

# PRACTICE EXAM 34: TENNESSEE BUSINESS AND LAW SIMULATION (50 QUESTIONS)

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**Total Questions:** 50 | **Time Limit:** 140 Minutes | **Passing Score:** 73% (37/50)

1. A contractor operating as a sole proprietorship has gross receipts of \$890,000 and net earnings of \$115,000. The CPA says the business owes franchise and excise tax. Is the CPA correct?

- A. No, because sole proprietorships are exempt from both franchise and excise tax — only business tax on gross receipts applies
- B. Yes, because all entities with gross receipts exceeding \$500,000 owe franchise and excise tax
- C. No, because sole proprietorships are exempt from all Tennessee state-level business taxes
- D. Yes, because all businesses with net earnings exceeding \$100,000 owe excise tax

2. A contractor files a mechanic's lien on a private commercial property on June 18, 2026. The property owner delays all settlement discussions. By what date must the enforcement lawsuit be filed?

- A. By September 16, 2026, which is 90 days from the filing date
- B. By June 18, 2027, which is one year from the filing date — delays do not toll this deadline
- C. By December 16, 2026, which is 180 days from the filing date
- D. By June 18, 2028, which is two years from the filing date

3. A contractor enters into a cost-plus-percentage contract with a 14% fee for a \$590,000 estimated renovation. The contractor discovers a \$21,000 cost-saving substitution. What financial disincentive exists?

- A. No disincentive because the owner makes all final decisions
- B. A positive disincentive because value engineering credits increase the fee
- C. The disincentive is neutral because the owner verifies all substitutions
- D. The contractor loses \$2,940 in fee income because 14% of the \$21,000 savings is eliminated

4. A contractor operating as a C-corporation has net earnings of \$405,000, net worth of \$530,000, and tangible property valued at \$490,000. What is the Tennessee franchise tax liability?

- A. \$1,325, calculated at \$0.25 per \$100 of net worth of \$530,000 because it is the greater value
- B. \$1,225, calculated at \$0.25 per \$100 of tangible property of \$490,000
- C. \$100, the minimum franchise tax for Tennessee corporations
- D. \$2,550, calculated at \$0.25 per \$100 of the combined values

5. An employer with 8 employees in Tennessee terminates a 61-year-old worker. Under which law can the worker file an age discrimination complaint?

- A. The federal ADEA, which applies to employers with 5 or more employees
- B. No law covers age discrimination for employers with only 8 employees
- C. The Tennessee Human Rights Act, which applies to employers with 8 or more employees and covers age discrimination
- D. Title VII, which covers age discrimination for employers with 8 or more employees

6. A contractor has total assets of \$1,150,000, total liabilities of \$740,000, current assets of \$440,000, and current liabilities of \$105,000. Does the contractor qualify for unlimited status?

- A. Yes, because both net worth (\$410,000) and working capital (\$335,000) each independently exceed \$300,000
- B. No, because working capital must exceed \$400,000 for unlimited
- C. Yes, because net worth alone exceeding \$300,000 satisfies the sole requirement
- D. No, because unlimited requires both values to exceed \$500,000

7. A subcontractor furnishes labor to a county-funded recreation center project. The general contractor has not paid \$87,000. Can the subcontractor file a mechanic's lien?

- A. Yes, because recreation centers are classified as commercial facilities for lien purposes
- B. Yes, but only if the subcontractor files within 30 days
- C. No, and no remedy exists because county facilities have sovereign immunity
- D. No, because liens cannot be filed against public property — the subcontractor must pursue a payment bond claim

8. A contractor enters into a cost-plus-fixed-fee contract with a \$62,000 fixed fee for a \$750,000 estimated renovation. Material costs drop, bringing actual costs to \$680,000. What fee does the contractor receive?

- A. \$62,000, because a fixed fee remains constant regardless of whether actual costs change
- B. \$56,227, reduced proportionally because actual costs decreased
- C. \$68,000, recalculated at 10% of actual costs
- D. \$62,000 minus a \$7,000 credit for the reduced management burden

9. A contractor's employee suffers a fatal crane accident at 9:15 AM on Monday. The foreman calls the office at 9:40 AM. By what time must the fatality be reported to OSHA?

- A. By 9:40 AM on Tuesday, within 24 hours of the employer learning
- B. By 9:15 AM on Tuesday, within 24 hours of the time of death
- C. By 9:40 AM the following Monday, within 5 working days
- D. By 5:40 PM on Monday, within 8 hours of the employer learning

10. A contractor is excavating a trench reaching 5 feet 7 inches deep in Type B soil. The foreman says it's barely over 5 feet and Type B holds fine. Is the foreman correct?

- A. Yes, because a competent person can authorize unprotected entry at this depth
- B. Yes, because Type B soil has sufficient cohesion at shallow depths
- C. No, because Type B requires protection at all depths regardless of threshold
- D. No, because OSHA requires protection at 5 feet or deeper regardless of soil type unless entirely in stable rock

11. A roofing subcontractor wants to bid on a \$44,000 re-roofing project for a commercial building. The subcontractor does not hold a Tennessee license. Can the subcontractor perform this work?

- A. Yes, because roofing licensing is required only for projects exceeding \$50,000
- B. No, because Tennessee has required all roofing subcontractors to be licensed since January 1, 2014, regardless of project value
- C. Yes, because the general contractor's license covers all roofing work
- D. No, but only because the project exceeds \$25,000

12. A contractor operating as an S-corporation has net earnings of \$280,000, net worth of \$350,000, and tangible property valued at \$320,000. The bookkeeper says S-corporations are exempt from franchise and excise tax. Is this correct?

- A. No, because S-corporations are subject to both franchise and excise tax despite their federal pass-through classification
- B. Yes, because S-corporations receive the same state treatment as sole proprietorships
- C. No, but only excise tax applies — S-corporations are exempt from franchise tax
- D. Yes, because all pass-through entities are exempt from franchise and excise tax

13. A contractor wants to obtain a Tennessee license with a monetary limit of \$3,300,000. The contractor has a reviewed financial statement. Does this meet requirements?

- A. Yes, because reviewed statements are acceptable for limits up to \$5,000,000
- B. Yes, because audited statements are required only when limits exceed \$4,000,000
- C. No, because monetary limits exceeding \$3,000,000 require an audited financial statement
- D. No, because all limits above \$2,500,000 require an audited statement

14. A contractor wants to hire an electrical subcontractor for a \$30,000 scope on a commercial building. The general contractor holds a BC-B license. Does the electrical subcontractor need a separate license?

- A. No, because the general contractor's BC-B covers all electrical work
- B. No, because electrical licensing is required only for scopes exceeding \$50,000
- C. Yes, because the BC excludes electrical work exceeding \$25,000, and \$30,000 exceeds that threshold
- D. Yes, because all electrical work on commercial buildings requires a separate license

15. A contractor enters into a \$1,300,000 stipulated-sum contract for a commercial office. After completing 55%, the owner terminates for convenience. The contractor incurred \$643,500 in costs and earned \$71,500 in profit on completed work. The contractor claims \$58,500 in anticipated profit on the unperformed 45%. What does the contractor receive?

- A. \$1,300,000, the full contract price
- B. \$773,500, consisting of costs plus earned profit plus anticipated profit
- C. \$643,500, consisting of only the direct costs
- D. \$715,000, consisting of costs (\$643,500) plus earned profit (\$71,500), with no recovery of anticipated profit on unperformed work

16. An employer with 55 employees at a single location has a worker employed for 15 months who requests FMLA leave to care for a spouse undergoing chemotherapy. Is the worker eligible?

- A. No, because FMLA leave for spousal care is limited to 6 weeks
- B. No, because the employee must have worked at least 24 months
- C. Yes, because the employer has 50+ employees, the worker has 15 months of service, and spousal care for a serious health condition is a qualifying event
- D. Yes, but only if the spouse's condition requires inpatient hospitalization

17. A contractor purchases \$52,000 in plumbing fixtures for a commercial project. The combined sales tax rate is 9.5%. The building owner is a nonprofit hospital with a valid exemption. Can the contractor avoid sales tax?

- A. No, because the contractor is the end user and must pay the combined 9.5% sales tax of \$4,940 regardless of the owner's status
- B. Yes, because materials for tax-exempt facilities inherit the exemption
- C. Yes, if the contractor provides the supplier with the hospital's certificate
- D. No, but the contractor can file a quarterly refund

18. A contractor wants to apply for a BC-A/r restricted residential classification. Which restrictions accurately describe this classification?

- A. Projects under \$125,000, no trade exam (community college course substitutes), joint ventures prohibited, subcontractors permitted
- B. Projects under \$150,000, trade exam required, joint ventures permitted, subcontractors prohibited
- C. Projects under \$100,000, no trade exam, joint ventures prohibited, subcontractors prohibited
- D. Projects under \$125,000, trade exam required, joint ventures permitted, subcontractors permitted

19. A masonry subcontractor is bidding on a \$103,000 scope of masonry work for a new commercial building. The subcontractor does not hold an LMC license. Does the subcontractor need one?

- A. No, because the LMC threshold is \$125,000 for commercial projects
- B. Yes, because the LMC license is required when masonry work reaches \$100,000 or more, and \$103,000 exceeds that threshold
- C. No, because the general contractor's license covers all masonry work

D. Yes, because all masonry subcontractors must hold an LMC license regardless of value<sup>20</sup>. An employer with 22 employees wants to implement Tennessee's Drug-Free Workplace Program for the 5% premium credit. The policy includes pre-employment, reasonable suspicion, and random testing but omits post-accident testing. Does this qualify?

- A. Yes, because three of four components satisfy the minimum
- B. Yes, because post-accident testing is optional and increases the credit to 7.5%
- C. No, because all four are required — pre-employment, reasonable suspicion, post-accident, and random — and omitting any one disqualifies
- D. No, because the program must include annual screening of all employees

21. A contractor enters into a guaranteed maximum price (GMP) contract for \$2,000,000 with a 50/50 shared savings clause. Actual costs total \$1,900,000. How are the savings distributed?

- A. The contractor receives the entire \$100,000 as an efficiency bonus
- B. The owner receives the full \$100,000 because the GMP exists solely for owner protection
- C. The owner receives \$50,000 and the contractor receives \$50,000, splitting equally
- D. Savings held in escrow until warranty obligations expire

22. A contractor operating as a general partnership has gross receipts of \$1,200,000 and net earnings of \$155,000. The CPA says the partnership owes franchise and excise tax. Is the CPA correct?

- A. No, because general partnerships are exempt from all Tennessee state taxes
- B. No, because general partnerships are exempt from franchise and excise tax — only business tax applies
- C. Yes, because all entities with gross receipts exceeding \$1,000,000 owe all three taxes
- D. Yes, because all partnerships with employees owe franchise and excise tax

23. A contractor enters into a \$730,000 lump-sum contract for a veterinary clinic. During excavation, the contractor discovers an abandoned well requiring \$33,000 for capping and removal. The contract has no differing site conditions clause. Who bears the cost?

- A. The owner because abandoned wells are environmental liabilities
- B. The cost is split equally under the implied shared-risk doctrine
- C. The contractor bears the cost because in a lump-sum without a differing site conditions clause, the contractor assumes unforeseen subsurface risk
- D. The contractor can suspend work until the owner funds removal

24. A contractor wants to hire a plumbing subcontractor for a \$24,800 scope on a commercial building. Does the plumbing subcontractor need a separate license?

- A. Yes, because all plumbing work on commercial buildings requires a separate license
- B. No, because the \$24,800 falls below \$25,000 — the BC excludes plumbing exceeding \$25,000, and this scope does not exceed it
- C. No, because the general contractor's BC-B covers all subcontractor trades
- D. Yes, because plumbing subcontractors must be licensed for work exceeding \$10,000

25. A contractor with 56 employees is hiring workers. The HR director requires I-9 forms but has not enrolled in E-Verify. Is this compliant?

- A. Yes, because E-Verify is a voluntary federal program
- B. No, because Tennessee requires E-Verify for employers with 50 or more employees — both I-9 and E-Verify are required
- C. No, because E-Verify is required for all Tennessee employers
- D. Yes, because E-Verify is mandatory only for government contractors

26. A material supplier delivers \$80,000 in custom architectural metalwork to a private commercial project. The supplier has no direct contract with the owner. The general contractor has not paid. What must the supplier do?

- A. File a mechanic's lien directly within 90 days — no prior notice required
- B. Send a demand letter by certified mail within 30 days
- C. File a breach of contract lawsuit within one year to create an automatic lien
- D. Send a Notice of Nonpayment to the prime contractor or owner within 90 days, and file a lien within 90 days of the last furnishing date

27. A contractor signs a conditional lien waiver in exchange for a \$42,000 progress payment. The owner issues a check. The contractor deposits it and it clears three business days later. What is the status?

- A. The waiver remains conditional for 30 days regardless of clearance
- B. The conditional waiver is now effective because the condition — actual receipt of payment — has been satisfied
- C. The waiver converts to unconditional only after separate written confirmation
- D. The waiver is effective only after 90 days of the payment remaining cleared

28. A contractor has a net worth of \$305,000 and working capital of \$292,000. The contractor applies for unlimited status. Does the contractor qualify?

- A. No, because both must each exceed \$300,000, and working capital (\$292,000) falls short
- B. Yes, because net worth exceeds \$300,000 and only one value needs to meet the threshold
- C. Yes, because the average exceeds \$300,000
- D. No, because unlimited requires a minimum net worth of \$500,000

29. A contractor is reviewing the standard order of precedence for a \$3,200,000 project. The specifications require R-19 fiberglass insulation throughout. The addenda changed the requirement to R-13 spray foam for the warehouse walls only. The drawings show R-21 cellulose in the warehouse walls. Which insulation should be installed in the warehouse walls?

- A. R-19 fiberglass because specifications always take precedence
- B. R-21 cellulose because drawings provide the most location-specific information
- C. R-13 spray foam because addenda modify previously issued documents and represent the most current intent
- D. The contractor may choose any type and document the selection

30. A contractor enters into a time-and-materials contract for emergency fire damage repair. After two weeks, costs reach \$180,000. The owner demands a cost cap of \$225,000. What is the issue?

- A. The owner can unilaterally impose a cap at any time
- B. T&M contracts include an implied ceiling of 150% of the initial estimate
- C. The owner should have negotiated a GMP because T&M cannot be modified
- D. T&M contracts have no inherent cost ceiling — any cap requires a written modification agreed to by both parties

31. A contractor licensed in Louisiana wants to obtain a Tennessee license. The contractor holds a valid Louisiana license and passed the Louisiana trade exam. What testing applies?

- A. Both exams are fully waived because Louisiana has comprehensive reciprocity
- B. The trade exam may be waived through reciprocity, but the Tennessee Business and Law exam must still be passed
- C. No reciprocity exists, requiring both exams independently
- D. The Business and Law exam is waived, but the trade exam must be taken

32. A contractor operating as a sole proprietorship earns \$196,000 in net self-employment income. What is the approximate self-employment tax?

- A. Approximately \$29,988 at 15.3%, covering both Social Security (12.4%) and Medicare (2.9%)
- B. Approximately \$14,994 at 7.65% because sole proprietors pay only the employee half
- C. Approximately \$5,684 at 2.9% for the Medicare portion only
- D. Approximately \$24,304 at 12.4% for Social Security only

33. An employer with 16 employees terminates a worker who recently disclosed a hearing disability. Under which laws can the worker file a claim?

- A. Only the federal ADA because the THRA does not cover disability
- B. Both the federal ADA and the Tennessee Human Rights Act — ADA at 15+ and THRA at 8+, both covering disability
- C. Only the ADEA which covers all discrimination for employers with 15+
- D. No law covers disability for employers with fewer than 20 employees

34. A contractor operating as a C-corporation has net earnings of \$340,000, net worth of \$470,000, and tangible property valued at \$520,000. What is the excise tax liability?

- A. \$1,175, calculated at \$0.25 per \$100 of net worth
- B. \$1,300, calculated at \$0.25 per \$100 of tangible property
- C. \$22,100, calculated at 6.5% of the net earnings of \$340,000
- D. \$0, because C-corporations with net earnings under \$400,000 are exempt

35. A contractor wants to determine whether a garden shed project requires a license. The project includes: materials \$13,100, labor \$8,800, concrete pad \$1,700, and profit \$1,900. Does this require a license?

- A. No, because garden sheds are classified as accessory structures exempt from licensing
- B. Yes, because the total cost is \$25,500, exceeding the \$25,000 threshold
- C. No, because the labor cost of \$8,800 is under \$25,000 and the threshold applies only to labor
- D. Yes, because all projects involving concrete pads require licensing

36. A project owner terminates a contractor for cause on a \$2,000,000 project after documented breaches and two cure notices. The contractor completed 50%. A replacement contractor charges \$1,180,000 to finish. The original remaining balance was \$1,000,000. What does the original contractor receive?

- A. \$1,000,000, representing 50% of the contract price
- B. The value of acceptably completed work with no offset for replacement cost
- C. \$1,000,000 plus a 10% termination fee
- D. The value of acceptably completed work, reduced by the \$180,000 difference between replacement cost and remaining balance

37. A contractor holds a Tennessee license with a monetary limit of \$1,850,000. The contractor carries \$750,000 in GL insurance. Does the contractor meet the minimum requirement?

- A. Yes, because \$750,000 exceeds the \$500,000 minimum for the \$501,000–\$1,500,000 tier
- B. Yes, because GL requirements are based on project values, not the monetary limit
- C. No, because the \$1,850,000 limit exceeds \$1,501,000, placing the contractor in the highest tier requiring \$1,000,000 minimum GL
- D. No, because all contractors with limits above \$1,500,000 must carry GL equal to the limit

38. A contractor enters into a \$640,000 lump-sum contract for a dental clinic. During construction, the owner verbally approves a \$15,500 upgrade to the reception area finishes. The contractor completes the work. Three weeks later, the owner disputes the charge. What is the core issue?

- A. The verbal approval is enforceable because the owner accepted the benefit
- B. The architect must authorize all change orders before the owner can approve
- C. The change order should have been written and signed by both parties before work began — lack of documentation weakens the contractor's position
- D. The owner cannot dispute work physically completed and integrated

39. An employer with 48 employees at a single location has a worker employed for 2 years who requests FMLA leave to care for a parent with a terminal illness. Is the worker eligible?

- A. No, because FMLA requires 50 or more employees within a 75-mile radius, and this employer has only 48
- B. Yes, because the 2-year tenure exceeds the minimum and parental care qualifies
- C. Yes, because parental care for terminal illness qualifies regardless of employer size
- D. No, because FMLA for parental care is limited to 4 weeks

40. A contractor has total assets of \$970,000, total liabilities of \$625,000, current assets of \$360,000, and current liabilities of \$227,000. The contractor wants to bid on a \$1,400,000 project. Can the limit support this?

- A. Yes, because net worth of \$345,000 supports a limit of \$3,450,000

- B. Yes, because total assets of \$970,000 support any project under \$2,000,000
- C. No, because the Board requires a minimum current ratio of 2.0
- D. No, because the limit is ten times the lesser of net worth (\$345,000) or working capital (\$133,000) — the limit is \$1,330,000, below \$1,400,000

41. A contractor is building a commercial office using the percentage-of-completion method. Contract price is \$1,600,000, costs to date are \$576,000, and total estimated costs are \$1,280,000. What revenue should be recognized?

- A. \$576,000, matching revenue to costs without a completion ratio
- B. \$800,000, calculated as 50% of the contract price
- C. \$1,600,000, because revenue is fully recognized once past 35%
- D. \$720,000, calculated as costs to date divided by total estimated costs multiplied by contract price

42. A contractor operating as an LLC has gross receipts of \$1,750,000. The company paid \$1,200,000 to licensed subcontractors and \$150,000 to an unlicensed crew. What is deductible for business tax?

- A. \$1,350,000, because all payments to subcontractors and crews are deductible
- B. \$0, because Tennessee does not permit deductions
- C. \$1,200,000, because only payments to properly licensed subcontractors qualify
- D. \$600,000, because the deduction is capped at 50%

43. A contractor wants to hire an HVAC subcontractor for a \$24,500 scope on a commercial building. Does the HVAC subcontractor need a separate license?

- A. Yes, because all HVAC work on commercial buildings requires a separate license
- B. Yes, because HVAC subcontractors must be licensed for work exceeding \$10,000
- C. No, because the \$24,500 falls below \$25,000 — the BC excludes HVAC exceeding \$25,000, and this scope does not exceed it
- D. No, because the general contractor's BC-B covers all mechanical trades

44. A contractor signs an unconditional lien waiver and delivers it before receiving the \$48,000 progress payment. The general contractor later declares bankruptcy. The payment is never made. What is the legal effect?

- A. The unconditional waiver is effective immediately upon signing — the contractor has released lien rights regardless of whether payment is ever received
- B. The waiver is void because the bankruptcy constitutes material breach

- C. The waiver converts to conditional upon the bankruptcy filing
- D. The waiver is suspended until the bankruptcy court resolves the claim

45. A contractor completes all work on a private commercial renovation on October 22. The owner withholds \$46,000. The contractor files a mechanic's lien on January 16, which is 86 days after last furnishing. Is the filing timely, and what is the enforcement deadline?

- A. Yes, within the 90-day period, and enforcement must be filed within one year of the filing date
- B. No, because commercial liens must be filed within 60 days
- C. Yes, but enforcement must be filed within 90 days of the filing date
- D. No, because the 90-day period begins from when retainage was due

46. A contractor licensed in Ohio wants to obtain a Tennessee license. The contractor holds a valid Ohio license and passed the Ohio trade exam. What testing applies?

- A. Both exams are fully waived because Ohio has comprehensive reciprocity
- B. No reciprocity exists, requiring both exams independently
- C. The Business and Law exam is waived, but the trade exam must be taken
- D. The trade exam may be waived through reciprocity, but the Tennessee Business and Law exam must still be passed

47. A contractor is building a commercial parking structure. A scaffold has a 3.7:1 safety factor and was designed by a superintendent with 19 years of general experience but no specific scaffold design training. Does this meet OSHA requirements?

- A. Yes, because the 3.7:1 exceeds the 3:1 minimum for commercial construction
- B. Yes, because 19 years qualifies the superintendent as both competent and qualified
- C. No, because scaffolds above 10 feet require a licensed professional engineer
- D. No, because the safety factor must be at least 4:1 and the scaffold must be designed by a qualified person with specific scaffold design knowledge — both requirements are unmet

48. A contractor operating as a limited partnership has gross receipts of \$2,400,000, net earnings of \$310,000, net worth of \$400,000, and tangible property valued at \$360,000. What is the combined franchise and excise tax liability?

- A. \$1,000 in franchise tax only, because limited partnerships are exempt from excise tax

- B. \$21,150, consisting of \$1,000 in franchise tax based on net worth of \$400,000 plus \$20,150 in excise tax at 6.5% of net earnings
- C. \$20,150 in excise tax only, because limited partnerships are exempt from franchise tax
- D. \$0, because limited partnerships are pass-through entities exempt from both

49. A contractor has a net worth of \$345,000 and working capital of \$320,000. The contractor applies for unlimited status. Does the contractor qualify?

- A. Yes, because both net worth (\$345,000) and working capital (\$320,000) each independently exceed \$300,000
- B. No, because working capital must exceed \$350,000 for unlimited
- C. Yes, because net worth alone exceeding \$300,000 satisfies the sole requirement
- D. No, because unlimited requires both values to exceed \$500,000

50. A contractor operating as a general partnership has two partners and 4 employees. One partner wants both exempted from workers' compensation. What is the correct obligation?

- A. Both partners and all employees are automatically exempt because partnerships are not employers
- B. Workers' compensation is required for all 4 employees because Tennessee mandates coverage for employers with one or more employees, but the partners can individually exempt themselves by registering with the Secretary of State
- C. Coverage is required for all workers including partners with no exemption available
- D. Coverage is optional because partnerships with fewer than 10 workers are exempt

## Practice Exam 34: Answer Key and Explanations

1. A. Sole proprietorship — Exempt from franchise and excise. Only business tax applies.
2. B. Lien enforcement — One year from filing. June 18, 2027.
3. D. Cost-plus-percentage —  $14\% \times \$21,000 = \$2,940$  lost fee.
4. A. Franchise tax — \$0.25 per \$100 of greater value (\$530,000 net worth). \$1,325.
5. C. Age discrimination — ADEA requires 20+ (doesn't apply at 8). THRA at 8+ covers age.
6. A. Unlimited — Net worth \$410,000, working capital \$335,000. Both exceed \$300,000.
7. D. Public property — Liens cannot be filed. Payment bond claim.

8. A. Cost-plus-fixed-fee — \$62,000 constant regardless of costs.
9. D. Fatality — 8 hours from employer learning. 9:40 AM + 8 = 5:40 PM Monday.
10. D. Excavation — Protection at 5+ feet unless stable rock. No "barely over" exception.
11. B. Roofing — Licensed since January 1, 2014, regardless of value.
12. A. S-corporation — Subject to both franchise and excise despite pass-through status.
13. C. Financial statements — Limits exceeding \$3,000,000 require audited statement.
14. C. Electrical — BC excludes electrical exceeding \$25,000. \$30,000 exceeds.
15. D. Termination for convenience — Costs + earned profit. No anticipated profit. \$643,500 + \$71,500 = \$715,000.
16. C. FMLA — 50+ employees, 15 months tenure, spousal care qualifies. All met.
17. A. Sales tax — Contractor is end user.  $\$52,000 \times 9.5\% = \$4,940$ . Exemption doesn't transfer.
18. A. BC-A/r — \$125,000, no trade exam (community college), joint ventures prohibited, subcontractors permitted.
19. B. LMC — Required at \$100,000+. \$103,000 exceeds.
20. C. Drug-Free Workplace — All four components required. Omitting post-accident disqualifies.
21. C. GMP shared savings — \$100,000 split 50/50: \$50,000 each.
22. B. General partnership — Exempt from franchise and excise. Only business tax applies.
23. C. Lump-sum risk — Without differing site conditions clause, contractor bears unforeseen costs.
24. B. Plumbing — BC excludes plumbing exceeding \$25,000. \$24,800 below threshold.
25. B. E-Verify — Required for 50+ employees. Both I-9 and E-Verify required at 56.
26. D. Remote claimant — Notice of Nonpayment within 90 days, file lien within 90 days.
27. B. Conditional waiver — Effective when payment received. Check cleared. Condition satisfied.
28. A. Unlimited — Both must exceed \$300,000. Working capital (\$292,000) falls short.
29. C. Addenda — Modify previously issued documents. R-13 spray foam controls for warehouse.

30. D. T&M — No inherent ceiling. Cap requires written modification by both parties.
31. B. Louisiana reciprocity — Trade exam waived. Business and Law exam required.
32. A. Self-employment tax —  $15.3\% \times \$196,000 = \$29,988$ .
33. B. Disability — ADA at 15+ and THRA at 8+. Both apply at 16.
34. C. Excise tax —  $6.5\% \times \$340,000 = \$22,100$ .
35. B. Licensing — Total =  $\$13,100 + \$8,800 + \$1,700 + \$1,900 = \$25,500$ . Exceeds \$25,000.
36. D. Termination for cause — Value of acceptable work offset by \$180,000 additional completion cost.
37. C. GL tiers — \$1,850,000 exceeds \$1,501,000. Highest tier requires \$1,000,000. \$750,000 insufficient.
38. C. Change order — Written and signed before work. Lack of documentation weakens position.
39. A. FMLA — Requires 50+ employees. Only 48. Threshold not met.
40. D. Monetary limit — Working capital =  $\$360,000 - \$227,000 = \$133,000$ . Limit = \$1,330,000. Below \$1,400,000.
41. D. Percentage of completion —  $(\$576,000 \div \$1,280,000) \times \$1,600,000 = 0.45 \times \$1,600,000 = \$720,000$ .
42. C. Business tax deduction — Only licensed subcontractor payments (\$1,200,000) deductible.
43. C. HVAC — BC excludes HVAC exceeding \$25,000. \$24,500 below threshold.
44. A. Unconditional waiver — Effective immediately regardless of payment or bankruptcy.
45. A. Lien timing — 86 days, within 90. Timely. Enforcement within one year.
46. D. Ohio reciprocity — Trade exam waived. Business and Law exam required.
47. D. Scaffold — 4:1 minimum (3.7:1 fails). Qualified person required. Both unmet.
48. B. Limited partnership — Franchise =  $\$0.25$  per \$100 of \$400,000 = \$1,000. Excise =  $6.5\% \times \$310,000 = \$20,150$ . Combined = \$21,150.
49. A. Unlimited — Both \$345,000 and \$320,000 each exceed \$300,000. Qualifies.
50. B. Workers' comp — Required for 1+ employees. Partners can individually exempt via Secretary of State.

