

PRACTICE EXAM 16: OHIO BUSINESS AND LAW SIMULATION (50 QUESTIONS)

50 Questions — 120 Minutes Recommended

1. An Ohio plumbing contractor operates as a sole proprietorship and has grown to twelve employees. A customer slips on a wet floor at a commercial jobsite and sustains a back injury. The customer sues the contractor for \$450,000. The contractor's CGL policy limit is \$300,000. The court awards the full \$450,000. What happens to the \$150,000 that exceeds the policy limit?

- A. The insurance company pays the full \$450,000 because CGL policies cover all judgments regardless of policy limits
- B. The \$150,000 excess is forgiven because court judgments cannot exceed insurance coverage amounts
- C. The contractor is personally liable for the \$150,000 because a sole proprietorship provides no separation between business and personal assets
- D. The customer can collect the \$150,000 only from the contractor's business assets not from personal assets

2. An Ohio contractor operates a threemember LLC taxed as a partnership. The operating agreement is silent on how losses are allocated. In Year 1, the LLC sustains a net loss of \$90,000. Under Ohio's default LLC rules, how is the loss allocated among the members?

- A. The loss is allocated entirely to the managing member because managers bear the risk of business losses
- B. The loss is allocated in proportion to each member's ownership interest because that is the default rule when the operating agreement is silent
- C. The loss is allocated equally among all three members regardless of ownership percentages
- D. No loss allocation occurs because LLC members cannot claim business losses on personal returns

3. A contractor's business plan includes a section titled "Competitive Analysis." The section identifies four competitors by name and describes their strengths and weaknesses. For each competitor, the plan explains how the contractor's company will differentiate itself. What is the primary purpose of this section for a bank evaluating a loan application?

- A. To demonstrate that the contractor has conducted surveillance on competitors which shows dedication to the business
- B. To prove that the contractor's prices will be lower than all competitors which guarantees market share
- C. To identify potential acquisition targets that the contractor could purchase with the loan proceeds
- D. To demonstrate that the contractor understands the competitive landscape and has a realistic strategy for winning business against established companies

4. An Ohio contractor submits an OCILB application for a hydronics license. The applicant provides documentation of five years of trade experience in hydronic heating systems. The OCILB reviews the experience documentation and determines that two of the five years were spent performing residential hydronic work. The OCILB license covers commercial work only. How does this affect the application?

- A. The OCILB may not credit the two years of residential experience toward the commercial license requirement potentially leaving the applicant short of the required experience
- B. All five years count because hydronic work is the same regardless of whether it is residential or commercial
- C. The residential experience counts at fifty percent so the applicant receives one additional year of credit
- D. The application is automatically approved because the total of five years exceeds the minimum threeyear requirement

5. Under ORC Chapter 4740, what happens when an OCILB licensed contractor is found to have committed a violation of the licensing regulations such as performing work outside the licensed trade scope?

- A. The contractor receives a mandatory thirtyday suspension for all firsttime violations
- B. The contractor's license is automatically revoked without a hearing for any violation

C. The OCILB may take disciplinary action including license suspension, revocation, or other penalties after following due process procedures

D. The contractor pays a standard \$500 fine and the violation is removed from the record after one year

6. A contractor's estimator receives a set of construction documents that include a specification section titled "Allowances." The section lists a \$15,000 allowance for finish hardware and a \$25,000 allowance for specialty lighting fixtures. The estimator includes these allowances in the bid. After contract award, the actual cost of finish hardware is \$18,000 and specialty lighting is \$22,000. How are the differences handled?

A. The contractor absorbs the \$3,000 overage on hardware and keeps the \$3,000 savings on lighting with no contract adjustment

B. The owner pays any amount above the allowance and receives credit for amounts below the allowance with the contract price adjusted by change order

C. The allowances become fixed prices at contract execution and no adjustments are permitted

D. The contract price is adjusted through change orders — increasing by \$3,000 for hardware and decreasing by \$3,000 for lighting — reflecting the actual costs compared to the allowance amounts

7. A contractor submits a bid on a public library project. The bid documents require a ten percent bid bond. The contractor submits a five percent bid bond. The contractor's bid is the lowest by \$85,000. Can the owner accept this bid?

A. Yes because the lowest bid must be accepted on all public projects regardless of bid bond compliance

B. No because the bid bond does not meet the stated requirement making the bid nonresponsive

C. Yes because a five percent bid bond provides adequate security for any public project under \$2,000,000

D. Yes if the contractor agrees to increase the bond to ten percent within fortyeight hours of bid opening

8. A general contractor on a commercial project enters into a subcontract with a roofing company. The subcontract requires the roofer to maintain completed operations coverage on their CGL policy for a minimum of three years after project completion. The roofer's CGL policy does not include completed operations coverage. During the project, the GC discovers this gap. What should the GC do?

A. Require the roofer to obtain completed operations coverage immediately as a condition of continuing work because the subcontract requires it and its absence creates significant postcompletion liability exposure

B. Accept the roofer's existing coverage because completed operations coverage is optional for roofing subcontractors

C. Reduce the subcontract price to offset the missing coverage and selfinsure the completed operations risk

D. Add the roofing subcontractor's completed operations exposure to the GC's own umbrella policy

9. A commercial construction contract contains an acceleration clause allowing the owner to direct the contractor to complete the project earlier than the original completion date for additional compensation. The owner directs acceleration. The contractor estimates acceleration costs at \$85,000. The owner disputes the estimate and offers \$50,000. The contractor begins acceleration efforts while the price is being negotiated. What is the contractor's right?

A. The contractor must accept the \$50,000 because the owner's offer becomes binding once acceleration begins

B. The contractor forfeits the right to additional compensation by beginning acceleration before the price was agreed

C. The contractor can stop the acceleration efforts until the price is agreed because no work should proceed without a signed change order

D. The contractor is entitled to fair compensation for the acceleration and can pursue the disputed amount through the contract's dispute resolution process while continuing the accelerated work

10. A project manager on a commercial building discovers that the mechanical drawings show a main supply duct running through a space that the architectural drawings designate as a fire-rated corridor. Installing the duct as shown would penetrate the fire-rated wall assembly without the required fire dampers. The mechanical specifications do not reference fire dampers for this duct run. What should the project manager do?

- A. Install the duct as shown on the mechanical drawings because the drawings take precedence over the specifications
- B. Install fire dampers at the contractor's expense because fire code compliance is always the contractor's responsibility
- C. Submit an RFI to the architect and mechanical engineer identifying the conflict and requesting direction on how to resolve the fire-rated wall penetration
- D. Omit the duct run entirely and notify the owner that the mechanical design is defective

11. A contractor on a commercial project receives a change order for additional structural work valued at \$45,000. The contract allows a ten percent markup for overhead and profit on selfperformed change order work and a five percent markup on subcontracted change order work. The contractor selfperforms \$20,000 of the work and subcontracts \$25,000. The contractor submits the change order with a fifteen percent markup applied to the entire \$45,000. Is this correct?

- A. Yes because the fifteen percent represents a reasonable blended markup for combined selfperformed and subcontracted work
- B. No because the correct calculation applies ten percent to \$20,000 (\$2,000) and five percent to \$25,000 (\$1,250) for a total markup of \$3,250 rather than the \$6,750 the contractor calculated
- C. Yes because the markup percentage for change orders is always applied to the total change regardless of who performs the work
- D. No because the total markup should be calculated at five percent on the entire amount since subcontracted work comprises the majority

12. A contractor on a lump sum commercial project discovers that the soil boring report included in the bid documents shows stable soil conditions. During excavation, the contractor encounters a layer of saturated clay that was not indicated in the boring report. Dewatering costs an additional \$48,000. The contract includes a differing site conditions clause with two types: Type I (conditions differing from the contract documents) and Type II (unusual conditions differing from what would normally be expected). Which type applies?

- A. Type II because saturated clay is an unusual condition that differs from what would normally be expected at this location
- B. Neither type applies because soil conditions are always the contractor's risk under lump sum contracts
- C. Both types apply simultaneously which doubles the contractor's recovery to \$96,000

D. Type I because the actual soil conditions differ materially from the conditions represented in the soil boring report included in the contract documents

13. A subcontract on a commercial project includes a termination for convenience clause. The general contractor terminates the subcontractor for convenience at the forty percent completion point. The subcontract price is \$200,000. The subcontractor has completed \$80,000 of work, been paid \$72,000, and incurred \$5,000 in demobilization costs. What is the subcontractor entitled to receive under a standard termination for convenience?

A. Payment for all work completed (\$80,000) plus demobilization costs (\$5,000) plus a reasonable profit on the completed work minus the \$72,000 already paid

B. The full subcontract price of \$200,000 because the GC terminated without cause

C. Only the \$8,000 unpaid balance for completed work with no demobilization or profit

D. Payment for completed work plus demobilization but no profit because termination for convenience eliminates profit recovery

14. A contractor's CPM schedule for a commercial project has a total duration of 200 days. At the Day 100 update, the schedule shows that the project is five days behind the planned completion date. The project manager identifies two noncritical activities that could be rescheduled to recover schedule time. Activity M has twelve days of total float, and Activity N has three days of total float. Can rescheduling these activities recover the five-day delay?

A. Yes because Activity M's twelve days of float provides more than enough flexibility to recover the five-day delay

B. Yes because the combined float of fifteen days from both activities can be used to recover any delay up to fifteen days

C. No because rescheduling noncritical activities within their float does not change the critical path or reduce the total project duration

D. No because float cannot be used to recover delays once the project has passed the fifty percent completion point

15. A contractor reaches substantial completion on a commercial project on September 1. The architect issues the Certificate of Substantial Completion and the owner begins occupying the building on September 5. The contract provides that liquidated damages of \$3,000 per day apply for each day beyond the contract completion date of August 15. The owner deducts \$51,000 in liquidated damages from the final payment (seventeen days \times \$3,000). The contractor argues that because the owner occupied the building, the owner has waived the right to liquidated damages. Is the contractor's argument valid?

- A. Yes because owner occupancy always constitutes acceptance of the project and waiver of delay-related damages
- B. No because occupancy after substantial completion does not waive the owner's right to assess liquidated damages for the period between the contract completion date and substantial completion
- C. Yes because liquidated damages can only be assessed if the project is not substantially complete at the time of assessment
- D. No but the liquidated damages should be reduced by fifty percent once the owner begins occupancy

16. Under OSHA's construction standards, a contractor provides a portable toilet on a commercial construction site. OSHA requires that toilet facilities be provided at a ratio of one toilet per how many workers?

- A. One toilet for every twenty workers on the jobsite
- B. One toilet for every ten workers on the jobsite
- C. One toilet for every fifty workers on the jobsite
- D. One toilet for every five workers on the jobsite

17. A contractor's employee is operating a backhoe on a commercial project when the bucket strikes an unmarked underground gas line. The gas line was not shown on any utility maps or plans. A small gas leak results and the fire department evacuates the area. No injuries occur. The contractor called 811 (Ohio Utilities Protection Service) three business days before excavation. The locate marks did not show a gas line in the excavation area. Under Ohio's underground utility protection law, is the contractor liable for the damage?

- A. Yes because the contractor is strictly liable for any damage to underground utilities during excavation regardless of preexcavation notification

- B. Yes because the contractor should have used handdigging methods for all excavation on commercial projects
- C. No because the gas line was unmarked and the contractor is not liable for locating utilities that are improperly marked
- D. No because the contractor complied with Ohio's underground utility notification requirements and the gas line was not shown on any locate marks or utility maps

18. An Ohio contractor's workers' compensation premium calculation uses the following inputs: annual payroll \$580,000, classification rate \$9.40 per \$100 of payroll, and EMR of 0.92. What is the annual premium?

- A. \$54,520 calculated as the payroll divided by one hundred multiplied by the classification rate only
- B. \$59,160 calculated as the premium at an EMR of 1.0 plus a ten percent surcharge
- C. \$50,158 calculated as $(\$580,000 \div \$100) \times \$9.40 \times 0.92$
- D. \$46,400 calculated as the payroll multiplied by eight percent of the classification rate

19. A surety company evaluates a contractor for a \$2,000,000 performance bond. The contractor's financial statements show net worth of \$450,000 and working capital of \$200,000. The surety's guideline requires working capital to equal at least ten percent of the bond amount and net worth to equal at least twenty percent. Does the contractor meet both guidelines?

- A. Yes because both metrics exceed all applicable thresholds
- B. Yes because working capital of \$200,000 equals ten percent of \$2,000,000 and net worth of \$450,000 exceeds twenty percent (\$400,000) of \$2,000,000
- C. No because working capital of \$200,000 is only five percent of the bond amount which is below the ten percent threshold
- D. No because net worth of \$450,000 is below the fifty percent threshold required for performance bonds

20. A contractor on a commercial project maintains a photographic log of all concealed work before it is covered. The photographs are dated, organized by location, and crossreferenced with the daily reports. Three years after project completion, the owner alleges that the contractor installed

substandard insulation in the exterior walls. The contractor produces photographs showing the specified insulation properly installed with Rvalue labels clearly visible. The owner's expert witness has no contemporaneous evidence to the contrary. How does this documentation affect the dispute?

- A. The photographs are irrelevant because only destructive testing of the actual walls can determine the insulation quality
- B. The photographs create a rebuttable presumption that the insulation was properly installed but the owner can overcome this with expert testimony
- C. The photographs prove only that insulation was present not that it was properly installed
- D. The dated photographs showing specified materials with visible Rvalue labels provide strong contemporaneous evidence that the correct insulation was installed and the absence of contradicting evidence from the owner significantly weakens the owner's claim

21. A contractor's income statement shows: revenue \$4,800,000, cost of revenue \$3,840,000, general overhead \$672,000. The contractor's bonding company asks whether the contractor is above or below breakeven. What is the breakeven revenue?

- A. \$3,360,000 calculated by dividing the \$672,000 overhead by the twenty percent gross profit margin
- B. \$4,800,000 because the contractor's current revenue equals the breakeven point
- C. \$672,000 because breakeven occurs when revenue equals overhead
- D. \$3,840,000 because breakeven occurs when revenue equals cost of revenue

22. An Ohio contractor operating as a partnership earns \$780,000 in annual gross receipts. The Ohio Commercial Activity Tax requires businesses with gross receipts exceeding \$150,000 to register and file CAT returns. The contractor has not registered for the CAT. What compliance issue exists?

- A. No issue because partnerships are exempt from the Ohio CAT
- B. No issue because the \$780,000 in gross receipts is below the \$1,000,000 threshold where the percentage tax begins
- C. The contractor must register for the CAT because gross receipts exceed \$150,000 and may owe the annual minimum tax even though the percentage rate does not apply until gross receipts exceed \$1,000,000
- D. The contractor owes 0.26% on the full \$780,000 because registration triggers the full tax rate

23. An Ohio contractor purchases \$95,000 in mechanical equipment from an Illinois manufacturer. The manufacturer ships the equipment to the Ohio jobsite. The manufacturer does not collect Ohio sales tax. The contractor pays Illinois sales tax of \$5,700 on the purchase. The contractor installs the equipment on a private commercial project. Does the contractor owe Ohio use tax?

- A. Yes on the full \$95,000 because Illinois sales tax does not satisfy Ohio use tax obligations
- B. The contractor owes Ohio use tax but receives a credit for the Illinois sales tax already paid reducing the Ohio use tax to the difference between the Ohio rate and the Illinois rate
- C. No because paying sales tax in any state satisfies the use tax obligation in all other states
- D. No because equipment shipped from a state that charges sales tax is automatically exempt from Ohio use tax

24. A subcontractor on a private commercial project first furnishes labor on March 3. The subcontractor serves a Notice of Furnishing on the property owner on March 22 — nineteen days after first furnishing. The subcontractor completes work on October 10. On December 6, the subcontractor files a mechanic's lien affidavit — fiftyseven days after last furnishing. On January 8, the subcontractor serves the filed affidavit on the property owner — thirtythree days after filing. Which procedural step has a potential deficiency?

- A. The Notice of Furnishing was served too early because it must be served between Day 14 and Day 21
- B. The lien affidavit was filed too late because the deadline is fortyfive days from last furnishing
- C. All three procedural steps were completed within the required deadlines
- D. The service of the filed affidavit on the property owner exceeded the thirtyday postfiling deadline by three days

25. A general contractor on a private commercial project collects conditional final lien waivers from all subcontractors and submits them to the property owner. The owner releases retainage to the GC based on the conditional waivers. The GC distributes the retainage to all subcontractors. What is the status of the conditional waivers after the subcontractors receive their payments?

- A. The conditional waivers become effective because the stated condition — receipt of payment — has been satisfied and all subcontractor lien rights for the waived amounts are released
- B. The conditional waivers remain conditional indefinitely and never convert to effective waivers

- C. The conditional waivers must be replaced with unconditional waivers signed after payment is received
- D. The conditional waivers become void once payment is received and new waivers must be executed

26. A contractor files a mechanic's lien on a commercial property for \$62,000. The property owner pays \$40,000 to resolve a portion of the dispute. The contractor accepts the \$40,000 partial payment. What should the contractor do with the filed lien?

- A. Leave the original \$62,000 lien in place and pursue the remaining \$22,000 through the existing lien
- B. File a new lien for \$22,000 and release the original \$62,000 lien entirely
- C. The original lien is automatically reduced to \$22,000 when the partial payment is received
- D. File a partial release of lien for the \$40,000 paid and maintain the lien for the remaining \$22,000 to accurately reflect the current amount owed

27. Under the Miller Act, what is the minimum federal construction contract value that triggers the requirement for the prime contractor to furnish performance and payment bonds?

- A. \$100,000 for both performance and payment bonds
- B. \$250,000 for both performance and payment bonds
- C. \$150,000 for both performance and payment bonds
- D. \$500,000 for performance bonds and \$250,000 for payment bonds

28. An Ohio employer with fortytwo employees asks whether the company must comply with the FMLA, Title VII, the ADA, and the ADEA. Based solely on the number of employees, which laws apply?

- A. Title VII, ADA, ADEA, and the Ohio Civil Rights Act apply because all require fifteen or more employees (twenty for ADEA) but the FMLA does not apply because it requires fifty or more employees
- B. All four federal laws plus the Ohio Civil Rights Act apply to this employer
- C. Only the Ohio Civil Rights Act applies because all federal laws require fifty or more employees

D. Title VII and the ADA apply but the ADEA and FMLA do not

29. A nonexempt plumber earns \$34.00 per hour. The employee works fortytwo hours in a workweek. The employer pays the employee a total of \$1,428.00 for the week calculated as fortytwo hours × \$34.00. What is the FLSA deficiency?

A. No deficiency because the employer paid the agreedupon hourly rate for all hours worked

B. The employer owes an additional \$34.00 calculated as the overtime premium of \$17.00 per hour for two overtime hours

C. The employer owes an additional \$68.00 calculated as two overtime hours at the full overtime rate of \$51.00 minus the \$34.00 already paid for those hours

D. The employer must recalculate the entire week at the overtime rate because any week with overtime requires all hours to be paid at 1.5 times the regular rate

30. An Ohio contractor operating as a sole proprietor earns \$155,000 in net selfemployment income. The contractor has no employees. The contractor wants to maximize retirement contributions. The contractor establishes a SEPIRA. What is the approximate maximum annual contribution the contractor can make?

A. Approximately twentyfive percent of net selfemployment income after the deduction for onehalf of selfemployment tax which would be approximately \$36,000 to \$38,000 depending on the exact calculation

B. \$6,500 which is the maximum IRA contribution for individuals under age fifty

C. \$66,000 which is the maximum defined contribution limit regardless of income

D. \$155,000 because sole proprietors can contribute one hundred percent of net income to a SEPIRA

31. Under OSHA's construction fall protection standard, a contractor is working on a commercial project with a flat roof at a height of thirty feet. The contractor provides a sixfoot warning line set back from the roof edge. Workers operate between the warning line and the roof edge without any personal fall arrest system. Is this compliant?

- A. Yes because warning lines are an accepted form of fall protection that eliminates the need for personal fall arrest systems
- B. Yes because the warning line creates an administrative control zone that satisfies fall protection requirements on flat roofs
- C. No because warning lines must be set back at least fifteen feet from the edge and workers between the warning line and the edge must use supplemental fall protection
- D. No because warning lines alone are not sufficient fall protection when workers are operating between the warning line and the roof edge at heights of thirty feet

32. A contractor's superintendent observes a worker from another trade entering a permitrequired confined space without proper entry procedures — no atmospheric testing, no attendant, and no entry permit. The worker's employer is a subcontractor on the same project. The superintendent's employer did not create the hazard and does not control the subcontractor. Does the superintendent have any obligation?

- A. No because OSHA holds only the employer who created the hazard responsible for confined space violations
- B. Yes because the superintendent should alert the worker to the danger and notify the responsible employer or the site safety officer of the unsafe entry
- C. No because the superintendent's employer has no contractual relationship with the subcontractor
- D. Yes but only if the superintendent holds a formal confined space rescue technician certification

33. An OSHA inspector issues a citation for a serious violation of the electrical safety standard. The contractor believes the citation is incorrect and wants to contest it. The contractor receives the citation on Monday, October 6. Under OSHA rules, what is the deadline to file a notice of contest?

- A. October 21 which is fifteen calendar days from receipt of the citation
- B. October 20 which is fourteen calendar days from receipt of the citation
- C. October 27 which is fifteen working days from receipt of the citation
- D. November 5 which is thirty calendar days from receipt of the citation

34. An Ohio employer terminates an employee and issues the final paycheck on the next regular payday as required by Ohio law. The paycheck includes regular wages but does not include payment for thirtytwo hours of accrued but unused vacation time. The employee's handbook states that accrued vacation is paid out upon termination. What obligation does the employer have?

- A. The employer must pay the thirtytwo hours of accrued vacation because the company handbook creates an enforceable obligation to pay accrued vacation upon termination
- B. No obligation because Ohio law does not require payment of accrued vacation upon termination under any circumstances
- C. The employer must pay only sixteen hours because Ohio limits vacation payout to fifty percent of the accrued balance
- D. The employer must pay the vacation time only if the employee provides two weeks' written notice before the termination date

35. Under the percentageofcompletion method, a contractor has a project with a contract price of \$1,500,000 and original estimated total cost of \$1,200,000. At the end of Year 1, costs incurred total \$480,000. At the end of Year 2, cumulative costs total \$960,000. The contractor revises the total estimated cost to \$1,300,000 at the end of Year 2. What is the cumulative revenue recognized at the end of Year 2?

- A. \$960,000 equal to cumulative costs because revenue always equals cost under the percentageofcompletion method
- B. \$1,200,000 calculated as eighty percent of the original contract price
- C. \$600,000 calculated as forty percent of the original contract price based on original cost estimates
- D. \$1,107,692 calculated as the revised percentage complete (73.85%) multiplied by the \$1,500,000 contract price

36. A contractor's balance sheet shows total assets of \$950,000, current assets of \$420,000, current liabilities of \$310,000, longterm liabilities of \$290,000, and owner's equity of \$350,000. What is the current ratio, debttoequity ratio, and working capital?

- A. Current ratio 1.35, debttoequity 1.71, working capital \$110,000
- B. Current ratio 0.74, debttoequity 2.71, working capital negative \$180,000
- C. Current ratio 1.35, debttoequity 1.71, working capital \$110,000

D. Current ratio 1.35, debttoequity 0.88, working capital \$420,000

37. A contractor on a commercial project receives an invoice from a subcontractor for \$28,000. The invoice includes \$24,000 for work completed per the approved schedule of values and \$4,000 for "administrative overhead and project coordination." The subcontract is a lump sum agreement and does not include a separate line item for administrative overhead. Should the contractor approve the full \$28,000?

A. Yes because all subcontractor invoices must be paid in full within thirty days regardless of lineitem questions

B. The contractor should approve \$24,000 for the verified completed work and dispute the \$4,000 administrative charge because the lump sum subcontract price already includes the subcontractor's overhead in the contract amount

C. The contractor should pay \$14,000 representing fifty percent of the invoice pending a detailed audit of the subcontractor's overhead costs

D. The contractor should withhold the entire payment until the subcontractor removes the \$4,000 charge and resubmits

38. A commercial project involves renovation of an occupied office building. The contractor must perform noisy demolition work adjacent to occupied offices. The project specifications require the contractor to perform demolition only between 6:00 PM and 6:00 AM to avoid disrupting building tenants. The contractor's crew works from 6:00 PM to 2:00 AM (eight hours) Monday through Friday. All crew members are nonexempt. The contractor pays the regular rate of \$32.00 per hour for all hours. No employee exceeds forty hours in any workweek. Is the contractor's payment compliant with the FLSA?

A. Yes but the contractor should verify whether a shift differential is required by the applicable collective bargaining agreement or company policy

B. No because all nightshift work must be paid at timeandahalf regardless of total weekly hours

C. No because demolition work performed between 6:00 PM and 6:00 AM triggers automatic overtime under OSHA regulations

D. Yes because the FLSA does not require premium pay for night work and no employee exceeds forty hours in a workweek

39. A contractor's employee reports a workplace injury on Thursday. The employee visits a physician on Friday who diagnoses a fractured finger, applies a splint, and prescribes prescription pain medication. The employee works modified duty on Monday — performing only office tasks — and returns to full regular duty on Tuesday. Under OSHA recordkeeping, what recording criteria are met?

- A. The injury is recordable based on both the prescription medication (medical treatment beyond first aid) and the modified duty on Monday (restricted work activity)
- B. The injury is not recordable because the employee returned to full duty within three working days
- C. The injury is recordable only for the prescription medication and the restricted work day is not separately recorded
- D. The injury is not recordable because a finger splint is classified as first aid treatment

40. An Ohio contractor with twentyfive employees wants to bid on a statefunded highway project. The project requires compliance with Ohio's prevailing wage law. The contractor's current workforce includes fifteen workers who are paid above the prevailing wage rate and ten workers who are paid below the prevailing rate for their classifications. What must the contractor do for the ten workers who are below the prevailing rate?

- A. Terminate the ten workers and hire new workers at the prevailing rate because existing wage rates cannot be adjusted
- B. Pay the ten workers the applicable prevailing wage rate for all hours worked on the statefunded project while maintaining their current rate for work on nonprevailingwage projects
- C. Request a waiver from the Ohio Department of Commerce exempting the ten workers from the prevailing wage requirement
- D. Pay all twentyfive workers the same hourly rate calculated as the average of the prevailing wage and their current rates

41. A contractor's CGL policy includes productscompleted operations coverage with a \$2,000,000 aggregate limit. The contractor completes four commercial projects during the policy year. Claims from completed operations arise on two projects: Project A has claims totaling \$1,400,000 and Project B has claims totaling \$900,000. What is the total amount the CGL will pay under the productscompleted operations aggregate?

- A. \$2,300,000 because each project is subject to a separate aggregate limit

- B. \$1,400,000 covering only the larger claim because the aggregate covers only the single largest completed operations claim
- C. \$2,000,000 because the products completed operations aggregate caps all completed operations claims at \$2,000,000 during the policy year leaving \$300,000 uncovered
- D. \$900,000 covering only the smaller claim because the aggregate applies chronologically to the first claim filed

42. A contractor files a mechanic's lien on a commercial property for \$78,000. The property owner wants to sell the property and posts a surety bond at one hundred fifty percent of the lien amount to discharge the lien from the title. What is the bond amount and what effect does the bond have on the contractor's claim?

- A. The bond amount is \$117,000 and the contractor's security interest transfers from the property to the bond while the underlying \$78,000 dispute continues through negotiation or litigation
- B. The bond amount is \$78,000 and the contractor's claim is automatically settled for that amount
- C. The bond amount is \$156,000 and the contractor's claim is permanently extinguished
- D. The bond amount is \$117,000 and the contractor must refile the lien against the bond within sixty days

43. Under OSHA's Hazard Communication Standard, a contractor maintains a chemical inventory and Safety Data Sheets for all hazardous products on a commercial jobsite. An employee asks to see the SDS for a cleaning solvent during the work shift. The employer states the SDS binder is locked in the superintendent's trailer and the superintendent is offsite until tomorrow morning. Has the employer violated the HazCom standard?

- A. No because the employer has twentyfour hours to provide SDSs upon employee request
- B. No because the SDS binder is on the jobsite even though it is currently inaccessible
- C. No because employees can access SDS information through the manufacturer's website as an alternative
- D. Yes because SDSs must be readily accessible to employees during their work shifts and a locked trailer with an absent keyholder does not meet the accessibility requirement

44. An Ohio employer with thirty employees hires a new worker who presents a valid Employment Authorization Document (EAD card) for both identity and work authorization on the I9 form. The EAD expires in ten months. Nine months later, the employer asks the employee to provide updated work authorization documentation before the EAD expires. The employee has not yet received the renewed EAD from USCIS. What should the employer do?

- A. Terminate the employee immediately because the EAD will expire within thirty days
- B. Allow the employee to continue working if the employee provides documentation of a pending renewal application and reverify work authorization when the renewed EAD is received or the automatic extension period expires
- C. Place the employee on unpaid leave until the renewed EAD is received from USCIS
- D. Require the employee to present an alternative List A document or a List B plus List C combination immediately

45. A contractor's project has earned value data at month ten: planned value \$850,000, earned value \$790,000, actual cost \$820,000. What are the schedule variance and cost variance, and what do they indicate?

- A. Schedule variance is negative \$60,000 (behind schedule) and cost variance is negative \$30,000 (over budget) indicating the project is both behind schedule and over budget
- B. Schedule variance is positive \$60,000 (ahead of schedule) and cost variance is positive \$30,000 (under budget)
- C. Schedule variance is negative \$30,000 and cost variance is negative \$60,000
- D. Schedule variance is zero and cost variance is negative \$30,000

46. A contractor operating as a Ccorporation earns \$420,000 in taxable income and pays the twentyone percent corporate tax rate. The corporation distributes \$200,000 in dividends to the sole shareholder who is in the twenty percent qualified dividend bracket. What is the total tax paid on the \$200,000 that is distributed as dividends?

- A. \$42,000 representing only the corporate tax on the distributed portion
- B. \$40,000 representing only the shareholder's dividend tax
- C. \$200,000 because corporate distributions are taxed at one hundred percent for Ccorporations

D. \$73,200 representing the corporate tax on the distributed \$200,000 (\$42,000) plus the shareholder's dividend tax on the aftertax distribution of \$158,000 (\$31,600) minus applicable credits

47. A contractor's surety company reviews the contractor's accounts receivable aging report and notes that fortyfive percent of receivables are over ninety days old. The previous year, only twelve percent of receivables were over ninety days. Revenue and profit margins are stable. What concern does this rapid deterioration raise for the surety?

- A. No concern because revenue and profit margins are the only metrics that matter to surety companies
- B. The aging indicates the contractor is performing higherquality work that justifies extended payment terms
- C. The rapid increase in aged receivables signals potential collection problems that could create cash flow shortages, increase borrowing requirements, and raise the risk that some receivables may become uncollectible
- D. The aging indicates the contractor is offering competitive payment terms to win new projects

48. A contractor reaches final completion on a commercial project. All work is done, punch list items are resolved, and closeout documents are accepted. The contractor submits the final payment application requesting release of \$65,000 in retainage. The contract requires final payment within thirty days. Sixty days pass with no payment. The contractor sends a written demand. The owner responds that payment will be made "when the budget allows." What remedies are available?

- A. The contractor must wait because the owner's financial circumstances create a valid defense to late payment
- B. The contractor can pursue contractual interest on the overdue amount, file a mechanic's lien if the statutory deadline has not passed, and file a breach of contract lawsuit for the unpaid retainage
- C. The contractor can only file a complaint with the OCILB and wait for administrative resolution
- D. The contractor can withhold warranty service until the retainage is released

49. An Ohio contractor's project superintendent discovers that a newly hired worker does not speak or read English. The contractor provides all safety training materials and toolbox talks in English only. The worker is assigned to operate a concrete saw. Under OSHA, what obligation does the employer have regarding this worker's safety training?

- A. The employer must provide safety training in a language and vocabulary the worker understands which may require translated materials, bilingual trainers, or other methods to ensure comprehension
- B. The employer has no additional obligation because providing training in English satisfies OSHA requirements
- C. The employer must assign the worker to tasks that do not require safety training until the worker learns English
- D. The employer must terminate the worker because nonEnglishspeaking workers cannot legally operate power tools

50. A contractor on a commercial project completes the roofing installation and the architect issues a punch list identifying twelve items. The contractor addresses all twelve items. During the reinspection, the architect identifies two additional items that were not on the original punch list — a small area of ponding water and a minor flashing deficiency. The contractor argues these items should have been on the original list and refuses to correct them. Is the contractor's refusal justified?

- A. Yes because the architect waived the right to identify additional items by not including them on the original punch list
- B. Yes because the contractor addressed all original punch list items which constitutes full performance
- C. No because OSHA requires all roofing deficiencies to be corrected regardless of punch list inclusion
- D. No because the contractor's obligation to deliver conforming work continues through final completion and the ponding water and flashing deficiency represent nonconforming conditions that must be corrected regardless of whether they appeared on the original punch list

Practice Exam 16: Answer Key and Explanations

1. C — A sole proprietorship provides no legal separation between the business and the owner's personal assets. When the \$450,000 judgment exceeds the \$300,000 CGL policy limit, the contractor is personally liable for the \$150,000 difference. The creditor can pursue the contractor's personal savings, home equity, vehicles, and other personal assets to satisfy the judgment.

2. B — When an LLC's operating agreement is silent on loss allocation, Ohio's default LLC rules allocate losses in proportion to each member's ownership interest — the same default that applies to profit allocation. This means a member with forty percent ownership absorbs forty percent of the \$90,000 loss (\$36,000). A well-drafted operating agreement should explicitly address both profit and loss allocation.

- 3. D** — The competitive analysis demonstrates to the lender that the contractor has researched the market, understands who the competitors are, knows their strengths and weaknesses, and has developed a realistic differentiation strategy. This gives the lender confidence that the contractor can win business in a competitive environment rather than entering the market blindly.
- 4. A** — The OCILB licenses commercial contractors in the five designated trades. Residential experience may not count toward the commercial license requirement because the scope, complexity, and regulatory framework for residential work differ from commercial work. The OCILB evaluates experience on a case-by-case basis and may not credit residential years toward a commercial license.
- 5. C** — The OCILB has authority to take disciplinary action against licensees who violate the licensing regulations. Disciplinary actions may include license suspension, revocation, fines, or other penalties, but the Board must follow due process procedures including notice and an opportunity for a hearing. The specific penalty depends on the nature and severity of the violation.
- 6. D** — Contract allowances are placeholder amounts included in the bid for items whose final cost is not known at bid time. When actual costs differ from the allowances, the contract price is adjusted by change order. The hardware overage (\$3,000) increases the contract price, and the lighting savings (\$3,000) decreases it. In this case, the adjustments offset each other.
- 7. B** — The bid documents require a ten percent bid bond, and the contractor submitted only five percent. This is a material responsiveness deficiency — the bid does not comply with the stated requirements. On public projects, non-responsive bids are typically rejected because accepting them would undermine the competitive bidding process and disadvantage compliant bidders.
- 8. A** — Completed operations coverage protects against claims arising from the contractor's work after project completion. Roofing defects often manifest months or years after installation, making completed operations coverage essential. The subcontract requires this coverage, and its absence creates a significant gap in post-completion liability protection. The GC should require compliance before the roofer continues work.
- 9. D** — The acceleration clause authorizes the owner to direct acceleration with additional compensation. The contractor began acceleration as directed and is entitled to fair compensation for the acceleration costs. The \$35,000 difference between the contractor's estimate (\$85,000) and the owner's offer (\$50,000) can be resolved through the contract's dispute resolution process while the accelerated work continues.
- 10. C** — The project manager has identified a conflict between the mechanical and architectural drawings involving fire-rated construction — a life safety issue. The correct response is to submit an RFI requesting the design team to resolve the conflict and provide specific direction on fire damper requirements. The contractor should not make unilateral decisions about fire-rated assemblies.
- 11. B** — The contract specifies different markup rates for self-performed and subcontracted work. The correct calculation applies ten percent to the \$20,000 self-performed portion (\$2,000) and five percent to the \$25,000 subcontracted portion (\$1,250) for a total markup of \$3,250. The contractor's application of fifteen percent to the entire \$45,000 produced an incorrect markup of \$6,750.
- 12. D** — Type I differing site conditions apply when actual conditions differ materially from those represented in the contract documents. The soil boring report included in the bid documents showed stable soil, but the contractor encountered saturated clay not indicated in the report. The actual

conditions differ from the documented conditions, making this a Type I claim entitling the contractor to a change order for the \$48,000 dewatering cost.

13. A — Under a standard termination for convenience, the subcontractor is entitled to payment for all work satisfactorily completed (\$80,000), reimbursement of termination-related costs (\$5,000 demobilization), and a reasonable profit on the completed work — minus the \$72,000 already paid. The subcontractor does not receive profit on the unperformed sixty percent.

14. C — Rescheduling non-critical activities within their float does not change the critical path or reduce the total project duration. Float allows activities to be shifted without affecting the overall completion date, but it cannot be used to recover delays on the critical path. To recover the five-day critical path delay, the project manager must compress critical path activities through crashing or re-sequencing.

15. B — Owner occupancy after substantial completion does not waive the right to assess liquidated damages for the period between the contract completion date and the date of substantial completion. The seventeen days from August 15 (contract completion) to September 1 (substantial completion) are compensable delay days. The owner's decision to occupy after substantial completion is a separate event that does not retroactively excuse the delay.

16. A — OSHA requires a minimum of one toilet facility for every twenty workers on a construction site. For jobsites with two hundred or more workers, one toilet plus one urinal per fifty workers is required. Adequate sanitation facilities are a basic OSHA requirement that applies to all construction sites regardless of project size or duration.

17. D — The contractor complied with Ohio's underground utility notification requirements by calling 811 at least forty-eight hours before excavation. The locate marks did not show a gas line in the excavation area, and the gas line was not on any utility maps. The contractor exercised reasonable care and is generally not liable for damage to unmarked utilities when proper notification procedures were followed.

18. C — Base premium: $(\$580,000 \div \$100) \times \$9.40 = 5,800 \times \$9.40 = \$54,520$. Adjusted premium: $\$54,520 \times 0.92 \text{ EMR} = \$50,158.40$, approximately \$50,158. The 0.92 EMR reflects better-than-average safety performance, producing an eight percent discount (\$4,362) on the base premium.

19. B — Working capital: $\$200,000 = 10\%$ of $\$2,000,000$ (meets the threshold exactly). Net worth: $\$450,000$ versus 20% of $\$2,000,000 = \$400,000$ (exceeds the threshold by $\$50,000$). Both guidelines are met. However, meeting the minimum thresholds does not guarantee bond approval — the surety evaluates multiple factors including capacity, character, and overall financial health.

20. D — Dated photographs showing specified insulation with visible R-value labels provide strong contemporaneous evidence that the correct materials were installed. These photographs were created before any dispute arose, making them highly credible. The owner's inability to produce any contradicting contemporaneous evidence significantly weakens the allegation of substandard insulation.

21. A — Gross profit: $\$4,800,000 - \$3,840,000 = \$960,000$. Gross profit margin: $\$960,000 \div \$4,800,000 = 20\%$. Break-even revenue: $\$672,000 \div 0.20 = \$3,360,000$. The contractor must generate at least $\$3,360,000$ in revenue to cover the $\$672,000$ in overhead. Current revenue of $\$4,800,000$ is well above break-even, producing $\$288,000$ in net operating income.

22. C — Ohio requires businesses with gross receipts exceeding \$150,000 to register for the CAT and file returns. Although the 0.26% percentage tax applies only to gross receipts above \$1,000,000, businesses with receipts between \$150,000 and \$1,000,000 must still register and may owe the annual minimum tax. Failure to register is a compliance violation regardless of whether the percentage rate applies.

23. B — Ohio use tax is owed on out-of-state purchases where Ohio sales tax was not collected. However, Ohio provides a credit for sales tax paid to other states on the same transaction. The contractor owes Ohio use tax on the \$95,000 but receives a credit for the \$5,700 Illinois sales tax already paid, reducing the Ohio liability to the difference between the Ohio rate and the Illinois rate.

24. D — Notice of Furnishing: served Day 19 (within twenty-one days ✓). Lien affidavit: filed fifty-seven days after last furnishing (within sixty days ✓). Service on owner: thirty-three days after filing (exceeds thirty-day deadline by three days X). The late service by three days may affect the enforceability of the lien because Ohio requires service within thirty days of filing.

25. A — A conditional lien waiver becomes effective when the stated condition is satisfied — receipt of the specified payment. Once the subcontractors receive their retainage payments, the condition is met and the waivers become effective, permanently releasing the subcontractors' lien rights for the waived amounts. The waivers do not need to be replaced with unconditional versions.

26. D — The contractor should file a partial release of lien for the \$40,000 received and maintain the lien for the remaining \$22,000. This accurately reflects the current amount owed and prevents the property owner from challenging the lien as overstated. Leaving the original \$62,000 lien in place after accepting partial payment could expose the contractor to claims of lien abuse.

27. C — The Miller Act requires prime contractors on federal construction projects exceeding \$150,000 to furnish both a performance bond and a payment bond. This \$150,000 threshold applies to the total contract value. Projects below \$150,000 are not subject to the Miller Act's bonding requirements, though the contracting agency may still require bonds at its discretion.

28. A — Title VII (fifteen or more employees ✓), ADA (fifteen or more ✓), ADEA (twenty or more ✓), and Ohio Civil Rights Act (four or more ✓) all apply to this forty-two-employee company. However, the FMLA requires fifty or more employees within a seventy-five-mile radius, so it does not apply. The employer must comply with four of the five laws.

29. B — The employer paid \$34.00 for all forty-two hours but owes overtime at 1.5 times the regular rate for the two hours exceeding forty. The straight-time portion was already paid ($\$34.00 \times 2 = \68.00), so the employer owes the overtime premium only: $\$17.00 \times 2 = \34.00 additional. Total correct pay: $\$1,428 + \$34 = \$1,462$.

30. A — The maximum SEP-IRA contribution for a sole proprietor is approximately twenty-five percent of net self-employment income after the deduction for one-half of self-employment tax. On \$155,000 of net income, after the SE tax adjustment, the contribution would be approximately \$36,000 to \$38,000 depending on the exact calculation. The specific amount requires applying the self-employed contribution formula.

31. D — Warning lines alone are generally not sufficient as the sole form of fall protection when workers operate between the warning line and the roof edge, particularly at significant heights like

thirty feet. Workers in the area between the warning line and the edge must use supplemental fall protection such as a personal fall arrest system, guardrail, or safety net. The warning line serves as a visual and physical boundary, not as a complete fall protection system.

32. B — Even though the superintendent's employer did not create the hazard and does not control the subcontractor, all construction workers have a general responsibility to report observed safety hazards. The superintendent should immediately alert the worker to the danger and notify the responsible employer or site safety officer. Under OSHA's multi-employer policy, failing to act when observing an imminent hazard can create additional liability.

33. C — OSHA allows fifteen working days (not calendar days) from receipt of the citation to file a notice of contest. Received on Monday October 6, counting fifteen working days (excluding weekends and federal holidays) brings the deadline to approximately October 27. Failure to file within fifteen working days makes the citation final and non-appealable.

34. A — While Ohio law does not specifically require payment of accrued vacation upon termination, an employer's written policy (in this case, the employee handbook) creates an enforceable obligation. When the handbook states that accrued vacation is paid upon termination, that policy becomes a binding commitment. The employer must pay the thirty-two hours of accrued vacation as stated in the handbook.

35. D — Revised total estimated cost: \$1,300,000. Revised percentage complete: $\$960,000 \div \$1,300,000 = 73.85\%$. Revised cumulative revenue: $73.85\% \times \$1,500,000 = \$1,107,692$. The cost revision increased total estimated costs, which reduced the completion percentage from eighty percent (under original estimates) to 73.85%, and the revenue recognized is recalculated using the revised percentage.

36. B — Current ratio: $\$420,000 \div \$310,000 = 1.35$. Total liabilities: $\$310,000 + \$290,000 = \$600,000$. Debt-to-equity: $\$600,000 \div \$350,000 = 1.71$. Working capital: $\$420,000 - \$310,000 = \$110,000$. The current ratio of 1.35 indicates adequate short-term liquidity, the debt-to-equity of 1.71 indicates moderate leverage, and \$110,000 in working capital provides a reasonable cushion.

37. B — In a lump sum subcontract, the contract price includes all of the subcontractor's costs — labor, materials, equipment, overhead, and profit. The subcontractor cannot add a separate charge for "administrative overhead" on top of the lump sum price because overhead is already embedded in the contract amount. The GC should approve the \$24,000 for verified completed work and dispute the \$4,000 additional charge.

38. D — The FLSA does not require premium pay for night work, weekend work, or holiday work. Overtime is required only when total hours exceed forty in a workweek. Since no employee exceeds forty hours (eight hours per day, five days), no overtime is owed under the FLSA. Shift differentials may be required by company policy or collective bargaining agreements, but not by the FLSA itself.

39. A — The injury meets two independent recording criteria. First, the prescription pain medication constitutes medical treatment beyond first aid. Second, the modified duty on Monday (performing only office tasks instead of regular construction work) constitutes restricted work activity. Either criterion alone would make the injury recordable — together they confirm it must be recorded on Forms 300 and 301.

40. B — Prevailing wage requirements apply to hours worked on the covered project, not to the contractor's overall pay structure. The ten workers paid below the prevailing rate must receive the applicable prevailing wage for all hours worked on the state-funded project. They can continue to receive their current rate for work on non-prevailing-wage projects. The contractor adjusts pay by project, not company-wide.

41. C — The products-completed operations aggregate caps total payments for all completed operations claims during the policy year at \$2,000,000. Combined claims total \$2,300,000 (\$1,400,000 + \$900,000), but the aggregate limits payment to \$2,000,000 — leaving \$300,000 uncovered. The individual per-occurrence limits are not exceeded, but the aggregate is the binding constraint.

42. A — The bond at 150% of \$78,000 = \$117,000. Posting the bond discharges the lien from the property title, allowing the sale to proceed with clear title. The contractor's security interest transfers from the property to the bond. The underlying \$78,000 dispute continues through negotiation or litigation against the bond — the claim is not settled or extinguished by posting the bond.

43. D — The Hazard Communication Standard requires SDSs to be readily accessible to employees during their work shifts. A locked trailer with an absent keyholder does not meet the "readily accessible" standard — the employee cannot access the SDS when needed. The employer must maintain SDSs in a location that employees can access without delay, including during emergencies.

44. B — When an employee's EAD is expiring and a renewal application has been filed, the employee may be entitled to an automatic extension of work authorization. The employer should allow the employee to continue working if the employee provides documentation of the pending renewal (such as the I-797C receipt notice) and reverify work authorization when the renewed EAD is received or the extension period expires.

45. A — Schedule variance (SV) = earned value – planned value = \$790,000 – \$850,000 = –\$60,000. Cost variance (CV) = earned value – actual cost = \$790,000 – \$820,000 = –\$30,000. Both variances are negative: the project is behind schedule (less work completed than planned) and over budget (the completed work cost more than its earned value).

46. D — Corporate tax on the distributed \$200,000: $\$200,000 \times 0.21 = \$42,000$. After-tax amount available for distribution: $\$200,000 - \$42,000 = \$158,000$. Shareholder dividend tax: $\$158,000 \times 0.20 = \$31,600$. Total tax on the distributed amount: $\$42,000 + \$31,600 = \$73,600$. This demonstrates the double taxation impact of C-corporation distributions.

47. C — Receivables over ninety days jumping from twelve percent to forty-five percent while revenue stays flat is a serious red flag. Customers are taking much longer to pay or may not pay at all. This creates cash flow strain, increases borrowing needs, and raises the risk of bad debts. Sureties view rapid receivable aging as a leading indicator of financial deterioration.

48. B — The owner's failure to make final payment within the contractual thirty-day period constitutes a breach of the payment terms. "When the budget allows" is not a valid defense. The contractor can pursue contractual interest on the overdue \$65,000, file a mechanic's lien if the statutory deadline has not passed, and file a breach of contract lawsuit for the unpaid retainage.

49. A — OSHA requires employers to provide safety training in a language and vocabulary the worker understands. English-only training for a worker who does not speak or read English fails to satisfy this requirement. The employer must provide translated materials, use bilingual trainers, or employ other

effective methods to ensure the worker comprehends the safety information before operating hazardous equipment.

50. D — The contractor's obligation to deliver conforming work continues through final completion. The ponding water and flashing deficiency are non-conforming conditions that must be corrected regardless of whether they appeared on the original punch list. The architect did not waive these items by not listing them initially — the architect identified them during re-inspection, which is the proper quality assurance process.