PRACTICE EXAM 18: 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 sole proprietor contractor has been operating for 8 years with annual revenues of $1,200,000. The contractor's CPA advises forming an LLC and electing S-Corporation taxation to reduce self-employment taxes. Under the S-Corporation election, the contractor would pay themselves a reasonable salary of $130,000 and take the remaining $70,000 as a shareholder distribution. What is the primary tax advantage of this strategy compared to remaining a sole proprietorship?

A. The $70,000 distribution is not subject to the 15.3% self-employment tax (FICA), saving the contractor approximately $10,710 annually — as a sole proprietor, the entire $200,000 in net income would be subject to self-employment tax, but as an S-Corporation, only the $130,000 salary is subject to FICA while the $70,000 distribution passes through without employment taxes

B. The S-Corporation election eliminates all federal income taxes on the $200,000 in net income

C. The S-Corporation election allows the contractor to deduct the $70,000 distribution as a business expense, reducing taxable income

D. The S-Corporation election converts the contractor's income from ordinary income to capital gains, which are taxed at a lower rate

DOMAIN: LICENSING (4 Questions)

2. A contractor applies for an Arkansas commercial license. The ACLB application requires the applicant to designate a "qualifying individual" — a person who meets the experience and examination requirements on behalf of the contracting company. The contractor's company has three employees: the owner (who has 2 years of construction experience and has not taken any exams), a project manager (who has 8 years of construction experience and has passed the NASCLA trade exam and the Arkansas Business and Law exam), and an office administrator (who has no construction experience). Who can serve as the qualifying individual?

A. The owner, because the owner of a contracting company automatically qualifies as the qualifying individual regardless of experience or examination status

B. The office administrator, because any full-time employee can serve as the qualifying individual if they hold a management position

C. The project manager, because they meet both the experience requirement and have passed the required examinations — the qualifying individual must have the construction experience and examination credentials required for the license classification

D. All three employees qualify because the ACLB allows any company employee to serve as the qualifying individual

3. A contractor holds a valid Arkansas residential builder license. A real estate developer approaches the contractor about building a 12-unit apartment complex valued at $2,800,000. The building will be three stories, wood-framed, and designed for residential occupancy. Can the contractor build this project under their residential builder license?

A. Yes, because the building is designed for residential occupancy and uses residential construction methods

B. Yes, because apartment complexes with fewer than 20 units are classified as residential projects regardless of value

C. Yes, because wood-frame construction techniques are identical to single-family residential construction

D. No, because multi-family apartment complexes are classified as commercial construction regardless of the construction type or occupancy — the $2,800,000 project requires a commercial contractor's license

4. The Arkansas Contractors Licensing Board requires licensed contractors to maintain certain records. Which of the following records must a licensed contractor keep available for potential ACLB review?

A. Only the original license application and annual renewal receipts

B. Financial records, project contracts, insurance certificates, bond documentation, and records related to their contracting operations — the ACLB may request these records during audits, complaint investigations, or renewal reviews to verify ongoing compliance with licensing requirements

C. Only records related to projects where a formal complaint has been filed by a customer

D. Only federal tax returns and bank statements for the current fiscal year

5. A contractor's qualifying individual leaves the company to work for a competitor. The contractor does not immediately notify the ACLB or designate a replacement qualifying individual. The contractor continues operating for 4 months before the ACLB discovers the situation during a routine audit. What is the contractor's exposure?

A. The contractor may face disciplinary action because the loss of the qualifying individual affects the validity of the license — the license is issued based on the qualifications of the designated individual, and operating without a qualifying individual may constitute operating outside the terms of the license

B. No exposure because the contractor's license remains valid for 12 months after the qualifying individual departs

C. Minimal exposure because the ACLB grants an automatic 6-month grace period for replacing a qualifying individual

D. The contractor faces only a $100 administrative fee for late notification of the personnel change

DOMAIN: ESTIMATING AND BIDDING (4 Questions)

6. A contractor is preparing a bid for a public courthouse construction project. The project manual includes a provision stating: "The Owner reserves the right to reject any and all bids." The contractor submits the lowest responsive and responsible bid at $4,200,000. The owner rejects all bids, stating that all bids exceeded the available budget. Is the owner's rejection of all bids lawful?

A. No, because the owner is legally obligated to award the contract to the lowest responsive and responsible bidder regardless of budget constraints

B. No, because rejecting all bids after opening them violates the implied contract created by the invitation to bid

C. Yes, but only if the owner rebids the project within 30 days using the same plans and specifications

D. Yes, because the bid documents explicitly reserved the owner's right to reject any and all bids — this reservation is standard in public bidding and allows the owner to reject all bids for legitimate reasons such as exceeding budget, receiving an insufficient number of bids, or identifying errors in the bid documents

7. A contractor is calculating the profit margin on a project bid. The total estimated cost (direct costs plus overhead) is $920,000. The contractor wants to achieve a 7% net profit margin on the selling price. What is the correct selling price?

A. $984,400, calculated by adding 7% of cost ($64,400) to the total cost — which actually produces only a 6.5% margin on selling price

B. $989,247, calculated by dividing the total cost by (1 − 0.07): $920,000 ÷ 0.93 — which produces exactly 7% margin on the selling price ($69,247 profit ÷ $989,247 selling price = 7.0%)

C. $1,012,000, calculated by adding 10% to the total cost to provide a buffer above the 7% target

D. $956,800, calculated by adding 4% to the total cost, which is below the target margin

8. A public project bid opening reveals four bids. The bid form requires each bidder to list unit prices for 15 items of work. Contractor A's bid form contains a mathematical error — the unit price for Item 7 is listed as $12.50 per square foot, but when multiplied by the estimated quantity, the extended amount shown is $18,750 instead of the correct $12,500 (the quantity is 1,000 SF). The bid instructions state: "In case of discrepancy between the unit price and the extension, the unit price shall govern." What is the correct treatment of this discrepancy?

A. The bid is rejected as non-responsive because mathematical errors render the bid unreliable

B. The extended amount of $18,750 governs because it represents the bidder's intended total price for Item 7

C. The unit price of $12.50 governs as stated in the bid instructions — the extension is corrected to $12,500 (1,000 SF × $12.50), and the total bid price is adjusted accordingly, because bid documents specifically address this type of discrepancy and the unit price reflects the bidder's intended pricing per unit of work

D. The bidder is asked to clarify which number they intended, and the bid is held open until the clarification is received

9. A contractor's estimator is preparing a bid for a steel-framed warehouse. Structural steel: 450 tons at $3,200/ton. Miscellaneous steel: 85 tons at $4,800/ton. A 3% contingency is applied to the total steel package. What is the total estimated steel cost including contingency?

A. $1,903,440, calculated as structural ($1,440,000) plus miscellaneous ($408,000) = $1,848,000, plus 3% contingency ($55,440)

B. $1,848,000, calculated without the contingency applied to the steel package total

C. $1,960,000, calculated by applying the contingency to each steel category separately at different rates

D. $1,440,000, calculated using only the structural steel without the miscellaneous steel or contingency

DOMAIN: CONTRACT MANAGEMENT (8 Questions)

10. A contractor on a commercial project receives a change order adding $75,000 of additional HVAC ductwork. The contractor subcontracts the work to a mechanical subcontractor for $62,000 and wants to apply a markup. The contract allows a 10% markup on subcontracted change order work. The mechanical subcontractor's $62,000 price includes their own 15% markup on their direct costs. Can the general contractor markup the subcontractor's already-marked-up price?

A. No, because the general contractor can only mark up the subcontractor's direct costs, not their marked-up price

B. No, because the combined markup of the subcontractor (15%) and the general contractor (10%) exceeds the maximum allowable 20% combined markup

C. Yes, but only at a reduced rate of 5% because the subcontractor has already applied their own markup

D. Yes, the general contractor applies their 10% markup to the subcontractor's full price of $62,000 ($6,200), resulting in a total change order cost of $68,200 — the contract allows 10% on subcontracted work, and the subcontractor's internal markup is their own business; the GC's markup is calculated on the subcontract price

11. A project owner on a commercial renovation project issues a directive to the contractor to proceed with asbestos abatement work that was not included in the original contract. The contract does not include any asbestos-related scope. The owner states the abatement must

begin immediately for safety reasons and that a change order will follow. The contractor estimates the abatement cost at $180,000. What should the contractor do?

A. Refuse the directive entirely because asbestos abatement requires a separate licensed abatement contractor and cannot be performed under the general construction contract

B. Comply immediately without documentation because the owner's safety concern overrides all contractual requirements

C. Acknowledge the safety urgency, comply with the directive by hiring a licensed asbestos abatement contractor, and simultaneously submit a written change order request documenting the scope, estimated cost of $180,000, and schedule impact — because the work was not in the original contract and the contractor must preserve their right to compensation

D. Delay the abatement for 30 days to allow time for a formal change order to be processed through the contract's standard administrative channels

12. A subcontractor on a large commercial project provides a 2-year warranty on their waterproofing installation. During Year 1, the building owner reports multiple leaks. The subcontractor makes three separate repair visits but the leaks continue. The general contractor pressures the subcontractor to replace the entire waterproofing system rather than continuing with spot repairs. The subcontractor argues that the warranty only requires them to "repair defects" — not to replace the entire system. Under most warranty provisions, when does the obligation shift from repair to replacement?

A. Never — warranty obligations are always limited to repair of specific defects and never extend to full replacement regardless of the number of failures

B. When repeated repairs fail to resolve the deficiency, the warranty obligation may escalate from repair to replacement — if the same defect recurs despite multiple repair attempts, the warranted system has fundamentally failed to perform as intended, and continued spot repairs do not satisfy the contractor's warranty obligation to deliver conforming work

C. Only when the building owner files a formal warranty claim with the manufacturer of the waterproofing product

D. Only when the total cost of repairs exceeds 50% of the original installation cost, triggering the automatic replacement threshold

13. A construction contract includes a "time is of the essence" clause and a liquidated damages provision of $3,000 per calendar day for late completion. The contractor finishes the project 22 days past the contractual completion date. During those 22 days, the owner suffered no actual damages — the building sat vacant and the owner incurred no additional costs. The contractor argues the liquidated damages should not apply because the owner suffered no actual harm. Is the contractor's argument likely to succeed?

A. No, because a properly drafted liquidated damages clause is enforceable regardless of the owner's actual damages — liquidated damages represent a pre-agreed estimate of damages that are difficult to calculate at the time of contracting, and the party that agreed to the clause cannot avoid it simply because actual damages turned out to be less than the agreed amount

B. Yes, because liquidated damages cannot exceed the owner's actual provable damages, and if the owner suffered no damages, the clause produces a penalty that is unenforceable

C. Yes, because the contractor acted in good faith and the 22-day delay was minor compared to the overall project duration

D. No, but the liquidated damages are automatically reduced by 50% when the owner cannot demonstrate actual financial harm from the delay

14. A general contractor on a public school project receives certified payroll reports from all subcontractors as required by the Davis-Bacon Act. The GC reviews the reports and notices that the electrical subcontractor is paying their apprentice electricians the journeyman wage rate even though a lower apprentice rate is available under an approved apprenticeship program. Is there a compliance concern?

A. Yes, because paying above the prevailing wage rate violates Davis-Bacon by overstating the certified payroll amounts

B. Yes, because the certified payroll must exactly match the prevailing wage determination — paying above the required rate creates a reporting discrepancy

C. No, but the electrical subcontractor should file an amended certified payroll to reflect the correct apprentice rates

D. No, there is no compliance concern — Davis-Bacon establishes minimum wage rates, not maximum rates, and paying apprentices the higher journeyman rate exceeds the minimum requirement, which is fully compliant

15. A contractor working on a commercial project discovers that the specified exterior paint system — a three-coat system with primer, intermediate coat, and topcoat — requires application temperatures above 50°F. The contract schedule places the exterior painting during January and February in Arkansas, where temperatures frequently drop below 50°F. The contractor identified this conflict during the bidding phase but did not raise it. Who bears responsibility for the schedule conflict between the specified paint system and the winter painting schedule?

A. The building inspector, because code enforcement should have flagged the temperature conflict during the plan review process

B. The paint manufacturer, because they should have developed a cold-weather formulation for winter application

C. The responsibility depends on whether the contractor had a duty to raise known conflicts during the bidding phase — many contracts require bidders to report known errors and conflicts, and the contractor's failure to raise this issue during bidding may weaken their position, though the architect's schedule showing winter painting of a temperature-sensitive system is also a design coordination issue

D. The contractor bears sole responsibility because contractors must plan for seasonal weather conditions regardless of the contract schedule

16. A project owner wants to hire the general contractor's lead superintendent away from the contractor and employ them directly. The construction contract includes a non-solicitation clause prohibiting the owner from soliciting or hiring the contractor's key personnel during the project and for 12 months after completion. The project is currently at 70% completion. The owner offers the superintendent a position with a 40% salary increase. What is the owner's exposure?

A. No exposure because employees have the constitutional right to change employers at any time and non-solicitation clauses are unenforceable

B. The owner may be in breach of the non-solicitation provision of the construction contract — by actively soliciting the contractor's key superintendent during the project, the owner is violating a contractual commitment, and the contractor may seek injunctive relief to enforce the clause and/or damages for the disruption caused by losing a critical team member at 70% project completion

C. Exposure limited to paying the contractor a one-month management fee as a recruitment penalty

D. No exposure because non-solicitation clauses in construction contracts apply only to subcontractor employees, not to the general contractor's staff

17. A contractor on a fixed-price commercial project encounters an 8-day delay caused by the owner's failure to provide timely access to a portion of the building for mechanical rough-in. The contractor submits a written request for an 8-day time extension within the 14-day contractual notice period. The owner grants the time extension but denies the contractor's simultaneous request for $24,000 in extended overhead costs incurred during the delay. Under most standard construction contracts, can the contractor recover the extended overhead costs for an owner-caused delay?

A. Yes, because owner-caused delays entitle the contractor to both a time extension and compensation for the additional costs incurred during the delay — an owner-caused delay is

fundamentally different from an excusable delay (like weather), and the contractor should not bear the financial burden of a delay caused by the owner's failure to perform their contractual obligations

B. No, because a time extension is the sole remedy for all types of delay, and contractors are never entitled to monetary compensation for delay costs

C. Yes, but only if the delay exceeds 14 consecutive calendar days

D. No, because the contractor should have mitigated the delay by reallocating crews to other areas of the project

18. A contractor working on a hospital renovation project is required by the contract to maintain interim life safety measures (ILSMs) throughout construction. The ILSMs include temporary fire barriers, emergency egress paths, and functional fire alarm coverage in all occupied areas. During a weekend shift, a worker removes a temporary fire barrier to move equipment and does not replace it. The following Monday, the fire marshal inspects the site and discovers the missing barrier. No fire occurred during the weekend. What are the potential consequences?

A. No consequences because the barrier was removed temporarily for a legitimate construction purpose and will be replaced

B. Consequences limited to a verbal warning from the fire marshal because no actual fire occurred during the exposure period

C. The worker faces personal liability but the contractor faces no company-level consequences

D. Serious consequences — failure to maintain ILSMs in an occupied hospital violates both the construction contract and fire safety regulations, potentially exposing the contractor to ACLB disciplinary action, fire code citations, contract default notices from the owner, and liability for any injuries that could have resulted from the compromised fire protection

19. A project owner sends a letter to the contractor stating: "This letter serves as notice that the Owner intends to exercise the termination for convenience provision of the contract, effective 30 days from this date." The project is 55% complete. The contractor has invested significant resources in material procurement, crew mobilization, and equipment rental for the remaining 45% of work. Under a standard termination for convenience provision, what is the contractor entitled to receive?

A. The full contract price as if the project had been completed, because the owner's decision to terminate was unilateral and not caused by contractor default

B. Only the direct costs incurred to the date of termination, with no overhead, profit, or termination costs

C. Payment for all work completed to date, the cost of materials already ordered or in transit, reasonable demobilization expenses, subcontractor termination charges, and a fair profit on the work performed — but not anticipated profit on the unperformed 45% of the contract

D. Nothing, because the termination for convenience clause allows the owner to end the contract without any payment obligation

20. A contractor's project manager reviews the subcontract with a painting subcontractor and finds that the subcontract does not include a flow-down provision incorporating the prime contract's warranty requirements. The prime contract requires a 2-year warranty on all work. The painting subcontract includes only a 1-year warranty. What risk does this gap create?

A. No risk because the painting subcontractor automatically provides the same warranty as the prime contract regardless of what the subcontract states

B. During Year 2, if paint defects are discovered, the general contractor will be liable to the owner under the prime contract's 2-year warranty but will have no contractual remedy against the painting subcontractor because the subcontract's 1-year warranty has expired — the GC must pay for Year 2 warranty repairs from their own resources

C. The risk is covered by the painting subcontractor's CGL insurance, which provides unlimited warranty coverage beyond the subcontract term

D. Minimal risk because painting defects are cosmetic issues that do not trigger warranty claims

21. A contractor working on a fixed-price commercial project submits a change order for $42,000 to address modifications required by a new city ordinance that took effect after the contract was signed. The owner argues that the contractor should have anticipated the ordinance change because it was publicly debated for months before the contract date. Under most standard construction contracts, who bears the cost of compliance with code changes enacted after the contract is signed?

A. The owner bears the cost through a change order, because the contractor priced the bid based on the codes and ordinances in effect on the bid date — code changes enacted after the contract is signed constitute a change in the contractor's obligation that was not included in the original scope, regardless of whether the change was publicly discussed before enactment

B. The contractor bears the cost because contractors have a duty to monitor all pending legislation and incorporate anticipated code changes into their bids

C. The cost is shared equally between the owner and contractor because code changes are a shared risk under most standard contracts

D. The building inspector bears the cost because the code change should have been identified during the plan review process

22. A project owner sends the contractor a notice of termination for cause, alleging that the contractor has failed to maintain adequate progress. The contractor believes the allegation is unfounded because the delays were caused by the owner's late design decisions. The contractor hires an attorney who advises that the termination may be wrongful. If a court later determines the termination was indeed wrongful (not justified), what is the typical legal consequence?

A. The court reinstates the contractor and orders them to complete the project at the original contract price

B. The wrongful termination is treated as if it never happened, and the contractor must return all termination-related payments

C. A wrongful termination for cause is typically converted to a termination for convenience — the contractor receives the compensation they would have been entitled to under a convenience termination (work completed, termination costs, reasonable profit on work performed) rather than the reduced compensation associated with a for-cause termination

D. The court awards the contractor the full remaining contract value plus punitive damages for the owner's wrongful conduct

23. A contractor's daily report from Thursday records the following: "Building inspector arrived at 9:30 AM for the rough plumbing inspection. Inspector identified two deficiencies: (1) a missing clean-out fitting at the base of a 4-inch cast iron soil stack, and (2) incorrect slope on a 20-foot section of 3-inch PVC drain line (installed at 1/16-inch per foot instead of the required 1/4-inch per foot). Inspection result: FAILED. Inspector stated that corrections must be made and re-inspection scheduled before any concealment of plumbing is permitted." Why is the drain line slope deficiency particularly significant?

A. A 1/16-inch per foot slope is steeper than required and will cause water to flow too quickly through the drain line

B. The incorrect slope is cosmetic and does not affect the functional performance of the drainage system

C. The slope deficiency only affects the initial flush and self-corrects once the system reaches normal operating temperature

D. A drain line installed at 1/16-inch per foot instead of 1/4-inch per foot has insufficient slope for proper gravity drainage — solids will not be carried effectively through the pipe, leading to chronic blockages, sewage backups, and potential code violations that would persist for the life of the building if not corrected before concealment

24. A project owner issues an addendum during the bidding period that changes the roofing system from a single-ply membrane to a standing-seam metal roof. The addendum is issued 48 hours before the bid deadline. A contractor receives the addendum, acknowledges it on their

bid form, but does not have sufficient time to obtain a qualified metal roofing subcontractor quote before the deadline. The contractor includes an estimated price for the metal roofing based on historical cost data rather than a current subcontractor quote. After being awarded the contract, the contractor discovers their metal roofing estimate is $85,000 below the actual subcontractor quotes. What is the contractor's situation?

A. The owner must pay the difference because the addendum was issued too close to the bid deadline for the contractor to obtain accurate pricing

B. The contractor bears the $85,000 loss because they voluntarily submitted the bid with an estimated price rather than requesting a bid deadline extension or qualifying their bid with a notation about the estimated roofing price — the contractor had the option to request additional time but chose to submit with incomplete pricing

C. The contractor can withdraw the bid without penalty because addenda issued within 72 hours of the deadline automatically void the bidding process

D. The architect is liable for the $85,000 because the late addendum constitutes a design error

DOMAIN: PROJECT MANAGEMENT (6 Questions)

25. A project manager on a commercial project receives a call from the concrete supplier informing them that a cement shortage has delayed the delivery of 200 cubic yards of structural concrete by 10 days. The concrete pour for the second-floor slab is on the critical path and is scheduled to begin in 3 days. What should the project manager do first?

A. Verify the delay information with the supplier, identify alternative concrete sources that may be able to deliver on the original schedule, evaluate the schedule impact of the 10-day delay on the critical path, and notify the owner in writing of the potential delay — taking all of these steps simultaneously because the 3-day window before the scheduled pour requires immediate parallel action

B. Wait for the delivery and adjust the schedule after the 10-day delay occurs

C. Cancel the second-floor pour entirely and redesign the structure to eliminate the need for the delayed concrete

D. Switch to a different structural system that does not require concrete to avoid the delivery delay

26. A contractor's three-week look-ahead schedule identifies that electrical rough-in on the first floor is scheduled to begin in week 2, but the drywall framing that must be completed before

the electrical work has not yet started. The framing was supposed to begin last week. The project superintendent investigates and discovers that the framing subcontractor has been pulled off the project by their company to work on a higher-priority job. What is the most immediate action the superintendent should take?

A. Wait for the framing subcontractor to return and adjust the electrical schedule accordingly

B. Have the electrical subcontractor begin their rough-in before the framing is complete to maintain the schedule

C. File a formal complaint with the ACLB against the framing subcontractor for abandoning the project

D. Contact the framing subcontractor's management immediately to demand they return crews to the project, issue a written notice of default under the subcontract documenting the unauthorized demobilization, and simultaneously identify backup framing contractors who can mobilize quickly if the original subcontractor does not return within 48 hours

27. A project schedule uses the Critical Path Method. The project manager identifies that three parallel paths through the schedule have the following total durations: Path X = 186 days; Path Y = 190 days; Path Z = 183 days. Currently, Path Y is the critical path at 190 days. A 5-day delay occurs on Path X. What is the impact on the project?

A. The project completion date is extended by 5 days because any delay to any path extends the project

B. Path X's total duration becomes 191 days, making it the new critical path at 191 days — the project completion date is extended by 1 day (from 190 to 191) because the delay pushed Path X past Path Y's 190-day duration by 1 day

C. No impact because Path X is not the critical path and has float to absorb the delay

D. Path X and Path Y become co-critical paths at 190 days each

28. A contractor's superintendent reviews the weather forecast for the coming week and sees that heavy rain is predicted for Wednesday through Friday. The schedule shows critical concrete placement on Thursday and Friday. The superintendent decides to accelerate the concrete pour to Tuesday and Wednesday — before the rain arrives — even though the reinforcing steel inspection is not scheduled until Wednesday morning. Can the superintendent proceed with the accelerated pour?

A. The superintendent cannot pour concrete before the reinforcing steel inspection is completed — pouring over uninspected rebar would require costly removal to allow the inspection, and

the superintendent should coordinate with the building inspector to schedule an expedited inspection on Monday or Tuesday to accommodate the accelerated pour schedule

B. Yes, because weather-driven schedule changes take priority over inspection scheduling

C. Yes, because the contractor's quality control photographs can substitute for the building inspector's physical inspection

D. The superintendent should proceed with the pour and schedule a post-placement inspection using ground-penetrating radar to verify the reinforcing steel through the hardened concrete

29. A project manager reviews the project's earned value data at the 40% completion mark and calculates: CPI = 1.08 and SPI = 0.92. What do these indices indicate about the project, and which one requires more immediate attention?

A. CPI 1.08 indicates the project is 8% over budget, and SPI 0.92 indicates the project is 8% ahead of schedule — the budget overrun requires immediate attention

B. Both indices are within acceptable tolerance and no corrective action is needed

C. CPI 1.08 indicates the project is under budget (getting $1.08 of value per dollar spent), and SPI 0.92 indicates the project is behind schedule (only 92% of planned work has been completed) — the SPI requires more immediate attention because schedule deficits at 40% completion compound in the remaining 60% and are harder to recover later

D. Both indices indicate the project is ahead of schedule and under budget, requiring no corrective action

30. A contractor is managing the closeout phase of a commercial building project. The architect has conducted the substantial completion walk-through and generated a punch list of 127 items. The contractor's superintendent reviews the list and finds that 15 items describe work that was never part of the original contract scope — such as installing additional outlet covers that were not shown on the electrical plans. How should the superintendent handle these 15 items?

A. Complete all 127 items without objection because punch lists are not subject to dispute

B. Refuse to complete any punch list items until the 15 disputed items are removed from the list

C. Complete all 127 items and submit a change order for the 15 out-of-scope items after the punch list is closed

D. Separate the 15 disputed items from the 112 legitimate punch list items — proceed immediately with correcting the 112 items that are clearly within the original scope while formally disputing the 15 out-of-scope items in writing to the architect and owner, requesting either removal from the punch list or processing as a change order

DOMAIN: INSURANCE AND BONDING (3 Questions)

31. A contractor carries a CGL policy with per-occurrence and aggregate limits. The contractor also carries a separate pollution liability policy. During construction of a commercial building, an underground fuel storage tank is accidentally ruptured by the contractor's excavator, releasing diesel fuel that contaminates the soil and groundwater on the adjacent property. The cleanup costs $320,000 and the adjacent property owner files a $200,000 property damage claim. Which policy responds?

A. The CGL policy covers both the cleanup costs and the property damage because the pollution was caused by the contractor's construction operations

B. The pollution liability policy covers the $320,000 cleanup costs, while the CGL policy covers the $200,000 property damage claim — standard CGL policies contain pollution exclusions that eliminate coverage for cleanup and remediation costs, but may cover sudden and accidental pollution events for bodily injury and property damage to third parties depending on the specific policy language

C. Neither policy covers the loss because underground fuel tank ruptures are excluded from all construction insurance policies

D. The adjacent property owner's homeowner's insurance covers their own property damage and the contractor has no insurance obligation

32. A surety issues a payment bond for a commercial construction project. After the project is completed, a second-tier subcontractor (a subcontractor to the general contractor's mechanical subcontractor) files a claim against the payment bond for $35,000 in unpaid labor and materials. The second-tier subcontractor has no direct contract with the general contractor. Under the Miller Act (or equivalent state law) payment bond requirements, can the second-tier subcontractor file a valid bond claim?

A. Yes, but the second-tier subcontractor must have served written notice on the general contractor within 90 days of the last day they furnished labor or materials — because second-tier claimants (sub-subcontractors and suppliers to subcontractors) generally have bond claim rights but must provide the additional notice that is not required of first-tier claimants who have a direct contract with the general contractor

B. No, because only subcontractors with direct contracts with the bonded general contractor can file payment bond claims

C. Yes, without any notice requirements because all participants in the construction chain have automatic bond claim rights

D. No, because second-tier subcontractors can only file mechanics' liens, not payment bond claims

33. A contractor wants to understand the relationship between their bonding capacity and their balance sheet. Their CPA explains that sureties focus primarily on working capital and net worth when establishing bonding limits. The contractor's current balance sheet shows: current assets $940,000; current liabilities $680,000; total assets $2,100,000; total liabilities $1,500,000. If the surety uses a multiplier of 12 times working capital and also requires net worth to support the bonding line, what is the contractor's approximate bonding capacity based on working capital?

A. $7,200,000, calculated using net worth instead of working capital

B. $2,520,000, calculated as 12 × $210,000 (incorrectly subtracting total liabilities from current assets)

C. $11,280,000, calculated using total assets instead of working capital

D. $3,120,000, calculated as 12 × $260,000 working capital ($940,000 current assets minus $680,000 current liabilities) — net worth of $600,000 ($2,100,000 minus $1,500,000) provides additional financial support for the bonding line

34. A contractor's workers' compensation carrier sends notice that the contractor's EMR will increase from 0.95 to 1.22 effective on the next policy renewal. The annual base premium at EMR 1.0 is $240,000. What is the financial impact of this EMR change, and what operational impact may result?

A. The premium increases by $2,400 annually and has no operational impact beyond the cost

B. The premium decreases because a higher EMR indicates improved safety performance

C. The premium increases from $228,000 (at 0.95) to $292,800 (at 1.22) — a $64,800 annual increase — and the EMR of 1.22 may disqualify the contractor from projects requiring a maximum EMR of 1.0, directly reducing bidding opportunities in addition to the significant premium increase

D. The EMR increase triggers an automatic 30-day safety stand-down required by the workers' compensation carrier before the contractor can resume active construction

DOMAIN: OSHA RECORDKEEPING (3 Questions)

35. A construction worker is using a pneumatic nail gun when a nail ricochets and strikes their safety glasses, shattering one lens. A small fragment of the lens scratches the worker's cornea. The jobsite first aid attendant flushes the eye with sterile saline solution. The worker visits an ophthalmologist who examines the cornea, prescribes antibiotic eye drops to prevent infection, and clears the worker to return to work the next day with no restrictions. Is this case OSHA recordable?

A. No, because the safety glasses prevented a more serious injury and the worker returned to work the next day with no restrictions

B. Yes, because the prescribed antibiotic eye drops constitute prescription medication, which is classified as medical treatment beyond first aid — making the case recordable regardless of the worker's return to full duty the next day

C. No, because eye injuries treated by flushing with saline are classified as first aid under OSHA recordkeeping definitions

D. Yes, but only if the worker misses more than one day of work following the eye injury

36. An employer with 85 employees reviews their OSHA 300 Log for the year. The log shows 15 total recordable cases: 3 fatalities, 4 cases with days away from work, 3 cases with restricted duty, and 5 cases with medical treatment beyond first aid only. Total hours worked: 170,000. What is the TRIR, and what does it indicate?

A. TRIR = 17.6, calculated as (15 × 200,000) ÷ 170,000 — this rate is approximately five times the construction industry average of 3.0 to 4.0, indicating catastrophically poor safety performance requiring immediate executive intervention, comprehensive program overhaul, and potentially triggering OSHA's Severe Violator Enforcement Program

B. TRIR = 8.8, calculated using only half the recordable cases in the formula

C. TRIR = 3.5, calculated using only the fatalities and days-away cases

D. TRIR = 1.8, calculated by dividing total cases by total employees without the normalization factor

37. A construction company's safety director is training new supervisors on the difference between OSHA recordability and workers' compensation compensability. A supervisor asks: "If a workers' compensation claim is denied by the insurance carrier, does that mean the case is not OSHA recordable?" What is the correct answer?

A. Yes, because OSHA recordability follows the workers' compensation determination — if the claim is denied, the case is not recordable

B. Yes, because OSHA and workers' compensation use identical criteria for determining whether a case qualifies for recording

C. No, because the workers' compensation denial only applies to cases involving pre-existing conditions that were not aggravated by the workplace

D. No, because OSHA recordability and workers' compensation compensability are determined by completely separate criteria — a case can be OSHA recordable (based on medical treatment,

lost time, or restricted duty thresholds) even if the workers' compensation claim is denied, and vice versa, because the two systems evaluate different questions

DOMAIN: PERSONNEL REGULATIONS (8 Questions)

38. A contractor with 60 employees operates in Arkansas. An employee who has worked for the company for 5 years requests FMLA leave to care for their adult child (age 25) who has been diagnosed with a serious medical condition requiring hospitalization. Under the FMLA, is the employer required to grant this leave?

A. Yes, because the FMLA covers leave to care for any family member regardless of age

B. No, because the FMLA only covers leave to care for minor children under the age of 18

C. Yes, because the FMLA allows leave to care for a "son or daughter" with a serious health condition — and while the term typically refers to a minor child or an adult child who is incapable of self-care due to a disability, an otherwise healthy 25-year-old adult child who temporarily requires care due to hospitalization may qualify depending on the specific circumstances and the nature of the incapacity

D. No, because leave to care for adult children is available only under the ADA's reasonable accommodation provisions, not under the FMLA

39. A non-exempt construction worker earns $32.00 per hour and works 48 hours during a workweek. The employer provides the worker with a $150 non-discretionary weekly tool allowance paid in addition to their hourly wages. Under the FLSA, how does the tool allowance affect the overtime calculation?

A. The tool allowance is excluded from the regular rate because it is a reimbursement for business expenses rather than compensation for services

B. The tool allowance must be included in the regular rate calculation: regular rate = ($32.00 × 48 + $150) ÷ 48 = $35.13/hour; overtime premium = $35.13 × 0.5 = $17.56 per overtime hour × 8 hours = $140.50 in additional premium beyond straight-time earnings

C. The tool allowance replaces the overtime premium and no additional overtime pay is owed when a weekly tool allowance exceeds $100

D. The tool allowance is added to the total gross pay after the overtime calculation without affecting the regular rate

40. An employer has a written policy stating: "All employees are required to report workplace injuries to their supervisor within 24 hours of the injury. Failure to report within 24 hours may result in denial of workers' compensation benefits." A worker injures their back on a Monday but does not report the injury until Thursday — 72 hours later. The employer denies the workers' compensation claim based on the 24-hour internal policy. Is the denial legally valid?

A. No, because the employer's internal 24-hour reporting policy does not override the statutory workers' compensation notice requirements — Arkansas law provides a reasonable time for employees to report injuries, and a 72-hour delay is unlikely to bar the claim unless the employer was prejudiced by the late report

B. Yes, because the employer's written policy establishes a binding deadline that supersedes state workers' compensation law

C. Yes, because 72 hours exceeds the maximum allowable reporting delay under all state workers' compensation statutes

D. No, but only if the worker was physically incapacitated during the 72-hour period and could not reasonably have reported sooner

41. A contractor terminates an employee for poor performance. The employee files for unemployment benefits. The employer contests the claim with the following documentation: (1) three written performance reviews showing declining performance over 12 months; (2) two written warnings for specific performance deficiencies; (3) a documented performance improvement plan that the employee failed to meet; and (4) the employee's signed acknowledgment of the company's performance expectations. What is the likely outcome?

A. The worker will receive full benefits because poor performance cannot constitute disqualifying misconduct

B. The worker will receive benefits because performance-based terminations are always classified as involuntary separations that qualify for unemployment benefits

C. The worker will receive benefits at a reduced rate because the employer documented the progressive discipline process

D. The worker will likely receive benefits — poor performance (inability to meet expectations despite effort) is generally distinguished from willful misconduct (deliberate rule-breaking or negligence), and most unemployment agencies classify performance-based terminations as non-disqualifying because the employee tried but could not meet the standard, which differs from an employee who willfully refuses to perform

42. An employer has 35 employees and is interviewing for a forklift operator position. During the interview, the employer asks: "Do you have any physical condition that would prevent you from safely operating a forklift?" Under the ADA, is this question permissible?

A. Yes, because the question relates to the candidate's ability to perform essential job functions

B. No, because the question is a prohibited disability-related inquiry — the ADA prohibits pre-offer questions about physical conditions, disabilities, or medical history, even when framed in terms of job requirements

C. Yes, but only if the employer asks the identical question to every applicant for every position

D. No, but the employer can ask: "Are you able to lift 50 pounds?" because specific physical capability questions are permitted while disability-related questions are not

43. A contractor operating on a Davis-Bacon covered project has a carpenter who worked 48 hours during the workweek. The prevailing wage for carpenters is $36.00/hour in wages plus $16.50/hour in fringe benefits. How must the overtime be calculated under Davis-Bacon?

A. Overtime is calculated at 1.5 times the base prevailing wage rate only ($36.00 × 1.5 = $54.00/hour) for the 8 hours exceeding 40, and the fringe benefit rate of $16.50/hour continues at the straight-time rate for all 48 hours — the overtime premium applies only to the cash wage rate, not to the fringe benefit contribution

B. Overtime is calculated at 1.5 times the combined wage and fringe rate ($52.50 × 1.5 = $78.75) for all hours exceeding 40

C. No overtime is owed because Davis-Bacon projects are exempt from FLSA overtime requirements

D. Overtime is calculated at 2.0 times the base wage rate for government-funded projects

44. An employer with 50 employees has a female construction laborer who discloses she is pregnant. The laborer's job involves lifting materials weighing up to 60 pounds, climbing ladders, and working in confined spaces. The employer immediately reassigns the laborer to light-duty office work without consulting her or her physician. The laborer files a complaint alleging pregnancy discrimination. Under the Pregnancy Discrimination Act, what is the employer's likely liability?

A. No liability because the employer acted to protect the health and safety of the pregnant employee and her unborn child

B. The employer likely violated the Pregnancy Discrimination Act by unilaterally reassigning the laborer without consulting her or her physician — pregnant employees must be treated the same as other employees similar in their ability or inability to work, and the employer cannot make assumptions about a pregnant employee's physical capabilities or force a job change without medical justification

C. No liability because employers have an affirmative duty to reassign pregnant employees to less hazardous positions

D. Liability limited to the wage difference between the laborer's construction pay and her temporary office pay

45. An employer's safety policy requires all employees to attend a weekly Monday morning safety meeting. The meeting runs from 6:30 AM to 7:00 AM, and the regular work shift begins at 7:00 AM. Employees are required to attend but are not paid for the 30-minute meeting. Under the FLSA, is this practice lawful?

A. Yes, because pre-shift meetings of less than one hour are classified as de minimis time that does not require compensation

B. Yes, because safety meetings are classified as training time exempt from compensation under OSHA regulations

C. No, but only if the safety meeting content is unrelated to the employees' specific job duties

D. No, because mandatory meetings that employees are required to attend constitute "hours worked" under the FLSA and must be compensated — the 30 minutes must be paid and counted toward the weekly total for overtime calculation purposes

46. An employer with 25 employees wants to implement random drug testing for all construction workers. Several employees object, arguing that random drug testing violates their privacy rights. In the private sector construction industry, what is the general legal framework for random drug testing?

A. Random drug testing is illegal for all private sector employers because it constitutes an unreasonable search under the Fourth Amendment

B. Random drug testing is permitted only for employees who operate heavy equipment or motor vehicles as part of their job duties

C. Private sector construction employers generally have broad authority to implement random drug testing programs, provided the program is established in a written policy, consistently applied to all employees in the tested group, and does not discriminate against any protected class — construction is considered a safety-sensitive industry where the employer's interest in workplace safety outweighs individual privacy concerns

D. Random drug testing requires prior approval from the state Department of Labor before implementation

47. A contractor discovers that their project superintendent has been requiring all Hispanic employees to provide additional identification documents for Form I-9 verification while accepting standard documentation from non-Hispanic employees. This discriminatory practice has been occurring for the past 18 months. The contractor takes corrective action by terminating

the superintendent and retraining all HR staff. Has the contractor fully resolved their legal exposure?

A. Terminating the superintendent and retraining staff addresses the going-forward risk but does not resolve exposure for the 18 months of past discriminatory conduct — the affected employees may file IRCA complaints for document abuse discrimination during the period the practice was in effect, and the contractor remains liable for the superintendent's actions because employers are responsible for their agents' discriminatory conduct

B. Yes, because terminating the responsible individual and retraining staff fully resolves all past and future liability

C. Yes, because the contractor's prompt corrective action demonstrates good faith that eliminates liability for the supervisor's unauthorized conduct

D. No, but the contractor's exposure is limited to a maximum fine of $500 per affected employee

48. An employer has an employee handbook that includes both a progressive discipline policy and an at-will employment disclaimer. A worker is terminated for a first-time offense — using a company vehicle for personal errands during work hours without authorization. The progressive discipline policy indicates that first offenses receive a verbal warning. The employer argues the at-will disclaimer allows them to skip the progressive discipline sequence. The terminated worker sues for wrongful termination. What is the most likely outcome?

A. The worker will prevail because the progressive discipline policy creates a binding employment contract that the employer violated

B. The outcome depends on the specific jurisdiction and the clarity of the at-will disclaimer — if the disclaimer is clear, prominent, and unambiguous, courts generally uphold it over the progressive discipline sequence for non-safety-related offenses, but the employer's inconsistent application of progressive discipline for similar offenses by other employees could still expose them to claims of discriminatory or arbitrary enforcement

C. The employer automatically prevails because at-will disclaimers are universally enforced without exception

D. The worker will prevail because using a company vehicle for personal errands is too minor an offense to justify termination under any employment framework

49. A contractor operating on a Davis-Bacon covered project employs workers who perform duties spanning two different prevailing wage classifications during the same workweek. Worker X spends 24 hours performing laborer duties (prevailing wage $22.00/hour + $10.50 fringe) and 20 hours performing equipment operator duties (prevailing wage $40.00/hour + $17.00 fringe). The contractor pays Worker X a blended rate of $30.00/hour for all 44 hours. Is this pay practice compliant?

A. Yes, because $30.00/hour exceeds the laborer prevailing wage rate and represents a fair average of both classifications

B. Yes, because paying a blended rate simplifies payroll administration and is accepted by the Department of Labor for split-classification workers

C. No, because the blended rate overpays the laborer hours, which creates a payroll reporting discrepancy on the certified payroll

D. No, because Davis-Bacon requires workers to be paid at the applicable prevailing wage rate for each classification based on the hours actually worked in each role — Worker X must receive at least $22.00 + $10.50 for the 24 laborer hours and $40.00 + $17.00 for the 20 equipment operator hours, and a $30.00 blended rate underpays the equipment operator hours by $10.00/hour

50. A contractor's workers' compensation insurance audit reveals that two field supervisors earning a combined $180,000 were classified under the "clerical office" classification code instead of the "construction supervision" classification code. The clerical rate is $1.50 per $100 of payroll. The construction supervision rate is $9.80 per $100 of payroll. What is the approximate additional premium the contractor will owe as a result of this misclassification?

A. $14,940, calculated at the construction supervision rate on the full $180,000 without crediting the clerical premium already paid

B. $2,700, calculated using only the clerical rate on the combined payroll

C. $14,940, calculated as the difference between the construction supervision premium ($180,000 ÷ $100 × $9.80 = $17,640) and the clerical premium already paid ($180,000 ÷ $100 × $1.50 = $2,700), yielding an additional $14,940 owed — workers' compensation classifications are based on actual job duties, not job titles, and field supervisors performing construction oversight duties belong in the construction supervision classification

D. $0, because classification errors discovered during audits are waived for first-time offenders

Practice Exam 18: Answer Key and Explanations

1. A — The primary advantage of the S-Corporation election is that the $70,000 shareholder distribution avoids the 15.3% self-employment tax, saving approximately $10,710 annually. As a sole proprietor, the entire $200,000 would be subject to self-employment tax. Under the S-Corporation structure, only the $130,000 salary is subject to FICA — the distribution passes through to the shareholder's individual return as non-FICA income.

2. C — The qualifying individual must personally meet both the experience and examination requirements for the license classification. The project manager has 8 years of construction experience and has passed both the NASCLA trade exam and the Arkansas Business and Law

exam — satisfying all qualification criteria. The owner lacks sufficient experience, and the office administrator has no construction background.

3. D — Multi-family apartment complexes are classified as commercial construction regardless of their occupancy type, construction method, or the fact that tenants will use the units as residences. A $2,800,000 apartment project far exceeds the commercial licensing threshold and requires a commercial contractor's license. The residential builder license is limited to single-family homes and duplexes.

4. B — The ACLB may request financial records, project contracts, insurance certificates, bond documentation, and other contracting records during audits, complaint investigations, or renewal reviews. Licensed contractors must maintain these records and make them available for Board review to demonstrate ongoing compliance with licensing requirements.

5. A — The license is issued based on the qualifications of the designated qualifying individual. When that individual leaves the company, the basis for the license is compromised. The contractor should have notified the ACLB immediately and designated a replacement. Operating for 4 months without a qualifying individual may constitute operating outside the terms of the license and may result in disciplinary action.

6. D — The bid documents explicitly reserved the owner's right to reject any and all bids. This reservation is standard in public bidding and allows rejection for legitimate reasons such as all bids exceeding the available budget. The owner is not obligated to award a contract when all bids exceed their financial capacity, provided the rejection is not arbitrary or discriminatory.

7. B — To achieve a 7% margin on selling price, divide total cost by (1 − margin): $920,000 ÷ 0.93 = $989,247. Profit: $69,247 ÷ $989,247 = 7.0%. Simply adding 7% of cost ($64,400) produces only a 6.5% margin on selling price — a common calculation error that results in underpricing.

8. C — The bid instructions explicitly state that unit prices govern over extensions when discrepancies exist. The unit price of $12.50 per square foot is the bidder's intended pricing per unit. The extension is corrected to $12,500 (1,000 SF × $12.50), and the total bid price is adjusted accordingly. This rule prevents mathematical errors in extensions from distorting the bid evaluation.

9. A — Structural steel: 450 × $3,200 = $1,440,000. Miscellaneous steel: 85 × $4,800 = $408,000. Subtotal: $1,848,000. Contingency: $1,848,000 × 0.03 = $55,440. Total: $1,903,440. The contingency covers unforeseen costs such as field modifications, connection changes, and material waste that are common in structural steel erection.

10. D — The contract allows a 10% markup on subcontracted change order work. The GC applies 10% to the subcontractor's full price of $62,000, yielding $6,200 in markup and a total change order cost of $68,200. The subcontractor's internal markup is embedded in their $62,000 price and is their own business decision — the GC's markup is calculated on the subcontract price as presented.

11. C — The contractor should acknowledge the safety urgency, comply with the directive by engaging a licensed asbestos abatement contractor, and simultaneously preserve their right to compensation by submitting a written change order request. The asbestos work was not in the

original scope, making it additional work that requires formal documentation and a change order for the $180,000 cost.

12. B — When repeated repairs fail to resolve the same deficiency, the warranty obligation may escalate from repair to replacement. The waterproofing system has fundamentally failed to perform as intended despite three repair attempts. Continued spot repairs do not satisfy the warranty obligation to deliver conforming work — at some point, the warrantor must acknowledge the system's failure and provide a comprehensive solution.

13. A — A properly drafted liquidated damages clause is enforceable as a pre-agreed estimate of damages that are difficult to calculate at contracting time. The contractor agreed to the $3,000/day rate when signing the contract. Courts enforce liquidated damages clauses unless they are found to be punitive rather than a reasonable estimate of anticipated harm. The owner's actual damages being less than the agreed amount does not void the clause.

14. D — Davis-Bacon establishes minimum prevailing wage rates, not maximum rates. Paying apprentices the higher journeyman rate exceeds the minimum requirement, which is fully compliant. There is no upper limit on what a contractor can pay workers on a Davis-Bacon project. The certified payroll should accurately report the wages actually paid.

15. C — Responsibility is shared. The contractor identified the conflict during bidding but failed to raise it, potentially violating the duty to report known errors. However, the architect scheduled winter painting of a temperature-sensitive system without considering application requirements — a design coordination failure. Both parties contributed to the situation, and the allocation of responsibility depends on the specific contract provisions regarding the duty to report conflicts.

16. B — The owner may be in breach of the non-solicitation provision by actively recruiting the contractor's lead superintendent during the project. At 70% completion, losing a key superintendent causes significant disruption — schedule delays, quality risks, and management gaps. The contractor may seek injunctive relief to enforce the clause and damages for the operational disruption.

17. A — Owner-caused delays entitle the contractor to both a time extension and compensation for the additional costs incurred during the delay period. An owner-caused delay — failure to provide timely access — is fundamentally different from an excusable delay like weather. The contractor should not bear the $24,000 financial burden of a delay caused by the owner's failure to perform their contractual obligation.

18. D — Failure to maintain interim life safety measures in an occupied hospital is extremely serious. Even though no fire occurred, the missing barrier created an unprotected exposure in an occupied patient care area. The contractor faces potential ACLB disciplinary action, fire code citations, contract default notices, and liability exposure. ILSM maintenance is a non-negotiable life safety obligation.

19. C — Under a standard termination for convenience, the contractor receives payment for all work completed, costs for materials ordered or in transit, reasonable demobilization expenses, subcontractor termination charges, and a fair profit on the work performed. The contractor does not receive anticipated profit on the unperformed 45% — that is the key financial distinction between termination for convenience and breach of contract.

20. B — The 1-year gap between the subcontract warranty and the prime contract warranty creates direct financial exposure for the general contractor. During Year 2, the GC is liable to the owner for paint defects under the prime contract but has no contractual remedy against the painting subcontractor whose 1-year warranty has expired. The GC must fund Year 2 warranty repairs from their own resources.

21. A — The contractor priced the bid based on codes in effect on the bid date. Code changes enacted after the contract is signed constitute a change in the contractor's scope that was not included in the original pricing. The owner bears the cost through a change order, regardless of whether the ordinance was publicly discussed before enactment — discussion is not enactment, and the contractor's pricing obligation is based on enacted law, not pending legislation.

22. C — A wrongful termination for cause is typically converted to a termination for convenience. The contractor receives the compensation they would have been entitled to under a convenience termination — payment for completed work, termination costs, and reasonable profit on work performed. This conversion prevents the owner from gaining the financial advantage of a for-cause termination when the termination was not justified.

23. D — A drain line at 1/16-inch per foot has only one-quarter of the minimum required slope (1/4-inch per foot). This insufficient slope prevents proper gravity drainage — solids will not be carried through the pipe, causing chronic blockages and sewage backups. This is a serious code violation that would persist for the life of the building if not corrected before the plumbing is concealed behind walls and floors.

24. B — The contractor voluntarily submitted a bid with an estimated metal roofing price rather than requesting a bid deadline extension to obtain accurate quotes. The contractor had the option to request additional time, qualify their bid, or decline to bid — they chose to submit with incomplete pricing and must accept the consequences. The $85,000 loss is a self-inflicted estimating risk.

25. A — With only 3 days before the scheduled critical-path pour, the project manager must take immediate parallel action: verify the delay with the supplier, identify alternative concrete sources, evaluate the schedule impact, and notify the owner in writing. These steps must happen simultaneously — sequential action wastes the narrow 3-day window. The owner notification preserves the contractor's right to a time extension if the delay is unavoidable.

26. D — The superintendent should contact the framing subcontractor's management immediately with a demand to return crews, issue a written notice of default documenting the unauthorized demobilization, and simultaneously identify backup framing contractors. The 48-hour deadline creates urgency — if the original subcontractor does not return promptly, the backup contractor must be ready to mobilize to prevent the electrical schedule from slipping.

27. B — Path X's duration increases from 186 to 191 days, exceeding Path Y's 190 days by 1 day. Path X becomes the new critical path at 191 days, extending the project completion by 1 day. The 5-day delay consumed Path X's 4 days of float (190 − 186) plus 1 additional day that extends the project. This illustrates how near-critical paths can become critical when delays consume their limited float.

28. A — The superintendent cannot pour concrete over uninspected reinforcing steel. The building inspector must physically examine the rebar before it is covered. The superintendent should coordinate with the inspector to schedule an expedited inspection on Monday or Tuesday to accommodate the accelerated pour. This approach addresses both the weather concern and the inspection requirement.

29. C — CPI of 1.08 means the project is under budget — getting $1.08 of value per dollar spent. SPI of 0.92 means the project is behind schedule — only 92% of planned work has been completed. The schedule deficit requires more immediate attention because at 40% completion, an 8% schedule shortfall compounds during the remaining 60% and becomes progressively harder to recover.

30. D — The superintendent should separate the legitimate punch list items from the disputed items. Proceed immediately with correcting the 112 items that are clearly within the original scope while formally disputing the 15 out-of-scope items in writing. This approach demonstrates good faith on the legitimate items while preserving the contractor's right to a change order for work not included in the original contract.

31. B — Standard CGL policies contain pollution exclusions that eliminate coverage for cleanup and remediation costs. The pollution liability policy covers the $320,000 cleanup. The CGL policy may cover the $200,000 third-party property damage claim if the pollution event qualifies as "sudden and accidental" under the specific policy language. The two policies address different aspects of pollution-related losses.

32. A — Second-tier subcontractors (sub-subcontractors and suppliers to subcontractors) generally have payment bond claim rights, but they must provide written notice to the general contractor within 90 days of the last day they furnished labor or materials. This notice requirement applies specifically to second-tier claimants who lack direct privity with the bonded contractor — first-tier subcontractors with direct contracts do not need to provide this additional notice.

33. D — Working capital: $940,000 − $680,000 = $260,000. Bonding capacity: 12 × $260,000 = $3,120,000. Net worth: $2,100,000 − $1,500,000 = $600,000, which provides additional financial support. Working capital is the primary metric because it measures the contractor's ability to fund day-to-day operations, while net worth provides the overall financial cushion that supports the bonding relationship.

34. C — Premium at EMR 0.95: $240,000 × 0.95 = $228,000. Premium at EMR 1.22: $240,000 × 1.22 = $292,800. Annual increase: $64,800. Beyond the premium increase, an EMR of 1.22 exceeds the 1.0 maximum commonly required by project owners and general contractors for prequalification, directly reducing the contractor's available bidding opportunities.

35. B — The prescribed antibiotic eye drops constitute prescription medication, which is classified as medical treatment beyond first aid under OSHA recordkeeping definitions. The case is recordable regardless of the worker returning to full duty the next day with no restrictions. Note that the saline eye flush alone would be first aid — it is the prescription medication that crosses the recordability threshold.

36. A — TRIR = (15 × 200,000) ÷ 170,000 = 17.6. The construction industry average is approximately 3.0 to 4.0. A TRIR of 17.6 — nearly five times the industry average — indicates

catastrophically poor safety performance. Three fatalities in a single year for an 85-person company demands immediate executive intervention, comprehensive program overhaul, and likely OSHA enforcement action.

37. D — OSHA recordability and workers' compensation compensability are determined by entirely separate criteria. OSHA recordability is based on whether the injury resulted in medical treatment beyond first aid, lost time, restricted duty, or other specified outcomes. Workers' compensation is based on different statutory criteria. A case can be OSHA recordable even when the workers' comp claim is denied, and vice versa.

38. C — The FMLA covers leave to care for a "son or daughter" with a serious health condition. While this typically refers to minor children, it can include adult children who are incapable of self-care due to a mental or physical disability. A 25-year-old adult child temporarily hospitalized may qualify depending on whether the hospitalization renders them incapable of self-care. The specific circumstances determine eligibility.

39. B — Non-discretionary tool allowances paid as regular additional compensation must be included in the regular rate calculation. Regular rate: ($32.00 × 48 + $150) ÷ 48 = $35.13/hour. Overtime premium: $35.13 × 0.5 = $17.56 per overtime hour × 8 hours = $140.50 in additional premium. The tool allowance increases the effective overtime cost above what the base hourly rate alone would produce.

40. A — The employer's internal 24-hour reporting policy does not override Arkansas workers' compensation statutory notice requirements. State law provides a reasonable time for employees to report workplace injuries, and a 72-hour delay is unlikely to bar the claim unless the employer can demonstrate actual prejudice from the late report. Internal policies cannot strip away statutory workers' compensation rights.

41. D — Poor performance — the inability to meet expectations despite genuine effort — is generally distinguished from willful misconduct in unemployment determinations. Most unemployment agencies classify performance-based terminations as non-disqualifying because the employee tried but could not meet the standard. The employer's thorough documentation demonstrates a fair process but does not change the classification of the termination reason.

42. B — The ADA prohibits pre-offer disability-related inquiries. Asking whether a candidate has "any physical condition" that would prevent safe operation is a disability-related question that cannot be asked before a conditional job offer. The employer may describe the essential functions and ask whether the candidate can perform them, but cannot inquire about physical conditions, disabilities, or medical history before offering the position.

43. A — Under Davis-Bacon, the overtime premium applies only to the cash wage rate, not to the fringe benefit contribution. Overtime rate: $36.00 × 1.5 = $54.00/hour for the 8 hours exceeding 40. The fringe benefit rate of $16.50/hour continues at the straight-time rate for all 48 hours. Total compensation: (40 × $36.00) + (8 × $54.00) + (48 × $16.50).

44. B — The Pregnancy Discrimination Act requires employers to treat pregnant employees the same as other employees similar in their ability or inability to work. Unilaterally reassigning a pregnant employee without medical justification or the employee's input violates this requirement. The employer cannot make assumptions about a pregnant worker's physical capabilities — the decision should be based on medical documentation, not stereotypes.

45. D — Mandatory meetings that employees are required to attend constitute "hours worked" under the FLSA and must be compensated. The 30-minute pre-shift safety meeting must be paid at the regular rate, and the time counts toward the weekly total for overtime calculation purposes. Failing to pay for mandatory meeting time is a wage and hour violation regardless of when the meeting occurs.

46. C — Private sector construction employers generally have broad authority to implement random drug testing programs because construction is a safety-sensitive industry. The program must be established in a written policy, consistently applied, and non-discriminatory. The employer's interest in maintaining a safe workplace for all employees outweighs individual privacy concerns in the construction context.

47. A — Terminating the superintendent and retraining staff addresses future risk but does not resolve liability for 18 months of past discriminatory conduct. Affected employees may file IRCA complaints for document abuse discrimination during the period the practice occurred. The contractor remains vicariously liable for the superintendent's discriminatory actions because employers are responsible for their agents' conduct.

48. B — The outcome depends on the jurisdiction, the clarity of the at-will disclaimer, and whether the employer has applied progressive discipline consistently for similar offenses. A clear, prominent at-will disclaimer generally prevails over the progressive discipline sequence, but inconsistent application — terminating this employee for a first offense while giving others verbal warnings for similar conduct — could expose the employer to discrimination or arbitrary enforcement claims.

49. D — Davis-Bacon requires workers to be paid at the applicable prevailing wage rate for each classification based on hours actually worked. Worker X must receive the laborer rate ($22.00 + $10.50) for 24 hours and the equipment operator rate ($40.00 + $17.00) for 20 hours. The $30.00 blended rate underpays the equipment operator hours by $10.00/hour, creating a significant Davis-Bacon violation.

50. C — Construction supervision premium: ($180,000 ÷ $100) × $9.80 = $17,640. Clerical premium already paid: ($180,000 ÷ $100) × $1.50 = $2,700. Additional premium owed: $17,640 − $2,700 = $14,940. Workers' compensation classifications are based on actual job duties — field supervisors performing construction oversight belong in the construction supervision classification, not the clerical classification, regardless of their job title.