PRACTICE EXAM 12: 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's project has an original contract price of $1,450,000. During construction, the owner approves three change orders: CO #1 adds $85,000, CO #2 deducts $32,000, and CO #3 adds $118,000. What is the revised contract price, and what percentage has the contract value increased from the original?

A. $1,585,000, representing a 9.3% increase because only additive change orders are counted when calculating the percentage increase

B. $1,621,000 ($1,450,000 + $85,000 − $32,000 + $118,000), representing an 11.8% net increase from the original contract price — the revised price reflects all approved changes, both additions and deductions

C. $1,653,000, representing a 14% increase because deductive change orders are not subtracted from the contract price

D. $1,450,000 unchanged, because change order amounts are tracked separately and do not modify the base contract price

2. A Mississippi contractor holds a Residential Builder license and is approached by a commercial property owner to renovate a small office building. The building is a singlestory structure of 4,800 square feet. The renovation involves interior demolition, new framing, electrical, plumbing, and finishes. The estimated project value is $95,000. Can the contractor perform this work under the Residential Builder license?

A. No, because any work on a commercial building requires a commercial contractor license regardless of the building's size or the project value

B. No, because the $95,000 project value exceeds the $50,000 maximum for commercial work performed by residential license holders

C. Yes, because the building is occupied by fewer than 50 people, which classifies it as a residentialscale occupancy under Mississippi licensing rules

D. Yes, because Mississippi licensing law permits Residential Builder license holders to perform commercial work on buildings that do not exceed 7,500 square feet and three stories in height — this singlestory, 4,800 square foot building falls within both limitations

3. A contractor's project involves constructing a new warehouse on a site where a Phase II environmental assessment confirmed petroleumcontaminated soil at depths of 4 to 8 feet. The contractor's bid includes the foundation excavation but does not include environmental remediation. During excavation, the contractor encounters the contaminated soil at the documented depth. The contractor stops work and notifies the owner. The owner directs the contractor to excavate through the contaminated zone and stockpile the contaminated soil. What additional requirements must the contractor address?

A. No additional requirements because the contamination was previously documented and the owner has directed the contractor to proceed

B. Only a visual inspection of the contaminated soil is required to verify it matches the Phase II assessment findings before proceeding

C. Worker exposure controls (PPE, air monitoring, health and safety plan), contaminated soil handling and storage procedures, regulatory notification requirements, proper manifesting and disposal through a licensed hazardous waste transporter and facility, and documentation of all contaminationrelated activities — handling known contaminated soil triggers environmental and occupational safety regulations regardless of the owner's directive

D. Only the transportation of the contaminated soil to the nearest landfill, because the Phase II assessment serves as the disposal authorization

4. A contractor's estimator is preparing a bid. The direct costs total $600,000, the overhead rate is 15%, project indirect costs are $30,000, and the desired profit margin is 9% on selling price. What is the correct selling price?

A. $791,209, calculated by first computing overhead ($600,000 × 15% = $90,000), then total cost ($600,000 + $90,000 + $30,000 = $720,000), then dividing by 0.91 to achieve a 9% margin on selling price — verified: profit = $71,209, margin = $71,209 ÷ $791,209 = 9.0%

B. $784,800, calculated by multiplying total cost by 1.09 to apply a 9% markup, which produces only an 8.3% margin on selling price rather than the target 9%

C. $720,000, representing total cost with no profit because the 9% should already be embedded within the overhead rate

D. $654,000, calculated by applying the 9% margin only to direct costs ($600,000 × 1.09 = $654,000) and omitting overhead and indirect costs from the calculation

5. A contractor's project involves a 16footdeep utility trench in an urban area adjacent to an existing building foundation. The competent person classifies the soil as Type B. The contractor selects a trench box (shielding) as the protective system. The trench box is 10 feet tall. How must the trench box be positioned in the 16footdeep excavation?

A. The trench box must extend from the bottom of the trench to at least 18 inches above grade level regardless of the excavation depth

B. The trench box must extend to within 2 feet of the bottom of the excavation and the remaining unshielded upper portion (approximately 8 feet) must be sloped or benched at an angle appropriate for Type B soil — the box does not need to extend from the very bottom if positioned correctly with sloped upper walls

C. The trench box should be placed at the top of the excavation to protect only the upper 10 feet, leaving the lower 6 feet unprotected because the lower soil is more compact

D. A 10foot trench box cannot be used in a 16foot excavation under any circumstances — the trench box must always equal or exceed the full excavation depth

6. A contractor signs a costpluspercentageofcost contract. The agreed percentage is 15% for overhead and profit. The project costs total $820,000. What is the contractor's fee, and what is the primary criticism of this contract type?

A. The fee is $82,000 (10% of cost), and the primary criticism is that the percentage is too low to cover the contractor's overhead

B. The fee is $123,000 (15% of cost), and costpluspercentage contracts are generally wellregarded because they align the contractor's and owner's interests

C. The fee is $123,000, and the primary criticism is that the contract requires excessive documentation of costs

D. The fee is $123,000 ($820,000 × 15%), and the primary criticism is that this contract type creates a perverse incentive — the more the project costs, the more the contractor earns, discouraging cost efficiency and potentially encouraging the contractor to allow or even promote cost increases

7. A contractor's employee has been with the company for 8 years and recently filed an OSHA complaint alleging unsafe scaffolding conditions on a current project. Two weeks after the complaint is filed, the contractor terminates the employee, citing "workforce reduction." No other employees are laid off. The employee alleges whistleblower retaliation. What is the contractor's legal exposure?

A. Significant exposure — terminating an employee shortly after they file an OSHA complaint, with no other evidence of legitimate workforce reduction affecting other employees, creates a strong inference of whistleblower retaliation under Section 11(c) of the OSH Act, which prohibits employers from retaliating against employees who exercise their safety rights

B. No exposure because atwill employment in Mississippi gives the contractor absolute discretion to terminate for any reason at any time regardless of recent OSHA complaints

C. Exposure limited to a $500 administrative fine from OSHA because whistleblower protections carry only nominal penalties

D. No exposure because the employee's 8year tenure constitutes constructive waiver of whistleblower protections

8. A contractor's project involves roof work on a commercial building. The specifications require a specific type of selfadhering roof membrane. The roofing subcontractor installs a different membrane product, claiming it is "equivalent" to the specified product. The architect discovers the substitution during a site visit and rejects the installation. The subcontractor has already installed 6,000 square feet of the unapproved membrane. What is the likely outcome?

A. The architect must accept the substitution because the 6,000 square feet have already been installed and removal would be wasteful and environmentally harmful

B. The subcontractor can convert the unapproved membrane to the specified product by applying an additional coating or treatment

C. The subcontractor will likely be required to remove all 6,000 square feet of unapproved membrane and replace it with the specified product at the subcontractor's expense —

unauthorized material substitutions that are rejected by the architect must be corrected, and the cost of removal and replacement falls on the party who made the unauthorized change

D. The architect can reject the material but cannot require removal — the subcontractor is only required to provide a warranty extension to compensate for the different product

9. A contractor operating as a Ccorporation earns $280,000 in taxable corporate income after all deductions. The federal corporate tax rate is a flat 21%. Mississippi's corporate income tax rate is 5% on income over $10,000. What is the approximate combined federal and state corporate income tax?

A. $58,800 in federal tax only, with no Mississippi corporate income tax because construction companies are exempt from statelevel corporate taxation

B. The federal tax is $58,800 ($280,000 × 21%) and the Mississippi tax is $13,500 (5% on $270,000 of income above the $10,000 threshold), for a combined total of approximately $72,300

C. $14,000 total, calculated at 5% combined federal and state rate on the full $280,000

D. $84,000 total, calculated at a combined rate of 30% because the federal and state rates are added together and applied to the full income

10. A contractor discovers that the project's architectural drawings show a foundation wall thickness of 8 inches, but the structural engineer's calculations require a 12inch wall to support the specified loads. The specifications reference the structural calculations but the architectural drawings show the 8inch detail. The contractor has not yet poured the foundation. What should the contractor do?

A. Submit an RFI to the architect identifying the conflict between the architectural drawing (8 inches) and the structural requirements (12 inches), requesting written direction before proceeding — the contractor should not pour a foundation that may be structurally inadequate or that differs from the documents without written clarification from the design team

B. Pour the 8inch wall as shown on the architectural drawings because architectural drawings always take precedence over structural calculations

C. Pour the 12inch wall without notification because the thicker wall is always the safer choice and the architect will not object to additional structural capacity

D. Average the two dimensions and pour a 10inch wall as a compromise between the conflicting documents

11. A contractor's annual workers' compensation insurance premium is $140,000. The contractor's current EMR is 1.22. What is the modified premium, and what does the 1.22 EMR indicate about the contractor's safety performance compared to the industry average?

A. Modified premium is $140,000 unchanged because EMR adjustments apply only to employers with more than 100 employees

B. Modified premium is $108,800 ($140,000 × 0.78), and the EMR of 1.22 indicates the contractor is performing 22% better than industry average

C. Modified premium is $170,800, but the 1.22 EMR has no significance because it is within the normal range of 1.0 to 1.5

D. Modified premium is $170,800 ($140,000 × 1.22), and the 1.22 EMR indicates the contractor's claims experience is 22% worse than the industry average — resulting in a 22% surcharge on the base premium and signaling that the contractor's safety performance needs significant improvement

12. A contractor's project involves a multiphase commercial development. Phase 1 is substantially complete and the owner has occupied the building. Phase 2 construction is ongoing adjacent to the occupied Phase 1 building. During Phase 2 concrete work, a delivery truck damages the Phase 1 building's landscaping and sidewalk, causing $15,000 in damage. Which insurance policy covers this damage?

A. The contractor's builder's risk policy because the damage occurred during construction activities related to Phase 2

B. The building owner's property insurance because the damage occurred on the owner's occupied property

C. The contractor's CGL policy — the damage to the occupied Phase 1 building's landscaping and sidewalk is thirdparty property damage caused by the contractor's Phase 2 operations, which is a standard Coverage A claim under the CGL policy

D. No insurance covers this damage because construction vehicle damage to adjacent property is an exclusion in all standard construction insurance policies

13. A contractor's project schedule shows the following activities remaining on the critical path: Activity K (7 days), Activity L (11 days), Activity M (5 days), and Activity N (9 days). The contract completion date is 35 days from today. What is the total float on the critical path?

A. 3 days, calculated by subtracting the total critical path duration from the contract deadline

B. 3 days of float — the critical path duration is 32 days (7+11+5+9), and the contract allows 35 days, leaving 3 days before the contract completion date is exceeded; any delay beyond 3 days on any critical path activity will push the project past the deadline

C. 0 days, because critical path activities by definition have zero float regardless of the contract duration

D. 35 days, because the remaining contract duration is the total float available for all project activities

14. A contractor operating as a sole proprietor purchases a $220,000 wheel loader. The contractor's accountant advises using Section 179 expensing to deduct the full cost in the year of purchase rather than depreciating it over the 7year MACRS recovery period. The contractor's net business income before the equipment deduction is $195,000. What limitation affects the Section 179 deduction?

A. Section 179 expensing cannot exceed the taxpayer's taxable business income — since the contractor's net income is $195,000, the maximum Section 179 deduction is limited to $195,000, and the remaining $25,000 can be carried forward to future tax years or depreciated under standard MACRS rules

B. Section 179 is limited to 50% of the equipment's purchase price regardless of the taxpayer's income level

C. Section 179 cannot be used for construction equipment because it is limited to office equipment, computers, and vehicles under 6,000 pounds

D. Section 179 has no limitations and the full $220,000 can be deducted regardless of the contractor's income level

15. A contractor's project involves a 9footdeep excavation in soil that the competent person has classified as Type C — the least stable classification. The contractor chooses sloping as the protective system. What is the maximum allowable slope angle for Type C soil, and what does this mean for the trench dimensions?

A. ¾:1 (53 degrees), requiring 6.75 feet of horizontal run on each side for the 9foot depth

B. 1:1 (45 degrees), requiring 9 feet of horizontal run on each side for the 9foot depth

C. 1½:1 (34 degrees), requiring 13.5 feet of horizontal run on each side — for every 1 foot of depth, the slope extends 1.5 feet horizontally, so 9 feet deep × 1.5 = 13.5 feet on each side, making the total trench opening 27 feet wider than the bottom width plus the bottom width itself

D. 2:1 (27 degrees), requiring 18 feet of horizontal run on each side for the 9foot depth

16. A contractor's project is governed by a contract with a "paywhenpaid" provision for subcontractor payments. The owner pays the contractor on the 1st of each month. The paywhenpaid clause requires payment to subcontractors within 7 days of the contractor's receipt of payment from the owner. The contractor receives the April payment on April 1 but does not pay subcontractors until April 25. Has the contractor violated the provision?

A. No, because paywhenpaid provisions establish only that payment will eventually occur and do not impose enforceable deadlines

B. Yes, because the 7day deadline means subcontractor payments were due by April 8 — paying on April 25 is 17 days late and constitutes a breach of the paywhenpaid timing obligation

C. No, because Mississippi law provides a mandatory 30day payment period that supersedes any shorter contractual deadline

D. Yes, but only if the subcontractors submitted written demands for payment before April 8

17. A contractor's project has been ongoing for 14 months. The contractor has submitted monthly progress payment applications consistently. The owner has paid 11 of the 14 applications on time but has been late on 3 applications by an average of 22 days. The contractor is experiencing cash flow strain as a result. What documentation should the contractor maintain to protect their rights?

A. Only the dates of the payment applications because the submission dates establish the full payment history record

B. Only the contract payment terms because the contractual language is sufficient to prove any payment delay claim

C. Only a verbal log of phone calls to the owner requesting payment because written documentation is not necessary for payment disputes

D. A detailed payment log showing the date of each application submission, the date of architect certification, the date the owner received each certified application, the contractual payment deadline, the actual payment receipt date, and the number of days late for each delayed payment — this contemporaneous documentation creates an irrefutable record of the owner's payment performance

18. A contractor's employee sustains a knee injury while descending a ladder on a jobsite. The injury requires arthroscopic surgery and 6 weeks of recovery. The employee files a workers' compensation claim. The insurance carrier accepts the claim. During the 6week recovery, the employee receives temporary total disability (TTD) benefits. What happens when the employee is cleared to return to work?

A. The TTD benefits stop when the employee is released to return to work at full duty — if the employee has any permanent impairment from the knee injury, they may be entitled to permanent partial disability (PPD) benefits based on the degree of impairment, which is evaluated after maximum medical improvement is reached

B. The TTD benefits continue for 6 additional months after the returntowork date as a transition supplement

C. The TTD benefits are converted to permanent total disability benefits automatically because any injury requiring surgery qualifies for lifetime benefits

D. The TTD benefits stop immediately and the employee receives no further benefits of any kind because the returntowork clearance terminates all workers' compensation entitlements

19. A contractor's project involves constructing a commercial building on a site adjacent to a residential neighborhood. Residents complain about construction noise starting at 6:00 AM. The project specifications state construction hours are 7:00 AM to 6:00 PM Monday through Friday. The contractor has been starting heavy equipment operation at 6:15 AM to "warm up" machines before the crew arrives at 7:00 AM. Is the contractor in compliance with the specifications?

A. Yes, because equipment warmup is a preparatory activity that does not constitute "construction work" and is therefore exempt from the specified hours

B. Yes, because the contractor has the right to access the site at any time regardless of the specified construction hours

C. No, because operating heavy equipment at 6:15 AM violates the specification's 7:00 AM start time — equipment warmup generates the same noise as active construction and falls within the scope of the construction hours restriction, and the contractor must adjust the warmup schedule to comply with the 7:00 AM start

D. No, but only if the noise level exceeds 85 decibels at the property line, because construction hour restrictions apply solely to activities that exceed the OSHA noise exposure threshold

20. A contractor's project is a $2,200,000 commercial renovation. The contract requires the contractor to provide both a performance bond and a payment bond at 100% of the contract value. During construction, the general contractor fails to pay a $95,000 invoice to the drywall subcontractor. The subcontractor wants to file a claim. Against which bond should the drywall subcontractor file?

A. The performance bond, because it guarantees that all project participants will be compensated for their work

B. The payment bond, because it specifically guarantees payment to subcontractors, suppliers, and laborers who provide work and materials on the project — the performance bond guarantees project completion for the owner's benefit, not subcontractor payment

C. Both bonds simultaneously, because subcontractor payment claims are processed through both the performance and payment bonds under Mississippi law

D. Neither bond, because only the project owner can file claims against bonds — subcontractors must pursue payment directly through litigation against the general contractor

21. A contractor's CPAreviewed financial statement shows total assets of $720,000 and total liabilities of $540,000. The contractor wants to apply for both a Building Construction major classification ($50,000 minimum net worth) and three specialty classifications ($20,000 minimum net worth each). Does the contractor meet the financial requirements for all four classifications?

A. Yes, because the net worth of $180,000 ($720,000 − $540,000) exceeds the highest applicable threshold of $50,000 for the major classification — MSBOC's net worth requirements are not cumulative across classifications, so the contractor only needs to meet the highest single threshold, not the sum of all classifications

B. No, because the combined requirement is $110,000 ($50,000 + $20,000 × 3) and the contractor's net worth of $180,000 barely exceeds this cumulative threshold, leaving insufficient margin

C. Yes, but only for the major classification — the three specialty classifications would require an additional $60,000 in net worth beyond the major classification minimum

D. No, because MSBOC requires a minimum net worth of $200,000 for any contractor seeking more than three total classifications

22. A contractor is reviewing a contract that contains an acceleration clause. The owner directs the contractor to complete the project 3 weeks earlier than the contractual completion date. The

contractor estimates that acceleration will cost $95,000 in overtime labor, additional equipment, and expedited material deliveries. Under standard acceleration provisions, who bears the cost of acceleration?

A. The contractor bears all acceleration costs because the contractual completion date is a maximum, not a guaranteed completion date

B. The acceleration costs are shared equally between the owner and the contractor because both parties benefit from early completion

C. The contractor can refuse the acceleration directive because owners cannot require completion earlier than the contractual date under any circumstances

D. The owner bears the cost of directed acceleration — when the owner orders the contractor to complete work faster than the contractual schedule requires, the additional costs of overtime, extra equipment, expedited materials, and other acceleration measures are the owner's financial responsibility

23. A contractor's project involves a concrete pour scheduled for late afternoon. The weather forecast indicates temperatures will drop to 28°F overnight. The specifications require concrete to be protected from freezing for at least 72 hours after placement. The contractor plans to place the concrete and leave the site without any cold weather protection measures, planning to install insulated blankets the following morning. What is the risk of this approach?

A. No risk because concrete generates enough internal heat through hydration to withstand overnight temperatures of 28°F without external protection

B. Minimal risk because the concrete will reach its initial set within 46 hours, which provides sufficient strength to resist freeze damage before the overnight temperature drop

C. Significant risk — fresh concrete that freezes before achieving adequate strength can lose up to 50% of its potential compressive strength permanently, and the damage cannot be repaired through subsequent curing; protection must be in place immediately after placement, not the following morning, because the critical early hours of curing are when concrete is most vulnerable to freeze damage

D. No risk because the 72hour protection requirement is a guideline that applies only when temperatures drop below 20°F, not 28°F

24. A contractor's project is 85% complete when a previously undiscovered underground storage tank is found during final grading. The tank appears to contain residual petroleum

product. The environmental assessment included in the contract documents did not identify this tank. Under a standard differing site conditions clause, what is the contractor entitled to?

A. Nothing, because environmental conditions are always excluded from differing site conditions clauses and the contractor assumes all environmental risk on every project

B. Additional compensation for the cost of addressing the tank (testing, removal, remediation) and a time extension for the resulting delay, because the underground storage tank constitutes a Type I differing site condition — the actual conditions differ materially from those represented in the contract documents, which did not identify the tank

C. Only a time extension but no additional compensation because differing site conditions clauses never include cost provisions for environmental discoveries

D. The contractor must immediately stop all work on the entire project and wait for the owner to hire a separate environmental remediation contractor, absorbing all delay costs internally

25. A contractor's company has 6 employees. Under Mississippi law, what workers' compensation insurance obligation applies?

A. The contractor is required to carry workers' compensation insurance because Mississippi mandates coverage for employers with 5 or more employees — failing to maintain coverage exposes the contractor to personal injury lawsuits from injured workers without the protection of the exclusive remedy doctrine

B. The contractor is exempt from the workers' compensation requirement because the threshold is 10 or more employees in Mississippi

C. The contractor is required to carry workers' compensation only if the company performs work classified as highrisk by the Mississippi Workers' Compensation Commission

D. The contractor is exempt regardless of the number of employees because construction companies in Mississippi are categorically exempt from workers' compensation requirements

26. A contractor's project involves erecting structural steel on a commercial building. The steel erection subcontractor's ironworkers are performing connection work at heights between 20 and 28 feet. Under OSHA's steel erection standard, what fall protection is required for these connectors during initial connection activities?

A. Full conventional fall protection (guardrails, PFAS, or safety nets) is required at all times for connectors at any height above 6 feet because the steel erection standard does not modify the general fall protection trigger

B. No fall protection of any kind is required for connectors during steel erection because the nature of connection work makes all forms of fall protection impractical

C. Connectors must use only guardrail systems — personal fall arrest systems and safety nets are prohibited during connection activities because they interfere with the connector's range of motion

D. Connectors between 15 and 30 feet may work without conventional fall protection during initial connection activities, provided they are trained and competent in connection procedures — however, they must have a personal fall arrest system available and must be connected to it when not performing active connection work; above 30 feet, conventional fall protection is mandatory

27. A contractor's project manager reviews the job cost report and discovers that the concrete subcontractor has billed for 850 cubic yards of concrete, but the quantity takeoff shows only 720 cubic yards were required for the work completed. The 130cubicyard discrepancy represents approximately $19,500 in overbilling. What should the project manager do?

A. Pay the full $19,500 overage and recover the amount through a backcharge on the subcontractor's final payment

B. Ignore the discrepancy because minor overbilling is common in concrete work due to waste, overpour, and yield variations that are normal industry practice

C. Reduce the next progress payment by $19,500 without notifying the subcontractor because the overbilling justifies an automatic deduction

D. Investigate the discrepancy by comparing delivery tickets against the quantity takeoff and field measurements — if the investigation confirms overbilling rather than legitimate waste or yield variance, address the issue directly with the subcontractor, adjust the current or next payment application accordingly, and document the resolution in writing

28. A contractor signs a fixedprice contract. The contract includes a clause stating: "The Contractor warrants that it has examined the site, the contract documents, and all available information regarding subsurface conditions." During excavation, the contractor encounters a massive boulder formation not indicated in any project documents. The contractor claims this is a differing site condition. The owner argues the site examination clause places all subsurface risk on the contractor. Which position is stronger?

A. The owner's position is always stronger because the site examination clause creates an absolute waiver of all differing site conditions claims regardless of the actual circumstances

B. The contractor's position is likely stronger — a standard site examination clause requires the contractor to review available information, but it does not require the contractor to discover hidden conditions that are not revealed by a reasonable visual inspection; a massive boulder not indicated in any documents is a condition that the contractor could not have reasonably discovered through a site examination

C. Neither position is relevant because subsurface disputes are always resolved through splitcost provisions under Mississippi law

D. The owner's position is stronger because Mississippi courts always enforce site examination clauses as absolute waivers of all subsurface claims

29. A contractor's project superintendent discovers that a worker on the site is not wearing the required hard hat in an area where overhead work is being performed. The superintendent provides a verbal warning. The next week, the same worker is again found without a hard hat in the same overhead work zone. What is the appropriate next step?

A. Escalate to a formal written disciplinary action — the verbal warning was the first step, and the repeat violation warrants documented disciplinary action consistent with the company's progressive discipline policy; if the behavior continues, further escalation to suspension or termination is appropriate

B. Issue another verbal warning because construction workers typically require three verbal warnings before written discipline is appropriate

C. Report the individual worker to OSHA because the worker's personal violation is the worker's responsibility, not the employer's

D. Remove the overhead work crew rather than disciplining the worker because eliminating the overhead hazard removes the hard hat requirement

30. A contractor operating as a partnership is considering converting to an LLC to gain limited liability protection. The partnership currently has three partners. What tax impact does this conversion have if the LLC makes no tax election?

A. The conversion triggers immediate capital gains tax on all partnership assets because changing entity type is treated as a taxable sale of the business

B. The conversion changes the tax classification from partnership to Ccorporation, because all LLCs with three or more members are classified as corporations by default

C. No tax impact — a multimember LLC is taxed as a partnership by default, so the conversion from general partnership to LLC maintains the same passthrough tax treatment while adding limited liability protection for all members

D. The conversion eliminates all selfemployment tax on the members' income because LLC members are classified as passive investors rather than active participants

31. A contractor's project has the following cost data: contract price $1,400,000, estimated total cost $1,190,000, actual costs incurred $714,000, billings to date $780,000. At what percentage is the project complete, what is the earned revenue, and is the project overbilled or underbilled?

A. Completion is 55.7% and earned revenue is $780,000, matching billings exactly because the percentageofcompletion method always produces revenue equal to billings

B. Completion is 50.8% ($714,000 ÷ $1,400,000) and earned revenue is $714,000, with the project overbilled by $66,000

C. Completion is 100% because the project has billed more than half the contract price, triggering full revenue recognition

D. Completion is 60% ($714,000 ÷ $1,190,000), earned revenue is $840,000 (60% × $1,400,000), and the project is underbilled by $60,000 ($840,000 earned − $780,000 billed) — the $60,000 underbilling is classified as a current asset on the balance sheet

32. A contractor is reviewing the OSHA excavation standard requirements. The standard requires employers to protect employees in excavations from caveins, except in excavations made entirely in stable rock or in excavations less than a specified depth where examination indicates no potential for a cavein. What is that depth threshold?

A. 4 feet — excavations less than 4 feet deep require protective systems only if the competent person determines there is a potential for cavein

B. 5 feet — excavations less than 5 feet deep do not require protective systems unless the competent person identifies conditions that indicate a potential for cavein based on their examination of the soil and surrounding conditions

C. 6 feet — excavations less than 6 feet deep are exempt from all OSHA excavation requirements regardless of the soil conditions

D. 10 feet — protective systems are only required in excavations deeper than 10 feet regardless of the soil classification or the competent person's assessment

33. A contractor's project has been experiencing delays due to unusually severe weather, the owner's late delivery of ownerfurnished equipment, and a subcontractor's failure to meet their schedule obligations. The contractor submits a request for a 30day time extension. Which of these three delay causes is most likely to support the time extension request?

A. The owner's late delivery of ownerfurnished equipment is the strongest basis for a time extension because it is an ownercaused delay — the owner has a contractual obligation to deliver their equipment on time, and failure to do so is the owner's responsibility, typically entitling the contractor to both a time extension and potential delay cost compensation

B. The subcontractor's failure is the strongest basis because subcontractor delays are always treated as excusable delays that entitle the general contractor to time extensions

C. The unusually severe weather is the strongest basis because weather delays are always fully compensable with both time and money under standard force majeure provisions

D. All three causes are equally strong because any delay beyond the contractor's control automatically entitles the contractor to a time extension

34. A contractor operating as an Scorporation pays its two shareholderemployees reasonable salaries and distributes the remaining $180,000 in profits as dividends. One shareholder receives $108,000 (60% share) and the other receives $72,000 (40% share). How are these distributions taxed?

A. The distributions are taxfree because Scorporation profits are taxed only at the entity level before distribution

B. The distributions are subject to selfemployment tax at 15.3% in addition to ordinary income tax because all Scorporation income is classified as selfemployment income

C. The distributions pass through to each shareholder's personal return as ordinary income subject to personal income tax — but not subject to selfemployment or payroll taxes, because the shareholders have already been paid reasonable salaries on which payroll taxes were assessed

D. The distributions are taxed at the capital gains rate rather than the ordinary income rate because Scorporation distributions are classified as return on investment

35. A contractor's project involves a concrete slab pour for a commercial warehouse. The specifications require a minimum concrete compressive strength of 4,000 PSI at 28 days. The contractor orders concrete designed for 4,500 PSI (with a safety margin above the

specification). The 7day break test results show compressive strength of 2,100 PSI. Should the contractor be concerned?

A. No concern because 7day test results are preliminary and have no predictive value for 28day strength

B. Yes, because the 7day strength of 2,100 PSI is only about 47% of the 4,500 PSI design strength — typical 7day strength should be approximately 6575% of 28day strength, so a properly performing 4,500 PSI mix should show 7day results of approximately 2,9253,375 PSI; the 2,100 PSI result suggests the concrete may not reach the specified 4,000 PSI minimum at 28 days

C. No concern because the contractor ordered 4,500 PSI concrete, which provides a 500 PSI safety margin above the specification — the 7day results will always look low but the 28day results will meet the target

D. No concern because 7day test results below 3,000 PSI are standard for warehouse slab concrete and do not indicate any quality problem

36. A contractor's project is governed by a fixedprice contract for $1,800,000. The contractor discovers that the concrete subcontractor has been underreporting quantities on their payment applications — billing for 400 cubic yards when 500 cubic yards were actually installed. This benefits the general contractor's cash flow in the short term because less money is being paid to the subcontractor. What is the longterm risk of this underbilling?

A. No risk because the general contractor benefits from the subcontractor's underreporting through improved cash flow

B. No risk because the subcontractor's billing accuracy is solely the subcontractor's concern and has no impact on the general contractor's project management

C. Minor risk limited to a billing trueup at project closeout where the subcontractor submits the balance in one lump sum

D. Significant risk — when the subcontractor eventually submits the accumulated underbilled amounts, the contractor will face a large unexpected cash outflow that could strain cash flow; additionally, the subcontractor may become dissatisfied, demand accelerated payment, or file a lien, and the contractor's WIP schedule will show an inaccurate financial picture of the project's true cost position

37. A contractor's employee is working near a 7,200volt overhead power line on a commercial project. The employee is using a metal ladder to access a roof area. OSHA requires a minimum

clearance distance from energized power lines. For lines energized at up to 50kV, what is the minimum clearance the worker and the metal ladder must maintain from the energized line?

A. 10 feet — the minimum clearance for power lines up to 50kV, applicable to all workers, equipment, and materials including metal ladders, because metal is an excellent conductor and contact or proximity can cause fatal electrocution through arcing even without direct contact

B. 5 feet, which is the standard clearance for power lines under 10kV

C. 15 feet, which is the minimum for all overhead lines regardless of voltage

D. 3 feet, because 7,200 volts is classified as lowvoltage and requires only a 3foot clearance buffer

38. A contractor discovers that their accounts receivable aging report shows $180,000 in receivables over 90 days. The contractor's total receivables are $520,000. What percentage of total receivables are over 90 days, and what action should the contractor take?

A. 34.6% — a significant and concerning proportion of total receivables are aging beyond 90 days, indicating potential collection problems that could impact cash flow and working capital

B. Approximately 34.6% of total receivables are over 90 days ($180,000 ÷ $520,000), which is well above the healthy threshold — the contractor should implement aggressive collection efforts including direct contact with each debtor, formal demand letters, evaluation of each receivable for collectibility, potential bad debt reserves on the balance sheet, and consideration of whether liens or legal action are appropriate for the oldest accounts

C. 18%, calculated by dividing the over90day amount by 1,000 for the industrystandard conversion ratio

D. 34.6%, but this is a healthy ratio because construction companies typically carry 4050% of receivables over 90 days as a normal part of the retainage and final payment cycle

39. A contractor is preparing for a meeting with their surety company to discuss increasing their bonding capacity. The surety agent asks for the contractor's WIP schedule. What information does the WIP schedule provide that is critical to the surety's evaluation?

A. The WIP schedule provides only a list of the contractor's subcontractors and their contact information for reference purposes

B. The WIP schedule provides only the contractor's total backlog of unsigned proposals and pending bid results

C. The WIP schedule provides only the contractor's completed project history and client references for the past five years

D. The WIP schedule shows each active project's contract value, costs incurred, earned revenue, billings, and over/underbilling status — it reveals the contractor's total work volume, profit performance on active jobs, billing practices, and potential cash flow issues, providing the surety with a realtime snapshot of the contractor's project portfolio health

40. A contractor's project involves installing an elevator in a new 4story commercial building. The elevator subcontractor is an outofstate company. Does the outofstate elevator subcontractor need a Mississippi contractor's license to perform this work?

A. No, because outofstate subcontractors working under a licensed Mississippi general contractor are exempt from state licensing requirements

B. No, because elevator installation is classified as equipment installation rather than construction and is exempt from contractor licensing requirements in Mississippi

C. Yes, because any contractor performing construction work in Mississippi must hold the appropriate Mississippi license — outofstate subcontractors are not exempt from licensing requirements simply because they work under a licensed general contractor

D. Yes, but only if the subcontract value exceeds $100,000, because Mississippi exempts outofstate subcontractors from licensing requirements on subcontracts below this threshold

41. A contractor's project manager discovers that the project's indirect costs (job overhead) are running 35% over budget at the 60% completion point. Monthly indirect costs include superintendent salary, temporary facilities, dumpster rental, portable toilets, and temporary utilities. The project manager has not been tracking indirect costs separately from direct costs. What project management failure does this reveal?

A. The failure to track indirect costs separately from direct costs means the project manager cannot identify which specific indirect cost categories are over budget, cannot determine the cause of the overrun, and cannot take corrective action — indirect costs must be tracked as a separate cost category with their own budget and monthly variance analysis to enable timely management intervention

B. No failure because indirect costs are too small to track separately and should always be combined with direct costs for reporting purposes

C. The failure is limited to the accounting department because indirect cost tracking is a bookkeeping function, not a project management responsibility

D. No failure because a 35% overrun in indirect costs at 60% completion is within normal construction industry benchmarks

42. A contractor is reviewing the terms of a construction contract that includes a mutual waiver of consequential damages clause. This clause states that neither the owner nor the contractor may recover consequential damages from the other party. What types of damages does this clause typically exclude from recovery?

A. Only direct costs of repairing defective work, because direct repair costs are classified as consequential rather than direct damages under standard construction contract interpretation

B. Only attorney's fees, because consequential damages clauses in construction contracts exclusively address the recovery of legal costs

C. Only delay damages, because consequential damages in construction are limited to schedulerelated losses by definition

D. Lost profits, lost revenue, lost business opportunity, loss of financing, and other indirect financial losses that flow as a consequence of a breach — the clause protects both parties from openended financial exposure by limiting recovery to direct damages (the cost to correct defective work, complete unfinished work, or reimburse overpayments)

43. A contractor's project involves renovating a commercial building where the existing HVAC system uses R22 refrigerant (Freon). The renovation requires removing and replacing the existing HVAC equipment. What environmental regulation applies to the handling of the R22 refrigerant?

A. No regulations apply because R22 is a common refrigerant that can be vented to the atmosphere during equipment removal

B. EPA regulations under Section 608 of the Clean Air Act prohibit the venting of R22 refrigerant — the refrigerant must be recovered by a certified technician using approved recovery equipment before the equipment is removed, and the recovered refrigerant must be properly handled and either recycled, reclaimed, or destroyed

C. Only OSHA regulations apply because R22 handling is classified as a workplace safety hazard rather than an environmental concern

D. The contractor must obtain a special permit from the Mississippi Department of Environmental Quality before removing any equipment containing refrigerant, and the permit process takes 90 days minimum

44. A contractor's employee works on a prevailing wage project subject to the DavisBacon Act. The worker is classified as an electrician with a prevailing wage of $42.00 basic rate plus $18.50 fringe. The employee works 48 hours in one week. How is overtime calculated on a DavisBacon project?

A. Overtime is not required on DavisBacon projects because the prevailing wage rates already include compensation for overtime hours

B. Overtime is calculated at 1.5 times only the $42.00 basic rate ($63.00/hr) for hours over 40, not at 1.5 times the basic rate plus fringe — the fringe benefit portion ($18.50/hr) continues at the straighttime rate for all hours including overtime

C. Overtime is calculated at 1.5 times the combined basic rate plus fringe ($42.00 + $18.50 = $60.50 × 1.5 = $90.75/hr) for all hours over 40

D. Overtime is calculated at doubletime ($42.00 × 2 = $84.00/hr) for all hours over 40 because federal prevailing wage projects require doubletime rather than timeandahalf

45. A contractor is preparing a project estimate and needs to calculate the labor burden — the additional costs beyond the base hourly wage that the employer must pay for each employee. Which of the following costs are included in the labor burden calculation?

A. Employer's share of FICA (Social Security and Medicare — 7.65%), federal and state unemployment taxes (FUTA and SUTA), workers' compensation insurance premiums, employerpaid health insurance, retirement plan contributions, and paid time off (holidays, vacation, sick leave) — these costs typically add 2540% to the base wage rate and must be included in labor cost estimates to avoid underpricing labor

B. Only the employer's share of FICA because all other employment costs are classified as overhead rather than direct labor burden

C. Only workers' compensation premiums because that is the only variable employer cost that changes with the employee's wage rate

D. No additional costs because all employment taxes and benefits are paid by the employee through payroll deductions and do not affect the employer's cost

46. A contractor is reviewing a project contract that includes a document hierarchy clause listing the order of precedence as: (1) change orders, (2) agreement, (3) supplementary conditions, (4) general conditions, (5) specifications, (6) drawings. A conflict exists between the drawings and the specifications regarding the size of a structural column. The drawings show a 16inch column while the specifications call for a 20inch column. Which document governs?

A. The drawings govern because visual representations are always more authoritative than written specifications in construction documents

B. The conflict should be resolved by averaging the two dimensions and installing an 18inch column

C. The specifications govern because they rank higher than drawings in the stated order of precedence — the 20inch column specified in the written specifications takes precedence over the 16inch column shown on the drawings

D. The drawings govern because the structural column detail was specifically drawn by the structural engineer and carries the engineer's professional stamp

47. A contractor's project involves work in a commercial building that is partially occupied during renovation. Workers are installing new ceiling tiles and light fixtures while the building's office tenants continue to work on the floors below. What primary safety obligation does the contractor owe to the building's occupants?

A. No obligation because the building occupants accepted the risk of construction activity when they agreed to remain in the building during renovation

B. The contractor must implement measures to protect building occupants from construction hazards — including dust containment barriers, falling object protection, noise mitigation during occupied hours, maintaining clear egress paths, and coordinating with building management to notify occupants of particularly disruptive activities

C. The contractor's only obligation is to post a generic "Construction Area" sign at the building entrance

D. The contractor must evacuate all building occupants during working hours because occupiedbuilding renovation is prohibited by OSHA

48. A contractor's project has the following scenario: the project is 95% complete, all major systems are installed and operational, and the building is ready for the owner's use. However, several minor punch list items remain — touchup painting, hardware adjustments, and a few

cosmetic finishes. The architect performs an inspection and determines the project meets the definition of "substantially complete." What does this determination trigger?

A. The certificate of substantial completion triggers the start of the warranty period, activates retainage release provisions, allows the owner to take possession and begin using the building, and terminates the contractor's exposure to liquidated damages for late completion — the punch list items must still be completed within a reasonable time, but the project milestone has been achieved

B. The certificate only triggers the punch list period and has no effect on the warranty, retainage, or liquidated damages provisions

C. The certificate transfers all liability for the building to the owner immediately, releasing the contractor from all obligations including the punch list items

D. The certificate has no legal significance and is merely an informal observation by the architect that the project is nearing completion

49. A contractor is bidding on a project and notices that the specifications contain a "proprietary specification" requiring a specific manufacturer's product by name with "no substitutions." The contractor knows of an alternative product that meets the same performance criteria at a lower cost. Can the contractor propose the alternative?

A. Yes, because all specifications are treated as performancebased under Mississippi law, and contractors can always substitute products that meet the same performance criteria

B. Yes, because the "no substitutions" clause is unenforceable on public projects because public procurement law requires open competition

C. No — a proprietary specification with "no substitutions" language means exactly that — the contractor must use the named manufacturer's product and cannot propose alternatives regardless of cost savings or equivalent performance

D. No, but only because the alternative product was manufactured outside the United States, and domesticcontent requirements prohibit foreign substitutions

50. A contractor's project is a $4,500,000 mixeduse commercial development. The project has been underway for 10 months. The contractor receives notice that the surety company has downgraded the contractor's bonding capacity due to deteriorating financial conditions — specifically, a declining current ratio and increasing overbillings across multiple projects. What immediate impact does this downgrade have on the contractor's operations?

A. No impact because bonding capacity adjustments apply only to future projects and do not affect bonds already issued on active projects

B. The surety may require additional collateral, personal indemnity, or other security measures on the existing bonded project to protect against increased risk of contractor default — and the reduced bonding capacity will limit the contractor's ability to bid on new projects

C. The surety will immediately cancel the existing performance and payment bonds, leaving the project uninsured and forcing the owner to find a replacement contractor

D. The contractor must immediately obtain replacement bonds from a different surety company within 30 days or the MSBOC license is automatically suspended

Practice Exam 12: Answer Key and Explanations

1. B — The revised contract price reflects all approved change orders: $1,450,000 + $85,000 − $32,000 + $118,000 = $1,621,000. The net increase is $171,000, representing an 11.8% increase from the original contract price ($171,000 ÷ $1,450,000). Both additive and deductive change orders modify the contract price — deductive changes reduce the price just as additive changes increase it.

2. D — Mississippi licensing law permits Residential Builder license holders to perform commercial work on buildings that do not exceed 7,500 square feet and three stories in height. This singlestory, 4,800 square foot commercial office building falls within both limitations. The contractor can legally perform this renovation under their existing Residential Builder license without obtaining a separate commercial classification.

3. C — Handling known contaminated soil triggers both environmental regulations (EPA, state DEQ) and occupational safety requirements (OSHA) regardless of who directs the work. The contractor must implement worker exposure controls (PPE, air monitoring, health and safety plan), follow contaminated soil handling and storage procedures, comply with regulatory notification requirements, and ensure proper disposal through licensed facilities. The owner's directive does not exempt the contractor from these obligations.

4. A — Overhead: $600,000 × 15% = $90,000. Total cost: $600,000 + $90,000 + $30,000 = $720,000. Selling price: $720,000 ÷ 0.91 = $791,209. Verification: profit = $71,209; margin = $71,209 ÷ $791,209 = 9.0%. The division method (÷ 0.91) correctly achieves a 9% margin on selling price. Multiplying by 1.09 would produce only an 8.3% margin — a common and costly estimating error.

5. B — When a trench box is shorter than the excavation depth, the unshielded portion above the box must be sloped or benched to provide adequate protection. The 10foot box is positioned within the trench (extending to within 2 feet of the bottom), and the upper approximately 8 feet of the excavation is sloped at the angle appropriate for Type B soil (1:1 or 45 degrees). This combination approach is an accepted method for deep excavations with shorter shielding systems.

6. D — The fee is $123,000 ($820,000 × 15%). The fundamental criticism of costpluspercentage contracts is the perverse incentive: the contractor's fee increases with every cost increase, creating a financial motivation to allow or promote higher costs rather than control them. This is why many public agencies prohibit costpluspercentage contracts and why the AIA and other industry organizations discourage their use.

7. A — Section 11(c) of the OSH Act prohibits employers from retaliating against employees who exercise their safety rights, including filing OSHA complaints. Terminating an employee two weeks after an OSHA complaint — with no other layoffs supporting a legitimate "workforce reduction" — creates a strong inference of retaliation. The contractor faces potential OSHA enforcement action, reinstatement orders, back pay liability, and compensatory damages.

8. C — Unauthorized material substitutions rejected by the architect must be corrected at the responsible party's expense. The subcontractor installed 6,000 square feet of unapproved membrane without following the contractual substitution process. The architect has the authority and obligation to reject nonconforming work. The subcontractor must remove the unapproved membrane and replace it with the specified product — the entire cost of removal and replacement falls on the subcontractor.

9. B — Federal corporate tax: $280,000 × 21% = $58,800. Mississippi corporate income tax: 5% on income above $10,000 = ($280,000 − $10,000) × 5% = $270,000 × 5% = $13,500. Combined total: $58,800 + $13,500 = $72,300. The Mississippi rate applies only to income exceeding the $10,000 threshold, not to the full taxable income — a detail the exam tests to verify understanding of Mississippi's corporate tax structure.

10. A — Conflicts between architectural drawings and structural requirements must be resolved by the design team before the contractor proceeds. The contractor should submit an RFI identifying the specific discrepancy (8inch architectural vs. 12inch structural) and request written direction. Pouring the wrong thickness creates either a structural deficiency (too thin) or an unnecessary cost and potential coordination conflict (too thick). The RFI process documents the issue and obtains authoritative resolution.

11. D — Modified premium: $140,000 × 1.22 = $170,800. The 1.22 EMR means the contractor's claims experience is 22% worse than the industry average, resulting in a $30,800 annual surcharge. This premium penalty — plus the potential for bid disqualification on projects requiring EMR thresholds (commonly 1.0 or 1.10) — provides powerful financial incentive for improving safety performance through hazard elimination, training, and incident reduction.

12. C — The Phase 1 building is occupied and no longer under construction — damage to its landscaping and sidewalk by the contractor's Phase 2 operations is thirdparty property damage. This is a standard CGL Coverage A claim: the contractor's operations caused physical damage to property belonging to another party (the occupied building's owner). Builder's risk covers structures under construction, not adjacent occupied buildings.

13. B — Critical path duration: 7 + 11 + 5 + 9 = 32 days. Contract deadline: 35 days from today. Float: 35 − 32 = 3 days. The project can absorb up to 3 days of delay on the critical path before exceeding the contract completion date. Any delay beyond 3 days triggers liquidated

damages exposure. This calculation demonstrates why tracking the critical path against the contract deadline is essential for schedule management.

14. A — Section 179 expensing cannot exceed the taxpayer's taxable business income for the year. The contractor's net income before the equipment deduction is $195,000, so the maximum Section 179 deduction is $195,000. The remaining $25,000 ($220,000 − $195,000) can be carried forward to future tax years or depreciated under standard MACRS rules. This income limitation prevents Section 179 from creating a business loss.

15. C — Type C soil (least stable) requires the gentlest slope: 1½:1 (34 degrees from horizontal). For every 1 foot of depth, the slope extends 1.5 feet horizontally. At 9 feet deep: 9 × 1.5 = 13.5 feet of horizontal run on each side. Total additional width: 13.5 + 13.5 = 27 feet beyond the bottom width. This enormous surface area requirement is why shoring or shielding is often more practical than sloping for deep excavations in Type C soil.

16. B — The paywhenpaid clause specifies payment within 7 days of the contractor's receipt from the owner. The contractor received payment on April 1, making the subcontractor payment due by April 8. Paying on April 25 is 17 days late — a clear breach of the contractual payment timing. Unlike payifpaid (which conditions payment on owner payment), paywhenpaid creates a definite obligation with an enforceable timeline.

17. D — A detailed contemporaneous payment log creates an irrefutable record of the owner's payment performance. Documenting each application date, certification date, contractual deadline, actual payment date, and days late builds the evidentiary foundation for delay claims, interest charges, or breach of contract actions. Courts give strong weight to contemporaneous records — reconstructing a payment history months later from memory is far less reliable and persuasive.

18. A — TTD benefits cease when the employee is released to return to fullduty work. However, if the knee injury results in any permanent impairment, the employee may be entitled to permanent partial disability (PPD) benefits. PPD is evaluated after the employee reaches maximum medical improvement (MMI) — the point at which the condition has stabilized and no further improvement is expected. PPD compensates for the lasting impact of the injury.

19. C — Operating heavy equipment at 6:15 AM violates the 7:00 AM construction start time specified in the contract. Equipment warmup generates the same noise as active construction — diesel engines, hydraulic systems, and backup alarms are indistinguishable from construction operations to neighboring residents. The specified hours apply to all noisegenerating activities, not just the "official" start of crew operations.

20. B — The payment bond guarantees payment to subcontractors, suppliers, and laborers. The performance bond guarantees project completion for the owner's benefit. The drywall subcontractor's $95,000 unpaid invoice is a payment claim — filed against the payment bond, not the performance bond. This distinction is fundamental and frequently tested: payment bonds protect downstream parties, performance bonds protect the project owner.

21. A — Net worth: $720,000 − $540,000 = $180,000. This exceeds the $50,000 minimum for the Building Construction major classification and the $20,000 minimum for each specialty classification. MSBOC's net worth requirements are not cumulative — the contractor does not

need $110,000 ($50,000 + $20,000 + $20,000 + $20,000). The single net worth figure must meet or exceed the highest applicable threshold, which is $50,000.

22. D — When the owner directs acceleration — completing the project faster than the contractual schedule requires — the additional costs are the owner's responsibility. Acceleration costs include overtime labor premiums, additional equipment rental, expedited material delivery charges, extended supervision, and potential productivity losses from compressed scheduling. The contractor should document all acceleration costs and submit them through the change order process.

23. C — Fresh concrete that freezes before achieving adequate strength suffers permanent, irreversible damage — loss of up to 50% of potential compressive strength. The critical first hours after placement are when concrete is most vulnerable because it has not yet developed enough strength to resist the expansive forces of freezing water within the mix. Cold weather protection must be in place immediately after placement, not the following morning.

24. B — An underground storage tank not identified in any contract documents constitutes a Type I differing site condition — actual conditions differ materially from what the documents represented. The contractor is entitled to additional compensation for the costs of testing, removing, and remediating the tank, plus a time extension for the resulting delay. The differing site conditions clause allocates this risk to the owner when the contract documents fail to disclose known or discoverable conditions.

25. A — Mississippi mandates workers' compensation insurance for employers with 5 or more employees. This contractor has 6 employees and must carry coverage. Without workers' compensation insurance, the contractor loses the exclusive remedy protection — injured employees can file personal injury lawsuits seeking unlimited damages including pain and suffering and punitive damages, exposing the contractor to catastrophically higher liability than workers' comp benefits.

26. D — OSHA's steel erection standard provides specific provisions for connectors. Between 15 and 30 feet, connectors may work without conventional fall protection during initial connection activities if they meet training and competency requirements, but they must have a personal fall arrest system available and use it when not performing active connection work. Above 30 feet, conventional fall protection is mandatory for connectors at all times.

27. D — The project manager should investigate the 130cubicyard discrepancy by comparing concrete delivery tickets against the quantity takeoff and field measurements. Legitimate waste and overpour typically account for 510% variance, but 130 cubic yards on 720 (18%) is excessive. If investigation confirms overbilling, the project manager should address it directly with the subcontractor, adjust the payment, and document the resolution.

28. B — A site examination clause requires the contractor to review available information, but it does not require the contractor to discover hidden conditions that no reasonable examination would reveal. A massive boulder formation not indicated in any documents, not visible at the surface, and not discoverable through a standard visual site visit is precisely the type of condition a differing site conditions clause protects against. The contractor's position is likely stronger.

29. A — Progressive discipline follows a structured escalation: verbal warning (completed), written warning (appropriate next step), suspension, and termination. The repeat violation warrants escalation to a formal written disciplinary action documenting the specific violation, the prior verbal warning, and the consequences of continued noncompliance. Consistent enforcement protects both worker safety and the contractor's legal position.

30. C — A multimember LLC is taxed as a partnership by default — no special election is needed. Converting from a general partnership to an LLC maintains the same passthrough tax treatment (Form 1065, Schedule K1s to members, selfemployment tax on distributive shares) while adding limited liability protection. The conversion changes the legal structure for liability purposes but does not change the federal tax classification or filing requirements.

31. D — Completion: $714,000 ÷ $1,190,000 = 60%. Earned revenue: 60% × $1,400,000 = $840,000. Billings: $780,000. Since earned revenue ($840,000) exceeds billings ($780,000) by $60,000, the project is underbilled. The $60,000 appears as a current asset on the balance sheet — the contractor has performed work that has not yet been invoiced and should consider accelerating billing.

32. B — OSHA's excavation standard requires protective systems in excavations 5 feet or more in depth. In excavations less than 5 feet deep, protective systems are not required unless the competent person examines the conditions and determines there is a potential for cavein. This 5foot threshold is a critical number for the exam — below 5 feet, the competent person's judgment determines the need for protection; at 5 feet and above, protection is mandatory.

33. A — The owner's late delivery of ownerfurnished equipment is the strongest basis because it is a compensable, excusable delay caused by the owner's breach of their contractual obligation. Ownercaused delays typically entitle the contractor to both a time extension and compensation for delay costs. Weather delays may be excusable but are usually noncompensable (time only). Subcontractor delays are generally the general contractor's responsibility because the GC is accountable for all subcontractor performance.

34. C — Scorporation distributions pass through to shareholders' personal returns as ordinary income subject to personal income tax but not subject to selfemployment or payroll taxes. The shareholders have already been paid reasonable salaries on which full payroll taxes (employer and employee FICA) were assessed. The distributions represent the remaining aftersalary profit that avoids the 15.3% SE tax — this is the fundamental Scorporation tax advantage.

35. B — Typical concrete achieves 6575% of its 28day strength at 7 days. A 4,500 PSI design mix should show 7day results of approximately 2,9253,375 PSI. At only 2,100 PSI (47% of design strength), the 7day result is significantly below expectations and suggests the concrete may not reach the 4,000 PSI specification minimum at 28 days. The contractor should investigate immediately — checking batch tickets, curing conditions, and testing procedures — and prepare for potential remediation.

36. D — The subcontractor's underbilling creates a deferred cash flow obligation for the general contractor. When the accumulated underbilled amounts are eventually submitted — potentially as a large lump sum near project completion — the contractor faces an unexpected cash outflow that can strain finances. Additionally, the inaccurate billing data distorts the WIP schedule, providing a misleading picture of the project's true cost position to the contractor, surety, and lender.

37. A — OSHA requires a minimum 10foot clearance from overhead power lines energized at up to 50kV. At 7,200 volts (well under 50kV), the 10foot minimum applies. Metal ladders are excellent electrical conductors — even proximity to an energized line (without direct contact) can cause fatal electrocution through arcing. Workers must maintain the full 10foot clearance for their bodies, tools, materials, and any equipment including ladders.

38. B — The $180,000 over 90 days represents 34.6% of total receivables — a significant and concerning proportion. The contractor should implement aggressive collection: direct contact with each debtor, formal demand letters, collectibility evaluation for each account, bad debt reserves where appropriate, and consideration of liens or legal action for the oldest accounts. Receivables over 90 days carry high risk of becoming uncollectible and consume working capital that the contractor needs for operations.

39. D — The WIP schedule is one of the most critical documents in the surety's evaluation. It shows each active project's contract value, costs incurred to date, earned revenue, billings, and over/underbilling status. The surety uses this data to assess the contractor's total work volume, profit trends across the portfolio, billing practices (chronic overbilling is a red flag), and overall project management quality. A healthy WIP schedule demonstrates the contractor's capacity to manage additional bonded work.

40. C — Any contractor performing construction work in Mississippi must hold the appropriate Mississippi license regardless of where their company is domiciled. Outofstate subcontractors are not exempt from licensing simply because they work under a licensed general contractor. The elevator subcontractor must obtain a Mississippi contractor's license in the appropriate classification before performing work in the state.

41. A — Failing to track indirect costs separately prevents the project manager from identifying which specific categories are driving the 35% overrun, determining the root cause, and implementing corrective action. Indirect costs must be budgeted, tracked, and analyzed as a separate cost category — just like direct costs. Without separate tracking, overruns remain hidden within the total cost report until the project is too far along for meaningful correction.

42. D — A mutual waiver of consequential damages excludes indirect financial losses: lost profits, lost revenue, lost business opportunities, loss of financing, and other damages that flow as a consequence of a breach. The clause limits both parties' recovery to direct damages — the actual cost to correct defective work, complete unfinished work, or reimburse overpayments. This mutual protection prevents either party from facing openended financial exposure from indirect losses.

43. B — EPA regulations under Section 608 of the Clean Air Act prohibit venting R22 (and other regulated refrigerants) to the atmosphere. Before removing HVAC equipment containing R22, a certified technician must recover the refrigerant using approved recovery equipment. The recovered refrigerant must be properly recycled, reclaimed, or destroyed. Venting violations carry penalties of up to $44,539 per day per violation.

44. B — On DavisBacon projects, overtime is calculated at 1.5 times the basic hourly rate only — not 1.5 times the combined rate plus fringe. For the 8 overtime hours: $42.00 × 1.5 = $63.00/hr overtime rate for the basic wage. The fringe benefit obligation ($18.50/hr) continues at the straighttime rate for all hours, including overtime. Total for 48 hours: 40 × $42.00 + 8 × $63.00 (basic) + 48 × $18.50 (fringe).

45. A — Labor burden includes all employerpaid costs beyond the base wage: employer's FICA share (7.65%), FUTA and SUTA, workers' compensation premiums, health insurance contributions, retirement plan contributions, and paid time off costs. These costs typically add 2540% to the base hourly wage. Failing to include the full labor burden in estimates results in systematic underpricing of labor — one of the most common and costly estimating errors in construction.

46. C — The contract's order of precedence explicitly ranks specifications above drawings. When the specifications call for a 20inch column and the drawings show a 16inch column, the specifications govern. The contractor should follow the 20inch specification and submit an RFI documenting the conflict for the design team's records. The order of precedence clause exists precisely to resolve these conflicts without ambiguity.

47. B — The contractor has a duty to protect building occupants from construction hazards during occupiedbuilding renovation. This includes dust containment barriers (negative pressure enclosures), falling object protection, noise mitigation during business hours, maintaining clear and unobstructed egress paths, and coordinating with building management to schedule disruptive activities. The occupants' decision to remain does not relieve the contractor of safety obligations.

48. A — Substantial completion triggers several critical contractual events: the warranty period begins, retainage release provisions activate, the owner may take possession and occupy the building, and the contractor's liquidated damages exposure for late completion ends. The punch list items must still be completed within a reasonable time, but the project has achieved its primary milestone. Substantial completion is one of the most consequential dates in the contract.

49. C — A proprietary specification with "no substitutions" language means the contractor must use the named product — no alternatives are permitted regardless of cost savings or equivalent performance. The specification reflects a deliberate design decision by the architect or owner. If the contractor wants to propose an alternative, the proper time is during bidding (through a prebid substitution request), not after award. Postaward, the "no substitutions" clause is binding.

50. B —A surety downgrade has dual impact: on the existing bonded project, the surety may require additional collateral, personal indemnity, or enhanced financial reporting to protect against increased default risk. On new business, the reduced bonding capacity limits the contractor's ability to bid on projects requiring bonds. The surety will not typically cancel existing bonds immediately, but may impose conditions and restrict future capacity.