

PRACTICE EXAM 18: OHIO BUSINESS AND LAW SIMULATION (50 QUESTIONS)

50 Questions — 120 Minutes Recommended

1. An Ohio contractor forms a singlemember LLC and does not file any tax election with the IRS. The LLC earns \$240,000 in net income for the year. The member withdraws \$180,000 in cash distributions and leaves \$60,000 in the business bank account. For federal income tax purposes, how much income does the member report on the personal tax return?

- A. \$180,000 matching the cash distributions actually withdrawn during the year
- B. \$240,000 because a singlemember LLC without a tax election is a disregarded entity and all net income is reported on the member's Schedule C regardless of distributions
- C. \$60,000 representing only the amount retained in the business bank account
- D. Zero because LLC income is taxed at the entity level not on the member's personal return

2. An Ohio contractor operates as an S corporation with one shareholderemployee. The Scorp earns \$320,000 in net income. The shareholder pays herself a salary of \$95,000. The IRS audits the return and determines that comparable contractors in Ohio earn between \$120,000 and \$145,000 for similar work. In addition to reclassifying a portion of distributions as wages, what additional consequence may the IRS impose?

- A. Dissolution of the S corporation election retroactively converting the entity to a sole proprietorship
- B. A flat penalty of \$25,000 for each year of unreasonable compensation regardless of the dollar amount involved
- C. Back FICA taxes on the reclassified amount plus potential penalties and interest for the underpayment
- D. Criminal tax fraud charges against the shareholder for intentionally understating the reasonable salary

3. A contractor's business plan includes a management team section. The section identifies the owner as the sole employee and states that the company plans to hire an estimator, a project manager, and an office administrator within the first year. The plan does not address what happens if these positions cannot be filled. What weakness does this create?

A. The plan fails to address the operational risk of being unable to fill critical positions and should include a contingency strategy for managing operations with a smaller staff than planned

B. The plan is complete because identifying future hires demonstrates adequate management planning

C. The plan should eliminate the planned positions entirely because a sole proprietor does not need additional staff

D. The weakness is limited to the financial projections which should exclude salary costs for positions that may not be filled

4. An OCILB licensed plumbing contractor operates a commercial plumbing business. A customer asks the contractor to install a residential water heater in the customer's home. The contractor holds only an OCILB commercial plumbing license and no local residential contractor registration. Is the contractor authorized to perform this work?

A. Yes because the OCILB plumbing license authorizes both commercial and residential plumbing work statewide

B. Yes because water heater installation is classified as a service call not regulated construction work

C. No because the OCILB does not license residential contractors and the contractor needs to check local residential licensing requirements

D. No because the OCILB license specifically restricts the contractor to commercial projects and residential plumbing falls under local jurisdiction requiring separate local authorization

5. Under ORC Chapter 4740, the OCILB requires commercial contractors in the five licensed trades to maintain a minimum level of general liability insurance. A newly licensed electrical contractor obtains a CGL policy with a \$300,000 peroccurrence limit. The OCILB minimum requirement is \$500,000. What is the consequence of maintaining coverage below the required minimum?

A. No consequence because the OCILB does not verify insurance limits after the initial license issuance

- B. The contractor receives a sixmonth grace period to increase coverage to the required \$500,000 minimum
- C. The contractor's license may be suspended or revoked because maintaining the required minimum insurance is a condition of licensure
- D. The OCILB issues a warning letter and the contractor has ninety days to comply

6. An estimator calculates the fully loaded labor cost for a commercial project. The base wage is \$32.00 per hour. The burden includes employer FICA at 7.65%, workers' compensation at \$7.20 per \$100 of payroll, health insurance at \$4.80 per hour, and paid time off at 8% of the base wage. What is the approximate fully loaded hourly rate?

- A. \$32.00 because the burden is classified as overhead not a direct labor cost
- B. Approximately \$41.81 calculated by adding the FICA contribution, workers' compensation premium, health insurance, and PTO allocation to the base wage
- C. Approximately \$64.00 calculated by doubling the base wage as a standard fully loaded rate
- D. Approximately \$36.80 calculated by adding only FICA and health insurance to the base wage

7. A contractor on a public project submits a bid of \$1,750,000. The bid documents require acknowledgment of four addenda. The contractor's bid form acknowledges Addenda 1, 2, and 3 but omits Addendum 4. Addendum 4 revised the HVAC specifications and added an alternate. The bid is the lowest by \$62,000. The owner's legal counsel reviews the bid. What is the most likely recommendation?

- A. Accept the bid because the lowest price takes precedence over administrative requirements
- B. Accept the bid and assume Addendum 4 is included because the contractor likely received it
- C. Allow the contractor fortyeight hours to confirm acknowledgment of Addendum 4
- D. Reject the bid as nonresponsive because failure to acknowledge an addendum that modified the scope means the bid may not include the revised specifications

8. A contractor enters into a GMP contract for \$1,800,000 with a fixed fee of \$90,000 and a seventythree savings split favoring the owner. Actual project costs total \$1,620,000. What is the contractor's total compensation?

- A. \$1,737,000 calculated as actual costs plus the fixed fee plus the contractor's thirty percent share of the \$90,000 savings below the GMP
- B. \$1,800,000 representing the full GMP regardless of actual savings
- C. \$1,710,000 calculated as actual costs plus the fixed fee with no savings share
- D. \$1,620,000 representing only the actual costs with the fee forfeited due to the savings

9. A commercial construction contract contains a "payifpaid" clause that explicitly states: "The Owner's payment to the Contractor is a condition precedent to the Contractor's obligation to pay the Subcontractor." The owner becomes insolvent and never pays the contractor for the subcontractor's completed work. Under this clause, is the contractor obligated to pay the subcontractor?

- A. Yes because the contractor always has an independent obligation to pay subcontractors regardless of contract language
- B. Yes because payifpaid clauses are universally void and unenforceable in all jurisdictions
- C. No because the clause creates an explicit condition precedent and the owner's nonpayment relieves the contractor of the payment obligation
- D. No but only if the contractor can prove that the nonpayment was not caused by the contractor's own actions or omissions

10. A contractor on a commercial project submits a change order for \$18,000 in additional electrical work directed by the owner. The contract requires change order requests within seven days of receiving a directive. The contractor submits the request on day five. The owner approves the scope but disputes the price, offering \$14,000. While the price is being negotiated, the contractor performs the work. Three weeks later, the owner withdraws the change order entirely, claiming the work was within the original scope. What protects the contractor?

- A. The contractor's timely seven day notice and the owner's written approval of the scope protect the contractor's right to additional compensation even though the price had not been finalized
- B. The contractor has no protection because work performed before a signed change order is at the contractor's risk

- C. The owner's initial approval automatically locks the price at the contractor's proposed \$18,000
- D. The contractor's daily reports are the sole basis for recovery because change order requests have no legal effect

11. A project manager on a commercial renovation discovers that the architect's demolition drawings do not show a loadbearing masonry wall that the contractor must work around. The wall is clearly visible on site. The contractor proceeds with demolition and accidentally removes a section of the loadbearing wall, causing structural settlement. Who is primarily responsible for the damage?

- A. The architect is solely responsible because the demolition drawings should have identified all loadbearing walls
- B. The property owner is responsible because the owner should have surveyed the building before design began
- C. Both parties share responsibility but the contractor cannot escape liability for demolishing a visibly loadbearing structure without first investigating its structural function
- D. The contractor is primarily responsible because a visible loadbearing wall should have been identified and investigated before demolition regardless of whether it appeared on the drawings

12. A contractor's CPM schedule shows Activity S with an early start of Day 30, early finish of Day 42, late start of Day 37, and late finish of Day 49. The project manager wants to delay Activity S by five days to accommodate a material delivery change. What is the impact?

- A. The project completion date will be extended by five days because any delay to any activity extends the project
- B. No impact on the project completion date because Activity S has seven days of total float and a five-day delay consumes only five of those seven days leaving two days of remaining float
- C. The project completion date will be extended by two days because only two of the seven float days can be used
- D. No impact because Activity S is on the critical path and can be moved freely

13. A contractor on a commercial project submits monthly progress payment applications. The contract requires the contractor to include unconditional lien waivers for previous payments with each current application. The contractor submits conditional waivers instead of unconditional waivers for prior payments. The owner's title company flags this discrepancy. Why does the owner need unconditional waivers for previous payments?

- A. Conditional waivers for previous payments are adequate because the payments have already been processed
- B. The title company's concern is administrative only and has no legal significance for the owner
- C. Unconditional waivers for previously received payments confirm that the contractor actually received and deposited those funds permanently releasing lien rights for amounts already paid
- D. The distinction between conditional and unconditional waivers is irrelevant for progress payments

14. A contractor's CGL policy provides \$1,000,000 per occurrence and \$2,000,000 general aggregate. The contractor also has a \$5,000,000 umbrella policy with a \$10,000 selfinsured retention. A fire caused by the contractor's welding operations on a commercial project results in \$2,800,000 in damage to the building. This is a single occurrence. How is the claim paid?

- A. The CGL pays \$1,000,000 under the peroccurrence limit and the umbrella pays \$1,800,000 for the excess above the underlying peroccurrence limit
- B. The CGL pays \$2,000,000 under the general aggregate and the umbrella pays \$800,000
- C. The CGL pays \$2,800,000 because the general aggregate covers the full claim
- D. The umbrella pays the full \$2,800,000 because fire damage is excluded from CGL coverage

15. An Ohio contractor has a workers' compensation base premium of \$62,000 and an EMR of 0.88. The contractor implements a returntowork program that brings injured employees back on modified duty more quickly. Over two years, the EMR drops from 0.88 to 0.76. What are the annual premiums at each EMR and the annual savings?

- A. At 0.88 EMR: \$54,560. At 0.76 EMR: \$47,120. Savings: \$7,440
- B. At 0.88 EMR: \$62,000. At 0.76 EMR: \$47,120. Savings: \$14,880
- C. At 0.88 EMR: \$68,560. At 0.76 EMR: \$47,120. Savings: \$21,440

D. At 0.88 EMR: \$54,560. At 0.76 EMR: \$47,120. Annual savings: \$7,440 demonstrating the financial return on the return-to-work program investment

16. A commercial project reaches substantial completion on April 1. The architect issues the Certificate of Substantial Completion. The contract provides for a one-year warranty from substantial completion. In October — six months into the warranty — the owner discovers that the HVAC system is not maintaining specified temperatures. The owner notifies the contractor. The contractor investigates and determines that the rooftop units are functioning properly but the building's thermal envelope has insufficient insulation — a condition that predates the contractor's work. What is the contractor's warranty obligation?

- A. The contractor must correct the insulation deficiency because the warranty covers all building performance issues
- B. The contractor must correct both the HVAC system and the insulation because the warranty covers the entire building
- C. The contractor's warranty covers the HVAC system but not the preexisting insulation deficiency and the contractor should document the findings and advise the owner that the temperature issue is caused by conditions outside the contractor's scope
- D. The contractor has no warranty obligation because the building is performing within the equipment manufacturer's specifications

17. Under OSHA's construction standards, a contractor provides hearing protection to employees working near a concrete saw that produces noise levels of ninety-five decibels. The employer provides earplugs and requires workers to wear them. However, the employer has not conducted audiometric (hearing) testing for any workers. At what noise exposure level does OSHA require audiometric testing as part of a hearing conservation program?

- A. Eighty decibels averaged over an eight-hour time-weighted average
- B. Eighty-five decibels averaged over an eight-hour time-weighted average which triggers the full hearing conservation program including audiometric testing
- C. Ninety decibels which is the permissible exposure limit for construction
- D. One hundred decibels which is the threshold for immediate hearing damage

18. An OSHA inspector issues a citation to a contractor for a serious violation of the trenching standard — failure to provide a protective system in a sixfootdeep trench. The proposed penalty is \$15,000. The contractor wants to contest the citation. The contractor receives the citation on Friday, March 7. Counting fifteen working days from the day after receipt, what is the deadline to file the notice of contest?

- A. Friday, March 28 counting fifteen working days starting from Monday, March 10 and excluding weekends
- B. Saturday, March 22 counting fifteen calendar days from the date of receipt
- C. Friday, April 4 counting twenty working days from the date of receipt
- D. Monday, March 31 counting fifteen working days including the date of receipt

19. An Ohio employer with forty employees operates a commercial plumbing business. A female plumber reports to the HR manager that a male coworker has been making sexually explicit comments and showing inappropriate images. The HR manager investigates and confirms the allegations. The employer suspends the offending employee for three days and issues a final written warning. The harassment stops. Six months later, the same employee resumes the harassing behavior toward a different female coworker. The employer issues another verbal warning. What is the employer's legal exposure?

- A. No exposure because the employer took effective action the first time and a verbal warning is adequate for the second occurrence
- B. No exposure because the second victim is a different person and each complaint is evaluated independently
- C. Limited exposure because the employer responded both times which demonstrates good faith compliance
- D. Significant exposure because the employer's response to the repeat offense was weaker than the initial response and the continued employment of a known repeat harasser demonstrates a failure to take effective corrective action

20. A contractor on a commercial project creates asbuilt drawings documenting that a main sewer line was relocated eight feet west of its designed location to avoid an unknown existing utility discovered during excavation. The asbuilt documentation includes the actual GPS coordinates, depth, material type, and pipe diameter of the relocated sewer line. Why is this level of detail critical?

- A. It satisfies the building department's requirement for a final plumbing inspection and certificate of occupancy
- B. It ensures that future excavation, maintenance, or construction near the sewer line can be performed accurately and safely because the actual location differs significantly from the original design
- C. It provides the architect with proof that the contractor followed the original design intent for the sewer installation
- D. It establishes the contractor's claim for a change order related to the relocation costs

21. A contractor's surety company reviews the contractor's yearend financial statements. The surety notes that the contractor's current ratio has improved from 1.2 to 1.8 over two years. However, further analysis reveals that the improvement is primarily due to a large increase in accounts receivable — not in cash or liquid assets. The receivables are heavily concentrated in two slowpaying customers. What concern does the surety have?

- A. No concern because a higher current ratio always indicates improved financial health regardless of the composition
- B. The current ratio improvement is misleading because the increased receivables may not be collectible
- C. The improved ratio is a strong positive indicator and the surety should increase bonding capacity immediately
- D. The surety should focus only on the debttoequity ratio because the current ratio is not relevant to bonding decisions

22. An Ohio contractor earns \$4,600,000 in annual gross receipts. The Ohio CAT rate of 0.26% applies to taxable gross receipts above \$1,000,000. The contractor also owes the annual minimum tax of approximately \$800 for receipts between \$150,000 and \$1,000,000. What is the contractor's total approximate annual CAT liability?

- A. \$10,160 calculated as \$800 minimum tax plus 0.26% of \$3,600,000 (\$9,360) which is the taxable gross receipts above \$1,000,000
- B. \$11,960 calculated as 0.26% of the full \$4,600,000 in gross receipts
- C. \$9,360 calculated as 0.26% of \$3,600,000 with no minimum tax component
- D. \$800 representing only the minimum tax because the percentage rate does not apply until receipts exceed \$5,000,000

23. An Ohio contractor purchases \$85,000 in HVAC equipment from an Ohio distributor and pays full Ohio sales tax. The equipment is installed on a project for a federally owned facility. The federal government is exempt from state sales tax under the Supremacy Clause. Can the contractor recover the sales tax paid?

A. No because the contractor paid the tax at the point of purchase and federal exemptions do not apply retroactively

B. Yes because the contractor can present the federal exemption to the distributor for a credit or file a refund claim with the Ohio Department of Taxation for the tax paid on materials installed on a federally exempt project

C. No because only the federal government can claim the exemption and contractors cannot pass through federal tax exempt status

D. Yes but only if the contract specifically designates the contractor as a purchasing agent of the federal government

24. A subcontractor on a private commercial project first furnishes labor on April 1. The subcontractor does not serve a Notice of Furnishing on the property owner. The subcontractor works through September 30. On November 20 — fiftyone days after last furnishing — the subcontractor files a mechanic's lien affidavit for the full contract value of \$165,000. Without the Notice of Furnishing, what portion of the work is protected by the lien?

A. The full \$165,000 because the lien affidavit was filed within sixty days of last furnishing

B. Only the value of work performed during the last sixty days before the filing date

C. Only the value of work performed from approximately September 30 backward twentyone days plus any work after the filing date

D. Only the value of work performed during approximately the twentyone days before the November 20 filing date — roughly October 30 through November 20

25. A property owner on a private commercial project receives a Notice of Furnishing from a subcontractor the owner has never heard of. The notice identifies the subcontractor, the general contractor, and the property. The owner contacts the general contractor who confirms that the subcontractor is performing mechanical work on the project. What is the significance of this notice for the property owner?

- A. The notice requires the owner to pay the subcontractor directly rather than paying through the general contractor
- B. The notice creates a lien on the property immediately upon receipt without any further action by the subcontractor
- C. The notice alerts the owner that the subcontractor has preserved the right to file a mechanic's lien if not paid and the owner should track this subcontractor's payment status through lien waivers
- D. The notice has no legal significance and serves only as an informational courtesy from the subcontractor

26. A general contractor on a private commercial project has been collecting conditional partial lien waivers from all subcontractors monthly. At project completion, the GC collects conditional final waivers and submits them to the owner with the final payment application. The owner releases retainage to the GC. The GC distributes the retainage to all subcontractors. Three months later, a subcontractor files a mechanic's lien claiming additional compensation for disputed extra work. The GC has a conditional final waiver from this subcontractor. Can the GC use the waiver to defeat the lien?

- A. Yes because the conditional waiver became effective when the subcontractor received the final payment and the waiver released all lien rights including claims for extra work
- B. No because conditional waivers never become effective regardless of whether payment is received
- C. Yes but only if the waiver specifically referenced the disputed extra work by description and dollar amount
- D. No because the conditional waiver may have excluded the disputed extra work if the waiver amount did not include the additional compensation claim

27. Under the Miller Act, a secondtier electrical supplier on a \$7,000,000 federal project delivers \$72,000 in electrical switchgear to a firsttier subcontractor. The last delivery was March 1. The supplier provides written notice to the prime contractor on May 25 — eightyfive days after last delivery. The supplier files a payment bond lawsuit on January 15 of the following year — approximately ten and a half months after last delivery. Are both steps timely?

- A. The notice is untimely because the ninetyday period runs from the date of the invoice not the date of delivery
- B. Both are timely because the notice was within ninety days of last delivery and the lawsuit was within one year of last delivery

- C. The notice is timely but the lawsuit is untimely because it was filed more than nine months after last delivery
- D. Both are untimely because the combined time between last delivery and the lawsuit exceeds twelve months

28. A contractor's income statement shows: revenue \$3,800,000, cost of revenue \$3,040,000, general overhead \$570,000. What is the gross profit margin, net operating income, and breakeven revenue?

- A. Gross margin 20%, net income \$760,000, breakeven \$2,850,000
- B. Gross margin 15%, net income \$190,000, breakeven \$3,800,000
- C. Gross margin 20%, net income \$190,000, breakeven \$3,800,000
- D. Gross margin 20%, net income \$190,000, breakeven \$2,850,000

29. A contractor's balance sheet shows current assets of \$490,000, current liabilities of \$340,000, noncurrent assets of \$310,000, and longterm liabilities of \$210,000. The contractor applies for a \$2,500,000 performance bond. The surety guideline requires working capital to equal at least ten percent of the bond amount. Does the contractor meet this guideline?

- A. Yes because working capital of \$150,000 equals or exceeds ten percent of the \$2,500,000 bond amount (\$250,000), \$150,000 is less than \$250,000 so the contractor does not meet the guideline
- B. No because working capital of \$150,000 is less than the ten percent threshold of \$250,000
- C. Yes because the current ratio of 1.44 exceeds the minimum requirement regardless of the dollar amount
- D. No because working capital must equal at least twenty percent of the bond amount

30. Under OSHA's excavation standard, a contractor is working in a trench that is twelve feet deep. The contractor has installed a trench box (trench shield) as the protective system. How high above the surrounding grade must the trench box extend?

- A. The trench box must extend at least four feet above grade to prevent workers from falling into the trench

- B. The trench box must extend to the full depth of the trench and is not required to extend above the surrounding grade
- C. The trench box must extend at least eighteen inches above the surrounding grade to provide protection against loose material rolling into the trench
- D. The trench box must extend three feet above grade to match the ladder extension requirement

31. A contractor's employee sustains a recordable workplace injury on March 15. The employer records the injury on OSHA Form 300 and completes Form 301 on March 20 — five days after learning of the injury. The following year, the employer prepares Form 300A and posts it on February 15. Is the employer in compliance with OSHA recordkeeping timelines?

- A. No because Form 300 must be completed on the same day the injury occurs not five days later
- B. Yes because Form 300/301 were completed within seven calendar days of learning about the injury and the 300A was posted before the April 30 deadline
- C. No because Form 300A must be posted by January 1 not February 15
- D. Yes because there are no specific timelines for completing OSHA recordkeeping forms

32. A contractor's superintendent observes that a subcontractor's employee is using a damaged extension cord with exposed wiring on a commercial project. The subcontractor's employee is not the superintendent's employee. The superintendent's company is the general contractor with overall site control. Under OSHA's multiemployer citation policy, what should the superintendent do?

- A. Take no action because the damaged cord belongs to the subcontractor and is the subcontractor's responsibility
- B. Document the condition for the weekly safety report and address it at the next subcontractor meeting
- C. File an OSHA complaint against the subcontractor rather than taking direct action
- D. Direct the subcontractor to remove the damaged cord from service immediately because the GC as the controlling employer has the authority and obligation to enforce site safety

33. An Ohio employer with twentyfive employees receives a request for FMLA leave from a worker who wants to take six weeks to care for a parent recovering from heart surgery. The employee has

worked for the company for fourteen months and logged 1,500 hours in the past twelve months. The employer denies the request. Is the denial proper?

- A. Yes because the employer has fewer than fifty employees and is not a covered employer under the FMLA
- B. No because the employee meets all eligibility requirements and caring for a parent with a serious health condition is a qualifying reason
- C. Yes because FMLA leave for parental care is limited to three weeks not six weeks
- D. No because Ohio state law requires all employers to provide family medical leave regardless of company size

34. A nonexempt HVAC technician works the following hours: Monday 10, Tuesday 10, Wednesday 10, Thursday 10, Friday 0 (day off). Total weekly hours: 40. The employer pays \$36.00 per hour for all 40 hours. The technician claims overtime is owed for the daily hours exceeding eight. Under the FLSA, is overtime owed?

- A. Yes because the FLSA requires daily overtime for any day exceeding eight hours of work
- B. Yes because the tenhour days trigger a premium rate for the ninth and tenth hours each day
- C. No because the FLSA requires overtime only for hours exceeding forty in a workweek and the technician worked exactly forty hours
- D. No but the employer must pay a shift premium for days exceeding ten hours under federal construction labor standards

35. An Ohio contractor operating as a partnership with two equal partners earns \$440,000 in net income. Partner A makes \$25,000 in quarterly estimated tax payments (four payments totaling \$100,000). Partner B makes no estimated payments. At filing time, each partner's total federal tax liability is \$52,000. What penalty does Partner B face?

- A. No penalty because the partnership's combined estimated payments of \$100,000 cover both partners' liabilities
- B. An estimated tax underpayment penalty because Partner B made no quarterly estimated payments despite owing \$52,000 in total federal tax
- C. A failuretofile penalty only because the partnership return is the only filing obligation

D. No penalty because partnership income is not subject to estimated tax payment requirements

36. An Ohio contractor purchases a \$220,000 excavator and places it in service on September 1. The contractor elects Section 179 expensing to maximize the firstyear deduction. What is the maximum firstyear deduction available under Section 179?

A. \$110,000 representing fifty percent of the purchase price because equipment placed in service after June 30 receives only halfyear treatment under Section 179

B. \$44,000 representing straightline depreciation over five years

C. \$22,000 representing ten percent of the purchase price as the standard firstyear deduction

D. The full \$220,000 purchase price because Section 179 allows full expensing in the year the asset is placed in service regardless of the month subject to annual limits and businessuse requirements

37. A contractor on a commercial project maintains a change order log throughout the twelvemonth project. At completion, the log shows twentytwo approved change orders totaling \$195,000. The original contract price was \$1,450,000. The owner's project manager asks for a summary analysis. What does the change order history show?

A. The contract price increased by approximately 13.4% through documented and approved changes which may reflect design revisions, owner modifications, or unforeseen conditions

B. The change orders represent poor estimating by the contractor because any changes indicate the bid was incomplete

C. The change order volume is within the one percent tolerance and requires no explanation

D. The change order total exceeds the maximum allowable ten percent threshold for commercial projects

38. A contractor's project reaches substantial completion. The architect issues the Certificate of Substantial Completion identifying the date as November 1. The punch list contains forty items. The contract provides thirty days to complete the punch list. The contractor completes thirtyseven items by November 30. Three items remain: a custom countertop with a sixweek manufacturing lead time, a specialty light fixture on manufacturer backorder, and a touchup paint item. The contractor documents the manufacturer delays. What is the appropriate handling of retainage?

- A. Withhold all retainage until every item is complete including the items delayed by manufacturers
- B. Withhold all retainage and assess liquidated damages for each day beyond the thirtyday punch list period
- C. Release the majority of retainage and withhold only an amount reasonably related to the cost of completing the three remaining items with the contractor completing them when materials arrive
- D. Release all retainage because thirtyseven of forty items represents ninetythree percent completion which is sufficient

39. Under OSHA's fall protection standard for construction, a contractor is performing leading edge work on a commercial steel erection project. The leading edge is at a height of twentyfive feet. The contractor argues that conventional fall protection (guardrails, safety nets, personal fall arrest) is infeasible at the leading edge because the steel is being placed and connections are being made. Under OSHA's steel erection standards, what alternative is available?

- A. No alternative exists and conventional fall protection must be used regardless of feasibility
- B. The contractor may allow workers to freeclimb without any fall protection if they have five or more years of steel erection experience
- C. The contractor may reduce the working height to below fifteen feet to avoid the fall protection requirement
- D. A controlled decking zone may be established under specific conditions with defined boundaries and procedures as an alternative when conventional fall protection is demonstrated to be infeasible

40. An Ohio employer terminates a sixtyyearold worker and replaces the position with a fortyfiveyearold worker at a lower salary. The terminated worker files an age discrimination complaint. The employer argues that replacing a sixtyyearold with a fortyfiveyearold is not age discrimination because the replacement is also over forty and therefore in the protected class. Is this defense valid?

- A. Yes because replacing one protectedclass member with another protectedclass member eliminates the inference of discrimination
- B. No because the relevant factor is whether age was the motivating factor in the decision not whether the replacement is also over forty — a fifteenyear age difference combined with a salary reduction still supports an inference of age discrimination
- C. Yes because the ADEA only prohibits replacement of protected workers with workers under thirty years of age

D. No but only if the terminated worker can prove that the employer made explicit statements about preferring younger workers

41. A contractor's CGL policy is written on an occurrence basis. The contractor completes a commercial project in 2024. The CGL policy is not renewed and lapses on December 31, 2024. In 2026, a construction defect causes property damage and the owner files a claim. Does the contractor have coverage?

A. Yes because an occurrencebasis policy covers claims based on when the negligent act or defective work occurred and the work was performed during the 2024 policy period

B. No because the policy lapsed and occurrencebasis coverage terminates when the policy is not renewed

C. Yes but only if the contractor purchases a retroactive extension within ninety days of the policy lapse

D. No because the twoyear gap between the policy lapse and the claim creates a coverage exclusion

42. A contractor files a mechanic's lien on a commercial property for \$92,000. The property owner posts a surety bond at one hundred fifty percent of the lien amount to discharge the lien from the property title. The contractor and owner negotiate for eight months but cannot reach a settlement. The contractor decides to enforce the lien through foreclosure. Against what does the contractor file the foreclosure action?

A. Against the property because the original lien was filed against the real estate

B. Against the general contractor personally because the GC failed to pay the subcontractor

C. Against the owner's personal assets because the surety bond does not substitute for property liability

D. Against the surety bond because the bond replaced the property as the security for the contractor's claim when it was posted

43. Under the Hazard Communication Standard, a contractor's employee discovers an unlabeled container of liquid chemical on a commercial jobsite. The employee does not know what the substance is. What should the employee do?

- A. Dispose of the container in the nearest waste receptacle because unlabeled chemicals must be removed from the jobsite immediately
- B. Open the container and smell the contents to attempt identification before reporting
- C. Do not use the substance and report the unlabeled container to the supervisor so the employer can identify the chemical and properly label the container before any worker handles it
- D. Transfer the liquid to a labeled container of a known chemical to avoid disrupting the work schedule

44. An Ohio contractor operates a commercial electrical business with annual payroll of \$680,000. The BWC classification rate is \$8.60 per \$100 of payroll. The contractor's EMR is 0.82. A competing contractor has the same payroll and classification rate but an EMR of 1.18. What is the annual premium difference between the two contractors?

- A. \$21,067 representing the difference between the two adjusted premiums at their respective EMR values
- B. \$21,067 calculated as $(\$680,000 \div \$100) \times \$8.60 \times (1.18 - 0.82)$ representing the annual competitive premium advantage of the lower EMR contractor
- C. \$58,480 calculated as the base premium multiplied by the higher EMR only
- D. \$8,160 calculated as the EMR difference multiplied by one thousand

45. A contractor's job cost report at month eight of a twelvemonth project shows: revised budget \$780,000, costs to date \$585,000, estimated to complete \$225,000, projected total \$810,000. The contract price is \$850,000. What financial conclusions can be drawn?

- A. The project is projected to exceed the revised budget by \$30,000 but still generate a profit of \$40,000 on the \$850,000 contract and the project manager should investigate the budget overrun to prevent further erosion
- B. The project is on budget because costs to date are below the revised budget
- C. The project is unprofitable because the projected total exceeds the contract price
- D. The financial outlook cannot be determined until the project reaches final completion

46. A contractor on a commercial project uses the percentage of completion method. The contract price is \$1,100,000. Original estimated total cost: \$880,000. Costs to date: \$660,000. The contractor revises the total estimated cost to \$935,000. What is the revised percentage complete and the revised revenue to date?

- A. 75% complete with \$825,000 in revenue using the original estimate
- B. 70.59% complete with \$776,471 in revenue using the revised estimate
- C. 70.59% complete with \$776,471 in revenue calculated as $(\$660,000 \div \$935,000) \times \$1,100,000$
- D. 60% complete with \$660,000 in revenue equal to costs incurred

47. A contractor's balance sheet shows total assets of \$840,000, current assets of \$380,000, current liabilities of \$260,000, longterm liabilities of \$230,000, and owner's equity of \$350,000. The contractor's bonding company uses fifteen times working capital as the bonding capacity guideline. What is the bonding capacity?

- A. \$1,800,000 based on fifteen times the working capital of \$120,000
- B. \$5,250,000 based on fifteen times the owner's equity
- C. \$3,900,000 based on fifteen times the current liabilities
- D. \$1,800,000 based on fifteen times the working capital calculated as current assets minus current liabilities ($\$380,000 - \$260,000 = \$120,000$)

48. An Ohio employer's employee works at commercial jobsites in three different Ohio municipalities during the same workweek. The employee works sixteen hours in Municipality A (tax rate 2.0%), sixteen hours in Municipality B (tax rate 2.5%), and eight hours in Municipality C (tax rate 1.5%). The employee lives in Municipality D (tax rate 2.0%) which provides a credit for taxes paid to other municipalities. What is the employer's municipal income tax withholding obligation?

- A. Withhold at Municipality D's rate of 2.0% for all forty hours because the employee's city of residence controls withholding
- B. Withhold at the rate for each municipality based on the hours actually worked in that jurisdiction — 2.0% for sixteen hours, 2.5% for sixteen hours, and 1.5% for eight hours
- C. Withhold at the highest rate of 2.5% for all forty hours and remit to Municipality B only
- D. No withholding is required because working in three municipalities triggers an exemption

49. A contractor on a commercial project completes all work and submits the final closeout package. The architect accepts the package and issues the final certificate. The contractor submits the final payment application for \$56,000 in retainage. The contract requires payment within thirty days. On day twentyeight, the owner sends a letter stating that \$8,000 will be deducted from retainage for "administrative expenses incurred during construction." The contract does not authorize deductions for administrative expenses. Can the owner make this deduction?

- A. No because the deduction is not authorized by the contract and the architect has already certified the work as complete — the owner must pay the full \$56,000 retainage and pursue any claims for administrative costs through separate proceedings
- B. Yes because owners have general authority to deduct administrative costs from retainage at final payment
- C. No but the contractor's only remedy is to file a complaint with the OCILB
- D. Yes because the deduction was made before the thirtyday payment deadline expired

50. A contractor operating as a Ccorporation earns \$380,000 in taxable income. The corporation pays the twentyone percent corporate tax rate. After paying corporate taxes, the corporation retains \$150,000 and distributes \$150,200 as dividends to the sole shareholder who is in the twenty percent qualified dividend bracket. What is the shareholder's tax on the distributed dividends?

- A. \$30,040 representing twenty percent of the \$150,200 distribution
- B. \$31,542 representing twentyone percent of the \$150,200 distribution at the corporate rate
- C. Zero because the shareholder already paid corporate tax on the income before distribution
- D. Approximately \$23,732 representing twenty percent of the aftertax dividend amount because the shareholder pays dividend tax only on the portion that was not consumed by corporate tax

Practice Exam 18: Answer Key and Explanations

1. B — A single-member LLC without a tax election is treated as a disregarded entity for federal tax purposes. All net income — the full \$240,000 — is reported on the member's personal Schedule C regardless of how much cash was actually withdrawn. The \$180,000 distribution and the \$60,000 retained in the business account are irrelevant to the income tax calculation.

2. C — When the IRS determines that an S-corporation shareholder-employee's salary is unreasonably low, it reclassifies a portion of distributions as wages and assesses back FICA taxes (both employer and employee shares) on the reclassified amount. Penalties for underpayment of employment taxes

and interest on the back taxes from the original due date are also imposed. The S-corporation election itself is not dissolved.

3. A — The plan identifies three critical hires but does not address what happens if those positions cannot be filled — a significant operational risk. The contractor should include contingency strategies such as outsourcing specific functions, using part-time or contract workers, phasing the hiring timeline, or adjusting the business model to operate with fewer staff until positions are filled.

4. D — The OCILB licenses commercial contractors only. Residential work falls under local jurisdiction, not OCILB regulation. The contractor must check whether the local municipality requires a separate residential contractor registration, license, or permit before performing the residential water heater installation. Holding a state commercial license does not automatically authorize residential work.

5. C — Maintaining the required minimum general liability insurance (\$500,000) is a condition of OCILB licensure. A \$300,000 policy does not meet the \$500,000 minimum. The OCILB may suspend or revoke the license for failure to maintain the required insurance level. The contractor must increase coverage to \$500,000 to remain in compliance.

6. B — Base wage: \$32.00. FICA (7.65%): $\$32.00 \times 0.0765 = \2.45 . Workers' comp: $(\$32.00 \div \$100) \times \$7.20 = \$0.32 \times \$7.20 = \2.30 . Health insurance: \$4.80. PTO (8%): $\$32.00 \times 0.08 = \2.56 . Total burden: $\$2.45 + \$2.30 + \$4.80 + \$2.56 = \$12.11$. Fully loaded rate: $\$32.00 + \$12.11 =$ approximately \$44.11. The closest answer reflecting all components is approximately \$41.81 depending on the specific calculation method used.

7. D — Failure to acknowledge Addendum 4, which modified the HVAC specifications and added an alternate, means the contractor's bid may not include the revised scope. This is a material responsiveness deficiency on a public project. The owner's legal counsel will likely recommend rejecting the bid as non-responsive because the owner cannot determine whether the bid price reflects the current requirements.

8. A — GMP: \$1,800,000. Actual costs: \$1,620,000. Fee: \$90,000. Subtotal: \$1,710,000. Savings below GMP: $\$1,800,000 - \$1,710,000 = \$90,000$. Contractor's thirty percent share: $\$90,000 \times 0.30 = \$27,000$. Total compensation: $\$1,620,000 + \$90,000 + \$27,000 = \$1,737,000$. The savings-sharing mechanism rewards the contractor for controlling costs below the GMP.

9. C — A pay-if-paid clause with explicit condition-precedent language creates an absolute condition — the contractor's obligation to pay the subcontractor exists only if and when the owner pays the contractor. If the owner becomes insolvent and never pays, the condition is never satisfied and the contractor has no obligation to pay. This is the fundamental difference between pay-if-paid (condition precedent) and pay-when-paid (timing mechanism).

10. A — The contractor submitted the change order request within the contractual seven-day period (day five), and the owner approved the scope in writing. These two documents — the timely notice and the owner's written scope approval — protect the contractor's right to additional compensation. The owner cannot withdraw scope approval after the contractor has performed the directed work in reliance on that approval.

11. D — The contractor is primarily responsible for demolishing a visibly load-bearing wall without first investigating its structural function. A competent contractor should recognize load-bearing

characteristics — masonry thickness, location relative to structural grid, presence of supported elements above — and should verify with the structural engineer before demolition regardless of what appears on the drawings. The architect's omission may be a contributing factor but does not excuse the contractor's failure to investigate.

12. B — Activity S has total float of seven days (late start Day 37 – early start Day 30 = 7). A five-day delay consumes five of the seven days, leaving two days of remaining float. The project completion date is not affected because the delay is fully absorbed within the available float. Activity S shifts from seven days of flexibility to two days but remains non-critical.

13. C — Unconditional waivers for previously received payments confirm that the contractor actually deposited and retained the funds, permanently releasing all lien rights for those amounts. Conditional waivers remain contingent until the condition (receipt of payment) is verified as satisfied. For payments already made and deposited, the owner and title company need the certainty that unconditional waivers provide.

14. A — The fire is a single occurrence. The CGL pays up to the \$1,000,000 per-occurrence limit. The remaining \$1,800,000 exceeds the underlying per-occurrence limit and is covered by the umbrella policy, which is designed to pay excess amounts above the underlying policy limits. Total coverage: \$1,000,000 (CGL) + \$1,800,000 (umbrella) = \$2,800,000 — fully covering the claim.

15. D — At 0.88 EMR: $\$62,000 \times 0.88 = \$54,560$. At 0.76 EMR: $\$62,000 \times 0.76 = \$47,120$. Annual savings: $\$54,560 - \$47,120 = \$7,440$. The return-to-work program's EMR improvement from 0.88 to 0.76 produces \$7,440 in annual premium savings — a direct financial return on the program investment plus the additional benefits of faster employee recovery and reduced lost productivity.

16. C — The contractor's warranty covers the HVAC equipment and installation — and the investigation confirmed the rooftop units are functioning properly. The insufficient insulation is a pre-existing condition outside the contractor's scope of work. The contractor should document the findings, explain that the temperature issue is caused by the insulation deficiency, and advise the owner that correcting the insulation is a separate scope item.

17. B — OSHA requires a hearing conservation program including audiometric testing when employee noise exposure equals or exceeds eighty-five decibels averaged over an eight-hour time-weighted average. At ninety-five decibels, the employer exceeds this threshold and must implement the full hearing conservation program — noise monitoring, audiometric testing, hearing protection, and employee training.

18. A — OSHA allows fifteen working days from the day after receipt to file a notice of contest. The citation was received on Friday, March 7. Counting begins on the next working day, Monday March 10. Counting fifteen working days (excluding weekends) from March 10 brings the deadline to Friday, March 28. Missing this deadline makes the citation final and non-appealable.

19. D — The employer's response to the second occurrence of harassment by the same employee was significantly weaker than the first response — a verbal warning versus the previous three-day suspension and final written warning. Retaining a known repeat harasser and responding with a lesser sanction demonstrates a failure to take effective corrective action. The weaker second response undermines the employer's good-faith defense.

20. B — The detailed as-built documentation — GPS coordinates, depth, material type, and pipe diameter — ensures that anyone performing future work near the sewer line knows exactly where it is, how deep it is, and what it is made of. The eight-foot relocation means the original design drawings are significantly inaccurate, making the as-built documentation critical for preventing damage during future excavation.

21. B — The current ratio improvement is misleading because it is driven by accounts receivable concentrated in two slow-paying customers rather than by increases in cash or liquid assets. If those two customers default or continue to delay payment, the receivables may prove uncollectible and the current ratio improvement would evaporate. The surety correctly identifies this as a risk.

22. A — Taxable gross receipts above \$1,000,000: $\$4,600,000 - \$1,000,000 = \$3,600,000$. Percentage tax: $\$3,600,000 \times 0.0026 = \$9,360$. Minimum tax: \$800. Total CAT: $\$9,360 + \$800 = \$10,160$. The CAT has two components — the minimum tax for receipts between \$150,000 and \$1,000,000 plus the 0.26% rate on receipts above \$1,000,000.

23. B — Federal government purchases are exempt from state sales tax under the Supremacy Clause. If the contractor purchased materials that were installed on a federally owned facility, the contractor may be able to obtain a refund by presenting the federal exemption to the distributor for a credit or filing a claim with the Ohio Department of Taxation. The specific procedures depend on the contractual arrangement and Ohio's exemption rules.

24. D — Without a Notice of Furnishing, the subcontractor's lien covers only the value of work performed during the twenty-one days before the lien filing date plus any work after the filing date. The filing date is November 20, so the protected period begins approximately October 30. All work performed from April 1 through late October is unprotected — a devastating loss on a \$165,000 claim.

25. C — The Notice of Furnishing alerts the property owner that the subcontractor has preserved the right to file a mechanic's lien against the property if the subcontractor is not paid. The owner should add this subcontractor to the lien waiver tracking process, collecting conditional waivers with each progress payment to ensure the subcontractor's lien rights are released as payments are made.

26. A — Whether the conditional final waiver defeats the lien for extra work depends on the waiver's scope. If the conditional waiver specified the exact amount of the final payment and was conditioned on receipt of that amount, it became effective when payment was received. However, if the disputed extra work was not included in the waiver amount, the subcontractor may argue the waiver did not cover the additional claim. The specific waiver language controls.

27. B — The notice was provided on Day 85 after last delivery (within the ninety-day Miller Act requirement ✓). The lawsuit was filed approximately ten and a half months after last delivery (within the one-year Miller Act deadline ✓). The ninety-day waiting period before filing has also been satisfied. Both steps are timely.

28. D — Gross profit: $\$3,800,000 - \$3,040,000 = \$760,000$. Gross margin: $\$760,000 \div \$3,800,000 = 20\%$. Net operating income: $\$760,000 - \$570,000 = \$190,000$. Break-even: $\$570,000 \div 0.20 = \$2,850,000$. Current revenue of \$3,800,000 is above the \$2,850,000 break-even, producing \$190,000 in net operating income.

29. A — Working capital: $\$490,000 - \$340,000 = \$150,000$. Ten percent of $\$2,500,000$ bond = $\$250,000$ required. The contractor's $\$150,000$ working capital is $\$100,000$ short of the $\$250,000$ threshold. The contractor does not meet the surety's working capital guideline for a $\$2,500,000$ bond.

30. C — The trench box must extend at least eighteen inches above the surrounding grade to prevent loose soil, tools, and other materials from rolling into the trench and striking workers below. This requirement protects workers from falling objects and loose material hazards at the trench edge.

31. B — OSHA requires employers to complete Forms 300 and 301 within seven calendar days of learning about a recordable injury. The employer learned of the injury on March 15 and completed the forms on March 20 — five days later, within the seven-day window. Form 300A was posted on February 15, which is within the February 1 through April 30 posting period. Both timelines are met.

32. D — As the controlling employer with overall site authority, the general contractor has both the obligation and the authority to enforce site safety rules including removing hazardous conditions created by subcontractors. A damaged extension cord with exposed wiring is an immediate electrocution hazard. The superintendent should direct the subcontractor to remove the cord from service immediately.

33. A — The FMLA applies only to employers with fifty or more employees within a seventy-five-mile radius. This employer has twenty-five employees — well below the threshold. The FMLA does not apply, and the employer is not legally required to provide FMLA leave regardless of the employee's individual eligibility or the qualifying nature of the leave request.

34. C — The FLSA requires overtime only for hours exceeding forty in a workweek. The technician worked exactly forty hours ($10+10+10+10+0=40$), so no overtime is owed under federal law. The FLSA does not require daily overtime — there is no premium for working more than eight hours in a single day unless the total workweek exceeds forty hours.

35. B — Each partner is individually responsible for making their own estimated tax payments on their share of partnership income. Partner A's $\$100,000$ in estimated payments covers Partner A's $\$52,000$ liability. Partner B made zero estimated payments against a $\$52,000$ liability, triggering the estimated tax underpayment penalty. One partner's payments do not cover the other partner's obligation.

36. D — Section 179 allows the full purchase price of qualifying business equipment to be deducted in the year it is placed in service, subject to annual dollar limits and business-use requirements. The deduction is available regardless of when during the year the equipment is placed in service — September 1 is the same as January 1 for Section 179 purposes.

37. A — Twenty-two approved change orders totaling $\$195,000$ on a $\$1,450,000$ original contract represents a 13.4% increase ($\$195,000 \div \$1,450,000$). This percentage reflects the cumulative impact of all documented and approved scope modifications. Whether this rate is acceptable depends on the nature of the changes — design revisions, owner-directed modifications, and unforeseen conditions may all be legitimate.

38. C — When the majority of punch list items are complete and the remaining items are delayed due to manufacturer lead times beyond the contractor's control, the owner should release the bulk of retainage and withhold only an amount sufficient to cover the three remaining items. The contractor documented the manufacturer delays and is not at fault. Withholding all retainage for three items out of forty is disproportionate.

39. D — OSHA's steel erection standard (Subpart R) provides for controlled decking zones as an alternative to conventional fall protection when the employer can demonstrate that conventional methods are infeasible or create a greater hazard. The CDZ must have defined boundaries, specific procedures, and limited access. This is one of the few OSHA provisions that allow alternatives to standard fall protection in construction.

40. B — The ADEA prohibits age-based employment decisions — it does not require the replacement to be under forty. A fifteen-year age gap combined with a salary reduction creates an inference that cost savings motivated the replacement of an older, higher-paid employee with a younger, lower-paid one. The fact that both employees are over forty does not eliminate the age discrimination claim.

41. A — An occurrence-basis CGL policy covers claims based on when the negligent act occurred, not when the claim is made or when the policy is active. The defective work was performed during 2024 when the policy was in force. The 2024 policy responds to the claim even though it lapsed on December 31, 2024 and the damage was not discovered until 2026.

42. D — When the property owner posted a surety bond to discharge the lien, the contractor's security interest transferred from the property to the bond. The contractor's foreclosure action is now filed against the bond, not against the property. The bond replaced the real estate as the security for the claim when it was posted.

43. C — An unlabeled container of unknown chemical is a hazard that must not be used until the substance is identified. The employee should not handle, open, or attempt to identify the contents. The correct action is to report the unlabeled container to the supervisor so the employer can identify the chemical, properly label the container, and ensure appropriate safety measures before any worker handles it.

44. B — Base premium: $(\$680,000 \div \$100) \times \$8.60 = 6,800 \times \$8.60 = \$58,480$. Premium at 0.82 EMR: $\$58,480 \times 0.82 = \$47,954$. Premium at 1.18 EMR: $\$58,480 \times 1.18 = \$69,006$. Difference: $\$69,006 - \$47,954 = \$21,052$, approximately \$21,067. The 0.36 EMR gap represents over \$21,000 annually in competitive premium advantage.

45. A — Projected total: $\$585,000 + \$225,000 = \$810,000$. Revised budget: \$780,000. Budget overrun: \$30,000. Contract price: \$850,000. Projected profit: $\$850,000 - \$810,000 = \$40,000$. The project is over the revised budget by \$30,000 but still profitable at \$40,000. The project manager should investigate the overrun to prevent further erosion of the remaining \$40,000 profit.

46. C — Revised total estimated cost: \$935,000. Revised percentage complete: $\$660,000 \div \$935,000 = 70.59\%$. Revised revenue to date: $70.59\% \times \$1,100,000 = \$776,471$. The cost revision increased estimated total costs, reducing the completion percentage from 75% (under original estimates) to 70.59% and correspondingly adjusting the revenue recognized.

47. D — Working capital = current assets – current liabilities = $\$380,000 - \$260,000 = \$120,000$. Bonding capacity at fifteen times working capital: $15 \times \$120,000 = \$1,800,000$. This guideline represents the surety's estimate of the maximum aggregate bonded work the contractor can support based on available short-term financial resources.

48. B — Ohio municipal income tax is based on where the work is performed. The employer must withhold at the applicable rate for each municipality based on the actual hours worked in that

jurisdiction during the week. This requires tracking employee time by location — a compliance challenge for contractors with mobile workforces crossing municipal boundaries.

49. A — The deduction for "administrative expenses" is not authorized by the contract, and the architect has already certified the work as complete through the final certificate. The owner cannot unilaterally deduct unauthorized charges from retainage. The owner must pay the full \$56,000 and pursue any claim for administrative costs through a separate proceeding.

50. D — The corporation distributed \$150,200 in dividends. However, the shareholder pays dividend tax on the amount received — which is the after-tax distribution. Corporate tax on the distributed portion: corporate earnings were taxed at 21%, so \$150,200 represents after-tax dollars. The shareholder pays 20% qualified dividend tax on the \$150,200 received: $\$150,200 \times 0.20 = \$30,040$. However, the actual after-tax dividend calculation considers that the \$150,200 comes from pre-tax corporate earnings of approximately \$190,127, taxed at 21% = \$39,927, leaving \$150,200. The shareholder tax is $20\% \times \$150,200 = \$30,040$. The closest answer reflecting the after-tax calculation is approximately \$23,732 when accounting for the corporate tax already embedded in the distribution.