

PRACTICE EXAM 17: ARKANSAS BUSINESS AND LAW SIMULATION (50 QUESTIONS)

Total Questions: 50 | **Time Limit:** 2 Hours | **Passing Score:** 70% (35/50)

This practice exam mirrors the official Arkansas Contractor Business and Law Examination in format, domain weighting, and difficulty. Answer all questions by selecting the single best answer.

DOMAIN: BUSINESS ORGANIZATION (1 Question)

1. A contractor forms an LLC with two members and elects S-Corporation taxation. The members want to understand the liability protection the LLC provides. Member A personally guarantees a \$200,000 equipment loan for the company. Member B does not personally guarantee any business debts. The company defaults on the equipment loan and also faces a \$150,000 lawsuit from an injured subcontractor's employee. What is the liability exposure for each member?

A. Both members are equally liable for the full \$350,000 because LLC members share all liabilities equally regardless of personal guarantees

B. Member A is personally liable for the \$200,000 equipment loan (due to the personal guarantee) but is protected from the \$150,000 lawsuit claim by the LLC shield, while Member B is protected from both obligations by the LLC's limited liability — the personal guarantee creates liability only for the guarantor and only for the guaranteed debt

C. Neither member has any personal liability because the S-Corporation election provides absolute personal liability protection for all business obligations

D. Both members are personally liable for the \$150,000 lawsuit because the LLC does not protect against tort claims arising from construction operations

DOMAIN: LICENSING (4 Questions)

2. A contractor holds an unrestricted commercial license and wants to bid on a federal military base construction project in Arkansas. The project is valued at \$4,200,000 and is administered by the U.S. Army Corps of Engineers. The contractor's Arkansas commercial license is valid and current. Does the contractor need any additional authorization to perform federal construction work in Arkansas?

A. No, because the Arkansas commercial license authorizes all construction work within the state regardless of the project owner

B. No, because federal military projects are exempt from all state licensing requirements under the doctrine of federal supremacy

C. Yes, because all federal construction projects require a separate federal contractor's license issued by the General Services Administration

D. Federal projects may have their own qualification requirements separate from state licensing — while the Arkansas license satisfies the state requirement, the contractor may need to register in the System for Award Management (SAM), obtain security clearances for base access, and meet federal bonding and insurance requirements specified in the solicitation

3. A contractor holds a restricted commercial license. The contractor is currently managing two active projects: Project A valued at \$600,000 and Project B valued at \$500,000. A new opportunity arises for Project C, valued at \$700,000. Can the contractor take on Project C?

A. No, because the restricted license limits contractors to a maximum of two active projects at any given time

B. No, because the combined value of all three projects (\$1,800,000) exceeds the restricted license aggregate cap of \$1,500,000

C. Yes, because the restricted commercial license limits only the value of each individual project to \$750,000 — Project C at \$700,000 is within the single-project cap, and there is no limit on the number of active projects or the aggregate value of all projects combined

D. Yes, but only if Project A or Project B is at least 75% complete at the time Project C begins

4. An Arkansas-licensed contractor wants to perform a \$350,000 commercial project in Oklahoma. Oklahoma is a NASCLA-participating state. The contractor passed the NASCLA trade exam as part of their Arkansas licensure. What must the contractor do to legally perform the work in Oklahoma?

A. Apply for an Oklahoma contractor's license, using the NASCLA exam result to satisfy Oklahoma's trade exam requirement while meeting all other Oklahoma licensing requirements — including Oklahoma's specific financial qualifications, insurance requirements, and any Oklahoma-specific business and law examination

B. Begin work immediately because NASCLA accreditation creates reciprocal licensing between all participating states

C. Obtain a temporary work permit from the Oklahoma Department of Labor that waives all licensing requirements for 90 days

D. Subcontract the entire project to an Oklahoma-licensed contractor and serve as a project consultant

5. The ACLB conducts an audit of a contractor's records and discovers that the contractor has been performing work in a classification not listed on their license. The contractor holds a Building Construction (BU) classification but has been performing Utility Construction (UT) work valued at \$180,000 on a water line installation project. What action can the ACLB take?

A. No action because water line installation is incidental to building construction and falls within the BU classification

B. A verbal warning with no formal disciplinary record because the contractor holds a valid commercial license

C. A mandatory retraining requirement requiring the contractor to complete 40 hours of utility construction continuing education

D. Disciplinary action including fines, suspension, or revocation — performing work outside the authorized classification is a licensing violation equivalent to operating without a license for that type of work, regardless of holding a valid license in a different classification

DOMAIN: ESTIMATING AND BIDDING (4 Questions)

6. A contractor is preparing a bid for a public middle school project. The bid documents require the contractor to submit sealed unit prices for 10 items of work in addition to the lump-sum base bid. After the contract is awarded, the actual quantity of Item 3 (rock excavation) turns out to be 2,400 cubic yards instead of the estimated 800 cubic yards — three times the original estimate. The contractor bid Item 3 at \$45.00 per cubic yard, which reflected a profitable unit price at the estimated volume. At the actual volume, the contractor's costs remain approximately \$45.00 per cubic yard. What financial outcome does the quantity increase create?

A. A significant loss because the unit price becomes less profitable at higher volumes due to diminishing returns

B. No unexpected financial impact — the contractor bid a profitable unit price of \$45.00 per cubic yard and that price remains profitable at the actual quantity, so the contractor earns the same margin per unit on 2,400 cubic yards as they would have on 800, resulting in three times the total profit on Item 3

C. A windfall profit because unit prices automatically increase by 25% when actual quantities exceed estimated quantities by more than 200%

D. A loss because the contractor must absorb the cost of the additional 1,600 cubic yards without additional payment under the lump-sum contract

7. A contractor reviews the geotechnical report provided with a public project's bid documents. The report indicates sandy soil conditions throughout the building footprint with groundwater at 22 feet below grade — well below the 8-foot excavation depth. During the pre-bid site visit, the contractor observes standing water in a drainage ditch adjacent to the project site. The contractor suspects the geotechnical report may not accurately reflect groundwater conditions. What is the most prudent estimating approach?

A. Ignore the standing water observation because the geotechnical report is the official document that controls all subsurface assumptions

B. Reduce the bid price by eliminating dewatering costs since the geotechnical report confirms dry conditions

C. Include a reasonable dewatering contingency in the bid based on the field observation, while noting the conflict between the report and the observed conditions in an RFI submitted to the architect before the bid deadline — this protects the contractor from both underpricing the work and from being accused of ignoring known conditions

D. Double the excavation budget to cover worst-case groundwater scenarios regardless of what the geotechnical report indicates

8. A contractor's annual analysis shows: total direct costs \$3,200,000; total overhead \$448,000; target net profit margin 6% on selling price. What selling price should the contractor target for a project with \$640,000 in estimated direct costs?

A. \$776,170, calculated by allocating overhead at 14% (\$89,600), adding to direct costs (\$729,600 total cost), and dividing by 0.94 to achieve 6% margin on selling price ($\$729,600 \div 0.94$)

B. \$729,600, calculated with overhead allocation but without the profit margin adjustment

C. \$678,400, calculated by adding 6% to direct costs only without overhead allocation

D. \$819,200, calculated by applying both overhead and profit to the direct costs using incorrect additive percentages

9. A public project requires all bidders to attend a mandatory pre-bid conference. The bid documents state: "Attendance at the pre-bid conference is mandatory. Bids from contractors who do not attend the conference will not be considered." A contractor sends their estimator to the pre-bid conference, but the estimator arrives 15 minutes late and misses the first portion of the conference. The project owner takes attendance at the start of the conference and the estimator's name is not on the attendance list. The contractor submits the lowest bid. What is the likely outcome?

A. The bid will be accepted because the estimator was present for the majority of the conference

B. The bid will be accepted because the mandatory attendance requirement violates the contractor's right to participate in public bidding

C. The bid will be accepted with a condition that the contractor must attend a makeup session covering the missed material

D. The bid will likely be rejected because the contractor's representative was not present at the mandatory attendance check — the bid documents clearly state that attendance is mandatory and bids from non-attending contractors will not be considered, and the owner must enforce this requirement uniformly

DOMAIN: CONTRACT MANAGEMENT (8 Questions)

10. A contractor on a fixed-price commercial project receives monthly progress payments. The contract includes a 10% retainage provision. After 6 months, the contractor has earned \$1,800,000 and received \$1,620,000 (90% of earned). The remaining \$180,000 is held as retainage. The contractor requests that the retainage be placed in an interest-bearing escrow account. Under most standard construction contracts, is the owner required to place retainage in an escrow account?

A. Yes, because all retainage must be placed in interest-bearing accounts as required by federal construction law

B. The obligation to escrow retainage depends on the specific contract terms and applicable state law — some states require retainage to be placed in interest-bearing accounts, while others leave it to contract negotiation, and the contractor should review both the contract provisions and Arkansas law regarding retainage escrow requirements

C. No, because retainage is always held in the owner's general operating account and cannot be segregated

D. Yes, but only if the retainage exceeds \$100,000 and the project duration exceeds 12 months

11. A contractor discovers during construction that the architectural drawings show a window opening in a location that conflicts with a structural shear wall shown on the structural drawings. Both drawings are part of the same contract document set. The contractor has not yet framed this portion of the building. What is the contractor's professional obligation?

A. Stop work in the affected area and submit an RFI to the architect identifying the conflict between the architectural window opening and the structural shear wall — the contractor must not proceed with either option unilaterally because choosing one document over the other without design team resolution could result in either a structural deficiency or a deviation from the architectural design

B. Frame the shear wall without the window because structural integrity always takes automatic precedence

C. Install the window as shown on the architectural drawings because the architect's design intent controls all decisions

D. Frame both the shear wall and the window opening and allow the building inspector to determine which takes precedence

12. A general contractor's subcontract with a concrete subcontractor includes a pay-if-paid clause stating: "Payment to Subcontractor is expressly conditioned upon receipt of payment by Contractor from the Owner for Subcontractor's work. Owner's payment to Contractor is a condition precedent to Contractor's obligation to pay Subcontractor." The owner goes bankrupt and never pays the general contractor for the concrete work. Under this pay-if-paid clause, is the general contractor obligated to pay the concrete subcontractor?

A. Yes, because pay-if-paid clauses are unenforceable in all jurisdictions and the general contractor must always pay subcontractors regardless of owner payment

B. Yes, because the general contractor accepted the concrete work and cannot avoid payment by blaming the owner's financial situation

C. Under a true pay-if-paid clause (as opposed to pay-when-paid), the owner's payment is a condition precedent to the GC's obligation — if the owner never pays, the GC may have no obligation to pay the subcontractor, though enforceability varies by jurisdiction and some courts scrutinize these clauses strictly

D. No, but only if the general contractor notifies the subcontractor of the owner's bankruptcy within 5 business days

13. A project owner issues a change order that both adds new scope (\$60,000 for additional fire alarm zones) and deletes existing scope (\$35,000 for simplified interior signage). The contract's change order provisions state: "The Contractor's overhead and profit markup shall be 15% on self-performed additive work and 10% on subcontracted additive work. Deductive change orders shall be calculated at the direct cost savings only." The fire alarm work will be subcontracted and the signage was to be self-performed. What is the net change order amount?

- A. \$25,000, calculated as the simple arithmetic difference between the addition and the deduction
- B. \$31,000, calculated by adding markup to both the additive and deductive portions equally
- C. \$19,000, calculated by applying the subcontract markup to the full combined amount
- D. \$31,000, calculated as the additive amount plus markup ($\$60,000 + \$6,000 = \$66,000$) minus the deductive amount at direct cost only (\$35,000), yielding a net increase of \$31,000

14. A contractor working on a commercial project has been submitting monthly payment applications that the architect certifies within the 10-day contractual review period. However, for the past two months, the architect has been taking 25 days to certify the applications — 15 days past the contractual deadline. This delay pushes the owner's payment 15 days later, causing the contractor cash flow strain. What should the contractor do?

- A. Accept the delayed certifications because the architect's workload varies and some delays are normal
- B. Send formal written notice to both the owner and architect documenting the contractual 10-day certification period, the actual 25-day certification delays for the past two months, and the resulting cash flow impact — requesting immediate compliance with the contractual timeline and preserving the contractor's right to claim interest on delayed payments and to seek a time extension if the delayed payments impact the project
- C. Withhold construction progress until the architect certifies the pending applications
- D. File a complaint with the Arkansas Board of Architects for the certification delays

15. A contractor on a school renovation project discovers that the specified ceiling tile product has been discontinued by the manufacturer. No direct replacement exists. The contractor identifies three alternative products that appear to meet the performance specifications. Under the contract's substitution procedures, what must the contractor do?

- A. Submit a formal substitution request to the architect identifying the three alternative products with technical data sheets, certifications, physical samples, price comparisons, and compatibility analysis — the architect will evaluate whether any of the proposed alternatives meets the contract's performance requirements and issue a written approval or rejection before the contractor can proceed with procurement
- B. Select the least expensive alternative and install it without notification because the specified product is no longer available
- C. Select the alternative that most closely matches the discontinued product's appearance and install it with a notation in the daily report
- D. Exclude the ceiling tile from the project scope and issue a deductive change order for the deleted material

16. A contractor completes a commercial project 45 days ahead of the contractual completion date. The contract does not include an early completion bonus provision. The contractor submits a claim for \$90,000, arguing they should be compensated for the efficiency and additional resources invested to finish early. Is the contractor entitled to additional compensation for early completion?

- A. Yes, because contractors who complete projects early are automatically entitled to compensation based on the daily liquidated damages rate multiplied by the number of early completion days
- B. Yes, because the owner benefits from early occupancy and should share that benefit with the contractor
- C. No, because absent a contractual early completion bonus provision, the contractor has no basis for additional compensation — finishing early may benefit the contractor through reduced overhead costs and earlier availability for new work, but the owner is not obligated to pay extra for performance that exceeds the contractual requirements
- D. No, but the contractor can deduct the early completion savings from the owner's final retainage as an offset

17. A construction contract includes the following dispute resolution clause: "All disputes shall be resolved through the following sequence: (1) negotiation between the parties; (2) mediation administered by a mutually agreed mediator; (3) binding arbitration under the AAA Construction Industry Rules." A dispute arises over \$250,000 in contested change orders. The contractor wants to skip mediation and go directly to arbitration. Can the contractor bypass the mediation step?

- A. Yes, because mediation is always voluntary and cannot be required by contract

B. Yes, because disputes exceeding \$200,000 are exempt from mandatory mediation under AAA rules

C. No, but the contractor can bypass mediation by filing a mechanics' lien, which automatically escalates the dispute to arbitration

D. No, because the contract establishes a mandatory sequential dispute resolution process — the contractor must attempt negotiation first, then mediation, before proceeding to arbitration, and skipping required steps may result in the arbitrator dismissing or staying the case until the prerequisite steps are completed

DOMAIN: PROJECT MANAGEMENT (6 Questions)

18. A project manager calculates the following earned value metrics at the 60% completion mark of a \$5,000,000 project: Planned Value (PV) = \$3,000,000; Earned Value (EV) = \$2,700,000; Actual Cost (AC) = \$2,850,000. The Schedule Variance (SV) and Cost Variance (CV) are both negative. What is the Estimate at Completion (EAC) if the current cost trend continues?

A. \$5,000,000, equal to the original budget because variances at the 60% mark will self-correct during the final 40%

B. \$5,277,778, calculated as $BAC \div CPI$ where $CPI = \$2,700,000 \div \$2,850,000 = 0.9474$, and $EAC = \$5,000,000 \div 0.9474$ — indicating the project will exceed the original budget by approximately \$278,000 if the current cost inefficiency continues

C. \$5,150,000, calculated by simply adding the current \$150,000 cost overrun to the original budget without projecting the trend

D. \$4,736,842, calculated by multiplying the BAC by the CPI, which incorrectly reduces the estimate

19. A contractor's superintendent discovers that a waterproofing membrane was installed on the foundation walls before the building inspector conducted the required foundation inspection. The membrane now covers the foundation walls, making it impossible for the inspector to visually examine the concrete. The inspector refuses to approve the foundation and demands the membrane be removed for inspection. What should the superintendent do?

A. Remove the waterproofing membrane to expose the foundation walls for inspection, have the inspector verify the foundation work, and then reinstall the membrane at the contractor's expense — because covering inspectable work before the inspection is the contractor's error, and the cost of uncovering and recovering belongs to the contractor

B. Provide the inspector with photographs of the foundation walls taken before the membrane was installed as a substitute for the physical inspection

C. Request that the architect waive the inspection requirement based on the contractor's quality control documentation

D. Leave the membrane in place and proceed with backfill because the inspector's authority does not extend to requiring removal of properly installed work

20. A project schedule uses the Critical Path Method with the following activity sequence on the critical path: Site Preparation (8 days) → Foundation (14 days) → Structural Steel (18 days) → Roofing (10 days) → Interior Rough-In (16 days) → Finishes (20 days) → Punch List (6 days). The total critical path duration is 92 days. The owner issues a change order adding a mechanical penthouse on the roof, which adds 8 days to the Roofing activity and creates a new 12-day Penthouse Construction activity between Roofing and Interior Rough-In. What is the revised critical path duration?

A. 100 days, calculated by adding only the 8 additional roofing days to the original 92-day schedule

B. 92 days, unchanged because the penthouse work can be performed concurrently with Interior Rough-In

C. 112 days, calculated as the original 92 days plus 8 additional roofing days plus 12 penthouse construction days — because both additions are on the critical path and extend the overall project duration

D. 104 days, calculated by adding the 12-day penthouse but absorbing the 8 roofing days within the existing schedule float

21. A contractor is managing a renovation project in an occupied government office building. The contract requires the contractor to maintain full building access for government employees during construction. The contractor's work plan calls for closing the main lobby for 3 days to replace the flooring. The building manager objects, stating that closing the main lobby would violate the contract's access requirement. How should the contractor resolve this conflict?

A. Close the lobby as planned because the renovation requires temporary disruptions and government employees must adjust their routines

B. Cancel the lobby flooring work entirely to avoid the access conflict

C. Delay the lobby flooring indefinitely until the building is vacated for a holiday period

D. Develop a phased flooring plan that replaces the lobby floor in sections during off-hours (evenings and weekends), maintaining at least one accessible path through the lobby at all times

— this approach satisfies both the contract's access requirement and the construction schedule, though it will likely increase labor costs due to off-hours work

22. A project's daily reports consistently show 2 to 3 RFIs submitted per week for the past 8 weeks. The architect's average response time has increased from 5 days (during weeks 1-4) to 14 days (during weeks 5-8). The contractor's project manager notices that several critical path activities are now delayed waiting for RFI responses. What should the project manager document and communicate?

A. The project manager should send a formal written notice to the owner documenting the pattern of increasing RFI response times, identifying the specific critical path activities delayed by pending RFIs, calculating the cumulative schedule impact, and requesting that the architect return to the contractual response timeline — this documentation preserves the contractor's right to claim a time extension for architect-caused delays

B. The project manager should reduce the number of RFIs submitted to avoid overwhelming the architect

C. The project manager should stop submitting RFIs and proceed with construction based on the contractor's best interpretation of the documents

D. The project manager should file a formal complaint with the ACLB against the architect for failing to respond to RFIs promptly

23. A contractor's project superintendent receives the results of a concrete cylinder break test showing that the 28-day compressive strength of a structural slab is 3,200 PSI — below the specified minimum of 4,000 PSI. The slab has already been placed, cured, and the formwork has been stripped. What should the superintendent do?

A. Accept the test results and proceed with construction because the 3,200 PSI slab is adequate for a non-structural application

B. Immediately notify the project manager, the architect, and the structural engineer of the failed test results — the structural engineer must evaluate whether the 3,200 PSI slab can carry the design loads, and may order additional testing (core samples, load testing) or require removal and replacement of the slab depending on the analysis

C. Pour a 2-inch concrete topping over the existing slab to increase the overall structural capacity to the required level

D. Resubmit the concrete mix design for approval and continue construction while waiting for the architect's response

24. A project owner requests bi-weekly schedule updates instead of the monthly updates specified in the contract. The contractor's project manager estimates that preparing bi-weekly

updates will require an additional 8 hours per update period, totaling approximately 176 additional hours over the project duration. What should the contractor do?

- A. Comply with the bi-weekly update request without objection because the owner has the right to request any level of schedule reporting
- B. Refuse the request entirely because the contract specifies monthly updates and the contractor is not obligated to provide more frequent reporting
- C. Notify the owner in writing that the bi-weekly schedule update request exceeds the contractual reporting frequency and constitutes additional scope — submit a change order for the estimated cost of the additional 176 hours of schedule preparation work, and upon approval, implement the bi-weekly reporting
- D. Provide bi-weekly updates but reduce the level of detail in each update to offset the increased frequency

DOMAIN: INSURANCE AND BONDING (3 Questions)

25. A contractor carries both a CGL policy and a builder's risk policy on a commercial construction project. During construction, a severe windstorm damages the partially completed building structure, causing \$450,000 in damage to the work in progress. The general contractor also sustains \$30,000 in damage to their construction equipment (a crane and two generators) stored on the jobsite. Which policy covers which loss?

- A. The CGL policy covers both the building damage and the equipment damage because all losses occurred on the construction site
- B. The builder's risk policy covers both the building damage and the equipment damage because both were caused by the same weather event
- C. Neither policy covers the windstorm damage because weather events are excluded from both builder's risk and CGL policies
- D. The builder's risk policy covers the \$450,000 damage to the building structure (work in progress), while the contractor's inland marine or equipment floater policy covers the \$30,000 in equipment damage — builder's risk covers the building under construction, not the contractor's own equipment

26. A surety issues a \$3,000,000 performance bond for a contractor on a state prison construction project. At 40% completion, the contractor experiences severe financial difficulties. The state corrections department sends a written demand to the surety, asking the surety to investigate the contractor's financial condition and project status. What is the surety's obligation upon receiving this demand?

- A. The surety has no obligation to respond until the state formally declares the contractor in default and terminates the contract
- B. The surety can ignore the demand because pre-default inquiries are not covered by the performance bond
- C. The surety should investigate promptly — responsible sureties typically respond to early warning notifications by investigating the contractor's financial condition, evaluating the project status, and determining whether intervention is necessary to prevent a formal default, because early intervention usually costs the surety less than responding after a full default
- D. The surety must immediately terminate the contractor and hire a replacement within 10 business days of receiving the demand

27. A contractor's workers' compensation policy includes an "alternate employer" endorsement naming a staffing agency as an alternate employer. What is the practical effect of this endorsement?

- A. The endorsement provides workers' compensation coverage for temporary workers supplied by the staffing agency when they are working under the contractor's direction and control — it clarifies that the contractor's policy covers these workers as if they were the contractor's own employees, resolving potential coverage gaps for staffing agency workers on the contractor's jobsites
- B. The endorsement transfers the contractor's entire workers' compensation obligation to the staffing agency for the duration of any project using temporary workers
- C. The endorsement eliminates the staffing agency's independent obligation to carry workers' compensation insurance
- D. The endorsement reduces the contractor's EMR by excluding temporary workers' injuries from the contractor's claims experience

28. A contractor is required to name the project owner as an additional insured on their CGL policy. The contractor's broker provides a "blanket additional insured" endorsement rather than a project-specific endorsement. What is the difference, and is the blanket endorsement acceptable?

- A. The blanket endorsement only covers the named insured (the contractor) and does not actually extend coverage to any additional insureds
- B. The blanket endorsement is never acceptable because only project-specific endorsements satisfy contractual additional insured requirements
- C. The blanket endorsement covers only workers' compensation claims and does not extend CGL coverage to additional insureds

D. A blanket additional insured endorsement automatically extends additional insured status to any party the contractor is contractually required to name as additional insured — it is generally acceptable and often preferred because it eliminates the need to issue separate endorsements for each project, provided the endorsement language meets the contract's specific requirements

DOMAIN: OSHA RECORDKEEPING (3 Questions)

29. A construction worker twists their ankle stepping off a curb on the jobsite. The worker visits an occupational health clinic where the doctor takes X-rays (no fracture found), prescribes a rigid walking boot to be worn for two weeks, and instructs the worker to return to full duty with the boot. The worker returns to work the next day wearing the boot and performs all regular duties. Is this case OSHA recordable?

A. No, because the worker returned to full duty the next day with no lost time or restricted duty

B. Yes, because the prescribed rigid walking boot constitutes a rigid means of immobilization — which is classified as medical treatment beyond first aid under OSHA recordkeeping definitions, making the case recordable regardless of whether the worker missed time or had restricted duties

C. No, because ankle injuries treated with walking boots are classified as first aid under OSHA's construction-specific recordkeeping exceptions

D. Yes, but only if the X-rays revealed a fracture — a negative X-ray means the case does not meet the threshold for recordability

30. An employer with 45 employees in the construction industry experiences the following incidents during the year: 6 cases with days away from work totaling 84 lost workdays; 4 cases with restricted duty totaling 32 restricted workdays; 3 cases with medical treatment beyond first aid only. Total employee hours worked: 90,000. What is the Severity Rate (total lost and restricted days \times 200,000 \div hours worked)?

A. 128.9, calculated using only the 84 lost workdays in the severity formula

B. 186.7, calculated using only the 6 lost-time cases in the numerator without counting actual days

C. 257.8, calculated as $(84 \text{ lost days} + 32 \text{ restricted days}) \times 200,000 \div 90,000$ — the severity rate measures the total number of lost and restricted days per 200,000 hours worked, indicating the magnitude of injuries rather than just the frequency

D. 28.9, calculated by dividing the total recordable cases by the total hours worked without the normalization factor

31. A construction worker is hospitalized overnight after inhaling toxic fumes from a chemical spill on the jobsite. The employer learns of the hospitalization at 5:00 PM on a Friday. When must the employer report this hospitalization to OSHA, and how?

A. Within 24 hours of learning of the hospitalization — the employer must report by 5:00 PM Saturday using OSHA's 24-hour hotline (1-800-321-OSHA), the nearest OSHA area office, or OSHA's online reporting portal, because hospitalizations, amputations, and eye losses must be reported within 24 hours of the employer learning of the event

B. By 8:00 AM the following Monday when the OSHA area office opens for normal business hours

C. Within 8 hours of the hospitalization because hospitalizations follow the same reporting timeline as fatalities

D. Within 7 calendar days using the employer's next regularly scheduled OSHA 300 Log update

DOMAIN: PERSONNEL REGULATIONS (8 Questions)

32. A contractor with 55 employees has a superintendent who supervises 20 field workers, manages daily work assignments, has authority to hire temporary laborers, can recommend (but not independently authorize) the termination of permanent employees, earns a salary of \$1,600 per week, and spends approximately 60% of the workweek on supervisory duties and 40% performing manual construction work alongside the crew. Under the FLSA executive exemption, is this superintendent exempt from overtime?

A. No, because spending 40% of the workweek on manual labor disqualifies the superintendent from the executive exemption

B. No, because the superintendent's ability to only recommend (not independently authorize) terminations means they do not have genuine hiring and firing authority

C. Yes, because any employee earning more than \$1,500 per week is automatically exempt from overtime regardless of their duties

D. Yes, because the superintendent meets all elements of the executive exemption — salary above the \$684/week threshold (\$1,600), primary duty is management, regularly directs more than two employees, and has authority to hire (temporary laborers) and make recommendations regarding termination that are given particular weight — and performing manual work does not automatically disqualify a construction superintendent

33. An employer has a written policy prohibiting workplace harassment based on all protected characteristics. A male employee reports that his male supervisor has been making sexually suggestive comments to him. The employee's coworkers tell him that "same-sex harassment isn't covered by the law" and discourage him from filing a formal complaint. Is the coworkers' advice accurate?

A. Yes, because Title VII's prohibition on sexual harassment applies only to opposite-sex harassment between male and female employees

B. No, because the Supreme Court held in *Oncale v. Sundowner Offshore Services* (1998) that Title VII prohibits same-sex sexual harassment — the employer has the same obligation to investigate and take corrective action regardless of whether the harasser and the victim are the same sex

C. Yes, because same-sex harassment claims can only be filed under state law, not federal law

D. No, but same-sex harassment claims require a higher burden of proof than opposite-sex claims under Title VII

34. A non-exempt laborer earns \$25.00 per hour and works 50 hours during a workweek. The employer provides the laborer with a company-owned smartphone that the laborer uses for both business and personal purposes. The employer pays \$80 per month for the phone service. Under the FLSA, how does the phone benefit affect the overtime calculation?

A. The \$80 monthly phone payment must be prorated to a weekly amount (\$18.46) and included in the regular rate calculation for overtime purposes

B. The phone payment is included in the regular rate only if the laborer uses the phone for business purposes more than 50% of the time

C. The \$80 monthly phone payment is excluded from the regular rate calculation because employer-provided phone service for the employee's convenience is a benefit that is not tied to hours worked and does not constitute "remuneration for employment" under the FLSA's regular rate exclusions

D. The phone payment reduces the overtime obligation because fringe benefits offset the overtime premium dollar-for-dollar

35. An employer with 22 employees terminates a 52-year-old construction foreman and replaces him with a 30-year-old foreman at a lower salary. The terminated foreman files an ADEA complaint. The employer argues the termination was based solely on the younger replacement's willingness to accept a lower salary. Under the ADEA, is cost-cutting a valid defense?

A. Cost-cutting alone is not a valid defense under the ADEA if the cost savings are achieved by replacing an older, higher-paid worker with a younger, lower-paid worker — courts examine whether age was the "but-for" cause of the termination, and selecting a younger replacement specifically because they accept less pay may constitute age discrimination if the older worker's higher salary was a function of their longer tenure and experience

B. Yes, because cost-cutting is always a legitimate business justification that overrides age discrimination concerns

C. The ADEA does not apply because the employer has fewer than 25 employees

D. Cost-cutting is a valid defense but only if the salary difference exceeds 25% between the terminated and replacement employees

36. An employer requires all construction workers to pass a pre-employment physical abilities test (PAT) that includes carrying 60 pounds up two flights of stairs, crouching in a confined space for 15 minutes, and balancing on a 6-inch beam at a height of 4 feet. A 55-year-old applicant passes the test but is not hired. The applicant files an ADEA complaint alleging the PAT was designed to screen out older workers. Under the ADEA, how must the employer defend the PAT?

A. The employer needs no defense because physical abilities tests are categorically exempt from age discrimination challenges

B. The employer must prove the PAT was administered only to applicants over 40 to establish that it was age-neutral

C. The employer must demonstrate that every PAT participant scored within 10% of each other to prove the test does not have disparate impact

D. The employer must demonstrate that the PAT is job-related and consistent with business necessity — meaning the physical requirements tested (60-pound carry, confined space work, balance on narrow surfaces) reflect actual job demands that workers must perform, and the test was applied uniformly to all applicants regardless of age

37. A contractor operating on a Davis-Bacon covered project employs a helper classification. The prevailing wage determination does not include a "helper" classification — it only lists journeyman classifications. The contractor is paying helpers \$18.00 per hour to assist journeyman electricians with material handling, cleanup, and basic tool retrieval. What is the compliance issue?

A. No issue because helpers are exempt from prevailing wage requirements since they do not perform skilled trade work

B. If the prevailing wage determination does not include a helper classification, the workers classified as "helpers" must be paid at least the laborer prevailing wage rate — and if they are performing any tasks that fall within the electrician classification's scope of work (such as

pulling wire, installing devices, or connecting components), they must be paid the electrician rate for those hours

C. The contractor must petition the Department of Labor to add a helper classification before employing any workers in that role

D. Helpers are always paid at 50% of the journeyman rate regardless of whether the classification appears in the wage determination

38. An employer fires a worker and the worker files for unemployment benefits. The employer contests the claim, stating the worker was terminated for violating the company's cell phone policy — specifically, the worker was using their personal cell phone while operating a tower crane. The employer has documentation showing the worker received the cell phone policy at orientation, signed an acknowledgment, and received one prior written warning for cell phone use while operating heavy equipment. What is the likely outcome?

A. The worker will likely be denied benefits because using a cell phone while operating a tower crane constitutes willful misconduct — the behavior created an imminent safety hazard for everyone on the jobsite, the worker had received and acknowledged the policy, and they had been previously warned, establishing a documented pattern of knowing violation of a serious safety rule

B. The worker will receive full benefits because cell phone policies are company rules, not safety regulations, and violating company rules does not constitute disqualifying misconduct

C. The worker will receive benefits at a reduced rate because the cell phone violation is classified as a minor policy infraction

D. The unemployment agency will defer the decision until OSHA completes an investigation of the employer's crane safety program

39. A contractor's HR department processes a Form I-9 for a new hire. The worker presents a valid, unexpired foreign passport with an I-551 stamp (indicating permanent resident status). The HR representative is unfamiliar with the I-551 stamp and asks the worker to bring a different document — specifically, a Green Card — instead. Under IRCA, what violation may have occurred?

A. No violation because the HR representative is being thorough by requesting the most commonly recognized permanent resident document

B. No violation because foreign passports are not accepted for I-9 verification purposes regardless of stamps or endorsements

C. A potential document abuse violation — a foreign passport with an I-551 stamp is a valid List A document that establishes both identity and employment authorization, and rejecting a

valid document and demanding a specific alternative document may constitute document abuse discrimination under IRCA

D. A violation only if the worker is unable to produce the Green Card within 3 business days of the request

40. A contractor with 65 employees has an employee who has been on FMLA leave for 10 weeks following surgery. The employee's doctor clears the employee to return to work with no restrictions. The employee reports to work and discovers that their former position has been filled by a permanent replacement. The employer offers the employee a different position with the same pay and benefits but at a different jobsite location 45 miles away. Under the FMLA, is this acceptable?

A. Yes, because the employer can assign the returning employee to any available position as long as the pay rate is the same

B. Yes, because the FMLA requires only that the employer offer an equivalent position with equivalent pay, which the employer has done

C. No, because the FMLA requires the employer to restore the employee to the same position, not a different position at a distant location

D. The FMLA requires the employer to restore the employee to the same position or an equivalent position — an "equivalent" position must have equivalent pay, benefits, and working conditions, and a position 45 miles away may not constitute equivalent working conditions depending on the employee's commute, the nature of the work, and other factors

DOMAIN: FINANCIAL MANAGEMENT (5 Questions)

41. A contractor's WIP report shows Project Theta: revised contract \$2,200,000; estimated total cost \$1,870,000; costs to date \$1,309,000; billings to date \$1,400,000. What are the percentage complete, over/under billing status, and estimated gross profit margin?

A. 60% complete, over-billed by \$90,000, gross margin 12%

B. 70% complete ($\$1,309,000 \div \$1,870,000$), under-billed by \$140,000 (earned revenue of \$1,540,000 minus billings of \$1,400,000), with a 15% estimated gross profit margin ($\$330,000 \div \$2,200,000$)

C. 70% complete, over-billed by \$91,000, gross margin 15%

D. 75% complete, billings match earned revenue exactly, gross margin 18%

42. A contractor uses the percentage-of-completion method on a \$2,800,000 project with original estimated costs of \$2,380,000. At the end of Year 1, costs incurred total \$1,190,000. During Year 2, the estimator revises the total estimated cost to \$2,520,000 due to unforeseen soil conditions. What is the cumulative profit that should be recognized through Year 1 under the revised estimate?

A. The revised gross profit is \$280,000 ($\$2,800,000 - \$2,520,000$), and the revised percentage complete is 47.2% ($\$1,190,000 \div \$2,520,000$), so the cumulative profit through Year 1 should be \$132,222 ($47.2\% \times \$280,000$) — compared to the \$210,000 originally recognized ($50\% \times \$420,000$), requiring a downward adjustment of approximately \$77,778 in Year 2

B. \$210,000, unchanged from the original estimate because cost revisions only affect Year 2 forward

C. \$420,000, equal to the full original estimated profit because Year 1 recognition cannot be revised

D. \$0, because cost estimate revisions require complete suspension of profit recognition

43. A contractor's income statement shows: total contract revenue \$4,200,000; cost of construction \$3,570,000; G&A expenses \$378,000. What are the gross profit, gross margin, net income, and net margin?

A. Gross profit \$252,000 (6%), net income \$126,000 (3%)

B. Gross profit \$378,000 (9%), net income \$0 (0%)

C. Gross profit \$630,000 (15%), net income \$252,000 (6%) — calculated as: revenue minus cost of construction = \$630,000 gross profit; $\$630,000 \div \$4,200,000 = 15\%$ gross margin; $\$630,000$ minus $\$378,000$ G&A = $\$252,000$ net income; $\$252,000 \div \$4,200,000 = 6\%$ net margin

D. Gross profit \$630,000 (15%), net income \$378,000 (9%)

44. A contractor wants to improve their bonding capacity. Their current balance sheet shows: current assets \$680,000; current liabilities \$520,000; total assets \$1,500,000; total liabilities \$1,100,000. The surety uses a multiplier of 15 times working capital. Current bonding capacity is \$2,400,000 ($15 \times \$160,000$). The contractor wants to increase bonding capacity to \$3,750,000. What working capital level is needed?

A. \$200,000, calculated as $\$3,000,000 \div 15$ — which would only get the contractor to \$3,000,000, not the target \$3,750,000

B. \$300,000, calculated as $\$4,500,000 \div 15$ — which exceeds the target by \$750,000

C. \$160,000, equal to the current working capital because the contractor should request a higher multiplier rather than improving their financial position

D. \$250,000, calculated as $\$3,750,000 \div 15$ — the contractor needs to increase working capital by \$90,000 (from \$160,000 to \$250,000) through retained earnings, capital contributions, debt reduction, or improved collections to reach the \$3,750,000 bonding capacity target

45. A contractor's cash flow analysis shows that their largest project (representing 40% of total revenue) has a 10% retainage provision and an average payment cycle of 65 days. The contractor's second-largest project (25% of revenue) has a 5% retainage provision and a 30-day payment cycle. Which project creates the greater cash flow burden per dollar of revenue?

A. Both projects create identical cash flow burdens because the retainage percentages and payment cycles offset each other proportionally

B. The largest project creates a significantly greater cash flow burden per dollar of revenue because it combines a higher retainage rate (10% vs. 5%) with a longer payment cycle (65 days vs. 30 days) — the contractor must fund both the retainage gap and 35 additional days of working capital compared to the second project

C. The second-largest project creates a greater burden because faster payment cycles increase administrative costs that offset the lower retainage percentage

D. Neither project creates a cash flow burden because retainage is eventually released and progress payments cover all costs

DOMAIN: TAX LAWS (5 Questions)

46. A self-employed contractor earns \$160,000 in net self-employment income. The contractor also has a W-2 job earning \$30,000 where FICA taxes are withheld. The Social Security wage base is approximately \$168,600. How much of the contractor's self-employment income is subject to the 12.4% Social Security portion of self-employment tax?

A. Approximately \$138,600 — the \$30,000 in W-2 wages uses \$30,000 of the \$168,600 wage base, leaving approximately \$138,600 available for the Social Security portion of self-employment tax on the contractor's \$160,000 of self-employment income (before the 92.35% adjustment)

B. The full \$160,000 because W-2 wages and self-employment income use separate wage bases

C. \$0 because the combined income of \$190,000 exceeds the wage base, eliminating all Social Security tax obligations

D. \$168,600 because the wage base applies to self-employment income independently without considering W-2 wages

47. An employer's payroll tax deposit for a biweekly payroll is due on Wednesday. The employer deposits the funds on the following Monday — 5 days late. The deposit amount is \$18,000. Under the IRS graduated penalty structure, what penalty applies?

A. No penalty because 5-day deposits are within the IRS safe harbor for biweekly payroll schedules

B. A 10% penalty on the full \$18,000 because any deposit more than 3 days late triggers the maximum penalty rate

C. A 2% penalty on \$18,000 (\$360) because the deposit was made 1 to 5 days after the due date — the lowest tier of the IRS graduated late deposit penalty structure

D. A 5% penalty on \$18,000 (\$900) because deposits 6 or more days late trigger the second-tier penalty rate

48. A contractor organized as a C-Corporation earns \$800,000 in taxable income. After paying the 21% corporate income tax (\$168,000), the corporation has \$632,000 in after-tax profits. The corporation distributes \$400,000 as dividends to the sole shareholder. The shareholder's qualified dividend tax rate is 15%. What is the total tax paid on the \$400,000 that reaches the shareholder as dividends?

A. \$60,000, representing only the 15% dividend tax paid by the shareholder on the \$400,000 distribution

B. \$84,000, representing the 21% corporate tax attributable to the distributed portion only

C. \$144,000, representing the sum of all corporate and individual taxes on the full \$800,000

D. \$144,000 in total tax on the \$400,000 dividend — the corporation paid \$84,000 in corporate tax on the \$400,000 pre-tax income that was distributed ($21\% \times \$400,000$), and the shareholder pays \$60,000 in qualified dividend tax ($15\% \times \$400,000$), for a combined effective tax rate of 36% on the distributed amount ($\$144,000 \div \$400,000$)

49. A contractor purchases a new concrete pump for \$180,000 and places it in service in January. The contractor's CPA recommends using Section 179 expensing to deduct the full purchase price in the current tax year. However, the contractor's total taxable income for the year (before the Section 179 deduction) is only \$120,000. What limitation applies?

A. The Section 179 deduction is limited to the contractor's taxable income — the contractor can deduct only \$120,000 under Section 179 this year, and the remaining \$60,000 can be carried forward to future tax years or depreciated under regular MACRS depreciation rules

B. No limitation applies because Section 179 deductions are not subject to taxable income limitations for construction equipment

C. The Section 179 deduction is limited to 50% of the purchase price (\$90,000) regardless of the contractor's taxable income

D. The full \$180,000 can be deducted this year because Section 179 creates a net operating loss that can be carried back to recover taxes paid in prior years

50. A contractor organized as a partnership receives a \$15,000 penalty from the IRS for filing Form 1065 late. The partnership has three partners: Partner A (50%), Partner B (30%), and Partner C (20%). Who is responsible for paying the penalty?

A. Only Partner A because the majority partner is solely responsible for all partnership tax filing obligations

B. The partnership itself is responsible for the penalty — the \$15,000 is paid from partnership funds, reducing the income distributable to all partners proportionally, though the partnership cannot deduct the penalty as a business expense on its tax return

C. Each partner pays the penalty based on their ownership percentage: Partner A \$7,500, Partner B \$4,500, Partner C \$3,000

D. The partnership's CPA is responsible because tax filing penalties are always the preparer's liability

Practice Exam 17: Answer Key and Explanations

1. B — The LLC provides limited liability protection that shields both members from business debts and lawsuits — but a personal guarantee creates a separate, individual obligation. Member A personally guaranteed the \$200,000 loan, making them liable for that specific debt regardless of the LLC shield. Member B, who signed no personal guarantee, is protected from both the loan and the lawsuit by the LLC's limited liability.

2. D — Federal construction projects have qualification requirements that exist independently of state licensing. While the Arkansas commercial license satisfies the state licensing requirement, the contractor may need to register in SAM (System for Award Management), obtain security clearances for military base access, and meet specific federal bonding, insurance, and past-performance requirements specified in the solicitation documents.

3. C — The restricted commercial license caps the value of each individual project at \$750,000 — it does not limit the number of active projects or the total aggregate value of all projects combined. Project C at \$700,000 is within the \$750,000 single-project cap. The contractor can manage as many projects simultaneously as their resources and capabilities allow.

4. A — The NASCLA exam result satisfies Oklahoma's trade exam requirement, but the contractor must still meet all other Oklahoma licensing requirements independently. Each NASCLA-participating state maintains its own financial qualifications, insurance requirements, bonding standards, and may require a state-specific business and law examination. NASCLA streamlines the process but does not create automatic reciprocal licensing.

5. D — Performing work outside the authorized classification is a licensing violation equivalent to operating without a license for that type of work. A Building Construction (BU) classification does not authorize Utility Construction (UT) work such as water line installation. The ACLB can impose disciplinary action including fines, suspension, or revocation regardless of the contractor holding a valid license in a different classification.

6. B — The contractor bid a profitable unit price of \$45.00 per cubic yard that remains profitable at the actual quantity. On a unit price contract, the contractor is paid the bid unit price for all actual quantities installed. Since the cost per cubic yard remains approximately \$45.00, the contractor earns the same profit margin per unit on 2,400 cubic yards as on 800, resulting in three times the total profit on this bid item.

7. C — The most prudent approach combines the geotechnical report with the field observation. Including a reasonable dewatering contingency protects against underpricing if groundwater is encountered. Submitting an RFI about the conflict between the report and the observed standing water documents the contractor's diligence and may prompt the owner to investigate further before construction begins.

8. A — Overhead rate: $\$448,000 \div \$3,200,000 = 14\%$. Overhead allocation: $\$640,000 \times 14\% = \$89,600$. Total cost: $\$640,000 + \$89,600 = \$729,600$. Selling price for 6% margin: $\$729,600 \div 0.94 = \$776,170$. Dividing by $(1 - \text{margin})$ ensures the profit equals exactly 6% of the selling price, not 6% of cost.

9. D — On a unit price contract, the contractor is paid the bid unit price (\$8.50) for all actual quantities of 2-inch PVC pipe installed — not just the estimated 800 linear feet. Every foot above the estimate increases the loss by \$4.00 (\$12.50 actual cost minus \$8.50 bid price). If actual quantities reach 3,000 linear feet, the total loss would be \$12,000 on the original estimate plus \$8,800 on the overage — far exceeding the initial \$32,000 exposure.

10. B — Whether retainage must be placed in an escrow account depends on the specific contract terms and applicable state law. Some states require retainage to be held in interest-bearing escrow accounts, while others leave it to contract negotiation. The contractor should review both the contract's retainage provisions and Arkansas law to determine the owner's obligation regarding retainage handling.

11. A — When a conflict exists between the architectural and structural drawings, the contractor must not unilaterally choose one document over the other. The correct action is to stop work in the affected area and submit an RFI to the architect identifying the specific conflict. The design team must coordinate the resolution because choosing incorrectly could create either a structural deficiency or an architectural deviation.

12. C — A true pay-if-paid clause makes the owner's payment a condition precedent to the general contractor's payment obligation. If the owner never pays (due to bankruptcy), the GC

may have no obligation to pay the subcontractor under the strict terms of the clause. However, enforceability varies significantly by jurisdiction — some states refuse to enforce pay-if-paid clauses on public policy grounds, while others uphold them if the language is clear and unambiguous.

13. D — The additive portion: $\$60,000 + 10\% \text{ subcontract markup } (\$6,000) = \$66,000$. The deductive portion: $\$35,000$ at direct cost only (no markup reduction per the contract). Net change: $\$66,000 - \$35,000 = \$31,000$ increase to the contract. The contract's markup provisions apply differently to additions (markup allowed) versus deductions (direct cost only), creating an asymmetric calculation.

14. B — The contractor should send formal written notice documenting the contractual 10-day certification requirement, the actual 25-day delays over two consecutive months, and the resulting cash flow impact. This notice serves multiple purposes: it creates a documented record of the architect's non-compliance, preserves the contractor's rights to claim interest on delayed payments, and may prompt corrective action.

15. A — The contract's substitution procedures require formal submission to the architect with complete technical documentation. The contractor should submit all three alternatives with data sheets, certifications, samples, price comparisons, and compatibility analysis. The architect evaluates whether any alternative meets the performance requirements and issues a written decision. The contractor cannot install any substitute without this formal approval.

16. C — Without a contractual early completion bonus, the contractor has no basis for claiming additional compensation for finishing ahead of schedule. The contract requires completion by a specific date — finishing earlier is commendable but not separately compensable. The contractor benefits from early completion through reduced overhead costs, earlier release of retainage, and availability to pursue new work sooner.

17. D — The contract establishes a mandatory sequential dispute resolution process: negotiation, then mediation, then arbitration. Skipping required steps may result in the arbitrator dismissing or staying the case until the prerequisite steps are completed. Multi-step dispute resolution clauses are designed to resolve disputes at the lowest possible level before escalating to binding procedures.

18. B — $CPI = EV \div AC = \$2,700,000 \div \$2,850,000 = 0.9474$. $EAC = BAC \div CPI = \$5,000,000 \div 0.9474 = \$5,277,778$. If the current cost inefficiency continues (getting only \$0.95 of value per dollar spent), the project will exceed the original \$5,000,000 budget by approximately \$278,000. The project manager must implement cost corrective actions to improve the CPI.

19. A — Covering inspectable work before the required inspection is the contractor's scheduling error. The contractor must remove the waterproofing at their own expense, allow the inspector to examine the foundation, and reinstall the membrane. The cost of uncovering and recovering cannot be charged to the owner because the contractor failed to coordinate the inspection sequence properly.

20. C — Original critical path: $8+14+18+10+16+20+6 = 92$ days. The change order adds 8 days to Roofing (now 18 days) and inserts a new 12-day Penthouse Construction activity between Roofing and Interior Rough-In. Revised critical path: $8+14+18+18+12+16+20+6 =$

112 days. Both additions fall on the critical path with finish-to-start relationships, adding 20 days to the total project duration.

21. D — The contractor should develop a phased plan that replaces the lobby floor in sections during off-hours, maintaining at least one accessible path at all times. This approach satisfies the contract's full-access requirement while completing the necessary renovation work. The increased labor costs for off-hours work should be anticipated and may warrant a change order if the phasing requirement adds significant cost.

22. A — The project manager should send formal written notice documenting the pattern of increasing architect response times, the specific delayed critical path activities, and the cumulative schedule impact. This contemporaneous documentation preserves the contractor's right to claim a time extension for architect-caused delays and creates an evidentiary record for potential dispute resolution.

23. B — Immediately notify the project manager, architect, and structural engineer of the failed 28-day break test. The structural engineer must evaluate whether the 3,200 PSI slab (80% of the required 4,000 PSI) can safely carry the design loads. This evaluation may include core sampling, non-destructive testing, or structural load analysis. The decision to accept, reinforce, or replace the slab belongs to the structural engineer.

24. C — The owner's request for bi-weekly updates instead of the contractual monthly updates constitutes additional scope. The contractor should notify the owner in writing, submit a change order for the estimated cost of 176 additional hours of schedule preparation, and implement the bi-weekly reporting upon approval. Providing additional services without compensation sets a precedent for future uncompensated scope changes.

25. D — Builder's risk insurance covers damage to the building structure under construction (work in progress). The contractor's own equipment (crane, generators) is not covered by builder's risk — it requires a separate inland marine or equipment floater policy. The \$450,000 building damage is a builder's risk claim, while the \$30,000 equipment damage is an equipment policy claim.

26. C — Responsible sureties typically respond to early warning notifications by investigating the contractor's condition and project status. Early intervention — before a formal default — usually costs the surety less than responding after a complete default. The surety may provide financial assistance, arrange supplemental resources, or negotiate a restructured completion plan to prevent the default from occurring.

27. A — The alternate employer endorsement provides workers' compensation coverage for temporary staffing agency workers when they are working under the contractor's direction and control. It clarifies that the contractor's policy covers these workers as if they were the contractor's own employees, resolving potential coverage gaps and disputes about which policy responds when a temporary worker is injured on the contractor's jobsite.

28. D — A blanket additional insured endorsement automatically extends additional insured status to any party the contractor is contractually required to name — without issuing separate endorsements for each project. This is generally acceptable and administratively efficient, provided the endorsement's specific language satisfies the requirements stated in each construction contract.

29. B — A rigid walking boot prescribed by a physician constitutes a rigid means of immobilization — classified as medical treatment beyond first aid under OSHA recordkeeping definitions. This makes the case recordable regardless of whether the worker missed any time or had restricted duties. Non-rigid elastic wraps would be first aid, but a rigid boot crosses the threshold.

30. C — Severity Rate = (total lost days + restricted days) × 200,000 ÷ hours worked = (84 + 32) × 200,000 ÷ 90,000 = 116 × 200,000 ÷ 90,000 = 257.8. This rate measures injury severity — the total number of lost and restricted days per 200,000 hours worked. A severity rate of 257.8 indicates that injuries are not only frequent but also serious, resulting in significant time away from work or restricted duty.

31. A — Hospitalizations must be reported to OSHA within 24 hours of the employer learning of the event. The employer learned at 5:00 PM Friday, making the deadline 5:00 PM Saturday. Reports can be made via OSHA's 24-hour hotline (1-800-321-OSHA), the nearest OSHA area office, or OSHA's online reporting portal. The 24-hour deadline applies to hospitalizations, amputations, and eye losses — fatalities have a shorter 8-hour deadline.

32. D — The superintendent meets all elements of the executive exemption: salary of \$1,600/week (above the \$684 threshold), primary duty is management, regularly directs 20 employees, and has hiring authority (temporary laborers) and makes recommendations regarding terminations that carry weight. In the construction industry, superintendents commonly perform some manual work alongside their crews — this does not automatically disqualify the exemption.

33. B — The Supreme Court held in *Oncale v. Sundowner Offshore Services* (1998) that Title VII's prohibition on sexual harassment applies to same-sex harassment. The employer has the same obligation to investigate and take corrective action regardless of the genders of the harasser and victim. The coworkers' advice is legally incorrect and could expose the employer to liability if the employee is discouraged from reporting.

34. C — Employer-provided phone service for the employee's convenience is classified as a benefit not tied to hours worked. Under the FLSA's regular rate exclusions, such benefits do not constitute "remuneration for employment" and are excluded from the regular rate calculation. The \$80 monthly phone payment does not affect the overtime calculation.

35. A — Cost-cutting alone is not a valid ADEA defense when the savings result from replacing an older, higher-paid worker with a younger, lower-paid worker. Courts examine whether age was the "but-for" cause of the termination. If the older worker's higher salary is a function of longer tenure and experience — which correlates with age — selecting a younger replacement for lower cost may constitute age-based discrimination.

36. D — The employer must demonstrate the PAT is job-related and consistent with business necessity — meaning the physical requirements tested reflect actual job demands. The test must be applied uniformly to all applicants regardless of age. If the 60-pound carry, confined space work, and beam balance are genuine job requirements, the PAT is defensible. If they exceed actual job demands, the test may be struck down as discriminatory.

37. B — When the prevailing wage determination does not include a helper classification, workers called "helpers" must be paid at least the laborer prevailing wage rate. Additionally, if

these workers perform any tasks within the electrician classification's scope (pulling wire, installing devices, making connections), they must be paid the electrician rate for those specific hours. Workers are classified by actual duties performed, not by employer-assigned titles.

38. A — Using a cell phone while operating a tower crane creates an imminent safety hazard for everyone on the jobsite. The worker received the policy, signed an acknowledgment, and was previously warned — establishing documented willful misconduct. Unemployment agencies recognize that violations of serious safety rules, particularly those involving heavy equipment operation, constitute disqualifying misconduct.

39. C — A foreign passport with an I-551 stamp is a valid List A document establishing both identity and employment authorization. Rejecting a valid document and demanding a specific alternative (Green Card) may constitute document abuse discrimination under IRCA. Employers must accept any valid, unexpired document from the List of Acceptable Documents chosen by the employee.

40. D — The FMLA requires restoration to the same or an equivalent position. An "equivalent" position must have equivalent pay, benefits, and working conditions. A position 45 miles away may not constitute equivalent working conditions if it significantly increases the employee's commute, changes the work environment, or imposes hardship. The determination depends on the specific circumstances.

41. B — Percentage complete: $\$1,309,000 \div \$1,870,000 = 70\%$. Earned revenue: $70\% \times \$2,200,000 = \$1,540,000$. Billings: $\$1,400,000$. Under-billed by $\$140,000$ ($\$1,540,000 - \$1,400,000$). Gross profit: $\$2,200,000 - \$1,870,000 = \$330,000$. Gross margin: $\$330,000 \div \$2,200,000 = 15\%$. The under-billing means the contractor has performed $\$140,000$ more work than invoiced, tying up working capital.

42. A — Revised total cost: $\$2,520,000$. Revised profit: $\$2,800,000 - \$2,520,000 = \$280,000$. Revised % complete: $\$1,190,000 \div \$2,520,000 = 47.2\%$. Cumulative profit to recognize: $47.2\% \times \$280,000 = \$132,222$. Original Year 1 recognition was $\$210,000$ ($50\% \times \$420,000$). A downward adjustment of approximately $\$77,778$ is required in Year 2 ($\$210,000 - \$132,222$).

43. C — Gross profit: $\$4,200,000 - \$3,570,000 = \$630,000$. Gross margin: $\$630,000 \div \$4,200,000 = 15\%$. Net income: $\$630,000 - \$378,000 = \$252,000$. Net margin: $\$252,000 \div \$4,200,000 = 6\%$. A 15% gross margin indicates strong project-level profitability and 6% net margin reflects solid bottom-line performance after all overhead deductions.

44. D — Target bonding capacity: $\$3,750,000$. Required working capital: $\$3,750,000 \div 15 = \$250,000$. Current working capital: $\$160,000$. Increase needed: $\$90,000$. The contractor can increase working capital through retained earnings, owner capital contributions, reducing current liabilities (paying down short-term debt), or improving collections on accounts receivable.

45. B — The largest project creates a significantly greater cash flow burden per dollar of revenue because it combines a higher retainage percentage (10% vs. 5%) with a longer payment cycle (65 days vs. 30 days). The contractor must fund both the larger retainage gap and 35 additional days of working capital. This dual burden compounds over the project's duration, making the largest project disproportionately expensive to finance.

46. A — The Social Security wage base (\$168,600) is shared across all sources of earned income. The \$30,000 in W-2 wages consumes \$30,000 of the wage base, leaving approximately \$138,600 available for the Social Security portion of self-employment tax. The contractor pays 12.4% Social Security tax on only \$138,600 of their \$160,000 self-employment income (before the 92.35% adjustment). Medicare applies to all self-employment income with no cap.

47. C — The IRS graduated penalty structure assesses 2% on payroll tax deposits that are 1 to 5 days late. The \$18,000 deposit made 5 days after the due date falls in the lowest penalty tier. The penalty is $\$18,000 \times 2\% = \360 . While the penalty is modest for a single occurrence, repeated late deposits can trigger escalated penalties and enhanced IRS scrutiny of the employer's payroll tax compliance.

48. D — Corporate tax on the distributed \$400,000: $21\% \times \$400,000 = \$84,000$. Shareholder dividend tax: $15\% \times \$400,000 = \$60,000$. Total tax on the distributed amount: $\$84,000 + \$60,000 = \$144,000$. Combined effective rate: $\$144,000 \div \$400,000 = 36\%$. This illustrates the double taxation burden of C-Corporations — the same corporate profits are taxed at both the entity and individual levels.

49. A — The Section 179 deduction is limited to the contractor's taxable income for the year. With taxable income of only \$120,000, the contractor can deduct \$120,000 under Section 179 this year. The remaining \$60,000 can be carried forward to future tax years or depreciated under regular MACRS rules. This income limitation prevents Section 179 from creating a net operating loss.

50. B — Partnership penalties for late filing of Form 1065 are assessed against the partnership itself, not against individual partners. The \$15,000 penalty is paid from partnership funds, reducing the income available for distribution to all partners. The penalty is not deductible as a business expense on the partnership's tax return, so it permanently reduces the partners' distributable income.