,710, representing only the employee's half of FICA on the \$140,000 salary

D. Zero, because the IRS disallows selfemployment tax savings when the distribution exceeds the salary amount

6. A contractor's project schedule uses CPM and shows two parallel paths from the project midpoint to the finish. Path 1 has remaining activities totaling 42 working days. Path 2 has remaining activities totaling 48 working days. A 5-day delay occurs on Path 1. The contract completion date allows 50 working days from the midpoint. What is the project's schedule status after the delay?

A. The project is on schedule because the contract allows 50 days and Path 1 (now 47 days) is still within the contract duration

B. The project is ahead of schedule because Path 1 at 47 days has 3 days of float remaining within the 50-day contract window

C. The project is behind schedule because Path 2 at 48 days is the critical path and allows only 2 days of float within the 50-day contract

D. The project has 2 days of total float — Path 2 at 48 days is the critical path (the longer of the two parallel paths), and $50 - 48 = 2$ days of remaining float — the 5-day delay on Path 1 (now 47 days) does not affect the project completion because Path 1 still has 3 days of float ($50 - 47 = 3$)

7. A contractor's employee is paid a salary of \$1,400 per week and classified as a nonexempt employee under the FLSA. During a week when the employee works 48 hours, the employer pays only the \$1,400 salary without any overtime premium. Has the employer violated the FLSA?

A. No, because salaried employees are automatically exempt from overtime requirements regardless of their duties or classification

B. No, because the \$1,400 weekly salary exceeds the minimum salary threshold for the executive exemption, making overtime inapplicable

C. Yes, because the employee is classified as nonexempt — regardless of being salaried, the employer must calculate the regular rate ($\$1,400 \div 48 = \$29.17/\text{hr}$) and pay an additional halftime premium ($\$29.17 \times 0.5 = \14.58) for each of the 8 overtime hours, totaling \$116.67 in additional overtime compensation

D. Yes, but only if the employee specifically requested overtime pay in writing before working the additional hours

8. A contractor is developing a risk assessment for a new project. The project involves deep excavation adjacent to an active railroad line. The contractor identifies "railroad vibration causing trench wall instability" as a risk. The contractor rates this risk as "likely to occur" with "major financial impact." What risk response strategy is most appropriate?

A. A combination of risk reduction (designing the excavation protective system to account for vibration loading, scheduling excavation work during periods of lowest railroad traffic, and installing vibration monitoring equipment) and risk transfer (ensuring the contractor's insurance program covers railroadadjacent construction risks), because a highlikelihood, highimpact risk demands multiple simultaneous response strategies

B. Risk acceptance, because railroad vibration is a normal site condition that all contractors must tolerate without special measures

C. Risk avoidance only — the contractor should decline to bid on the project because railroadadjacent excavation is always too dangerous to undertake

D. Risk transfer only — purchasing additional insurance eliminates all financial exposure and no physical mitigation measures are needed

9. A contractor's project requires the installation of a temporary guardrail system along the perimeter of a concrete slab on the 4th floor of a building under construction. The slab edge is 42 feet above grade. A worker is observed standing on the top rail of the guardrail to reach overhead work. What OSHA violations are present?

- A. Only a fall protection violation because the guardrail was not engineered to support the weight of a worker standing on it
- B. Multiple violations — standing on the top rail of a guardrail defeats its protective purpose and creates a fall hazard at 42+ feet, the guardrail system is being misused as a work platform, and the employer has failed to ensure employees use fall protection equipment properly and as intended
- C. Only a guardrail height violation because the worker's feet on the top rail raises their work height above the maximum permitted elevation for guardrail protection
- D. No violations because the guardrail is installed at the slab edge and provides perimeter protection regardless of how individual workers interact with it

10. A contractor purchases \$95,000 worth of roofing materials from a Mississippi supplier for a commercial project. Mississippi's sales tax rate is 7%. The contractor incorrectly assumes they are exempt from sales tax because the materials will be incorporated into the owner's building. The supplier charges the full 7% tax. Is the supplier correct?

- A. No, because contractors are exempt from sales tax on materials that will be permanently incorporated into real property owned by another party
- B. No, because the project owner should pay the sales tax directly when they receive the building, not the contractor at the time of material purchase
- C. No, because Mississippi exempts all construction materials from sales tax when purchased by licensed contractors for use in commercial projects
- D. Yes, because in Mississippi the contractor is considered the consumer of construction materials — the contractor pays the 7% sales tax at the time of purchase from the supplier, and does not collect sales tax from the project owner on the construction services

11. A contractor's project is governed by a fixed-price contract. The architect issues a bulletin during construction that changes the flooring material from carpet to hardwood in the main lobby. The hardwood flooring costs \$18,000 more than the carpet originally specified. The contractor submits a change order request for the \$18,000 difference. The owner argues that bulletins are "clarifications" that do not require change orders. Is the owner's position correct?

- A. Yes, because bulletins issued during construction are always classified as clarifications that fall within the original contract scope and never warrant additional compensation
- B. Yes, because the architect has unlimited authority to change materials without cost impact as long as the change is documented in a bulletin rather than an addendum

C. No, because a bulletin that changes the specified material from carpet to hardwood is a design change that modifies the scope of work — when a change increases the contractor's cost, the contractor is entitled to a change order for the additional expense regardless of whether the change is documented as a bulletin, a revised drawing, or an addendum

D. No, but only if the hardwood costs more than 5% above the original carpet specification, because material changes below the 5% threshold are absorbed by the contractor under standard contract provisions

12. A contractor is reviewing a contract with the following payment terms: "Owner shall pay Contractor within 45 days of receipt of Architect's certified payment application." The contractor submits a progress payment application on March 1. The architect certifies it on March 10. The owner receives the certified application on March 12. By what date must the owner pay?

A. April 26 — 45 days after the owner's receipt of the certified application on March 12, because the payment clock starts when the owner receives the architect's certification, not when the contractor submits the application or when the architect certifies it

B. April 15 — 45 days after the contractor's submission on March 1, because the payment clock starts at submission

C. April 24 — 45 days after the architect's certification on March 10, because the payment clock starts at certification

D. May 1 — 45 days after the end of the month in which the application was submitted, because payment timelines run from monthend

13. A contractor operating as a general partnership with three equal partners is approached by an investor who wants to contribute \$200,000 in capital without taking on management responsibilities or unlimited personal liability. What business structure change would best accommodate this investor?

A. Add the investor as a fourth general partner with a contractual provision limiting their management role to advisory only

B. Convert the general partnership to a limited partnership or an LLC — in a limited partnership, the investor becomes a limited partner with liability limited to their \$200,000 investment and no management obligations, while the existing partners remain general partners; alternatively, converting to an LLC achieves the same result with limited liability for all members

C. Add the investor as an employee of the general partnership with a profitsharing bonus rather than an ownership interest

D. Issue corporate stock to the investor because general partnerships can sell stock to passive investors without changing the entity structure

14. A contractor's project involves a \$2,800,000 commercial building. The contract requires the contractor to provide a performance bond at 100% and a payment bond at 100%. A plumbing subcontractor completes \$120,000 of work and is not paid by the general contractor. The subcontractor cannot file a lien because the building is on publicly owned land. What remedy is available?

A. The subcontractor can file a lawsuit directly against the government entity that owns the property, because public property owners are jointly liable for subcontractor payments

B. The subcontractor has no remedy because the inability to file a lien on public property eliminates all payment protection for subcontractors on government projects

C. The subcontractor can file a claim against the payment bond — the bond guarantees payment to subcontractors and suppliers on the project, serving as the substitute remedy for the lien right that is unavailable on public property

D. The subcontractor can file a claim against the performance bond because the performance bond covers all payment obligations when the general contractor defaults on subcontractor payments

15. A contractor is calculating the selling price for a project. Total estimated costs are \$485,000. The contractor uses the formula: $\text{Selling Price} = \text{Cost} \div (1 - \text{Margin}\%)$. The contractor enters $\$485,000 \div 0.88$. What profit margin does this calculation achieve?

A. 12%, because $1 - 0.88 = 0.12$, and dividing by 0.88 produces a selling price where profit represents exactly 12% of the selling price — this is the standard margin formula

B. 13.6%, calculated by dividing the profit amount by the total cost rather than by the selling price

C. 8.8%, calculated by multiplying the cost by 0.88 and subtracting the result from the original cost

D. 88%, because the divisor of 0.88 is directly converted to a percentage to determine the margin

16. A contractor submits a bid on a public infrastructure project. The bid documents require a 10% bid bond. The contractor's bid is \$1,850,000, making the bid bond amount \$185,000. After bid opening, the contractor discovers a \$140,000 calculation error that made the bid significantly lower than intended. The contractor wants to withdraw the bid. If the withdrawal is denied and the contractor refuses to execute the contract, what is the maximum the surety will pay?

- A. The full \$185,000 bid bond amount, regardless of the actual difference between the contractor's bid and the next lowest bid
- B. The full contract price of \$1,850,000 because the surety guarantees the contractor's performance of the entire contract
- C. Nothing, because mathematical errors discovered after bid opening automatically void the bid bond
- D. The lesser of the bid bond amount (\$185,000) or the actual difference between the defaulting contractor's bid and the next lowest responsive bid — the bid bond compensates the owner for the actual financial loss caused by the contractor's default, up to the bond limit

17. A contractor's financial statements show the following: cash \$55,000, accounts receivable \$440,000, retainage receivable \$78,000, prepaid expenses \$14,000, inventory \$11,000, equipment (net) \$380,000. Current liabilities total \$425,000 and longterm liabilities total \$210,000. What is the contractor's current ratio, and what does it indicate about their financial health?

- A. Current ratio is 0.98, indicating negative working capital — the contractor's current liabilities slightly exceed current assets, creating a potential inability to meet shortterm obligations
- B. Current ratio is 1.41, calculated by dividing total current assets of \$598,000 by current liabilities of \$425,000, indicating adequate but not strong liquidity with \$1.41 available for every \$1.00 owed in the short term
- C. Current ratio is 1.54, calculated by including equipment as a current asset in the numerator
- D. Current ratio is 2.30, calculated by dividing total assets by current liabilities, which overstates liquidity by including longterm assets

18. A contractor is developing a SWPPP for a 6acre mixeduse development project. The site includes a 2acre area that drains directly into a designated trout stream classified as a Tier 2 outstanding resource water. What impact does this classification have on the contractor's stormwater management obligations?

- A. No impact, because the NPDES Construction General Permit applies uniformly to all construction sites regardless of the receiving water's classification
- B. The Tier 2 classification reduces the contractor's obligations because outstanding resource waters have stronger natural filtration capabilities that require less construction site treatment
- C. The contractor may face significantly enhanced stormwater management requirements — including antidegradation provisions that prohibit any new or increased pollutant discharge to the outstanding

resource water, potentially requiring advanced BMP technologies, zerodischarge design for the 2acre drainage area, and additional permit conditions beyond the standard Construction General Permit

D. The classification requires the contractor to obtain a fishing license for any workers who will be operating equipment within 100 feet of the trout stream

19. A contractor operating as a Ccorporation pays its two shareholderemployees reasonable salaries totaling \$250,000. The corporation earns \$650,000 in revenue with \$520,000 in total expenses (including salaries). The remaining \$130,000 in profit is distributed as dividends. What is the total tax burden on the \$130,000 in dividends?

A. The dividends are taxed twice — first at the 21% corporate rate (\$27,300 in corporate tax), and then on each shareholder's personal return at the applicable dividend tax rate — this double taxation is the defining disadvantage of the Ccorporation structure

B. The dividends are taxed only once at the shareholder level because dividends paid from aftertax corporate profits receive a full credit for the corporate tax already paid

C. The dividends are exempt from all taxation because they are classified as return of capital rather than income when distributed by a Ccorporation

D. The dividends are taxed only at the corporate level and are taxfree to the shareholders, because the corporate tax satisfies the full tax obligation on distributed profits

20. A contractor's project superintendent discovers that the painting subcontractor has begun applying exterior paint to a surface that was not properly prepared — the old paint was not scraped, the surface was not primed, and the manufacturer's preparation requirements were not followed. The paint appears to be adhering normally after the first coat. What should the superintendent do?

A. Accept the work because the paint is adhering properly and the visual result is satisfactory after the first coat

B. Stop the painting work immediately because the failure to follow manufacturer preparation requirements will likely cause premature paint failure — improper surface preparation is the leading cause of paint adhesion failure, and the fact that the first coat appears to adhere does not indicate longterm performance, which depends on proper substrate preparation

C. Allow the subcontractor to complete the second coat and evaluate the finished surface after the paint has fully cured for 30 days

D. Document the observation in the daily report but take no corrective action because the painting subcontractor's means and methods are entirely the subcontractor's responsibility

21. A contractor's project is governed by a GMP contract for \$3,200,000 with a 60/40 savings sharing provision (60% owner / 40% contractor). Actual project costs are \$2,880,000. The contractor's fixed fee is \$180,000. What is the total amount the owner pays?

A. \$3,200,000, because the GMP is a guaranteed fixed payment that the owner pays in full regardless of actual costs or savings

B. \$2,880,000, because the owner pays only actual costs — the fee and savings sharing are internal calculations between the contractor and subcontractors

C. \$3,060,000, because the fee is paid on top of actual costs and no savings sharing applies when the fee is included in the calculation

D. \$3,116,000 — costs (\$2,880,000) plus fee (\$180,000) total \$3,060,000, which is \$140,000 below the GMP; the savings are split 60/40, giving the owner an \$84,000 credit and the contractor a \$56,000 bonus; the owner pays \$3,060,000 plus the contractor's \$56,000 share = \$3,116,000

22. A contractor's employee is working in a trench 7 feet deep. The nearest ladder for egress is 35 feet from the worker's location. Under OSHA's excavation standard, does this comply with the egress requirements?

A. Yes, because OSHA does not regulate the distance between workers and egress points in excavations — the requirement is only that a ladder be present somewhere in the trench

B. Yes, because the 35foot distance is within OSHA's maximum of 50 feet for trench egress in commercial construction projects

C. No, because OSHA requires a means of egress (ladder, ramp, or stairway) to be located so that no worker must travel more than 25 feet laterally to reach it in excavations 4 feet or deeper — at 35 feet, this worker exceeds the 25foot maximum

D. No, but only because the trench is deeper than 6 feet — the 25foot egress distance applies only to trenches deeper than 6 feet, and this trench at 7 feet barely exceeds the threshold

23. A contractor's project involves a 12month construction schedule. The contractor's insurance agent recommends an ownercontrolled insurance program (OCIP or "wrapup") versus the contractor providing its own insurance. On a large project, what is the primary advantage of an OCIP from the owner's perspective?

A. The OCIP eliminates all insurance costs because the owner assumes full responsibility for all risks and does not purchase any insurance coverage

B. The OCIP consolidates insurance coverage for all project participants under a single program administered by the owner, potentially reducing total insurance costs through volume purchasing power, eliminating coverage gaps between multiple contractors' policies, and providing uniform coverage terms across all trades

C. The OCIP transfers all liability for construction accidents to the insurance company, eliminating the owner's exposure to lawsuits entirely

D. The OCIP allows the owner to avoid paying for workers' compensation insurance because all workers on an OCIP project are classified as independent contractors

24. A contractor's CPA is preparing the annual financial statements and discovers that the company has \$45,000 in accounts receivable that are over 180 days old and appear to be uncollectible. The contractor insists on keeping these receivables on the balance sheet at full value because "we haven't given up on collecting." How should the CPA handle this situation?

A. The CPA should discuss establishing an allowance for doubtful accounts or writing off the uncollectible receivables — maintaining \$45,000 in receivables that are likely uncollectible overstates the company's current assets, inflates working capital, and misrepresents the company's true financial position, which is particularly problematic for the CPA reviewed statement submitted to MSBOC

B. The CPA should accept the contractor's position because the contractor has the final authority over all financial statement decisions

C. The CPA should remove all accounts receivable from the balance sheet because any receivable over 90 days is automatically classified as uncollectible under GAAP

D. The CPA should reclassify the \$45,000 from accounts receivable to equipment on the balance sheet because reclassification resolves the collectibility concern

25. A contractor's project involves constructing a retaining wall along a highway rightofway. The project requires excavation within 10 feet of an active gas transmission line that was located and marked by the utility company after the contractor called Mississippi 811. OSHA and state law require handdigging within the tolerance zone. The contractor's crew uses a miniexcavator within the tolerance zone instead, arguing it is "more precise than hand tools." Is this approach compliant?

A. Yes, because miniexcavators with rubber tracks are classified as handoperated equipment and are permitted within the tolerance zone

B. Yes, because the tolerance zone requirement applies only to fiber optic cables and water lines, not to gas transmission lines

C. Yes, because the contractor has the discretion to select the most efficient excavation method as long as no damage to the utility actually occurs

D. No, because the tolerance zone requires nonmechanical excavation methods — handdigging or vacuum excavation — and a miniexcavator is mechanical equipment that can damage the gas line regardless of the operator's skill level, creating a potentially explosive and lifethreatening hazard

26. A contractor signs a fixedprice contract and includes a \$50,000 allowance for unforeseen soil conditions in the bid price. The contract documents do not contain a differing site conditions clause. During excavation, the contractor encounters unexpected rock requiring \$120,000 to remove — \$70,000 more than the \$50,000 allowance. Without a differing site conditions clause, what is the contractor's position?

A. The contractor can file a claim for the full \$120,000 because unexpected rock is always the owner's responsibility regardless of the contract terms

B. The contractor is entitled to the \$70,000 difference because any cost exceeding the stated allowance automatically becomes the owner's obligation

C. The contractor bears the full \$120,000 cost because, without a differing site conditions clause, the fixedprice contract allocates all subsurface risk to the contractor — the \$50,000 allowance was the contractor's own internal risk reserve, and the contract provides no mechanism for additional compensation for unforeseen conditions

D. The contractor and owner split the \$70,000 overage equally because Mississippi law mandates 50/50 cost sharing for all subsurface conditions on contracts without differing site conditions clauses

27. A contractor is evaluating two projects for bidding. Project X has a contract price of \$450,000 and estimated costs of \$382,500. Project Y has a contract price of \$1,100,000 and estimated costs of \$990,000. Which project offers the higher profit margin, and which generates the higher absolute profit?

A. Project X has a 15% margin (\$67,500 profit) and Project Y has a 10% margin (\$110,000 profit) — Project X has the higher margin but Project Y generates higher absolute profit, demonstrating that larger contracts do not automatically produce better margins

B. Both projects have identical 12.5% margins and should be evaluated solely on absolute profit

C. Project Y has the higher margin at 15% because larger contracts always produce higher margins due to economies of scale

D. Project X has a 10% margin and Project Y has a 15% margin because the margin calculation inverts for contracts above \$1,000,000

28. A contractor's project requires the use of a tower crane. OSHA's crane safety standards require a qualified rigger to be involved in certain crane operations. Under OSHA, what distinguishes a "qualified rigger" from a "competent person" for crane operations?

A. There is no distinction — "qualified rigger" and "competent person" are interchangeable terms under OSHA's crane standard

B. A qualified rigger is determined by the crane manufacturer, while a competent person is designated by the contractor

C. A competent person requires federal OSHA certification, while a qualified rigger requires only statelevel licensing

D. A qualified rigger is a person who can demonstrate through knowledge, training, and experience the ability to properly rig loads for crane hoisting — a competent person is someone who can identify existing and predictable hazards and has the authority to take corrective action; both roles are distinct and may be filled by different individuals

29. A contractor's project has a fixed-price contract for \$900,000. The contractor's estimate included \$765,000 in costs and \$135,000 in profit (15% margin). At the 80% completion point, the job cost report shows actual costs of \$648,000 against a prorated budget of \$612,000 ($80\% \times \$765,000$). What does this \$36,000 budget variance indicate?

A. The project is \$36,000 under budget because actual costs of \$648,000 have not yet reached the total budget of \$765,000

B. The project is \$36,000 over budget at the 80% mark — actual costs are running 5.9% above the prorated budget, and if this trend continues, total costs will reach approximately \$810,000, reducing the projected profit from \$135,000 to \$90,000 and compressing the margin from 15% to 10%

C. The variance is favorable because \$648,000 is less than the contract price of \$900,000

D. The variance is insignificant because it represents less than 5% of the contract price

30. A contractor is preparing the annual OSHA 300A Summary of Work-Related Injuries and Illnesses. The summary must be certified by a company executive. What does this certification require?

- A. The executive must personally inspect every injury report and interview each injured worker before signing the certification
- B. The executive must hold a current OSHA safety certification obtained through an approved 30-hour training program
- C. The executive must certify that they have examined the OSHA 300 Log and that they reasonably believe, based on their knowledge of the process by which the information was recorded, that the annual summary is correct and complete
- D. The executive must submit the certification to OSHA for approval before posting the summary in the workplace

31. A contractor is negotiating a subcontract for structural steel erection. The general contractor's contract with the owner requires completed steel erection by a specific milestone date, with liquidated damages of \$3,500 per day for delays beyond that date. The general contractor wants to "flow down" this liquidated damages provision to the steel subcontractor. What should the steel subcontractor consider before accepting this provision?

- A. The subcontractor should evaluate whether the \$3,500 daily liquidated damages amount bears a reasonable relationship to the actual damages the subcontractor's delay would cause — and whether the subcontractor can control all factors that affect the milestone date, because liquidated damages should not be imposed for delays caused by the general contractor, other trades, the owner, or force majeure events beyond the subcontractor's control
- B. The subcontractor should accept the provision without question because flowdown clauses are standard and nonnegotiable in the construction industry
- C. The subcontractor should refuse all subcontracts that include any liquidated damages provisions because they are always unenforceable penalties
- D. The subcontractor should accept the provision but increase the subcontract price by exactly \$3,500 per anticipated delay day as a risk premium

32. A contractor's WIP schedule shows four active projects. Three projects show underbillings totaling \$85,000 and one project shows overbillings of \$120,000. How should these amounts be presented on the contractor's balance sheet?

- A. The amounts should be netted — the \$120,000 overbilling minus the \$85,000 in underbillings produces a net overbilling of \$35,000 reported as a single current liability
- B. All four projects should be combined into a single WIP line item showing the gross contract values and gross costs incurred
- C. The overbillings and underbillings should be reversed so that the overbillings appear as assets and the underbillings appear as liabilities
- D. The \$85,000 in underbillings is reported as a current asset and the \$120,000 in overbillings is reported as a current liability — they are reported separately on the balance sheet and are not netted against each other, because each represents a different financial condition and netting would obscure the contractor's actual billing position

33. A contractor is performing work on a commercial building renovation. The existing building has a flat roof with a parapet wall around the perimeter. Workers are performing HVAC equipment installation on the roof, which is 30 feet above grade. The parapet wall is 48 inches high. Do the workers require additional fall protection beyond the parapet?

- A. Yes, because OSHA requires both a parapet wall and a personal fall arrest system at all heights above 20 feet
- B. Yes, because parapet walls are not recognized as fall protection under any OSHA standard regardless of height
- C. No, because a 48inch parapet wall meets or exceeds the 42inch guardrail height requirement — OSHA recognizes parapet walls as equivalent to guardrail systems when they meet the minimum height standard and adequately protect workers from falling over the edge
- D. No, but only because the workers are performing HVAC installation, which is exempt from fall protection requirements on existing roofs

34. A contractor's project superintendent maintains daily reports that include weather data for each construction day. Over the course of a 10month project, the reports document 42 days of rain that prevented outdoor work. The contract allows 18 rain days in the construction schedule. The contractor submits a request for a 24day time extension (42 actual rain days minus 18 allowed). What documentation strengthens this time extension request?

- A. A verbal confirmation from the project manager that the rain days seemed excessive compared to previous projects

B. The daily reports corroborating each rain day with specific weather conditions recorded, supported by National Weather Service data for the project area showing that actual rainfall significantly exceeded historical averages for the same period — the combination of contemporaneous project records and independent meteorological data creates a compelling case for the time extension

C. A single letter from a local weather forecaster stating that the project area experienced aboveaverage rainfall during the construction period

D. A request from the contractor's insurance company confirming that weatherrelated delays affected the project

35. A contractor is forming a new construction company and must decide between an LLC and a corporation. The contractor plans to seek bonding within the first year. Which entity characteristic is most relevant to the bonding decision?

A. The financial statements — the surety evaluates net worth, working capital, and the current ratio regardless of entity type, and the surety's primary concern is the contractor's financial capacity to support bonded work, not the specific legal structure of the business entity

B. The entity type itself is the most relevant factor because surety companies will not issue bonds to LLCs, only to corporations

C. The number of owners is the most relevant factor because sureties will not bond singleowner entities of any type

D. The entity's tax classification is the most relevant factor because sureties evaluate only the entity's tax returns, not its financial statements

36. A contractor's employee discovers a broken rung on a jobbuilt wooden ladder that is being used to access a scaffold platform. The employee reports the broken rung to the foreman. The foreman tells the worker to "skip that rung" and continue using the ladder. What OSHA violation has the foreman committed?

A. No violation because the foreman provided a verbal warning about the hazard, which satisfies OSHA's notification requirements for ladder deficiencies

B. A minor administrative violation for failing to tag the ladder as defective, but allowing continued use with a verbal warning is an acceptable interim measure

C. A violation of OSHA's general housekeeping requirements but not a specific ladder safety violation

D. A violation of OSHA's ladder safety standards — defective ladders must be removed from service immediately and either repaired to meet the original design criteria or destroyed, not left in service

with a verbal warning to skip the broken rung, because a worker may forget the warning, step on the broken rung, and fall

37. A contractor's project involves installing a sanitary sewer line that connects to the municipal sewer system. The project requires a 12-foot-deep trench through soil the competent person has classified as Type C. If the contractor chooses sloping as the protective system, how wide must the trench be at the top (ground level) to achieve the required 1½:1 slope on both sides?

A. The trench width at the bottom plus 12 feet, because each side must be sloped at a 1:1 ratio for Type C soil

B. The trench width at the bottom plus 36 feet (18 feet of slope on each side), because Type C soil requires a 1½:1 slope — for every 1 foot of depth, the slope extends 1.5 feet horizontally, so 12 feet deep \times 1.5 = 18 feet of horizontal run on each side

C. The trench width at the bottom plus 24 feet, because the slope is calculated at 2:1 for all excavations deeper than 10 feet

D. The trench width at the bottom plus 9 feet, because the 1½:1 ratio means the horizontal run is 1.5 feet for every 2 feet of depth

38. A contractor's project has been completed and the one-year warranty period has expired. Three months after the warranty expires, the owner discovers a significant structural crack in a loadbearing wall that appears to have been caused by inadequate reinforcement during construction. The owner contacts the contractor demanding repair. Does the contractor have any obligation to repair this defect after the warranty has expired?

A. No, because the expiration of the warranty period eliminates all of the contractor's obligations for any defects discovered after the warranty ends

B. No, because structural defects are always classified as design errors rather than construction defects, making the architect solely responsible

C. Yes, because the contractor's general obligation to perform work in accordance with the contract documents and applicable building codes exists independently of the warranty — the warranty addresses the process for handling defects discovered during the warranty period, but does not necessarily extinguish the owner's legal right to pursue claims for defective workmanship under the applicable statute of limitations or statute of repose, which may extend beyond the warranty period

D. Yes, but only if the owner can prove the contractor intentionally concealed the defect during the warranty period

39. A contractor purchases a new pickup truck for \$55,000 that will be used exclusively for business purposes. Under MACRS depreciation, light trucks are assigned a 5-year recovery period. The contractor's accountant recommends using Section 179 expensing instead. What is the practical difference in tax treatment between the two methods?

A. With MACRS, the \$55,000 is deducted over 5 years through annual depreciation allowances; with Section 179, the contractor may be able to deduct the full \$55,000 in the year of purchase, reducing current-year taxable income by the entire cost and accelerating the tax benefit into a single year rather than spreading it over five

B. MACRS depreciation provides a larger total deduction over the 5-year period because it includes an additional 10% bonus above the purchase price

C. Section 179 requires the contractor to depreciate the truck over 10 years instead of 5, extending the deduction period in exchange for a higher annual amount

D. There is no practical difference — both methods produce identical deductions in every year of the truck's useful life

40. A contractor operating as an S corporation has a shareholder-employee who receives a salary of \$75,000 and distributions of \$125,000. The IRS determines that the reasonable salary for this role and market is \$110,000. What is the likely IRS adjustment?

A. The IRS revokes the S corporation election and retroactively classifies the entity as a sole proprietorship

B. The IRS reclassifies \$35,000 of the distributions as wages (increasing the salary from \$75,000 to \$110,000), and assesses back payroll taxes on the \$35,000 (both employer and employee FICA shares), plus penalties for failure to withhold and failure to deposit, plus interest on the underpaid taxes

C. The IRS assesses a flat penalty of \$50,000 for unreasonable compensation practices without any adjustment to the actual salary or distribution amounts

D. The IRS increases the salary to \$200,000 (the total of salary plus distributions) and subjects the entire amount to payroll taxes

41. A contractor is reviewing the order of precedence clause in a construction contract. The clause specifies: change orders, agreement, supplementary conditions, general conditions, specifications, drawings. A conflict exists between the specifications and the supplementary conditions regarding the fire rating of an interior wall assembly. Which document controls?

- A. The specifications control because written technical requirements always take precedence over contract conditions in construction documents
- B. The drawings control because the visual representation of the wall assembly is more reliable than any written description
- C. The supplementary conditions control because they rank higher than specifications in the stated order of precedence — supplementary conditions are projectspecific modifications to the general conditions and take precedence over specifications when the two conflict
- D. Neither document controls — the conflict must be resolved through binding arbitration before any work can proceed on the affected wall assemblies

42. A contractor's employee is assigned to perform work inside a manhole that is 15 feet deep with a 36inch diameter opening. The work involves repairing a sewer pipe joint. Before entry, what confined space requirements must be satisfied?

- A. The contractor must conduct atmospheric testing for oxygen levels, toxic gases, and flammable atmospheres; ensure continuous ventilation; establish rescue procedures; station an attendant at the opening who maintains constant communication with the entrant; complete a confined space entry permit; and ensure all personnel are trained in confined space procedures
- B. Only a flashlight and a cell phone are required because manholes in active sewer systems are classified as standard work areas
- C. Only atmospheric testing is required — the attendant, permit, and rescue requirements apply only to confined spaces in industrial facilities, not to construction sites
- D. No confined space procedures are required because the manhole has a standard 36inch opening, which OSHA classifies as an adequate opening size that exempts the space from confined space regulations

43. A contractor's project is nearing the end of the warranty period. The owner has not reported any defects during the 12month warranty period. Is the contractor's warranty obligation fully discharged?

- A. Yes, because the absence of reported defects during the warranty period means the work is accepted and no further claims can be made
- B. Yes, but only if the contractor sends the owner a formal warranty expiration notice and the owner signs an acknowledgment of warranty discharge

C. No, because latent defects — defects that are not discoverable through reasonable inspection during the warranty period — may still give rise to claims after the warranty expires under the applicable statute of limitations or statute of repose

D. No, because the warranty automatically extends for an additional 12 months if the owner does not issue a written warranty discharge certificate

44. A contractor's estimator needs to convert a 30% markup on cost to the equivalent profit margin on selling price. Using the conversion formula $\text{Margin} = \text{Markup} \div (1 + \text{Markup})$, what is the correct margin?

A. 30%, because markup and margin are always identical percentages and the conversion formula is unnecessary

B. 23.08%, calculated as $0.30 \div 1.30 = 0.2308$ — a 30% markup on cost produces a 23.08% margin on selling price, confirming that markup is always a higher percentage than the equivalent margin

C. 15%, calculated by dividing the markup percentage by 2 to convert from costbased to pricebased measurement

D. 42.86%, calculated as $0.30 \div 0.70$ using the inverse formula because margin to markup conversion reverses the relationship

45. A contractor's project involves work near an active rail line. The project specifications require the contractor to maintain a minimum 25-foot setback from the nearest rail during all construction activities. A subcontractor's crew is observed operating a backhoe within 15 feet of the active rail. What should the contractor do?

A. Allow the work to continue because the subcontractor's crew has more experience working near railroads and can make their own safety judgments

B. Document the observation and discuss it at the next weekly safety meeting, because specification violations are addressed through the regular meeting schedule

C. Stop the subcontractor's work immediately because the crew is operating within the 25-foot setback zone specified in the contract — the setback requirement exists to protect workers from passing trains and the contractor has an obligation to enforce all safety-related contract provisions, including those governing work near active rail lines

D. Contact the railroad company and request that they reduce train speed in the construction zone rather than requiring the subcontractor to maintain the setback distance

46. A contractor's employee works the following schedule over a two week pay period: Week 1 — 44 hours, Week 2 — 36 hours. The employee's regular rate is \$38.00 per hour. The employer averages the two weeks ($44 + 36 = 80 \div 2 = 40$) and pays no overtime. Is this FLSA compliant?

A. No, because the FLSA requires overtime to be calculated on a workweek basis — Week 1 has 4 hours of overtime ($44 - 40 = 4$) at \$57.00/hr ($\38.00×1.5), and Week 2 has no overtime; the two weeks cannot be averaged to eliminate overtime obligations regardless of the pay period schedule

B. Yes, because biweekly pay periods are allowed to average hours across the two week period for overtime purposes

C. Yes, because the total of 80 hours across 2 weeks equals exactly 40 hours per week, which is the overtime threshold

D. No, but only because the employee's hourly rate exceeds \$35.00 — employees earning below \$35.00 can have their hours averaged biweekly

47. A contractor's project requires compliance with the Americans with Disabilities Act for the building's design and construction. The contractor discovers that the architectural drawings show a doorway width of 30 inches for a public restroom. The ADA Accessibility Guidelines require a minimum clear opening width of 32 inches for accessible doorways. What should the contractor do?

A. Install the 30 inch door as shown on the drawings because the contractor is obligated to build what the drawings specify, and code compliance is the architect's responsibility

B. Install a 36 inch door without notification because it exceeds both the drawing specification and the ADA requirement

C. Notify the architect that the 30 inch doorway does not comply with ADA accessibility requirements and refuse to install the noncompliant door without further direction from the design team

D. Submit an RFI to the architect identifying the conflict between the drawings (30 inches) and the ADA requirement (32 inch minimum clear opening), referencing the specific accessibility standard — the contractor should not install a door that violates accessibility requirements, and the architect must revise the design to comply with the applicable code

48. A contractor is reviewing their accounts payable aging report. The report shows \$85,000 in payables over 60 days old, primarily to material suppliers. Several suppliers have begun placing the contractor on "credit hold," requiring cash payment before releasing materials. What impact does this situation have on the contractor's operations?

A. No operational impact because credit holds affect only future purchases and do not affect materials already delivered to the project

B. Significant operational impact — credit holds can delay material deliveries, disrupt the construction schedule, increase costs (cash purchases eliminate payment term flexibility), damage supplier relationships, and signal to bonding companies and lenders that the contractor is experiencing cash flow difficulties that may affect their financial stability

C. Moderate impact limited to a 5% increase in material costs because suppliers charge a standard premium for cash on delivery transactions

D. No impact because contractors can always find alternative suppliers willing to extend credit regardless of the contractor's payment history

49. A contractor's project is 95% complete when the owner requests a significant design change to the lobby finishes — upgrading from standard tile to imported marble. The change order proposal shows an additional cost of \$95,000 and a 3-week schedule extension. The contract's liquidated damages provision assesses \$2,000 per day for late completion. If the change order is approved and extends the completion date by 3 weeks, does the liquidated damages provision apply to the extended period?

A. Yes, because liquidated damages apply to all delays regardless of cause, including owner-directed changes

B. Yes, because the contractor should have anticipated potential late-stage design changes and built sufficient contingency into the original schedule

C. No, because an approved change order that extends the contract time also extends the completion date — liquidated damages apply only to delays beyond the new contractual completion date, not to the extension period approved through the change order process

D. No, because liquidated damages provisions are automatically voided when any change order is issued on the project, regardless of whether the change affects the schedule

50. A contractor is preparing for the Mississippi Law and Business Management exam. The contractor has studied all learning content, tabbed and highlighted their NASCLA guide, and taken several practice exams scoring between 76% and 82%. The exam is in one week. What is the most effective final preparation strategy?

A. Restudy the entire NASCLA guide from cover to cover, spending equal time on every chapter regardless of practice exam performance

B. Focus entirely on memorizing the glossary of terms because the exam tests vocabulary knowledge more than applied understanding

C. Take one or two more practice exams, focusing on speed and time management, and then stop studying entirely for the last 3 days to rest the mind

D. Take two to three additional timed practice exams under realistic conditions, with focused review of weak domains identified by practice exam results — refine NASCLA guide tabbing based on questions that required slow lookups, verify that highweight domains (Estimating/Bidding and Contracts) are thoroughly prepared, and ensure examday logistics (ID, NASCLA guide, calculator, testing center location) are confirmed

Practice Exam 10: Answer Key and Explanations

1. D — The general contractor bears responsibility to the owner for all subcontractor performance — when a subcontractor defaults, the general contractor must arrange for replacement at their own cost. The \$100,000 difference is the general contractor's immediate financial burden, though the GC may seek recovery from the bankrupt subcontractor's estate or the subcontractor's bond if one was required. The performance bond guarantees the GC's obligations to the owner, not individual subcontractor performance.

2. B — Revised total cost: $\$1,020,000 + \$380,000 = \$1,400,000$, which exceeds the original estimate of \$1,360,000 by \$40,000. Projected profit drops from \$240,000 to \$200,000 — a 17% profit erosion. The project manager's "on budget" assessment is inaccurate. While actual costs at 75% (\$1,020,000) equal the prorated budget, the revised cost to complete reveals the total will exceed the original estimate, requiring investigation and corrective action.

3. A — A singlemember LLC that makes no tax election is treated as a "disregarded entity" by the IRS. All business income and expenses are reported on Schedule C of the member's personal Form 1040, identical to a sole proprietorship. The LLC structure provides liability protection while maintaining the simplest possible tax filing. The member pays both income tax and selfemployment tax on the net profit.

4. C — When suspected asbestoscontaining materials are discovered — especially after disturbance has already occurred — all work must stop immediately to prevent further fiber release. Workers must be evacuated, the area secured, and qualified testing arranged. Vermiculite insulation, particularly from certain mining sources, has a documented association with asbestos contamination. Continued disturbance without proper controls creates serious inhalation hazards that cause fatal diseases.

5. B — As a sole proprietor, SE tax on \$350,000 is approximately \$48,000 (15.3% on 92.35% of \$350,000). With the Scorp election, payroll taxes apply only to the \$140,000 salary (approximately \$21,420 combined employer/employee FICA). The \$210,000 in distributions avoids SE tax entirely. Approximate savings: $\$210,000 \times 92.35\% \times 15.3\% \approx \$29,700$. This savings represents the core tax advantage of the Scorporation structure.

6. D — Path 2 at 48 days is the critical path (longer than Path 1 at 42 days). The contract allows 50 days, giving 2 days of total project float ($50 - 48 = 2$). The 5day delay on Path 1 extends it to 47 days

— still 3 days shorter than the critical Path 2. The delay on Path 1 does not affect the project completion date because Path 2 controls the schedule. The project has 2 days of remaining float.

7. C — Being salaried does not automatically make an employee exempt from overtime. This nonexempt salaried employee is entitled to overtime for hours over 40. The regular rate is calculated by dividing the weekly salary by total hours worked: $\$1,400 \div 48 = \$29.17/\text{hr}$. The employee receives the salary for all 48 hours (straight time is covered), plus a halftime premium of \$14.58 per hour for 8 overtime hours = \$116.67 additional pay.

8. A — A risk rated as likely with major impact demands aggressive, multilayered risk management. Risk reduction (engineering the protective system for vibration, scheduling around train traffic, installing monitoring equipment) addresses the probability and severity. Risk transfer (appropriate insurance coverage) protects against residual financial exposure. Using only one strategy leaves the contractor vulnerable — comprehensive risk management combines multiple approaches for highpriority risks.

9. B — Standing on a guardrail top rail creates multiple violations: it defeats the guardrail's protective function, converts the guardrail into an improper work platform, and creates an extreme fall hazard at 42+ feet. The employer has failed to ensure employees use fall protection as intended. OSHA requires employers to train workers on proper use of fall protection systems and to enforce compliance — tolerating misuse is itself a violation.

10. D — In Mississippi, the contractor is the consumer of construction materials for sales tax purposes. The contractor pays 7% sales tax to the supplier at the time of purchase. The contractor does not collect sales tax from the owner on construction services — the tax obligation falls on the material purchase, not the finished construction. The supplier is correct to charge the full 7% regardless of how the materials will be used.

11. C — A bulletin that changes the flooring material from carpet to hardwood is a design change that modifies the scope of work — not a clarification. When the change increases the contractor's cost by \$18,000, the contractor is entitled to a change order. The form of the change documentation (bulletin, revised drawing, or addendum) does not determine whether a change order is warranted — the substance of the change (different material, different cost) does.

12. A — The contract specifies payment within 45 days of the owner's receipt of the architect's certified application. The owner receives the certification on March 12. Adding 45 days: March has 19 remaining days ($31 - 12 = 19$), plus 26 days in April = April 26. The payment clock starts when the owner receives the certified application, not when the contractor submits it or when the architect certifies it.

13. B — Converting to a limited partnership or LLC accommodates the investor's requirements: limited liability (exposure capped at the \$200,000 investment) and no management responsibilities. In a limited partnership, the investor becomes a limited partner with passive status. In an LLC, the investor becomes a nonmanaging member. Both structures protect the investor while preserving the existing partners' management authority and operational control.

14. C — Liens cannot be filed against publicly owned property. The payment bond serves as the substitute remedy — the subcontractor files a claim against the payment bond that guarantees payment to subcontractors and suppliers. The performance bond guarantees project completion, not

subcontractor payment. This distinction between payment bonds and performance bonds is critical and frequently tested.

15. A — The formula $\text{Selling Price} = \text{Cost} \div (1 - \text{Margin}\%)$ uses 0.88 as the divisor. Since $1 - \text{Margin} = 0.88$, the margin $= 1 - 0.88 = 0.12 = 12\%$. Verification: $\$485,000 \div 0.88 = \$551,136$. Profit $= \$66,136$. Margin $= \$66,136 \div \$551,136 = 12.0\%$. This confirms that dividing by 0.88 achieves exactly a 12% margin on selling price.

16. D — The bid bond compensates the owner for the actual financial loss caused by the contractor's default — specifically, the difference between the defaulting contractor's bid and the next lowest responsive bid. The surety pays the lesser of the bond amount (\$185,000) or the actual difference. If the next bid is only \$50,000 higher, the surety pays \$50,000, not the full \$185,000. The bond amount is a cap, not a fixed payment.

17. B — Current assets: $\$55,000 + \$440,000 + \$78,000 + \$14,000 + \$11,000 = \$598,000$. Equipment (\$380,000) is a noncurrent asset excluded from the current ratio calculation. Current ratio: $\$598,000 \div \$425,000 = 1.41$. This indicates adequate liquidity — the contractor has \$1.41 in current assets for every \$1.00 in current liabilities, providing a reasonable buffer for operations and an acceptable ratio for bonding purposes.

18. C — Tier 2 outstanding resource waters receive enhanced regulatory protection under antidegradation provisions. The contractor may face requirements beyond the standard Construction General Permit — including zerodischarge design for areas draining to the protected water, advanced BMP technologies, additional buffer zones, numeric discharge limits, and potentially an individual NPDES permit rather than general permit coverage. Projects near outstanding resource waters require significantly more rigorous stormwater management.

19. A — The \$130,000 in dividends is taxed twice: first at the corporate level at 21% (\$27,300), and again on each shareholder's personal return at the applicable dividend tax rate (typically 15% or 20% for qualified dividends). This double taxation — the same income taxed at both entity and individual levels — is the fundamental disadvantage of the Ccorporation structure and the primary reason many small contractors choose S Corporations or LLCs.

20. B — Improper surface preparation is the leading cause of paint failure. The fact that the first coat appears to adhere means nothing about longterm performance — paint adhesion depends on proper surface preparation (scraping, cleaning, priming) that creates a sound substrate for the coating system. Without proper preparation, the paint will eventually peel, blister, or delaminate. The superintendent must stop the work and require proper preparation before repainting.

21. D — Total cost + fee: $\$2,880,000 + \$180,000 = \$3,060,000$. Savings below GMP: $\$3,200,000 - \$3,060,000 = \$140,000$. Split 60/40: owner receives \$84,000 credit, contractor receives \$56,000 bonus. Owner's total payment: $\$3,060,000 + \$56,000$ (contractor's share) $= \$3,116,000$. Equivalently: $\$3,200,000 - \$84,000$ (owner's share) $= \$3,116,000$. The savings sharing incentivizes cost control while benefiting both parties.

22. C — OSHA requires a means of egress (ladder, ramp, or stairway) in excavations 4 feet or deeper, positioned so no worker travels more than 25 feet laterally to reach it. At 35 feet from the nearest ladder, this worker exceeds the 25foot maximum by 10 feet. An additional ladder must be installed closer to the work area. The 25foot rule ensures workers can escape quickly in a cavein emergency.

23. B — An OCIP consolidates insurance for all project participants under a single owner-administered program. This eliminates coverage gaps between multiple contractors' separate policies, reduces total premiums through volume purchasing, standardizes coverage terms, simplifies claims administration, and gives the owner greater control over the project's insurance program. OCIPs are most cost-effective on large projects where the premium volume justifies the administrative cost.

24. A — Maintaining \$45,000 in likely uncollectible receivables at full value overstates current assets, inflates working capital, and misrepresents the company's financial position. The CPA should recommend establishing an allowance for doubtful accounts (reducing net receivables) or writing off the uncollectible amounts. This is especially important for the CPA-reviewed statement submitted to MSBOC, which must fairly represent the company's actual financial condition.

25. D — The tolerance zone around marked utilities requires nonmechanical excavation — hand-digging or vacuum excavation. A mini-excavator is mechanical equipment regardless of its size, and its use within the tolerance zone violates both Mississippi 811 regulations and OSHA safety requirements. Gas transmission lines carry high-pressure natural gas — mechanical damage can cause explosions, fires, and fatalities. The convenience of mechanical equipment never justifies the risk.

26. C — Without a differing site conditions clause, a fixed-price contract allocates all subsurface risk to the contractor. The \$50,000 allowance was the contractor's internal risk reserve built into the bid — it is not a contractual entitlement to additional compensation. The contract provides no mechanism for recovering unforeseen subsurface costs, so the contractor bears the full \$120,000. This scenario illustrates the importance of differing site conditions clauses in protecting contractors.

27. A — Project X: profit = $\$450,000 - \$382,500 = \$67,500$; margin = $\$67,500 \div \$450,000 = 15\%$. Project Y: profit = $\$1,100,000 - \$990,000 = \$110,000$; margin = $\$110,000 \div \$1,100,000 = 10\%$. Project X has the higher margin (15% vs. 10%), but Project Y generates higher absolute profit (\$110,000 vs. \$67,500). This demonstrates that margin percentage and absolute profit are different metrics — larger contracts do not automatically produce better margins.

28. D — A qualified rigger demonstrates through knowledge, training, and experience the ability to properly rig loads — selecting appropriate rigging hardware, calculating sling angles and capacities, and connecting loads securely. A competent person identifies hazards and has corrective authority. These are distinct roles serving different functions — the rigger handles the technical aspects of load attachment, while the competent person oversees overall safety compliance. The same individual may fill both roles if qualified.

29. B — Actual costs of \$648,000 at 80% completion exceed the prorated budget of \$612,000 by \$36,000 — a 5.9% overrun. If this rate continues, total costs will reach approximately \$810,000 ($\$648,000 \div 0.80$), reducing projected profit from \$135,000 to \$90,000 and compressing the margin from 15% to 10%. The project manager must investigate the overrun source and implement corrective action before additional profit is consumed.

30. C — The executive certifies that they have examined the OSHA 300 Log and reasonably believe, based on their knowledge of the recording process, that the annual summary is correct and complete. This is a personal attestation of accuracy — not a guarantee of perfection, but a representation that the executive has reviewed the data and believes it to be reliable. The summary must be posted February 1 through April 30 with this certification.

31. A — The subcontractor should evaluate whether the \$3,500 daily amount is a reasonable preestimate of damages the subcontractor's delay would cause, and whether the subcontractor controls all factors affecting the milestone date. If delays caused by the general contractor, other trades, weather, or owner decisions can trigger the liquidated damages against the subcontractor, the provision is unreasonably onesided. The subcontractor should negotiate language limiting their exposure to delays within their control.

32. D — Overbillings and underbillings must be reported separately on the balance sheet — not netted. The \$85,000 in underbillings is a current asset (costs and estimated earnings in excess of billings). The \$120,000 in overbillings is a current liability (billings in excess of costs and estimated earnings). Netting would obscure the contractor's actual billing position and misrepresent their financial condition to bonding companies, lenders, and licensing boards.

33. C — A 48inch parapet wall meets and exceeds the OSHA guardrail height requirement of approximately 42 inches (± 3 inches). OSHA recognizes parapet walls as equivalent to guardrail systems when they provide adequate height and structural capacity to prevent workers from falling over the edge. At 48 inches, the parapet exceeds the requirement, and no additional fall protection is needed for workers working behind the parapet.

34. B — The strongest documentation combines the contractor's contemporaneous daily reports (recording specific weather conditions each day) with independent National Weather Service meteorological data showing actual rainfall exceeded historical averages for the project area. Contemporaneous project records corroborated by independent thirdparty data create a compelling evidentiary package that is difficult to dispute — far more persuasive than verbal testimony or singlesource letters.

35. A — Surety companies evaluate Character, Capacity, and Capital — the financial statements are the primary tool for assessing Capital. Net worth, working capital, current ratio, and profitability metrics from the financial statements determine bonding capacity regardless of whether the entity is an LLC or a corporation. The legal structure matters for liability purposes, but the surety's bonding decision is driven by the contractor's financial condition and performance history.

36. D — OSHA requires defective ladders to be withdrawn from service immediately — either repaired to meet original design criteria or destroyed. Leaving a ladder with a broken rung in service with a verbal warning to "skip that rung" is a direct violation. Workers may forget the warning, step on the broken rung, and fall. The foreman's directive to continue using a defective ladder demonstrates a failure to correct a known hazard.

37. B — Type C soil requires a 1½:1 slope — for every 1 foot of depth, the slope extends 1.5 feet horizontally. At 12 feet deep: $12 \times 1.5 = 18$ feet of horizontal run on each side. Total additional width: $18 + 18 = 36$ feet. The trench at ground level must be the bottom width plus 36 feet. This demonstrates why Type C sloping in deep excavations requires enormous surface area, making shoring or shielding more practical in many situations.

38. C — The warranty establishes a structured process for addressing defects during the warranty period, but it does not necessarily extinguish the owner's legal rights beyond that period. Statutes of limitation and statutes of repose — which vary by state — establish the outer time limits for bringing construction defect claims. A structural defect caused by inadequate reinforcement may give rise to claims under these longer statutory periods, independent of the contractual warranty.

39. A — MACRS spreads the \$55,000 deduction over 5 years through annual depreciation allowances. Section 179 may allow the contractor to deduct the full \$55,000 in the year of purchase (subject to annual limits and phaseout thresholds). The practical difference is timing — Section 179 accelerates the entire tax benefit into a single year, providing an immediate reduction in taxable income and improving current-year cash flow, while MACRS distributes the same total deduction across five years.

40. B — The IRS reclassifies \$35,000 of distributions as wages (\$110,000 reasonable salary – \$75,000 actual salary = \$35,000 shortfall). Back payroll taxes are assessed on the \$35,000: employer's share of FICA (7.65% = \$2,678) plus employee's share that should have been withheld (7.65% = \$2,678), plus penalties for failure to withhold and failure to deposit, plus interest. The Scorp's tax advantage depends entirely on paying a genuinely reasonable salary.

41. C — The contract's order of precedence explicitly ranks supplementary conditions above specifications. Supplementary conditions are projectspecific modifications to the general conditions that address unique project requirements — when they conflict with the specifications, the supplementary conditions govern because they represent the parties' projectspecific intent. The contractor should follow the supplementary conditions' fire rating requirement and submit an RFI to document the conflict.

42. A — A 15footdeep manhole with a 36inch opening accessing a sewer system meets every criterion for a confined space — limited entry/exit, not designed for continuous occupancy, and significant potential for hazardous atmospheres (hydrogen sulfide, methane, oxygen deficiency). Full confined space entry procedures are mandatory: atmospheric testing, continuous ventilation, trained attendant, rescue procedures, entry permit, and trained entrants. Sewer manholes are among the most dangerous confined spaces in construction.

43. C — Latent defects — those not discoverable through reasonable inspection during the warranty period — may give rise to claims after the warranty expires. The warranty period addresses the process for handling defects discovered during that time, but does not extinguish the owner's legal rights under the applicable statute of limitations or statute of repose, which may extend well beyond the warranty. Structural defects, waterproofing failures, and concealed workmanship issues often surface years after warranty expiration.

44. B — Using the conversion formula: $\text{Margin} = \text{Markup} \div (1 + \text{Markup}) = 0.30 \div 1.30 = 0.2308 = 23.08\%$. A 30% markup on cost produces a 23.08% margin on selling price. This confirms the fundamental relationship: markup is always a higher percentage than the equivalent margin because they use different denominators (cost vs. selling price). Verification: a \$100 item with 30% markup sells for \$130; profit $\$30 \div \130 selling price = 23.08%.

45. C — The subcontractor is operating within the contractual 25foot setback zone near an active rail line — a serious safety violation. The contractor must stop the work immediately. The setback requirement exists to protect workers from the hazard of passing trains, which cannot stop quickly and create extreme danger to anyone within their path. Contract safety provisions must be enforced with the same urgency as OSHA standards.

46. A — The FLSA requires overtime to be calculated on a workweek basis — each week stands alone. Week 1 (44 hours) has 4 hours of overtime at \$57.00/hr ($\$38.00 \times 1.5 = \57.00). Week 2 (36 hours) has no overtime. The two weeks cannot be averaged. The employer owes $4 \times \$57.00 = \228.00 in overtime premium for Week 1, in addition to the straighttime compensation for all hours.

47. D — The contractor should submit an RFI identifying the conflict between the 30inch door shown on the drawings and the 32inch minimum required by ADA accessibility standards. Building codes and accessibility requirements override project drawings when they conflict. The contractor should not install a noncompliant door and should not unilaterally change the size without architect direction. The RFI documents the issue and triggers a design revision.

48. B — Credit holds create cascading operational problems: delayed material deliveries disrupt the construction schedule, cash purchases eliminate payment term flexibility, supplier relationships deteriorate, and the pattern signals financial distress to bonding companies and lenders. A contractor on credit hold may find their bonding capacity reduced or their credit lines restricted — compounding the cash flow problem. Addressing aging payables promptly is essential to maintaining operational stability.

49. C — An approved change order that extends the contract completion date also extends the deadline from which liquidated damages are measured. Liquidated damages apply only to delays beyond the new contractual completion date — the 3week extension approved through the change order becomes part of the contract time. The contractor is not penalized for the time the owner's own design change added to the schedule.

50. D — With scores of 7682% and one week remaining, the most effective strategy is targeted refinement: additional timed practice exams to build speed and confidence, focused review of weak domains revealed by practice exam performance, NASCLA guide tabbing improvements for questions that required slow lookups, verification of highweight domain preparation, and confirmation of examday logistics. The contractor is close to examready — targeted practice and refinement, not wholesale restudying, will maximize the final week.