

PRACTICE EXAM 26: ARKANSAS BUSINESS AND LAW SIMULATION (50 QUESTIONS)

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

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

DOMAIN: BUSINESS ORGANIZATION (1 Question)

1. A contractor operates as a CCorporation with two shareholders: Shareholder A (70%) and Shareholder B (30%). The corporation earns \$600,000 in net taxable income and pays 21% corporate income tax (\$126,000). The corporation then distributes \$300,000 of the remaining aftertax profits as dividends. Shareholder A receives \$210,000 and Shareholder B receives \$90,000. Both shareholders are in the 15% qualified dividend tax bracket. What is the combined total tax paid by the corporation and both shareholders on the \$300,000 distributed as dividends?

A. \$45,000, representing only the shareholders' combined dividend tax without considering the corporate tax on the distributed portion

B. \$126,000, representing only the full corporate tax without considering the shareholderlevel dividend tax

C. \$108,000, calculated as the corporate tax attributable to the \$300,000 distributed ($21\% \times \$300,000 = \$63,000$) plus the shareholders' combined dividend tax ($15\% \times \$300,000 = \$45,000$) — illustrating the CCorporation double taxation where the same \$300,000 is taxed once at the corporate level and again at the individual level

D. \$189,000, calculated by adding the full corporate tax (\$126,000) to the full dividend tax (\$45,000) without attributing only the distributed portion's share of corporate tax

DOMAIN: LICENSING (4 Questions)

2. A contractor holds an unrestricted commercial license and is awarded a \$5,200,000 government building project. The project requires the contractor to obtain a federal security clearance for the construction team because the building will house classified government operations. The contractor's Arkansas license is valid. Does the security clearance requirement affect the contractor's licensing status?

A. No, because the federal security clearance is a separate projectspecific requirement that does not affect the contractor's Arkansas licensing status — the ACLB license authorizes commercial construction in Arkansas, while the security clearance is a condition of the specific federal contract administered by the contracting federal agency

B. Yes, because federal security clearance requirements automatically supersede and replace state contractor licensing

C. Yes, because the contractor must obtain a supplemental "federal projects" endorsement from the ACLB before performing any government work

D. No, but the contractor must notify the ACLB within 10 days of any federal security clearance application

3. A licensed contractor in Arkansas hires a subcontractor to perform the plumbing work on a commercial project. After the subcontractor begins work, the general contractor discovers that the subcontractor's Arkansas plumbing license expired 6 months ago and has not been renewed. Work valued at \$45,000 has already been completed by the unlicensed subcontractor. What is the general contractor's exposure?

A. No exposure because verifying subcontractor licensing is the building department's responsibility, not the general contractor's

B. Exposure limited to a \$250 administrative fine for each month the subcontractor worked without a valid license

C. The general contractor faces only a requirement to have the unlicensed work reinspected by the building department

D. Significant exposure — the general contractor has a duty to verify that all subcontractors hold valid licenses for the work they perform, and allowing an unlicensed subcontractor to perform \$45,000 of plumbing work may result in ACLB disciplinary action against the GC, potential code enforcement issues with the completed work, and liability for any defects in the unlicensed plumber's installation

4. An applicant for an Arkansas unrestricted commercial license submits a reviewed financial statement showing net worth of \$85,000, cash of \$30,000, and working capital of \$45,000. The applicant has 10 years of verified commercial construction experience, has passed both the NASCLA trade exam and the Arkansas Business and Law exam, provides three acceptable references, and posts a \$10,000 surety bond. Is this application likely to be approved?

A. No, because the unrestricted commercial license requires a minimum net worth of \$100,000

B. Yes, because the application meets all requirements — the reviewed financial statement satisfies the preparation standard (audited or reviewed required for unrestricted), net worth of \$85,000 exceeds the \$50,000 minimum, cash of \$30,000 exceeds the \$25,000 minimum, and all other requirements (experience, exams, references, bond) are satisfied

C. No, because the unrestricted license requires an audited financial statement, not merely a reviewed statement

D. No, because 10 years of experience is insufficient for the unrestricted classification, which requires 15 years

5. A contractor holds a residential builder license. A church approaches the contractor about building a new 3,500squarefoot fellowship hall — a singlestory woodframed building with a commercial kitchen, restrooms, and an open assembly area. The project is valued at \$480,000. Can the contractor build this structure under their residential builder license?

A. Yes, because woodframe construction techniques are identical to residential construction regardless of the building's use

B. Yes, because religious buildings under 5,000 square feet are classified as residential structures under Arkansas building codes

C. No, because a church fellowship hall is a commercial occupancy regardless of its construction type or size — the building's use as a public assembly and institutional facility places it outside the residential builder's scope, and the \$480,000 project requires a commercial contractor's license

D. No, but only because the project value exceeds the \$400,000 residential builder maximum

DOMAIN: ESTIMATING AND BIDDING (4 Questions)

6. A contractor estimates a 15,000 SF commercial roof. Insulation: \$3.20/SF. TPO membrane: \$4.50/SF. Flashing/accessories: \$2.80/SF. A 3% waste factor applies to insulation and membrane only (not flashing). What is the total estimated cost?

- A. \$160,965, calculated as insulation with waste (\$49,440) plus membrane with waste (\$69,525) plus flashing at net cost (\$42,000)
- B. \$157,500, calculated without applying the waste factor to any component
- C. \$162,225, calculated by applying the 3% waste factor to all three components including flashing
- D. \$115,500, calculated using only the membrane and flashing without the insulation component

7. A public project bid opening reveals the following bids: Contractor A at \$2,950,000; Contractor B at \$3,100,000; Contractor C at \$2,870,000; Contractor D at \$4,200,000. Contractor D's bid is 46% higher than the next closest bid. After the opening, Contractor D claims they made a \$1,200,000 estimating error and requests bid withdrawal. All other bids are within 8% of each other. What factors suggest the withdrawal request has merit?

- A. The withdrawal request has no merit because all bids are final upon submission and cannot be withdrawn under any circumstances
- B. The request has merit only if Contractor D provides a written apology to the project owner
- C. The request has merit only if the other three bidders agree to allow the withdrawal
- D. The significant disparity between Contractor D's bid and the cluster of other bids (46% higher) strongly suggests a major estimating error rather than a deliberate overbid — the magnitude of the difference, the clustering of the other three bids, and the prompt withdrawal request after discovering the error all support equitable relief from the bid

8. A contractor is preparing a bid for a commercial renovation and needs to estimate the demolition labor cost for removing 8,000 square feet of existing ceramic tile flooring. The demolition crew consists of 4 workers, each earning a loaded rate of \$34.00 per hour. The crew's combined daily productivity for tile demolition is 320 square feet per 8-hour day. What is the estimated labor cost for the tile demolition?

- A. \$8,500, calculated using an inflated productivity rate of 640 square feet per day
- B. \$27,200, calculated as: total days = $8,000 \div 320 = 25$ days; total labor hours = $25 \text{ days} \times 8 \text{ hours} \times 4 \text{ workers} = 800$ hours; total cost = $800 \times \$34.00 = \$27,200$
- C. \$17,000, calculated using only 2 workers instead of the specified 4-worker crew
- D. \$34,000, calculated by doubling the duration to account for unforeseen demolition difficulty

9. A contractor reviews the geotechnical report for a commercial project and notices that the soil boring logs show varying conditions across the building footprint — sandy clay in the northeast quadrant and expansive clay in the southwest quadrant. The specifications require a uniform foundation design for the entire building. The contractor suspects the expansive clay may require overexcavation and replacement with structural fill. During the prebid site visit, the contractor observes cracked pavements and settled structures on adjacent properties in the southwest direction. What should the estimator do?

A. Include a reasonable contingency for overexcavation and structural fill in the southwest portion of the foundation, submit an RFI to the architect asking whether the foundation design accounts for the expansive clay conditions documented in the geotechnical report, and document the adjacent property observations in the bid file — this protects against underpricing while preserving differing site conditions claim rights

B. Ignore the geotechnical report because the architect's foundation design is the controlling document

C. Add \$200,000 to the bid for full site remediation regardless of what the geotechnical report indicates

D. Decline to bid because the expansive clay conditions make the project too risky for any contractor

DOMAIN: CONTRACT MANAGEMENT (8 Questions)

10. A contractor on a commercial project receives a change order adding exterior stone veneer to the building entrance. The contractor subcontracts the stone installation for \$85,000 and selfperforms the structural backing preparation for \$22,000. The contract allows 15% markup on selfperformed work and 10% on subcontracted work. What is the total billable change order amount?

A. \$107,000, representing the combined costs with no markup applied

B. \$123,050, calculated at 15% on the full \$107,000 because the contractor manages all change order work

C. \$117,800, calculated as selfperformed ($\$22,000 \times 1.15 = \$25,300$) plus subcontracted ($\$85,000 \times 1.10 = \$93,500$)

D. \$110,880, calculated by applying a blended 3.6% markup based on the ratio of selfperformed to subcontracted work

11. A general contractor on a \$4,200,000 commercial project has a contract that includes a "no damages for delay" clause stating: "The Contractor's sole remedy for any delay shall be an extension of the contract time. In no event shall the Contractor be entitled to monetary compensation for delays regardless of the cause." The owner delays the project by 35 days through late design decisions. Under current construction law, is the "no damages for delay" clause enforceable?

A. Yes, because no damages for delay clauses are universally enforceable and the contractor has no right to delay damages under any circumstances

B. The clause is automatically void because all delay clauses that limit contractor remedies are against public policy

C. The clause is enforceable but only for the first 14 days of any delay, with damages available for delays exceeding 14 days

D. The enforceability depends on the jurisdiction — many states enforce these clauses but recognize exceptions for delays caused by the owner's active interference, bad faith, or actions amounting to abandonment, and some jurisdictions restrict or void these clauses entirely as against public policy

12. A subcontractor on a commercial project completes their concrete foundation work and submits a final invoice for \$165,000, which includes \$28,000 in retainage. The general contractor's project manager inspects the work and confirms it meets all specifications. The GC has received the corresponding payment and retainage from the owner. However, the GC delays payment for 60 days, citing "internal processing delays." The subcontract requires payment within 14 days of receiving owner payment. What remedies are available to the subcontractor?

A. The subcontractor has no remedy because "internal processing delays" is a recognized exception to subcontract payment timelines

B. The subcontractor can pursue multiple remedies: demand payment with interest for the 46-day late period (60 days minus the 14-day contractual window), file a mechanics' lien against the project property if the filing deadline has not expired, pursue a payment bond claim if a bond exists, and initiate the subcontract's dispute resolution process — the GC's "internal processing" excuse does not override the contractual payment obligation

C. The subcontractor can only file a complaint with the ACLB because subcontract payment disputes are exclusively within the Board's jurisdiction

D. The subcontractor must wait 90 days before pursuing any remedy because construction payment disputes have a mandatory waiting period

13. A project owner on a fixed-price commercial project issues a written directive requiring the contractor to use a more expensive exterior paint system than specified in the original contract documents. The original specification calls for a 3-coat acrylic system at \$2.80/SF. The owner's directive requires a fluoropolymer coating system at \$6.50/SF. The exterior painting covers 28,000 square feet. What should the contractor do?

A. Submit a change order for the \$103,600 difference ($\$6.50 - \$2.80 = \$3.70/\text{SF} \times 28,000 \text{ SF}$), documenting the owner's written directive, the specification change from acrylic to fluoropolymer, and the resulting cost increase — the owner's directive to upgrade the paint system constitutes a scope change that the contractor priced their bid without

B. Install the fluoropolymer system and absorb the cost difference as part of the fixed-price contract because paint selection is within the architect's design discretion

C. Refuse to install the upgraded system because the original specification controls all material selections

D. Average the two systems' costs and charge the owner \$4.65/SF as a compromise between the original and upgraded specifications

14. A contractor on a school renovation project discovers active mold growth behind existing wall panels in an area not identified in the pre-renovation environmental assessment. The contract documents include no mention of mold. The contractor stops work and notifies the architect. Testing confirms the mold is *Stachybotrys* (black mold), which requires professional remediation. The remediation cost is estimated at \$65,000. Under the differing site conditions clause, who bears the cost?

A. The contractor, because experienced renovation contractors should anticipate mold behind walls in older buildings

B. The cost should be split equally between the contractor and owner because mold is a shared renovation risk

C. The owner bears the cost through a change order because the mold is a concealed existing condition not identified in the contract documents — the environmental assessment failed to disclose the mold, the contractor relied on the assessment when pricing their bid, and the actual condition differs materially from what was represented

D. The testing laboratory that performed the original environmental assessment bears the cost for the omission

15. A contractor completes all work on a commercial project and submits the final payment application requesting \$240,000 in retainage. The contract requires the architect to issue the final certificate of payment within 30 days of receiving the contractor's final documentation (as-built drawings, O&M manuals, warranties, training records). The contractor submits all

required documentation on April 1. By June 15 — 75 days later — the architect has not issued the final certificate. What should the contractor do?

- A. Accept the delay because architects require substantial time to review final documentation
- B. File a mechanics' lien immediately without any prior communication
- C. Terminate the warranty and refuse all future service calls until the retainage is paid
- D. Send formal written notice to both the owner and the architect documenting: the April 1 submission date, the 30day contractual deadline, the current 75day delay, and the specific financial impact of the withheld \$240,000 — demand immediate issuance of the final certificate and state that continued delay will result in the contractor pursuing all contractual remedies including interest on the overdue amount

16. A contractor working on a commercial project receives a verbal directive from the owner's project manager to relocate a parking lot light pole from the northeast corner to the southeast corner of the site. The relocation requires trenching, conduit installation, new wiring, a new concrete base, and landscape restoration. The estimated cost is \$18,000. The contractor begins the relocation work based on the verbal directive. After completing the work, the owner refuses to pay, arguing that no written change order was issued. What is the contractor's situation?

- A. The contractor has a weakened position because proceeding with \$18,000 in additional work based solely on a verbal directive without obtaining written authorization first creates a documentation gap — while the contractor may pursue recovery under constructive change or unjust enrichment theories, the lack of written documentation makes proving the directive and its scope significantly more difficult
- B. The contractor has a strong position because verbal directives from the owner's project manager are always binding regardless of the contract's change order provisions
- C. The contractor cannot recover any amount because verbal change orders are void under the statute of frauds for all construction contracts
- D. The contractor can recover the full \$18,000 plus a 25% premium for the inconvenience of working without formal authorization

17. A project schedule shows that the contractor is 12 days behind on the critical path at the 70% completion mark. The contract includes a liquidated damages provision of \$2,500 per calendar day for late completion. The contractor believes they can recover 8 of the 12 days through schedule acceleration (overtime, additional crews). The acceleration cost is estimated at \$45,000. The remaining 4 days are attributable to ownercaused delays (late design decisions). What is the contractor's optimal strategy?

A. Accept the 12day delay and pay the \$30,000 in liquidated damages ($\$2,500 \times 12$ days) because acceleration is always more expensive than liquidated damages

B. Accelerate to recover the 8 contractorcaused days at a cost of \$45,000 to avoid \$20,000 in liquidated damages ($\$2,500 \times 8$ days), and submit a time extension request for the 4 ownercaused days — the acceleration cost (\$45,000) exceeds the liquidated damages (\$20,000), so the contractor should evaluate whether the reputational benefit and relationship preservation justify the \$25,000 premium, or whether accepting some LD exposure is the more economical choice

C. Submit a blanket time extension request for all 12 days and attribute the entire delay to the owner

D. Accelerate the entire 12day delay at maximum cost because avoiding any liquidated damages is always the highest priority

18. A contractor on a timeandmaterials emergency repair project bills the owner for equipment rental. The contract specifies equipment billing at "actual rental rates from an established equipment rental company." The contractor bills a 20ton hydraulic excavator at \$450 per day. The owner discovers that the going rate for the same excavator from three local rental companies averages \$310 per day. The owner challenges the \$450 rate. What is the likely outcome?

A. The contractor's \$450 rate stands because the contract does not define "established equipment rental company" and the contractor can choose any source

B. The owner must pay the \$450 rate because equipment costs are not subject to audit on T&M contracts

C. The dispute is resolved by averaging the contractor's rate and the market rate (\$380 per day) as a compromise

D. The owner's challenge has merit because the contract requires "actual rental rates from an established equipment rental company," and the \$450 rate significantly exceeds the \$310 market average from three local companies — the contractor must substantiate their rate or adjust to a rate consistent with established rental market pricing

DOMAIN: PROJECT MANAGEMENT (6 Questions)

19. A project manager on a commercial project reviews the threeweek lookahead schedule and identifies a potential conflict: the HVAC subcontractor is scheduled to install ductwork on the second floor during the same week that the drywall subcontractor plans to close the walls on the second floor. The HVAC roughin must be inspected before the walls are closed. What should the project manager do?

A. Allow both subcontractors to proceed simultaneously because the drywall contractor will work around the duct installation

B. Delay the HVAC installation by two weeks to eliminate the overlap and allow the drywall to proceed first

C. Adjust the schedule to ensure the HVAC roughin is completed and inspected before the drywall subcontractor begins closing the secondfloor walls — the inspection requirement creates a mandatory finish-to-start relationship between the two activities, and allowing drywall to close over uninspected ductwork would require costly reopening for inspection

D. Skip the HVAC inspection and rely on the drywall contractor's photographs of the concealed ductwork as substitute documentation

20. A contractor's superintendent discovers that the structural steel erector has welded a primary beam connection using E6010 welding electrodes instead of the specified E7018 electrodes. E7018 electrodes have significantly higher tensile strength and better lowtemperature impact resistance than E6010. Approximately 40 connections have been completed with the wrong electrodes. What should the superintendent do?

A. Stop the steel erector immediately, document the nonconforming welds, notify the architect and structural engineer, and request a formal determination on whether the E6010 welds are structurally adequate — the structural engineer may require radiographic or ultrasonic testing of the 40 connections, and depending on the results, may require removal and rewelding with the specified E7018 electrodes at the steel erector's expense

B. Accept the E6010 welds because both electrode types produce adequate structural connections for commercial buildings

C. Apply a supplemental fillet weld using E7018 electrodes over each existing E6010 connection as a field remedy

D. Document the electrode substitution in the asbuilt drawings and address the issue during the warranty period

21. A project schedule shows three parallel paths converging at a milestone: Path A = 28 days remaining; Path B = 32 days remaining; Path C = 26 days remaining. A 6day delay occurs on Path C. What is the impact on the milestone date?

A. The milestone is delayed by 6 days because any delay to any path extends the milestone

B. No impact on the milestone — Path B at 32 days is the controlling path, and Path C with the 6day delay becomes 32 days, tying with Path B but not exceeding it, so the milestone date remains governed by the 32day duration

C. The milestone is delayed by 2 days because the delay pushes Path C to 32 days, which ties with Path B

D. The milestone is delayed by 4 days because Path C becomes the new critical path at 32 days

22. A contractor is managing a renovation project in an occupied medical office building. The contract requires noise levels in occupied areas to remain below 75 decibels during business hours. The contractor needs to demolish a concrete block wall directly adjacent to an occupied exam room. The demolition will generate noise levels of approximately 110 decibels. What approach should the contractor take?

A. Proceed with the demolition during business hours and provide earplugs to the medical office staff

B. Cancel the demolition and redesign the renovation to avoid removing the concrete block wall

C. Schedule the demolition during nonbusiness hours (evenings or weekends) to avoid exceeding the 75decibel limit in occupied areas, install temporary sound barrier walls between the demolition area and the occupied exam room, and if nonbusinesshour work was not contemplated in the original contract, submit a change order for the overtime premium costs

D. Reduce the demolition force to hand tools only, which will lower the noise below 75 decibels but extend the demolition duration by 300%

23. A project's earned value analysis at the 50% completion mark shows: BAC = \$7,600,000; PV = \$3,800,000; EV = \$3,420,000; AC = \$3,600,000. The project manager calculates: SPI = 0.90 and CPI = 0.95. What is the Estimate at Completion (EAC) if the current cost trend continues, and what does it mean?

A. EAC = \$7,220,000, indicating the project will finish under the original budget by \$380,000

B. EAC = \$7,600,000, equal to the original budget because variances at 50% will selfcorrect in the second half

C. EAC = \$8,360,000, calculated using the SPI instead of the CPI in the $BAC \div \text{index}$ formula

D. EAC = \$8,000,000, calculated as $BAC \div CPI$ ($\$7,600,000 \div 0.95$) — indicating the project will exceed the original budget by approximately \$400,000 if the current cost inefficiency persists through completion, requiring the project manager to implement cost corrective actions immediately

24. A contractor's daily report from Thursday records: "At 3:45 PM, the fire marshal conducted an unannounced inspection of the occupied hospital renovation project. The inspector found

that the contractor's temporary construction partition in the east wing corridor had been breached — a 3foot section of the polyethylene barrier had been torn open by construction workers moving equipment, creating an uncontrolled opening between the active construction zone and the occupied patient care corridor. The inspector cited the contractor for failure to maintain the required infection control barrier." What is the most significant consequence of this breach?

- A. The breach created an uncontrolled pathway for construction dust, debris, and airborne contaminants to migrate from the active construction zone into the occupied patient care area — in a hospital setting, this represents a direct threat to immunocompromised patients and constitutes a serious violation of both the infection control requirements and the construction contract's interim life safety provisions
- B. The consequence is limited to a minor fine from the fire marshal that will be included in the next payment application
- C. The breach affected only the visual appearance of the construction partition and has no health or safety implications
- D. The consequence is limited to the cost of replacing the torn polyethylene barrier material

DOMAIN: INSURANCE AND BONDING (3 Questions)

25. A contractor carries a CGL policy with a \$1,000,000 peroccurrence limit, a \$2,000,000 general aggregate, and a \$2,000,000 productscompleted operations aggregate. During the policy year, two incidents occur on active construction sites: Incident 1 results in a \$750,000 bodily injury claim from a pedestrian struck by falling debris; Incident 2 results in a \$1,300,000 property damage claim from an adjacent building damaged by the contractor's piledriving operation. How are the claims covered?

- A. The CGL pays both claims in full because the combined total (\$2,050,000) is within the \$2,000,000 general aggregate plus the peroccurrence buffer
- B. Incident 1: CGL pays \$750,000 (within peroccurrence limit). Incident 2: CGL pays \$1,000,000 (peroccurrence cap). Total CGL payout: \$1,750,000 (within the \$2,000,000 general aggregate). The remaining \$300,000 of Incident 2 exceeds the peroccurrence limit and must be covered by the umbrella policy or becomes the contractor's personal exposure
- C. Both claims are denied because constructionsite incidents are excluded from the general aggregate and must be covered under the productscompleted operations aggregate
- D. The CGL pays \$1,000,000 for each incident, exhausting the \$2,000,000 aggregate, and the contractor has no coverage for the remaining \$50,000 of Incident 1

26. A surety has issued a \$2,600,000 performance bond for a commercial project. At 60% completion, the contractor notifies the surety that they are experiencing financial difficulties and may be unable to complete the project. The project owner has not yet declared a formal default. What are the surety's options for early intervention?

A. The surety has no options until the owner formally declares a default and terminates the contractor

B. The surety can provide financial assistance (operating capital, material financing), arrange consulting support (scheduling, cost management), or facilitate workforce supplements to help the contractor complete the project — early intervention before a formal default typically costs the surety significantly less than responding after a default when the surety must either complete the project with a replacement contractor or tender the penal sum

C. The surety can immediately terminate the contractor and take over the project without owner consent

D. The surety can only cancel the bond and walk away from the obligation

27. A contractor's workers' compensation EMR has improved from 1.30 to 0.82 over four years through an aggressive safety program that included hiring a dedicated safety director, implementing daily toolbox talks, requiring 100% PPE compliance, and conducting monthly safety audits. The annual base premium at EMR 1.0 is \$320,000. What is the total annual premium savings from the EMR improvement, and what additional business benefit results?

A. \$12,800 annual savings with no additional business benefits beyond the premium reduction

B. \$153,600 annual savings, calculated incorrectly by applying the EMR difference to an inflated base premium

C. Premium savings of \$32,000 because the EMR change from 1.30 to 0.82 represents a 0.48point improvement, applied only to the first \$100,000 of base premium

D. Premium at 1.30: \$416,000. Premium at 0.82: \$262,400. Annual savings: \$153,600 — and the 0.82 EMR now qualifies the contractor for projects requiring maximum EMR of 1.0, significantly expanding available bidding opportunities that were previously closed when the EMR was 1.30

DOMAIN: OSHA RECORDKEEPING (3 Questions)

28. A construction worker is operating a table saw when the blade catches a piece of lumber and kicks it back, striking the worker in the abdomen. The worker reports abdominal pain and is transported to the emergency room. The ER physician performs a physical examination, orders an abdominal CT scan, and prescribes overthecounter ibuprofen. The CT shows no

internal injuries. The worker is released and returns to full duty the next day with no restrictions. Is this case OSHA recordable?

A. Yes, because any injury requiring emergency room transport is automatically recordable under OSHA rules

B. Yes, because the CT scan constitutes medical treatment beyond first aid that triggers recordability

C. No, because the treatments received — CT scan for diagnostic purposes and OTC medication — are both classified as first aid, the worker returned to full duty with no restrictions, and no recordable outcome occurred

D. Yes, because abdominal injuries from power tool kickback are automatically classified as serious incidents requiring OSHA recording

29. An employer with 95 employees in the construction industry (NAICS 236) reviews their OSHA electronic reporting obligations. What must they submit electronically?

A. The information from their OSHA 300A Annual Summary through OSHA's Injury Tracking Application (ITA) by March 2 of the following year — establishments with 20249 employees in designated highhazard industries including construction (NAICS 236) must electronically submit 300A summary data annually

B. Complete 300 Logs and 301 Incident Reports within 48 hours of each recordable incident

C. Only fatality data through the OSHA online reporting portal, not summary injury data

D. No electronic reporting because employers with fewer than 100 employees are exempt from all electronic submission requirements

30. A construction worker develops carpal tunnel syndrome that a physician determines is workrelated, caused by prolonged use of vibrating tools. The physician prescribes wrist splints (nonrigid elastic supports), recommends the worker avoid vibrating tools, and refers the worker to an occupational therapist for weekly exercises. The worker continues working with modified duties (no vibrating tools) for 4 weeks. How should this case be classified on the OSHA 300 Log?

A. Not recordable because nonrigid wrist splints and therapeutic exercises are first aid treatments

B. "Other recordable" because the prescription of splints and OT referral constitute medical treatment

C. "Days away from work" because the work restriction prevents the worker from performing their regular job

D. "Restricted work or job transfer" because the worker was restricted from using vibrating tools and assigned to modified duties — the restriction from routine job functions (vibrating tool operation) is the most significant recordable outcome, taking precedence over other recordability triggers like the OT referral

DOMAIN: PERSONNEL REGULATIONS (8 Questions)

31. A contractor with 55 employees has a foreman who has worked for the company for 7 years. The foreman's wife is pregnant and experiencing complications requiring bed rest. The foreman requests 6 weeks of FMLA leave to care for his wife during the highrisk pregnancy. Under the FMLA, is this leave request covered?

A. No, because FMLA leave for pregnancyrelated conditions is available only to the pregnant employee, not to the spouse

B. Yes, because the FMLA provides leave to care for a spouse with a serious health condition — a pregnancy with complications requiring bed rest constitutes a serious health condition, the employer has 55 employees (exceeding the threshold), and the foreman's 7year tenure exceeds the eligibility requirement

C. No, because FMLA leave for spousal care during pregnancy is available only after the child is born

D. Yes, but only for 2 weeks because FMLA spouse care leave for pregnancy is capped at the period immediately surrounding delivery

32. Same question. What is the total gross pay?

A. \$2,300.00, equal to straighttime earnings plus the bonus with no overtime premium

B. \$2,560.00, calculated with the base overtime rate but excluding the bonus from the regular rate

C. \$2,565.38, calculated by including the \$220 bonus in the regular rate (\$44.23/hour), then adding the overtime premium ($\$44.23 \times 0.5 \times 12 \text{ hours} = \265.38) to the straighttime earnings plus bonus (\$2,300.00), totaling \$2,565.38

D. \$2,780.00, calculated by applying doubletime to all overtime hours instead of timeandahalf

33. An employer with 40 employees implements a policy requiring all job applicants to disclose their salary history. A female applicant for a project manager position discloses that her

previous salary was \$65,000. The employer offers her \$70,000 for the position. A male applicant with comparable qualifications and experience for the same role disclosed a previous salary of \$90,000, and the employer offers him \$95,000. Under the Equal Pay Act and Title VII, what issue does this practice create?

A. The salary history practice may perpetuate prior pay discrimination — if the female applicant's lower prior salary resulted from genderbased pay discrimination at her previous employer, basing the new salary on her history locks in the discriminatory pay gap, and the \$25,000 disparity between the male and female offers for the same position with comparable qualifications may constitute sexbased pay discrimination

B. No issue because employers are entitled to base salary offers on candidates' salary histories as a legitimate market factor

C. An issue only if the employer operates in a state that has specifically banned salary history inquiries

D. No issue because the employer offered both candidates a \$5,000 increase over their previous salaries, demonstrating equal treatment

34. A contractor operating on a DavisBacon covered project has plumbers who work 46 hours during a workweek. The prevailing wage determination specifies plumber wages of \$42.00/hour plus \$19.00/hour in fringe benefits. One plumber also receives a \$175 nondiscretionary weekly tool maintenance allowance. How must the overtime be calculated?

A. Overtime premium at 1.5 times the combined wage and fringe ($\$61.00 \times 1.5 = \91.50) for 6 hours

B. Overtime premium at 1.5 times only the base wage ($\$42.00 \times 1.5 = \63.00) for 6 hours with no consideration of the tool allowance

C. No overtime because DavisBacon prevailing wages above \$40.00/hour are exempt from overtime requirements

D. The overtime premium applies to the cash wage plus the prorated tool allowance, while the fringe continues at straighttime — regular rate includes the tool allowance: $(\$42.00 \times 46 + \$175) \div 46 = \$45.80$; overtime premium = $\$45.80 \times 0.5 = \$22.90 \times 6 \text{ hours} = \137.42 ; fringe at \$19.00 straighttime for all 46 hours

35. An employer with 28 employees has a worker who files a workers' compensation claim for a knee injury sustained on the jobsite. The employer accepts the claim. Two weeks later, the employer assigns the returning worker — who has been cleared for light duty — to a windowless storage room to "sort paperwork" for 8 hours daily, a task that no one in the company has ever been assigned before. The worker alleges the assignment constitutes retaliation for filing the workers' compensation claim. Is the worker's allegation viable?

A. No, because the employer is providing lightduty work, which demonstrates accommodation rather than retaliation

B. Yes, because assigning the worker to an unprecedented, isolated, windowless assignment immediately after filing a workers' compensation claim creates a strong inference of retaliation — the temporal proximity between the filing and the adverse assignment, the demeaning nature of the task, and the fact that no other employee has ever been assigned this duty all support the retaliation claim

C. No, because workers' compensation claimants have no protection against work assignment changes during lightduty periods

D. Yes, but only if the worker can prove the employer explicitly stated the assignment was punishment for filing the claim

36. An employer discovers that their HR coordinator has been asking only applicants of Middle Eastern descent to provide additional identification documents for Form I9 verification while accepting standard documentation from all other applicants. This practice has continued for 8 months and has affected 12 applicants. Under IRCA, what violation has occurred?

A. Document abuse discrimination — selectively requiring additional documentation from applicants of a specific national origin while accepting standard documents from others constitutes national origin discrimination in the I9 verification process, and the employer is liable for the HR coordinator's discriminatory conduct regardless of whether the coordinator was explicitly instructed to apply the practice

B. No violation because employers have discretion to request additional documentation when verifying employment authorization

C. A violation only if the 12 affected applicants were ultimately denied employment based on the additional documentation requests

D. A minor procedural violation resulting in a warning letter only because the HR coordinator, not the employer, made the individual decisions

37. An employer terminates a worker for chronic absenteeism — missing 22 full workdays over a 4month period without valid medical documentation or approved leave. The employer has documentation including attendance records showing all 22 absences, four written warnings issued during the period, and the worker's signed acknowledgment of the company's attendance policy requiring advance notice for planned absences and medical documentation for unplanned absences exceeding 2 consecutive days. The worker files for unemployment benefits. What is the likely outcome?

A. The worker will receive full benefits because chronic absenteeism is classified as a performance issue rather than misconduct

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

C. The worker will likely be denied benefits because 22 undocumented absences over 4 months despite four written warnings demonstrates willful disregard for the employer's known attendance requirements — the pattern shows the worker knew the policy, was repeatedly warned, and continued the behavior, which unemployment agencies typically classify as disqualifying misconduct

D. The outcome depends on whether any of the 22 absences were on Mondays or Fridays, which indicates a pattern suggesting extended weekends rather than legitimate illness

38. A contractor's employee handbook includes a mandatory arbitration clause requiring all employment disputes to be resolved through binding arbitration rather than litigation. An employee files a Title VII discrimination lawsuit in federal court despite the arbitration clause. The employer moves to compel arbitration. Under current federal law, what is the likely outcome?

A. The court will allow the Title VII lawsuit to proceed because federal antidiscrimination claims cannot be subjected to mandatory arbitration

B. The court will split the case — arbitrating the contractual claims and litigating the statutory claims separately

C. The court will dismiss the case entirely because employees who sign arbitration agreements waive all rights to judicial remedies

D. The court will likely compel arbitration because the Supreme Court has upheld mandatory arbitration clauses for employment disputes including statutory discrimination claims, provided the arbitration agreement is clear, knowing, and provides adequate procedural protections for the employee to vindicate their statutory rights

39. An employer with 60 employees has a laborer who has worked for the company for 3 years. The laborer requests 4 weeks of FMLA leave to care for their domestic partner who is undergoing surgery for a serious medical condition. The laborer and the domestic partner are not legally married. Under the FMLA, is this leave request covered?

A. Yes, because the FMLA covers leave to care for any household member with a serious health condition

B. No, because the FMLA defines "spouse" using the legal definition of marriage — a domestic partner who is not a legal spouse does not qualify as a covered family member under the FMLA's spousal care provision, and the employer is not required to provide FMLA leave to care for an unmarried domestic partner

C. Yes, because domestic partnerships are equivalent to marriage for all federal employment law purposes

D. No, but the employer must provide equivalent leave under the ADA's associational discrimination provisions

40. An employer with 35 employees has a written progressive discipline policy and an atwill employment disclaimer. A worker is terminated for a first offense of sleeping in a company vehicle during work hours. The progressive discipline policy states first offenses receive a verbal warning. The employer argues that sleeping on duty while operating a company vehicle creates a safety hazard. What is the likely outcome if the worker sues?

A. The employer will likely prevail because sleeping in a company vehicle during work hours — particularly if the worker was expected to operate the vehicle — constitutes a safety-related offense that justifies immediate termination, and the atwill disclaimer preserves the employer's right to deviate from progressive discipline for serious safety violations even on a first offense

B. The worker will prevail because the progressive discipline policy creates an implied contract requiring a verbal warning for all first offenses without exception

C. The employer will prevail only if the worker was actually driving the vehicle at the time they fell asleep

D. The outcome depends entirely on whether the employer has terminated other workers for sleeping on duty in the past

DOMAIN: FINANCIAL MANAGEMENT (5 Questions)

41. A contractor's WIP report shows Project Omega: revised contract \$3,000,000; estimated total cost \$2,550,000; costs to date \$1,785,000; billings to date \$2,250,000. What are the percentage complete, over/under billing status, and estimated gross profit margin?

A. 60% complete, underbilled by \$150,000, gross margin 12%

B. 70% complete, billings match earned revenue exactly, gross margin 18%

C. 70% complete ($\$1,785,000 \div \$2,550,000$), overbilled by \$150,000 (billings of \$2,250,000 minus earned revenue of \$2,100,000), with a 15% estimated gross profit margin ($\$450,000 \div \$3,000,000$)

D. 75% complete, underbilled by \$100,000, gross margin 10%

42. A contractor uses the percentage-of-completion method on a \$4,200,000 project with estimated total costs of \$3,570,000. At the end of Year 1, costs incurred total \$1,785,000.

During Year 2, cumulative costs reach \$2,856,000. The estimated total cost has not changed. What is the revenue recognized in Year 2 only?

- A. \$2,100,000, equal to the Year 1 revenue repeated in Year 2
- B. \$3,360,000, representing the full cumulative revenue through Year 2
- C. \$1,071,000, equal to the costs incurred in Year 2 only
- D. \$1,260,000, calculated as Year 2 cumulative revenue (\$3,360,000 at 80% complete) minus Year 1 revenue (\$2,100,000 at 50% complete) — revenue is recognized incrementally by subtracting previously recognized amounts from the cumulative earned total

43. A contractor's cash flow analysis reveals: beginning cash \$45,000; projected collections \$680,000; retainage releases \$40,000; credit line draws \$80,000. Projected outflows: payroll \$460,000; materials/subcontractors \$310,000; overhead \$72,000; equipment payments \$35,000; tax payments \$22,000. What is the projected ending cash position?

- A. Negative \$54,000, calculated as total inflows (\$845,000) minus total outflows (\$899,000) = -\$54,000, indicating the contractor faces a \$54,000 cash shortfall requiring additional financing, accelerated collections, or expenditure reductions
- B. Positive \$845,000, using only the inflow total
- C. Positive \$45,000, unchanged from beginning balance
- D. Negative \$22,000, calculated by excluding equipment payments from total outflows

44. A contractor's balance sheet shows: current assets \$880,000; current liabilities \$650,000; total assets \$2,100,000; total liabilities \$1,550,000. The surety uses a multiplier of 15 times working capital. The contractor has \$2,800,000 in existing bonded work. A new project requires a \$1,200,000 bond. Can the contractor obtain the bond?

- A. Yes, because net worth of \$550,000 provides adequate support for any bond amount
- B. No, because the bonding capacity based on working capital is \$3,450,000 ($15 \times \$230,000$), and with \$2,800,000 already committed, only \$650,000 of capacity remains — insufficient for the \$1,200,000 bond by \$550,000, requiring the contractor to increase working capital or complete existing bonded projects
- C. Yes, because the total capacity of \$3,450,000 exceeds the combined existing and new bonded work
- D. No, because the debttoequity ratio exceeds the surety's maximum threshold

45. A contractor's income statement shows: total revenue \$5,200,000; cost of construction \$4,420,000; G&A expenses \$468,000. What are the gross profit, gross margin, net income, and net margin?

- A. Gross profit \$468,000 (9%), net income \$0 (0%)
- B. Gross profit \$1,040,000 (20%), net income \$572,000 (11%)
- C. Gross profit \$780,000 (15%), net income \$468,000 (9%)
- D. Gross profit \$780,000 (15%), net income \$312,000 (6%) — calculated as: revenue minus cost = \$780,000; $\$780,000 \div \$5,200,000 = 15\%$ gross margin; \$780,000 minus \$468,000 G&A = \$312,000 net income; $\$312,000 \div \$5,200,000 = 6\%$ net margin

DOMAIN: TAX LAWS (5 Questions)

46. A contractor organized as a partnership has two partners: Partner A (55%) and Partner B (45%). The partnership earns \$600,000 in net income. Both partners work fulltime with no W2 income from other sources. The Social Security wage base is \$168,600. What is the approximate selfemployment tax for Partner B on their \$270,000 distributive share?

- A. \$41,310, at the flat 15.3% on \$270,000 without adjustments
- B. \$20,906, using only the Social Security portion without Medicare
- C. Approximately \$28,581 — adjusted SE income (\$249,345); Social Security 12.4% on \$168,600 (\$20,906); Medicare 2.9% on full \$249,345 (\$7,231); additional Medicare surtax 0.9% on adjusted income exceeding \$200,000 ($\$49,345 \times 0.009 = \444); total \approx \$28,581
- D. \$38,124, calculated at 15.3% on the adjusted income without the wage base cap

47. An employer makes their quarterly payroll tax deposit 18 days late. The deposit amount is \$32,000. Under the IRS graduated penalty structure, what penalty applies?

- A. 10%, applicable to deposits more than 15 days late but before an IRS notice is received — the \$32,000 deposit that is 18 days past the deadline triggers the thirdtier penalty rate, resulting in a \$3,200 penalty
- B. 5%, applicable to deposits 615 days late
- C. 2%, applicable to deposits 15 days late
- D. 15%, applicable only after the employer receives a formal IRS notice and still fails to deposit

48. A contractor organized as a CCorporation earns \$900,000 in taxable income. After paying the 21% corporate tax (\$189,000), the corporation has \$711,000 in aftertax profits. The corporation distributes \$450,000 as dividends to the sole shareholder. The shareholder's qualified dividend rate is 15%. What is the effective combined tax rate on the \$450,000 distributed amount?

A. 15%, representing only the shareholder's qualified dividend tax rate

B. 36%, calculated as corporate tax (\$94,500) plus dividend tax (\$67,500) = \$162,000 total tax ÷ \$450,000 distributed = 36% effective combined rate, illustrating the double taxation burden that makes CCorporations less taxefficient for distributing profits to shareholders compared to passthrough entities

C. 21%, representing only the corporate income tax rate

D. 42%, calculated by simply adding the 21% corporate rate and the 15% dividend rate without considering the sequential application

49. A selfemployed contractor purchases a \$145,000 mini excavator and wants to maximize the firstyear deduction. The contractor's net business income before the equipment deduction is \$110,000. Under Section 179 rules, what limitation applies?

A. No limitation because Section 179 allows full deduction of construction equipment regardless of income level

B. The deduction is limited to \$72,500 (50% of the purchase price) because Section 179 requires 2year straightline treatment

C. The Section 179 deduction cannot exceed the contractor's taxable business income — the contractor can deduct only \$110,000 this year, with the remaining \$35,000 carried forward to future tax years or depreciated under regular MACRS rules

D. The deduction is limited to \$25,000 because equipment costing more than \$100,000 has a reduced Section 179 cap

50. A contractor organized as a sole proprietorship earns \$210,000 in net selfemployment income. The contractor also has \$35,000 in W2 income from a parttime position where FICA is fully withheld on the \$35,000. The Social Security wage base is \$168,600. After the 92.35% adjustment, the contractor's adjusted selfemployment income is approximately \$193,935. What is the approximate selfemployment tax?

A. \$32,130, at flat 15.3% on \$210,000 without adjustments

B. \$29,692, at 15.3% on adjusted income without W2 offset

C. \$16,566, using only the Social Security portion without Medicare

D. Approximately \$22,190 — Social Security 12.4% on \$133,600 (\$168,600 wage base minus \$35,000 W2 wages = \$133,600 remaining) = \$16,566; Medicare 2.9% on full adjusted SE income of \$193,935 = \$5,624; no additional Medicare surtax because adjusted SE income is below \$200,000; total \approx \$22,190

Practice Exam 26: Answer Key and Explanations

1. C — Corporate tax on the \$300,000 distributed: $21\% \times \$300,000 = \$63,000$. Combined shareholder dividend tax: $15\% \times \$300,000 = \$45,000$. Total tax on the distributed amount: $\$63,000 + \$45,000 = \$108,000$, for a combined effective rate of 36%. This illustrates CCorporation double taxation — the same profits are taxed at the entity level and again when distributed to shareholders.

2. A — The federal security clearance is a projectspecific requirement administered by the contracting federal agency, entirely separate from the ACLB licensing process. The Arkansas commercial license authorizes construction work in the state, while the security clearance addresses access to classified facilities. The two operate independently with different issuing authorities and different purposes.

3. D — The general contractor has a duty to verify that all subcontractors hold valid licenses for the work they perform. Allowing an unlicensed plumber to complete \$45,000 of work exposes the GC to ACLB disciplinary action, potential code enforcement issues with the completed plumbing, and liability for any installation defects. The GC should have verified the license before the subcontractor began work.

4. B — The application meets all unrestricted commercial license requirements. A reviewed financial statement satisfies the preparation standard (audited or reviewed required for unrestricted). Net worth of \$85,000 exceeds the \$50,000 minimum. Cash of \$30,000 exceeds the \$25,000 minimum. All other requirements — experience, exams, references, and bond — are satisfied.

5. C — A church fellowship hall is a commercial occupancy regardless of its construction type or size. The building's use as a public assembly and institutional facility places it outside the residential builder's scope. The \$480,000 project requires a commercial contractor's license. Woodframe construction does not reclassify a commercial building as residential.

6. A — Insulation with waste: $15,000 \times \$3.20 \times 1.03 = \$49,440$. Membrane with waste: $15,000 \times \$4.50 \times 1.03 = \$69,525$. Flashing at net cost (no waste): $15,000 \times \$2.80 = \$42,000$. Total: $\$49,440 + \$69,525 + \$42,000 = \$160,965$. The waste factor applies only to insulation and membrane, not to flashing and accessories.

7. D — The 46% disparity between Contractor D's bid and the cluster of three bids within 8% of each other strongly suggests a major estimating error. The magnitude of the difference, the tight clustering of other bids, and the prompt withdrawal request all support equitable relief.

Courts evaluate whether the error was clerical, material in amount, promptly identified, and whether reaward is feasible.

8. B — Total days: $8,000 \div 320 = 25$ days. Total labor hours: $25 \text{ days} \times 8 \text{ hours} \times 4 \text{ workers} = 800$ hours. Total cost: $800 \times \$34.00 = \$27,200$. The productivity rate (320 SF/day) represents the combined output of all 4 workers, so the total labor calculation must include all workers' hours over the full duration.

9. A — The estimator should include a reasonable contingency for potential overexcavation in the expansive clay area, submit an RFI asking whether the foundation design accounts for the documented soil conditions, and document the adjacent property observations. This threepronged approach protects against underpricing while preserving differing site conditions claim rights.

10. C — Selfperformed: $\$22,000 \times 1.15 = \$25,300$. Subcontracted: $\$85,000 \times 1.10 = \$93,500$. Total: $\$25,300 + \$93,500 = \$118,800$. The different markup rates must be applied to each category separately based on who performs the work. The contractor earns the higher 15% only on work they selfperform.

11. D — Enforceability of nodamagesfordelay clauses varies by jurisdiction. Many states enforce them but recognize exceptions for owner's active interference, bad faith, or abandonment. Some states void them entirely as against public policy. The contractor should evaluate the specific jurisdiction's treatment of these clauses and whether the owner's conduct falls within a recognized exception.

12. B — The subcontractor has multiple remedies: demand payment with interest for the 46day late period, file a mechanics' lien if the deadline has not expired, pursue a payment bond claim if applicable, and initiate the subcontract's dispute resolution process. The GC's "internal processing" excuse does not override the 14day contractual payment obligation.

13. A — The owner's written directive to change from acrylic (\$2.80/SF) to fluoropolymer (\$6.50/SF) constitutes a scope change. The $\$3.70/\text{SF}$ difference across 28,000 SF = \$103,600. The contractor should submit a change order documenting the directive, the specification change, and the cost increase. The contractor priced the original specification and is entitled to additional compensation for the upgrade.

14. C — The mold is a concealed existing condition not identified in the contract documents or the environmental assessment. The contractor relied on the assessment when pricing their bid. The actual condition (active Stachybotrys mold) differs materially from what was represented (no mold disclosed). This is a Type I differing site condition, and the \$65,000 remediation cost is the owner's responsibility through a change order.

15. D — The contractor should send formal written notice documenting the April 1 submission, the 30day contractual deadline, the 75day delay, and the financial impact of the withheld \$240,000. This notice demands immediate issuance of the final certificate and preserves all contractual remedies including interest. The escalating formality creates pressure for compliance.

16. A — Proceeding with \$18,000 of work based on a verbal directive without written authorization creates a significant documentation gap. While the contractor may pursue

recovery under constructive change or unjust enrichment theories, proving the directive's existence, scope, and authorization becomes much more difficult without written documentation. This scenario reinforces why contractors must confirm verbal directives in writing before proceeding.

17. B — The acceleration cost (\$45,000) exceeds the liquidated damages for the 8 contractorcaused days (\$20,000). The contractor must decide whether the \$25,000 premium for acceleration is justified by reputational benefits and relationship preservation. The 4 ownercaused days should be pursued as a time extension claim regardless. This is a strategic business judgment balancing cost against nonfinancial considerations.

18. D — The contract specifies equipment billing at "actual rental rates from an established equipment rental company." The \$450 rate significantly exceeds the \$310 market average from three local companies. The contractor must substantiate their \$450 rate with documentation from an established rental source. If the rate cannot be justified, the contractor must adjust to marketconsistent pricing.

19. C — The HVAC roughin must be inspected before the walls are closed. This creates a mandatory finishtostart relationship: HVAC roughin → inspection → drywall closure. The project manager must sequence the two subcontractors to ensure the HVAC work is completed and inspected before drywall begins. Closing walls over uninspected ductwork requires costly reopening.

20. A — E6010 and E7018 electrodes have significantly different mechanical properties. Using E6010 where E7018 is specified in primary beam connections is a serious structural concern. The superintendent must stop the work, document the nonconforming welds, and request a structural engineering evaluation. The engineer may require testing or rewelding of all 40 connections at the erector's expense.

21. B — Path B at 32 days is the controlling path. Path C with the 6day delay becomes 32 days (26 + 6), tying with Path B but not exceeding it. The milestone date remains governed by the 32day duration. However, Paths B and C are now cocritical — any further delay to either path will extend the milestone.

22. C — The 75decibel limit during business hours prohibits the 110decibel demolition during occupied periods. The contractor should schedule demolition during nonbusiness hours, install temporary sound barriers, and submit a change order for overtime costs if offhours work was not contemplated in the original contract. Patient and staff safety in the adjacent medical office is nonnegotiable.

23. D — $EAC = BAC \div CPI = \$7,600,000 \div 0.95 = \$8,000,000$. The project will exceed the original budget by approximately \$400,000 if the current cost inefficiency continues. At 50% completion, the CPI of 0.95 means the contractor gets only \$0.95 of value per dollar spent. The project manager must implement corrective actions before the overrun compounds through the remaining work.

24. A — The breached construction barrier created an uncontrolled pathway for dust, debris, and airborne contaminants to enter the occupied patient care area. In a hospital, this directly threatens immunocompromised patients and violates infection control requirements. This is a

serious life safety violation — not merely cosmetic damage to a barrier. The contractor must immediately repair the breach and implement measures to prevent recurrence.

25. B — Incident 1: CGL pays \$750,000 (within peroccurrence limit). Incident 2: CGL pays \$1,000,000 (peroccurrence cap). Total CGL: \$1,750,000 (within \$2,000,000 general aggregate). The remaining \$300,000 of Incident 2 exceeds the peroccurrence limit and must be covered by the umbrella policy or becomes the contractor's personal responsibility.

26. B — The surety can provide financial assistance, consulting support, or workforce supplements before a formal default. Early intervention costs the surety significantly less than responding after a default — hiring a replacement contractor at premium rates to complete a partially finished project is far more expensive. The surety has a financial interest in helping the original contractor succeed.

27. D — Premium at EMR 1.30: $\$320,000 \times 1.30 = \$416,000$. Premium at EMR 0.82: $\$320,000 \times 0.82 = \$262,400$. Annual savings: \$153,600. Beyond the premium reduction, the 0.82 EMR qualifies the contractor for projects requiring maximum EMR of 1.0, expanding bidding opportunities that were closed at 1.30. The investment in safety management produced both direct cost savings and revenue growth.

28. C — The CT scan for diagnostic purposes and OTC ibuprofen are both classified as first aid under OSHA definitions. The worker returned to full duty the next day with no restrictions. No recordable outcome occurred — no lost time, no restricted duty, and no medical treatment beyond first aid. Neither the ER visit nor the ambulance transport alone triggers recordability.

29. A — Establishments with 20249 employees in designated highhazard industries — including construction (NAICS 236) — must electronically submit 300A Annual Summary data through OSHA's ITA by March 2 of the following year. With 95 employees in NAICS 236, this employer falls squarely within the electronic reporting requirement.

30. D — The worker was restricted from using vibrating tools and assigned to modified duties for 4 weeks. The restriction from routine job functions is the most significant recordable outcome. "Restricted work or job transfer" classification applies when a physician restricts one or more routine functions. This takes precedence over "other recordable" even though the OT referral is also a recordability trigger.

31. B — The FMLA provides leave to care for a spouse with a serious health condition. A complicated pregnancy requiring bed rest is unquestionably a serious health condition. The employer has 55 employees (above threshold) and the foreman has 7 years of tenure (exceeding eligibility). The 6week request is within the 12week maximum. FMLA spousal care leave is not limited to the delivery period.

32. C — Straighttime earnings: $\$40.00 \times 52 = \$2,080$. Plus bonus: \$220. Total: \$2,300. Regular rate: $\$2,300 \div 52 = \44.23 . Overtime premium: $\$44.23 \times 0.5 \times 12 = \265.38 . Total gross: $\$2,300 + \$265.38 = \$2,565.38$. The nondiscretionary bonus increases the effective regular rate and the resulting overtime premium.

33. A — Basing salary offers on salary history may perpetuate prior pay discrimination. If the female applicant's lower prior salary resulted from gender discrimination at her previous employer, the new offer locks in the gap. The \$25,000 disparity between offers for comparable

candidates performing the same role may constitute sexbased pay discrimination under the Equal Pay Act and Title VII.

34. D — Under DavisBacon, the overtime premium applies to the cash wage plus prorated nondiscretionary bonuses. Regular rate: $(\$42.00 \times 46 + \$175) \div 46 = \$45.80$. Overtime premium: $\$45.80 \times 0.5 = \$22.90 \times 6 \text{ hours} = \137.42 . The fringe benefit of \$19.00/hour continues at straighttime for all 46 hours and is not multiplied by the overtime factor.

35. B — The assignment to an unprecedented, isolated, windowless task immediately after filing a workers' compensation claim creates a strong inference of retaliation. The temporal proximity, the demeaning nature of the assignment, and the fact that no other employee has ever been given this duty all support the claim. Lightduty accommodation does not authorize punitive or humiliating assignments.

36. A — Selectively requiring additional documentation from applicants of a specific national origin constitutes document abuse discrimination under IRCA. The employer is liable for the HR coordinator's discriminatory conduct regardless of whether the coordinator was explicitly instructed. The practice affected 12 applicants over 8 months, creating substantial penalty exposure for each affected individual.

37. C — Twentytwo undocumented absences over 4 months despite four written warnings demonstrates willful disregard for known attendance requirements. The documentation — attendance records, warnings, and signed policy acknowledgment — establishes that the worker knew the policy, was repeatedly warned, and continued the behavior. Unemployment agencies classify this pattern as disqualifying misconduct.

38. D — The Supreme Court has upheld mandatory arbitration clauses for employment disputes including statutory discrimination claims. The arbitration agreement must be clear, knowing, and provide adequate procedural protections — including adequate discovery, neutral arbitrators, and the ability to obtain the same remedies available in court. If these requirements are met, the court will likely compel arbitration.

39. B — The FMLA defines "spouse" using the legal definition of marriage. An unmarried domestic partner does not qualify as a covered family member under the FMLA's spousal care provision. The employer is not required to provide FMLA leave to care for a domestic partner, though some employers voluntarily extend equivalent benefits through company policy.

40. A — Sleeping in a company vehicle during work hours — particularly in a role involving vehicle operation — constitutes a safetyrelated offense justifying immediate termination. The atwill disclaimer preserves the employer's right to deviate from progressive discipline for serious safety violations. Courts generally recognize that safetycritical misconduct falls outside the progressive discipline sequence.

41. C — Percentage complete: $\$1,785,000 \div \$2,550,000 = 70\%$. Earned revenue: $70\% \times \$3,000,000 = \$2,100,000$. Billings: \$2,250,000. Overbilled by \$150,000. Gross profit: $\$3,000,000 - \$2,550,000 = \$450,000$. Gross margin: 15%. The \$150,000 overbilling appears as a current liability representing work billed but not yet earned.

42. D — Year 1: 50% complete ($\$1,785,000 \div \$3,570,000$). Revenue = $50\% \times \$4,200,000 = \$2,100,000$. Year 2: 80% complete ($\$2,856,000 \div \$3,570,000$). Cumulative revenue = $80\% \times$

$\$4,200,000 = \$3,360,000$. Year 2 incremental: $\$3,360,000 - \$2,100,000 = \$1,260,000$. Revenue is recognized by subtracting previously recognized amounts.

43. A — Inflows: $\$45,000 + \$680,000 + \$40,000 + \$80,000 = \$845,000$. Outflows: $\$460,000 + \$310,000 + \$72,000 + \$35,000 + \$22,000 = \$899,000$. Net: $\$845,000 - \$899,000 = -\$54,000$. The contractor faces a $\$54,000$ shortfall requiring additional financing, accelerated collections, or expenditure reductions.

44. B — Working capital: $\$880,000 - \$650,000 = \$230,000$. Capacity: $15 \times \$230,000 = \$3,450,000$. Existing: $\$2,800,000$. Available: $\$650,000$. The $\$1,200,000$ bond exceeds available capacity by $\$550,000$. The contractor needs to increase working capital by approximately $\$37,000$ ($\$550,000 \div 15$) or complete existing projects to free capacity.

45. D — Gross profit: $\$5,200,000 - \$4,420,000 = \$780,000$. Gross margin: 15%. Net income: $\$780,000 - \$468,000 = \$312,000$. Net margin: $\$312,000 \div \$5,200,000 = 6\%$. The 15% gross margin indicates strong project profitability and the 6% net margin reflects healthy bottomline performance after overhead.

46. C — Adjusted SE income: $\$270,000 \times 0.9235 = \$249,345$. Social Security (12.4%) on $\$168,600 = \$20,906$. Medicare (2.9%) on $\$249,345 = \$7,231$. Additional Medicare surtax (0.9%) on $\$49,345$ ($\$249,345 - \$200,000$) = $\$444$. Total: approximately $\$28,581$. The wage base caps Social Security while Medicare applies to all SE income with the surtax on amounts exceeding $\$200,000$.

47. A — The IRS graduated penalty structure assesses 10% on deposits made more than 15 days late but before receiving a formal IRS notice. At 18 days past the deadline, the $\$32,000$ deposit triggers the thirddtier penalty rate. Penalty: $\$32,000 \times 10\% = \$3,200$. The 5% rate applies only to 615 day delays.

48. B — Corporate tax on $\$450,000$: $21\% \times \$450,000 = \$94,500$. Dividend tax: $15\% \times \$450,000 = \$67,500$. Total: $\$162,000$. Effective rate: $\$162,000 \div \$450,000 = 36\%$. This illustrates the double taxation burden of CCorporations — passthrough entities avoid this second layer of tax on distributed profits.

49. C — Section 179 cannot exceed the contractor's taxable business income. With $\$110,000$ in net income, the deduction is limited to $\$110,000$ this year. The remaining $\$35,000$ can be carried forward to future years or depreciated under MACRS. This income limitation prevents Section 179 from creating a net operating loss.

50. D — The $\$35,000$ W2 wages reduce the Social Security wage base available for SE tax: $\$168,600 - \$35,000 = \$133,600$. Social Security (12.4%) on $\$133,600 = \$16,566$. Medicare (2.9%) on full adjusted SE income of $\$193,935 = \$5,624$. No additional Medicare surtax because $\$193,935$ is below $\$200,000$. Total: approximately $\$22,190$.