

PRACTICE EXAM 11: OHIO BUSINESS AND LAW SIMULATION (50 QUESTIONS)

50 Questions — 120 Minutes Recommended

1. An Ohio electrical contractor forms an LLC and elects S corporation taxation. The contractor is the sole shareholder and employee. During the first year, the business earns \$190,000 in net income. The contractor pays herself a salary of \$50,000 and takes \$140,000 in shareholder distributions. An IRS auditor reviews the return and determines that comparable electrical contractors in the Ohio market earn salaries between \$85,000 and \$110,000. What is the most likely audit adjustment?

- A. The IRS will reclassify a portion of the \$140,000 in distributions as wages and assess back FICA taxes plus penalties on the reclassified amount
- B. The IRS will accept the \$50,000 salary because the contractor has the legal right to set any salary level
- C. The IRS will dissolve the S corporation election and tax all \$190,000 as C corporation income at twentyone percent
- D. The IRS will impose a flat penalty of \$10,000 for unreasonable compensation without adjusting the salary amount

2. A contractor operates a general partnership with two equal partners. One partner signs a \$200,000 supply contract on behalf of the partnership without consulting the other partner. The other partner did not authorize or know about the contract. Is the partnership bound by the supply contract?

- A. No because both partners must jointly approve all contracts for the partnership to be bound
- B. No because the supply contract exceeds a standard partnership authority threshold of \$100,000
- C. Yes but only if the supply contract is within the partnership's usual scope of business operations
- D. Yes because each partner in a general partnership has mutual agency authority to bind the partnership in the ordinary course of business

3. A contractor developing a business plan calculates that the company needs \$150,000 in startup capital. The contractor has \$60,000 in personal savings and plans to borrow \$90,000 through a bank loan. In which section of the business plan should this information appear?

- A. The executive summary because funding sources are the most important information for any reader
- B. The funding requirements section which identifies capital needs, sources of funding, and repayment plans
- C. The market analysis section because the funding level determines the size of the market the company can serve
- D. The organizational structure section because the loan must be approved by the management team

4. An Ohio contractor's OCILB license renewal requires proof of continuing education. The contractor completed the required hours through an approved provider but lost the certificate of completion. The renewal deadline is in ten days. What should the contractor do?

- A. Submit the renewal without the certificate and include a sworn affidavit attesting to course completion
- B. Allow the license to expire and reapply as a new applicant after obtaining replacement documentation
- C. Contact the education provider to request a duplicate certificate or verification of completion and submit it with the renewal application
- D. Request a sixmonth extension from the OCILB to allow time for the provider to issue replacement documentation

5. Under ORC Chapter 4740, the OCILB has seventeen board members organized into four sections. What is the purpose of organizing the Board into tradespecific sections rather than operating as a single undifferentiated body?

- A. The tradespecific sections ensure that licensing decisions for each trade are informed by members with practical experience in that trade
- B. The sections allow the Board to process applications faster by dividing the workload alphabetically
- C. The sections are administrative convenience only and have no substantive impact on Board decisions

D. The sections prevent any single trade from dominating Board decisions by limiting each section to equal representation

6. A contractor's estimator calculates the labor cost for a commercial project using a base wage of \$34.00 per hour. The estimator forgets to include the workers' compensation premium in the fully loaded labor rate. The contractor's workers' compensation rate is \$6.80 per \$100 of payroll with an EMR of 0.95. On a project requiring 3,200 labor hours, what is the approximate dollar amount of the omitted workers' compensation cost?

A. \$21,760 calculated as the base wage multiplied by the total hours divided by one hundred

B. \$10,880 calculated as half the workers' compensation rate applied to total payroll

C. \$3,200 calculated as one dollar per labor hour as a standard workers' compensation allowance

D. \$7,021 calculated as $(\$34.00 \times 3,200 \div \$100) \times \$6.80 \times 0.95$ representing the actual premium on total payroll

7. A contractor submits a bid on a commercial project. The bid includes a base bid of \$1,450,000. The bid documents also include three deductive alternates: Alternate 1 deducts \$45,000 for simplified landscaping, Alternate 2 deducts \$28,000 for standardgrade fixtures instead of premium, and Alternate 3 deducts \$62,000 for eliminating the covered parking structure. The owner accepts the base bid plus Alternates 1 and 3. What is the contract price?

A. \$1,450,000 because deductive alternates do not change the contract price once the base bid is accepted

B. \$1,343,000 calculated as the base bid minus both accepted deductive alternates (\$45,000 and \$62,000)

C. \$1,315,000 calculated as the base bid minus all three deductive alternates regardless of which the owner selected

D. \$1,377,000 calculated as the base bid minus only the largest deductive alternate

8. A contractor and project owner enter into a costplus contract. The contract defines "reimbursable costs" as labor, materials, equipment, and subcontractors directly attributable to the project. The contractor charges the owner for the salary of the company's fulltime bookkeeper who spends ten

percent of her time processing invoices for this project. The owner disputes the charge, arguing the bookkeeper's salary is general overhead, not a reimbursable project cost. Who is correct?

- A. The contractor is correct because any employee who touches the project is a reimbursable cost
- B. The owner is correct only if the bookkeeper's salary exceeds \$50,000 per year
- C. The owner is likely correct because a fulltime office employee who spends only ten percent of time on the project is typically classified as general overhead not a direct project cost
- D. The contractor is correct because costplus contracts reimburse all costs without limitation

9. A commercial construction contract requires the contractor to complete the project by December 1. The contract contains a liquidated damages clause assessing \$1,800 per day for late completion. The project is completed on December 18 — seventeen days late. The owner assesses \$30,600 in liquidated damages. The contractor argues that a force majeure event (an unusual ice storm that shut down the region for four days) should reduce the assessment. The contract contains a force majeure clause that excuses delays caused by extraordinary weather events. How should the liquidated damages be calculated?

- A. The full \$30,600 should be assessed because force majeure does not apply to liquidated damages calculations
- B. \$23,400 calculated as seventeen days minus four force majeure days at \$1,800 per day for thirteen compensable days
- C. Zero because any force majeure event during the project excuses the entire delay regardless of duration
- D. \$30,600 minus a proportional credit based on the ratio of force majeure days to total project duration

10. A subcontractor on a commercial project receives a written directive from the general contractor's superintendent to relocate a bank of electrical panels from the east wall to the west wall. The subcontractor believes this relocation constitutes extra work beyond the original contract scope. The subcontract requires written notice of change claims within seven days. The subcontractor performs the relocation but does not submit written notice until twentyone days later. Can the subcontractor recover the additional cost?

- A. Yes because the GC superintendent's written directive constitutes automatic approval of the extra work

- B. Yes because the subcontractor can prove the work was performed through daily logs and photographs
- C. The subcontractor's recovery may be barred or limited because the written notice was not submitted within the contractually required seven-day period
- D. No because only the project owner can authorize changes and the GC superintendent lacks authority to direct extra work

11. A construction contract includes a "no-damage-for-delay" clause. The project owner fails to provide a critical owner-furnished item on time, delaying the contractor's work by three weeks. The contractor incurs \$65,000 in additional costs for extended supervision, idle crews, and equipment standby. The contractor submits a delay claim. Under the no-damage-for-delay clause, what is the contractor entitled to receive?

- A. The full \$65,000 because owner-caused delays are always excluded from no-damage-for-delay clauses
- B. \$32,500 representing fifty percent of the delay costs as a standard compromise under no-damage clauses
- C. The \$65,000 in delay damages plus consequential damages for lost profits on other projects affected by the delay
- D. A time extension for the three-week delay period but no monetary compensation for the additional costs under standard enforcement of the no-damage clause

12. A project manager creates a CPM schedule for a commercial building project. The schedule shows that the critical path runs through foundation, structural steel, exterior envelope, and interior finishes. The mechanical and electrical rough-in activities are scheduled concurrently with the structural steel but have fifteen days of total float. Midway through the project, the steel erector falls twenty days behind schedule. What is the impact on the mechanical and electrical activities?

- A. No impact because the mechanical and electrical activities are independent of the steel erection
- B. The mechanical and electrical activities lose all their float and become critical because the steel delay now exceeds their fifteen days of float by five days, consuming their cushion and potentially delaying their work
- C. The mechanical and electrical activities gain additional float because the steel delay extends the project duration
- D. The mechanical and electrical activities are automatically accelerated to compensate for the steel delay

13. A contractor on a commercial project requests the final inspection from the building department. The inspector discovers that the HVAC system's ductwork smoke dampers have not been tested and certified as required by the fire code. The inspector issues a correction notice and refuses to sign off on the final inspection. What must happen before the building can receive a certificate of occupancy?

- A. The smoke dampers must be tested and certified by a qualified testing agency and the results submitted to the building department before the final inspection can be approved
- B. The contractor can submit a letter guaranteeing the smoke dampers will be tested within sixty days of occupancy
- C. The architect can issue a waiver exempting the smoke dampers from testing if they were installed per the approved shop drawings
- D. The project owner can appeal the inspector's decision directly to the OCILB for an override

14. A contractor's superintendent completes daily reports every working day for twelve months on a commercial project. Each report records weather, workforce by trade, work activities, problems encountered, material deliveries, and visitor log. At project completion, the reports fill two binders. The contractor's office manager suggests scanning them to a digital archive and shredding the originals to save storage space. How long should the contractor retain these records?

- A. One year after project completion because daily reports are considered temporary project documents
- B. Three years after project completion consistent with the standard document retention period for construction
- C. The records should be retained for at least the duration of the statute of limitations for construction defect claims and contractual disputes which can extend to six years or longer depending on the claim type
- D. The records can be destroyed immediately after project completion because they served their purpose during construction

15. A contractor's employee is working on a commercial roof installation at a height of twentytwo feet. The contractor provides a personal fall arrest system including a fullbody harness, shockabsorbing lanyard, and anchorage point. The employee wears the harness but does not connect the lanyard to the anchorage point. The employee falls and is seriously injured. Under OSHA, who is primarily responsible?

- A. The employee is solely responsible because the employer provided compliant equipment and the employee chose not to use it
- B. The harness manufacturer is responsible because the harness should have had an automatic connection feature
- C. The building owner is responsible because the roof should have had permanent guardrails installed
- D. The employer is primarily responsible because the employer must not only provide PPE but also enforce its proper use

16. An Ohio contractor has an annual base workers' compensation premium of \$38,000 and an EMR of 1.22. A workplace safety consultant proposes a comprehensive safety program costing \$12,000 per year. The consultant projects that the safety program will reduce the EMR to 0.90 within three years. If the projection is accurate, what is the net annual financial benefit after the safety program cost?

- A. \$12,160 calculated as the premium savings minus the \$12,000 annual program cost
- B. \$160 calculated as the annual premium savings of \$12,160 minus the \$12,000 annual cost of the safety program representing a minimal but positive return
- C. Zero because the \$12,000 program cost exactly offsets the projected premium savings
- D. Negative \$4,000 because the safety program cost exceeds the premium savings by \$4,000 annually

17. A contractor's CGL policy covers "property damage to thirdparty property caused by the insured's operations." The contractor is installing a new HVAC system in a commercial building. During installation, the contractor's crew accidentally cuts through a fiber optic communication cable serving the tenant's business on the floor below. The tenant's business is shut down for two days, resulting in \$35,000 in lost revenue and \$8,000 in cable repair costs. What does the CGL policy cover?

- A. The \$8,000 cable repair cost as property damage to thirdparty property but not the \$35,000 in lost revenue unless the policy specifically covers the tenant's consequential business losses
- B. The full \$43,000 because all losses arising from the contractor's negligent operations are covered without limitation
- C. Only the \$35,000 in lost revenue because business interruption losses are the primary coverage of CGL policies
- D. Neither cost because damage to existing building components during renovation is excluded under the CGL's "your work" exclusion

18. A surety company issues a performance bond on a \$1,800,000 commercial project. At the sixty percent completion point, the contractor experiences severe financial difficulties and stops work. The owner declares the contractor in default and demands that the surety fulfill its bond obligation. The surety evaluates the situation and determines that hiring a completion contractor will cost \$900,000 to finish the remaining forty percent. The surety decides instead to pay the owner the cost to complete. What is the maximum the surety will pay?

- A. \$720,000 representing forty percent of the original contract price which is the value of unperformed work
- B. \$1,800,000 representing the full penal amount of the performance bond
- C. \$450,000 representing the difference between the remaining contract value and the estimated completion cost
- D. \$900,000 representing the actual cost to complete the remaining work up to the penal amount of the bond

19. Under Ohio's workers' compensation law, an employer's experience modification rate is recalculated annually. A contractor has the following claims history over the past threeyear experience period: Year 1 had four claims totaling \$92,000, Year 2 had two claims totaling \$15,000, and Year 3 had one claim totaling \$3,500. Compared to the industry average for the contractor's classification, this history shows a declining trend. What general effect will this claims history have on the EMR?

- A. The EMR will increase because the Year 1 claims were significantly above average even though more recent years improved
- B. The EMR will likely decrease over time as the highclaims Year 1 ages out of the experience period and the improving trend is weighted more heavily
- C. The EMR will remain unchanged because the threeyear average is the sole determinant and trending is not factored
- D. The EMR will immediately drop to 1.0 because the most recent year had only one minor claim

20. A contractor on a commercial project submits a claim for additional compensation due to the owner's delayed response to RFI number fortytwo. The contractor's daily reports show that the crew assigned to the affected work area was idle for three days while waiting for the RFI response. The contract requires the owner to respond to RFIs within ten business days. The owner responded on business day fourteen — four days late. The contractor's claim documents the three idle crew days at a cost of \$4,200 per day. What makes this claim strong?

- A. The claim is supported by three types of contemporaneous documentation — the RFI log showing the late response, the daily reports showing the idle crew, and the contractual provision establishing the tenday response obligation
- B. The claim amount exceeds \$10,000 which is the minimum threshold for compensable delay claims
- C. The owner's late RFI response automatically entitles the contractor to delay damages without further documentation
- D. The claim is strong because the contractor stopped work entirely until the RFI was answered demonstrating good faith

21. A contractor receives a progress payment check from the project owner on the same day the contractor must make payroll. The check amount is \$82,000. The payroll obligation is \$45,000. The contractor also has \$28,000 in material invoices due within five days and a \$15,000 equipment rental payment due in ten days. Total obligations are \$88,000 against \$82,000 in available cash. The contractor has a \$50,000 line of credit with \$35,000 available. What is the most prudent cash management approach?

- A. Pay all obligations immediately from the \$82,000 check plus a \$6,000 draw on the line of credit
- B. Pay payroll first since it has the highest legal priority then pay materials and draw on the line for the equipment rental
- C. Draw the \$6,000 shortfall from the line of credit to cover all immediate obligations prioritizing payroll first then materials and equipment rental in order of their due dates
- D. Delay the equipment rental payment and pay only payroll and materials from the available \$82,000

22. A contractor's annual financial statements show revenue of \$1,950,000, cost of revenue of \$1,560,000, and general overhead of \$312,000. What is the gross profit margin and the net operating income?

- A. Gross profit margin is twenty percent and net operating income is \$78,000
- B. Gross profit margin is twenty percent and net operating income is \$390,000
- C. Gross profit margin is sixteen percent and net operating income is \$312,000
- D. Gross profit margin is eighty percent and net operating income is \$1,560,000

23. A contractor's bonding company requires updated financial statements by March 31 each year. The contractor's fiscal year ends December 31. The contractor's accountant is backed up and cannot deliver the audited financial statements until May 15. The contractor has a \$2,000,000 performance bond pending on a new project that cannot be issued without current financial statements. What business risk does the delayed financial statement create?

- A. No risk because bonding companies routinely accept financial statements up to six months after the fiscal year end
- B. Minimal risk because the contractor can submit internally prepared statements as a temporary substitute
- C. The risk is limited to a late fee charged by the bonding company for statements received after the deadline
- D. The contractor may lose the \$2,000,000 project because the surety cannot issue the bond without current financial statements and the project owner may award to another contractor

24. Under the FLSA, an Ohio construction company classifies its project manager as exempt from overtime. The project manager earns a salary of \$1,100 per week and spends approximately sixty percent of the workweek on administrative duties — budgeting, scheduling, and coordinating with the owner — and forty percent on field supervision and hands-on construction work. The employer does not pay overtime for weeks when the project manager works over forty hours. Is the exemption properly applied?

- A. Yes because the project manager earns above the minimum salary threshold regardless of job duties
- B. The exemption may be questionable because the project manager spends a significant portion of time on nonexempt field work and the administrative duties test requires the primary duty to be administrative in nature
- C. Yes because all salaried employees in the construction industry are automatically exempt from overtime
- D. No because project managers in construction are categorically nonexempt regardless of salary or duties

25. An OSHA compliance officer inspects a commercial construction site and issues a citation for a serious violation of the fall protection standard. The contractor believes the citation is unjustified and wants to contest it. What is the first step in the formal contest process?

- A. File a written notice of contest with the OSHA area director within fifteen working days of receiving the citation
- B. File a lawsuit in federal district court challenging OSHA's jurisdiction over the construction site
- C. Submit a written appeal to the OCILB requesting that the state licensing board overturn the federal citation
- D. Request an informal conference with the OSHA area director which automatically suspends the citation pending resolution

26. An Ohio contractor operating as a partnership earns \$600,000 in gross receipts and \$180,000 in net income. The partnership has two equal partners. For Ohio Commercial Activity Tax purposes, what amount is used to calculate the CAT?

- A. \$180,000 representing the partnership's net income
- B. \$90,000 representing each partner's share of net income
- C. \$600,000 representing the partnership's gross receipts
- D. \$300,000 representing each partner's share of gross receipts

27. An Ohio contractor purchases \$40,000 in HVAC equipment from an Ohio distributor and pays full Ohio sales tax at the point of purchase. The equipment is subsequently installed on a project for a county government building. The county provides a valid exemption certificate after the purchase has already been completed. Can the contractor recover the sales tax already paid?

- A. No because sales tax paid at the point of purchase is final and nonrefundable in all circumstances
- B. Yes because the contractor can apply for a refund from the Ohio Department of Taxation or request a credit from the supplier by presenting the exemption certificate retroactively
- C. No because exemption certificates must be presented at the time of purchase and cannot be applied retroactively
- D. Yes but only if the refund amount exceeds \$5,000 which is the minimum threshold for construction tax refunds

28. A subcontractor on a private commercial project serves a Notice of Furnishing on the property owner exactly twentyone days after first furnishing labor — the last day of the statutory window. The notice is served by certified mail, and the return receipt shows delivery on Day 23. Was the notice timely?

A. No because the notice was not physically received by the owner until Day 23 which exceeds the twentyoneday deadline

B. No because certified mail adds a mandatory threeday delivery buffer that must fall within the twentyoneday window

C. Yes because the notice was served by certified mail on Day 21 and the mailing date not the receipt date is the relevant date for determining timeliness

D. Yes because the notice was served on Day 21 which is the last day of the statutory window and service by certified mail is effective on the date of mailing

29. A general contractor on a private commercial project discovers that a plumbing subcontractor has filed a mechanic's lien against the property even though the GC has paid the subcontractor in full. The GC has conditional lien waivers from the subcontractor for all progress payments and an unconditional final waiver for the final payment. What is the GC's recourse?

A. The GC can present the unconditional final lien waiver to the court to demonstrate that the subcontractor waived all lien rights and the lien should be discharged as improperly filed

B. The GC has no recourse because the subcontractor's lien right exists independently of payments from the GC

C. The GC must file a separate mechanic's lien against the property to offset the subcontractor's lien claim

D. The GC must wait for the subcontractor to voluntarily withdraw the lien because courts cannot discharge mechanic's liens

30. A property owner on a private commercial project hires a general contractor for \$950,000. The project is fifty percent complete when the owner discovers that the GC has not been paying subcontractors. Three subcontractors file mechanic's liens totaling \$185,000. The owner has already paid the GC \$475,000 — exactly fifty percent of the contract price. The owner has collected conditional lien waivers from the subcontractors only through the third monthly draw, not through the current billing. What financial exposure does the owner face?

- A. No exposure because the owner has paid exactly the proportional amount for the work completed
- B. No exposure because the owner's contract is with the GC and subcontractor payment is the GC's responsibility
- C. The owner faces potential exposure of \$185,000 because the mechanic's liens encumber the property regardless of whether the owner paid the GC
- D. The owner's exposure is limited to the difference between the contract price and the amount already paid

31. Under the Miller Act, a firsttier subcontractor on a \$3,000,000 federal construction project completes \$180,000 of plumbing work and is not paid. The subcontractor wants to sue to enforce the payment bond. What are the timing constraints for filing the lawsuit?

- A. The lawsuit must be filed within sixty days of the last furnishing with no waiting period required
- B. The lawsuit cannot be filed earlier than ninety days after the last furnishing of labor or materials and must be filed no later than one year after the last furnishing
- C. The lawsuit must be filed within thirty days of providing written notice to the prime contractor
- D. The lawsuit can be filed at any time within two years of the project completion date

32. A contractor files a mechanic's lien affidavit on a commercial property for \$72,000 on August 1. The contractor serves the filed affidavit on the property owner on August 20. The property owner does nothing. Three years later, the property owner sells the property to a new buyer. The contractor has not filed a foreclosure action. What is the status of the lien when the property is sold?

- A. The lien is automatically extinguished when the property is sold to a new buyer
- B. The lien is transferred to the proceeds of the sale and the contractor is paid from the closing funds
- C. The lien remains unenforceable against the new buyer because the original owner was the party who owed the debt
- D. The lien remains attached to the property and follows the property to the new owner because mechanic's liens survive transfers of ownership

33. An Ohio contractor's project is substantially complete and the architect issues the Certificate of Substantial Completion on October 1. The contract provides for a oneyear warranty from the date of

substantial completion. On September 28 of the following year — three days before the warranty expires — the owner discovers a significant plumbing defect. The owner notifies the contractor on October 5 — four days after the warranty expiration. Is the contractor obligated to repair the defect under the warranty?

- A. No because the warranty expired on October 1 and the notification was four days late
- B. No because warranty claims must be discovered and reported at least thirty days before expiration
- C. Yes because the defect was discovered before the warranty expired even though the notification was after expiration and the contractor should be given reasonable notice
- D. Yes because construction warranties automatically extend by thirty days beyond the stated expiration date

34. A contractor's income statement shows the following: revenue \$4,200,000, cost of revenue \$3,360,000, general overhead \$588,000. What is the breakeven revenue?

- A. \$2,940,000 calculated by dividing the \$588,000 overhead by the twenty percent gross profit margin
- B. \$3,360,000 equal to the cost of revenue which represents the breakeven point
- C. \$4,200,000 because the contractor is currently at breakeven given the relationship between revenue and costs
- D. \$588,000 because breakeven occurs when revenue equals overhead

35. A contractor's employee reports a safety concern to OSHA — specifically that the employer is not providing fall protection on a commercial roofing project. OSHA sends an inspector who confirms the violation and issues a citation. The contractor discovers that the employee made the complaint and terminates the employee the following week, citing "poor attitude." What law protects the employee?

- A. The Ohio Civil Rights Act which prohibits termination based on the employee's personal beliefs about safety
- B. The FMLA which prohibits termination during any period when an employee has a pending government complaint
- C. The DavisBacon Act which prohibits termination of employees on prevailing wage projects
- D. Section 11(c) of the OSH Act which prohibits employers from retaliating against employees who exercise their safety rights including filing OSHA complaints

36. A nonexempt HVAC technician earns \$36.00 per hour and works fortyfour hours in a workweek. The technician also receives a \$200 nondiscretionary performance bonus for the week. Under the FLSA, what is the correct regular rate for calculating overtime?

- A. \$36.00 because bonuses are excluded from the regular rate calculation under all circumstances
- B. \$40.55 calculated by adding the weekly bonus to total straighttime earnings and dividing by total hours worked
- C. \$36.00 plus \$4.55 per overtime hour as a separate bonus overtime premium
- D. \$38.00 calculated by dividing the bonus equally across the forty regular hours only

37. An Ohio employer with nine employees asks whether the company must comply with Title VII of the Civil Rights Act, the Americans with Disabilities Act, and the Ohio Civil Rights Act. Which laws apply to this employer?

- A. Only the Ohio Civil Rights Act which covers employers with four or more employees while Title VII and the ADA require fifteen or more
- B. All three laws apply because Ohio employers with any number of employees must comply with federal antidiscrimination law
- C. None of the three laws apply because all antidiscrimination statutes require at least fifteen employees
- D. Only the ADA applies because disability discrimination coverage begins at five employees for construction firms

38. A contractor operating as a Ccorporation has taxable income of \$500,000. After paying the twentyone percent corporate tax (\$105,000), the corporation has \$395,000 in aftertax profits. The corporation distributes \$200,000 as dividends to the sole shareholder. What is the tax treatment of the undistributed \$195,000?

- A. The undistributed \$195,000 is taxed again at the shareholder's personal rate as constructive dividends
- B. The undistributed \$195,000 is subject to an accumulated earnings penalty tax of fifteen percent
- C. The undistributed \$195,000 remains in the corporation as retained earnings and is not taxed again until distributed to the shareholder

D. The undistributed \$195,000 must be distributed within ninety days of the fiscal year end or it is forfeited to the IRS

39. A contractor on a DavisBacon covered project employs an apprentice electrician enrolled in a registered apprenticeship program. The prevailing wage determination for journeyman electricians is \$46.00 per hour plus \$20.50 in fringe benefits. The apprentice is in the second year of a fouryear program. The registered apprenticeship agreement specifies that secondyear apprentices receive sixty percent of the journeyman rate. What is the minimum base rate the contractor must pay the apprentice?

- A. \$46.00 because all workers on DavisBacon projects must receive the full journeyman rate
- B. \$27.60 calculated as sixty percent of the journeyman rate because the apprentice is in an approved registered program
- C. \$23.00 calculated as fifty percent of the journeyman rate which is the standard apprentice rate under DavisBacon
- D. \$27.60 plus the full \$20.50 fringe benefit because apprentices in registered programs receive a reduced base rate but full fringe benefits

40. An Ohio employer with thirty employees hires a new worker on Tuesday. The worker presents a valid permanent resident card as both identity and work authorization documentation for the I9 form. The employer completes Section 1 on Tuesday. What is the deadline for the employer to complete Section 2?

- A. Tuesday — the same day as Section 1 because both sections must be completed simultaneously
- B. Friday — three business days after the date of hire which is the statutory deadline for Section 2
- C. The following Tuesday — one calendar week from the date of hire
- D. Within thirty days of the date of hire which is the standard deadline for new hire I9 completion

41. An OSHA inspector observes two workers in a trench on a commercial sewer project. The trench is seven feet deep with vertical walls in Type C soil. There is no protective system — no sloping, benching, shoring, or trench box. A competent person designated for the project is on site but was not present at the trench during the inspection. How many potential OSHA violations exist in this scenario?

- A. At least two — failure to provide a protective system in a trench exceeding five feet in Type C soil and failure of the competent person to be present at the trench during active work
- B. One violation for the absent competent person only because the protective system requirement does not apply to Type C soil
- C. Three violations — one for each worker in the trench plus one for the absent competent person
- D. No violations because the competent person was on site even though not physically at the trench

42. An Ohio contractor earns \$3,800,000 in annual gross receipts. The Ohio CAT rate of 0.26% applies to taxable gross receipts above \$1,000,000. The contractor also pays the annual minimum tax for the first \$1,000,000 in receipts. If the minimum tax is \$800, what is the contractor's total approximate CAT liability?

- A. \$9,880 calculated as 0.26% of the full \$3,800,000
- B. \$7,280 calculated as 0.26% of \$2,800,000 with no minimum tax component
- C. \$8,080 calculated as 0.26% of \$2,800,000 plus the \$800 minimum tax
- D. \$8,080 calculated as the \$800 minimum tax for gross receipts up to \$1,000,000 plus \$7,280 for 0.26% on the \$2,800,000 above \$1,000,000

43. A contractor's project is seventy percent complete on a \$600,000 contract. The job cost report shows costs to date of \$378,000 against a revised budget of \$420,000. The estimated cost to complete is \$168,000. What is the projected total cost, the projected variance, and the implication for the project?

- A. Projected total is \$546,000 which is \$126,000 under the contract price indicating strong profitability
- B. Projected total is \$546,000 with a projected variance of \$126,000 over the revised budget
- C. Projected total is \$546,000 with a projected variance of positive \$126,000 under budget representing savings
- D. Projected total is \$420,000 equal to the revised budget with zero variance because the cost to complete projection matches

44. A contractor reaches substantial completion on a commercial project. The punch list includes fortyfive items. The contractor completes fortytwo items within the thirtyday punch list period. Three items remain: a scratched glass panel that requires a specialty replacement with a sixweek lead time, a thermostat that is on manufacturer backorder, and a paint touchup in a storage room. The contractor notifies the owner of the delays and provides documentation. What is the appropriate handling?

- A. The owner should withhold all remaining retainage until every punch list item is complete including the backordered items
- B. The owner should release the majority of retainage and withhold only an amount sufficient to cover the cost of the three remaining items with the contractor completing them when materials arrive
- C. The contractor forfeits the right to retainage because the thirtyday punch list deadline was not met
- D. The architect should issue a revised Certificate of Substantial Completion backdating it to account for the procurement delays

45. Under OSHA's electrical safety standards for construction, all temporary 120volt, singlephase, 15 and 20ampere receptacle outlets on a construction site that are not part of the permanent wiring must be protected by what safety device?

- A. Groundfault circuit interrupters which detect current leakage and interrupt the circuit to prevent electrocution
- B. Surge protectors which prevent voltage spikes from damaging electrical tools and equipment
- C. Arcfault circuit interrupters which detect dangerous arcing conditions in electrical conductors
- D. Residual current monitors which record all electrical usage for OSHA reporting requirements

46. A contractor's balance sheet shows total assets of \$760,000, current assets of \$340,000, current liabilities of \$280,000, longterm liabilities of \$230,000, and owner's equity of \$250,000. The contractor applies for a new line of credit. The bank evaluates the debttoequity ratio. What is the ratio and what does it indicate?

- A. 1.36 calculated as current liabilities divided by current assets indicating adequate shortterm liquidity
- B. 2.04 calculated as total assets divided by owner's equity indicating asset leverage
- C. 0.92 calculated as longterm liabilities divided by owner's equity indicating minimal longterm debt

D. 2.04 calculated as total liabilities (\$510,000) divided by owner's equity (\$250,000) indicating the company has approximately two dollars of debt for every dollar of equity

47. A contractor's employee is diagnosed with carpal tunnel syndrome after years of operating vibrating hand tools on construction projects. The employee files a workers' compensation claim with the Ohio BWC, claiming the condition is workrelated. The employer disputes the claim, arguing that the condition may be related to the employee's personal hobbies. Under Ohio workers' compensation law, who determines whether the condition is workrelated?

A. The employee's personal physician makes the final determination based on medical records

B. The employer determines workrelatedness based on the job description and workplace exposure records

C. The Ohio BWC evaluates the claim based on medical evidence, workplace exposure history, and applicable legal standards to determine whether the condition arose out of and in the course of employment

D. OSHA makes the determination because occupational illnesses fall under federal jurisdiction rather than state workers' compensation

48. A contractor signs a contract for a commercial project that includes a retainage provision reducing from ten percent to five percent at fifty percent completion. The contract price is \$1,200,000. At seventyfive percent completion, the contractor has billed \$900,000 total. What is the total retainage held by the owner?

A. \$90,000 calculated as ten percent of the total billings to date

B. \$75,000 calculated as ten percent on the first \$600,000 of billings (\$60,000) plus five percent on the next \$300,000 of billings (\$15,000)

C. \$45,000 calculated as five percent of all billings because the project has passed the fifty percent threshold

D. \$60,000 calculated as ten percent of the first fifty percent of the contract value only

49. An Ohio subcontractor on a private commercial project is owed \$58,000 for completed work. The subcontractor served a timely Notice of Furnishing and filed a mechanic's lien affidavit within sixty days of last furnishing. The subcontractor served the affidavit on the property owner within thirty days

of filing. Two years later, the subcontractor has not filed a foreclosure action. The property owner contacts the subcontractor and offers \$30,000 as a full settlement. The subcontractor refuses and decides to enforce the lien. How much time remains in the enforcement period?

- A. Approximately four years remain because Ohio allows six years from the date of lien filing to commence a foreclosure action
- B. The enforcement period has expired because Ohio requires foreclosure within two years of filing
- C. Approximately one year remains because Ohio allows three years for lien enforcement
- D. The enforcement period is unlimited because valid mechanic's liens never expire in Ohio

50. A contractor on a commercial project submits the final payment application after completing all punch list items and submitting all closeout documents. The contract requires the owner to make final payment within thirty days of receiving the final application. Fortyfive days pass with no payment. The contractor sends a written demand letter. The owner responds that final payment will be processed "when convenient." What remedies are available to the contractor?

- A. The contractor can only wait because owners have unlimited discretion on the timing of final payments
- B. The contractor can file a complaint with the OCILB to have the owner's business license suspended
- C. The contractor can extend the warranty period by the number of days the final payment is overdue
- D. The contractor can pursue contractual remedies including potential interest on late payment, filing a mechanic's lien if the deadline has not passed, and filing a breach of contract lawsuit for the unpaid amount

Practice Exam 11: Answer Key and Explanations

1. A — The IRS requires S corporation shareholder-employees to pay themselves a reasonable salary based on comparable compensation in the same market and industry. A \$50,000 salary when comparable contractors earn \$85,000 to \$110,000 is unreasonably low, and the IRS will reclassify a portion of the distributions as wages subject to back FICA taxes, penalties, and interest. The reasonable salary standard prevents shareholders from converting wages into distributions to avoid payroll taxes.

2. D — In a general partnership, each partner has mutual agency authority — the legal power to bind the partnership to contracts and obligations in the ordinary course of business. The other partner's lack of knowledge or approval does not invalidate the contract if the supply agreement falls within the

partnership's normal business operations. This mutual agency is one of the most significant risks of a general partnership.

3. B — The funding requirements section identifies how much capital the business needs, where the capital will come from (personal savings, loans, investors), and how borrowed funds will be repaid. The \$60,000 personal investment and \$90,000 bank loan belong in this section because it directly addresses the financial resources needed to launch the business.

4. C — The most practical solution is to contact the education provider directly and request a duplicate certificate or written verification of course completion. Most approved providers maintain records and can issue replacement documentation. Submitting without proof, allowing the license to expire, or requesting an extension are all unnecessarily risky or burdensome alternatives.

5. A — The four tradespecific sections — Plumbing/Hydronics, HVAC/Refrigeration, Electrical, and Administrative — ensure that licensing decisions for each trade are made by Board members who have practical experience in that specific trade. This structure provides informed, traderelevant oversight rather than having generalpurpose board members make technical licensing decisions about trades they may not understand.

6. D — Total payroll: $\$34.00 \times 3,200 \text{ hours} = \$108,800$. Workers' comp premium: $(\$108,800 \div \$100) \times \$6.80 \times 0.95 = 1,088 \times \$6.80 \times 0.95 = \$7,021$. This \$7,021 was omitted from the estimate, meaning the bid is understated by that amount. Omitting workers' compensation from the fully loaded labor rate is a common estimating error that directly reduces project profitability.

7. B — The contract price equals the base bid adjusted by the accepted alternates. Base bid \$1,450,000 minus Alternate 1 deduction (\$45,000) minus Alternate 3 deduction (\$62,000) = \$1,343,000. Alternate 2 was not accepted by the owner and therefore does not affect the contract price. Only the alternates the owner selects are applied to the base bid.

8. C — In a costplus contract, reimbursable costs are typically limited to costs directly attributable to the project. A fulltime office employee who spends only ten percent of her time on the project is a general overhead cost, not a direct project cost. The bookkeeper's salary supports the company's overall operations, not just this project, and should be recovered through the contractor's fee or overhead allocation rather than as a direct reimbursable charge.

9. A — The force majeure clause excuses delays caused by extraordinary weather events. The fourday ice storm qualifies, so those four days should be deducted from the total delay. Compensable delay = 17 total days – 4 excused days = 13 days. Liquidated damages = $13 \times \$1,800 = \$23,400$. The force majeure clause provides relief only for the specific days attributable to the qualifying event.

10. C — The subcontract requires written notice of change claims within seven days. The subcontractor submitted notice on day twentyone — fourteen days late. Contractual notice deadlines are strictly enforced, and failure to provide timely notice may bar or limit the contractor's right to recover additional costs. Having daily logs and photographs does not cure the procedural deficiency of late notice.

11. D — A nodamagefordelay clause provides that the contractor's sole remedy for delays — including ownercaused delays — is a time extension with no monetary compensation. Under standard enforcement, the contractor receives the threeweek extension but cannot recover the \$65,000 in delay

costs. Some jurisdictions recognize exceptions for active interference, bad faith, or delays not contemplated by the parties, but the general rule limits recovery to time only.

12. B — The mechanical and electrical activities had fifteen days of float, meaning they could be delayed up to fifteen days without affecting the project completion date. The steel erector's twentyday delay exceeds this float by five days, consuming all fifteen days of float and potentially delaying the mechanical and electrical work by the excess amount. These activities have effectively lost their schedule cushion and are now at risk of becoming critical.

13. A — Smoke damper testing and certification is a fire code requirement that must be completed before the building can receive a certificate of occupancy. The building inspector correctly refused to sign off because untested smoke dampers represent a life safety deficiency. The dampers must be tested by a qualified agency and the results submitted to the building department before the final inspection can be approved.

14. C — Daily reports are critical evidence in construction disputes, delay claims, and defect litigation. The statute of limitations for construction defect claims and breach of contract can extend to six years or longer in Ohio depending on the claim type. Records should be retained for at least the duration of the applicable statute of limitations plus a reasonable buffer to ensure they are available if litigation arises years after project completion.

15. D — OSHA holds the employer responsible for not only providing PPE but also ensuring that employees wear and use it properly. Providing a harness is not sufficient — the employer must train employees on proper use, enforce compliance, and discipline workers who fail to use required PPE. The employer will be cited for the fall protection violation because the employer failed to enforce proper use of the provided equipment.

16. B — Premium at 1.22 EMR: $\$38,000 \times 1.22 = \$46,360$. Premium at 0.90 EMR: $\$38,000 \times 0.90 = \$34,200$. Annual savings: $\$46,360 - \$34,200 = \$12,160$. Net benefit after \$12,000 program cost: $\$12,160 - \$12,000 = \$160$. The safety program produces a modest positive financial return on premium savings alone, but the additional benefits — reduced injuries, improved morale, better project qualifications, and lower EMR trajectory — make the investment worthwhile.

17. A — The CGL policy covers property damage to thirdparty property — the \$8,000 fiber optic cable repair qualifies as physical damage to property the contractor does not own. The \$35,000 in lost revenue is consequential damage (business interruption) which may or may not be covered depending on the specific policy terms. Standard CGL policies cover direct property damage; business income losses of third parties typically require specific endorsements.

18. D — The surety's maximum obligation under the performance bond is the penal amount — \$1,800,000 (one hundred percent of the contract price). The surety can choose to pay the cost to complete the remaining work. Since the \$900,000 completion cost is within the \$1,800,000 penal amount, the surety pays \$900,000 and then seeks full reimbursement from the defaulting contractor under the indemnity agreement.

19. B — The EMR is calculated over a multiyear experience period and weights recent years more heavily. As the highclaims Year 1 ages out of the experience period and is replaced by the improving Year 2 and Year 3 results, the EMR will decrease. The declining trend in both frequency and severity of claims signals improving safety performance that the experience rating formula will recognize over time.

20. A — The claim is supported by three independent layers of contemporaneous documentation: the RFI log proves the response was four days late (beyond the contractual tenday period), the daily reports prove the crew was idle for three specific days while waiting, and the contract establishes the owner's obligation to respond within ten days. This tripledocumented approach creates a compelling factual foundation for the delay claim.

21. C — The most prudent approach uses the minimum necessary line of credit draw (\$6,000) to cover the total shortfall while prioritizing obligations by legal and contractual urgency. Payroll has the highest legal priority, followed by material invoices (which affect supplier relationships and lien rights), then equipment rental. Drawing only \$6,000 rather than a larger amount minimizes interest expense while ensuring all obligations are met on time.

22. A — Gross profit: $\$1,950,000 - \$1,560,000 = \$390,000$. Gross profit margin: $\$390,000 \div \$1,950,000 = 20\%$. Net operating income: $\$390,000 - \$312,000 = \$78,000$. The twenty percent gross margin generates \$390,000 in gross profit, but after \$312,000 in overhead, only \$78,000 remains as net operating income — a 4% net margin that is thin but within the typical range for construction.

23. D — The surety cannot issue the performance bond without current, verified financial statements. Without the bond, the contractor cannot execute the contract. The project owner may award to another contractor if the bond is not provided within the bid validity period. A \$12,000 accounting fee delay could cost the contractor a \$2,000,000 project — making timely financial statement preparation a critical business priority.

24. B — The administrative exemption requires that the employee's primary duty is performing administrative work — office or nonmanual work related to management policies or business operations. Spending forty percent of the workweek on hands-on field construction work raises questions about whether the administrative duties truly constitute the primary duty. The exemption analysis depends on the specific duties performed, not just the salary level.

25. A — The formal contest process begins with filing a written notice of contest with the OSHA area director within fifteen working days of receiving the citation. If the notice is timely filed, the case is forwarded to the Occupational Safety and Health Review Commission for a hearing. Failure to file within fifteen working days makes the citation final and the penalties nonappealable.

26. C — The Ohio Commercial Activity Tax is a gross receipts tax calculated on the total revenue received by the business. The relevant figure is \$600,000 in gross receipts — not the \$180,000 in net income. The CAT is not an income tax; it is based on the total money coming in regardless of profitability.

27. B — Ohio generally allows retroactive application of exemption certificates in certain circumstances. The contractor may be able to obtain a refund by presenting the exemption certificate to the supplier for a credit or by filing a refund claim with the Ohio Department of Taxation. The specific procedures and time limitations should be verified with a tax professional.

28. D — Ohio law permits service of the Notice of Furnishing by certified mail, and service is generally considered effective on the date of mailing — not the date of receipt. The subcontractor mailed the notice on Day 21, which is within the twentyoneday statutory window. The fact that the owner received it on Day 23 does not affect the timeliness of the service.

29. A — The unconditional final lien waiver signed by the subcontractor upon receiving final payment permanently waived all lien rights. The GC can present this unconditional waiver to the court as evidence that the subcontractor surrendered all lien rights upon final payment. A properly executed unconditional final waiver should result in the court ordering the improperly filed lien discharged from the property.

30. C — Mechanic's liens attach to the property regardless of whether the owner has paid the general contractor. The three subcontractor liens totaling \$185,000 encumber the property even though the owner paid the GC \$475,000. The owner may be required to pay twice — once to the GC and again to satisfy the liens — unless the owner can recover from the GC. This is why collecting lien waivers from all subcontractors at every payment is essential.

31. B — Under the Miller Act, a payment bond lawsuit for a first-tier subcontractor cannot be filed earlier than ninety days after the date of last furnishing (to provide time for the contractor to resolve the payment) and must be filed no later than one year after the date of last furnishing. These specific timing constraints are mandated by the Miller Act and differ from state mechanic's lien deadlines.

32. D — A mechanic's lien attaches to the property itself, not to the property owner personally. The lien remains on the property and follows it through any transfer of ownership. The new buyer takes the property subject to the existing lien, which will appear on the title search. The contractor can still enforce the lien against the property regardless of who owns it, provided the foreclosure action is filed within the six-year enforcement period.

33. C — The defect was discovered on September 28 — three days before the warranty expired on October 1. The relevant question is when the defect was discovered, not when the notification was sent. Courts generally require the owner to provide reasonable notice after discovering a warranty defect, and a four-day delay in notification after discovering the defect before the warranty expired is likely reasonable under the circumstances.

34. A — Gross profit: $\$4,200,000 - \$3,360,000 = \$840,000$. Gross profit margin: $\$840,000 \div \$4,200,000 = 20\%$. Breakeven revenue: $\$588,000 \div 0.20 = \$2,940,000$. The contractor must generate at least \$2,940,000 to cover the \$588,000 in overhead. Revenue above \$2,940,000 generates profit; the current \$4,200,000 in revenue is well above breakeven.

35. D — Section 11(c) of the Occupational Safety and Health Act specifically prohibits employers from retaliating against employees who exercise their rights under the Act, including filing safety complaints with OSHA, reporting hazards, or participating in OSHA inspections. Terminating an employee shortly after the employee filed an OSHA complaint is a textbook retaliation case that 11(c) was designed to prevent.

36. B — Under the FLSA, a nondiscretionary bonus must be included in the regular rate calculation. Total straighttime earnings: $44 \text{ hours} \times \$36.00 = \$1,584$. Plus bonus: $\$1,584 + \$200 = \$1,784$. Regular rate: $\$1,784 \div 44 \text{ hours} = \40.55 per hour. The overtime premium on the four overtime hours is calculated using this higher regular rate, not the base wage alone.

37. A — Title VII and the ADA both require fifteen or more employees, so this nine-employee company is not covered by either federal law. However, the Ohio Civil Rights Act covers employers with four or more employees, extending antidiscrimination protection to this employer under state law. Ohio's lower threshold ensures that small businesses are still subject to antidiscrimination requirements.

38. C — Aftertax profits that are not distributed as dividends remain in the corporation as retained earnings. They are not taxed again at the individual level until they are distributed to the shareholder. The undistributed \$195,000 increases the corporation's retained earnings and equity on the balance sheet. Double taxation occurs only when profits are distributed as dividends.

39. D — Under DavisBacon, apprentices enrolled in registered apprenticeship programs may be paid a reduced base rate according to the apprenticeship agreement — in this case, sixty percent of the journeyman rate: $\$46.00 \times 0.60 = \27.60 . However, apprentices in registered programs must also receive the full fringe benefit amount of \$20.50 per hour. The reduced rate applies only to the base wage, not to the fringe benefits.

40. B — The employer must complete Section 2 of the I9 form within three business days of the date of hire. The employee was hired on Tuesday, so the threebusinessday deadline is Friday (Wednesday = Day 1, Thursday = Day 2, Friday = Day 3). The employer may complete Section 2 on Tuesday, Wednesday, Thursday, or Friday and remain compliant.

41. A — At least two distinct OSHA violations exist: the trench is seven feet deep in Type C soil with no protective system (sloping, benching, shoring, or trench box), violating the excavation standard's protective system requirement for trenches five feet and deeper. Additionally, the competent person was not present at the trench to monitor conditions during active work, violating the requirement for competent person oversight of excavation operations.

42. D — The CAT calculation has two components: the minimum tax of \$800 for gross receipts between \$150,000 and \$1,000,000, plus 0.26% on the taxable gross receipts above \$1,000,000 ($\$3,800,000 - \$1,000,000 = \$2,800,000 \times 0.0026 = \$7,280$). Total CAT liability: $\$800 + \$7,280 = \$8,080$.

43. A — Projected total cost: $\$378,000$ costs to date + $\$168,000$ estimated to complete = $\$546,000$. Revised budget: $\$420,000$. The projected total of $\$546,000$ exceeds the revised budget of $\$420,000$ by $\$126,000$ — this is a projected overrun, not savings. The contract price is $\$600,000$, so projected profit is $\$600,000 - \$546,000 = \$54,000$ versus the originally budgeted profit of $\$600,000 - \$420,000 = \$180,000$. The $\$126,000$ variance represents a significant budget overrun requiring immediate corrective action.

44. B — When the majority of punch list items are complete and the remaining items are delayed due to manufacturer lead times or backorders beyond the contractor's control, the owner should release the bulk of the retainage and withhold only an amount sufficient to cover the estimated cost of completing the three remaining items. The contractor documented the procurement delays and is not at fault for the manufacturer's delivery timeline.

45. A — OSHA requires groundfault circuit interrupters on all 120volt, singlephase, 15 and 20ampere receptacle outlets used for temporary construction power that are not part of the permanent building wiring. GFCIs detect current leakage as small as 5 milliamperes and interrupt the circuit within milliseconds, preventing electrocution — one of the Fatal Four hazards in construction.

46. D — Debttoequity ratio = total liabilities \div owner's equity = $(\$280,000 + \$230,000) \div \$250,000 = \$510,000 \div \$250,000 = 2.04$. This means the company has approximately \$2.04 in debt for every \$1.00 of equity. A ratio of 2.04 is moderate — most lenders and bonding companies prefer a ratio below 3.0 for construction companies, so this contractor is within acceptable range.

47. C — The Ohio Bureau of Workers' Compensation evaluates occupational disease claims based on medical evidence, workplace exposure history, and legal standards to determine whether the condition arose out of and in the course of employment. The BWC may rely on medical opinions, industrial hygiene data, and job task analysis to make the determination. Neither the employer nor the employee unilaterally decides workrelatedness.

48. B — Retainage at ten percent on the first fifty percent of billings: $50\% \times \$1,200,000 = \$600,000$ billed at ten percent = \$60,000 retainage. Retainage at five percent on billings from fifty to seventyfive percent completion: $\$900,000 - \$600,000 = \$300,000$ billed at five percent = \$15,000 retainage. Total retainage: $\$60,000 + \$15,000 = \$75,000$.

49. A — Ohio allows six years from the date the mechanic's lien affidavit was filed with the county recorder to file a foreclosure action. Two years have elapsed, leaving approximately four years in the enforcement window. The subcontractor can continue negotiating or file a foreclosure action at any time within the remaining four years. However, waiting too long increases the risk of changed circumstances that may complicate enforcement.

50. D — The owner's failure to make final payment within the contractually required thirty days constitutes a breach of the payment terms. The contractor's remedies include pursuing contractual interest on the late payment, filing a mechanic's lien if the statutory deadline has not passed, and filing a breach of contract lawsuit to recover the unpaid amount plus damages. Written demand followed by legal action is the standard enforcement path.