

PRACTICE EXAM 38: 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 one shareholder who works fulltime. The corporation earns \$600,000. The shareholder takes a \$200,000 salary and the corporation retains the remaining \$400,000. The corporate tax rate is 21%. The following year, the corporation distributes \$200,000 of retained earnings as dividends at the 15% qualified dividend rate. What is the total tax paid on the \$200,000 that is distributed, and what structural disadvantage does this illustrate?

A. \$72,000 total (\$42,000 corporate tax at 21% on the \$200,000 plus \$30,000 dividend tax at 15%) — this double taxation is the CCorporation's primary structural disadvantage because the same earnings are taxed at the entity level when earned and again at the shareholder level when distributed, whereas an SCorporation or LLC would pass the income through without the entitylevel tax layer

B. \$30,000 total (15% dividend tax only) because the corporate tax was already paid on the full \$400,000 and cannot be applied again to the distributed portion

C. \$42,000 total (21% corporate rate only) because qualified dividends from CCorporations are exempt from individual income tax

D. \$0 because retained earnings that are subsequently distributed receive a full tax credit offsetting both the corporate and individual tax layers

DOMAIN: LICENSING (4 Questions)

2. A contractor holds an unrestricted commercial license with Electrical Construction (EL) and Mechanical Construction (ME) classifications. A data center owner asks the contractor to install the complete electrical and HVAC infrastructure for a new 50,000squarefoot data center. The project includes highdensity power distribution (2MW redundant feeds), precision computer room air conditioning, UPS battery systems, and generator backup. The project value is \$4,200,000. Can the contractor perform this work under their existing classifications?

A. Yes, because the EL and ME classifications together cover all electrical and mechanical systems without limitation

B. No, because data centers require a specialized "Mission Critical Facilities" license issued by the Arkansas Technology Authority

C. The contractor should verify with the ACLB whether their EL and ME classifications adequately cover the specialized data center systems — while standard electrical and HVAC work falls within these classifications, highdensity power distribution, UPS battery installations, and precision environmental controls may have additional licensing or certification requirements that extend beyond standard commercial electrical and mechanical work

D. Yes, because any project under \$5,000,000 can be performed under standard commercial classifications without additional verification

3. A licensed contractor discovers that their former office manager — who was terminated 6 months ago for embezzlement — has been using the contractor's license number to pull building permits for residential projects. The former employee has been performing unlicensed construction work under the contractor's credentials. What is the contractor's immediate obligation?

A. No obligation because the contractor is not responsible for a terminated employee's criminal activities

B. The contractor must immediately notify the ACLB and the local building department that the license number is being used fraudulently — failure to act upon discovery could expose the contractor to liability for the unauthorized work performed under their license, and the ACLB may hold the contractor responsible for failing to safeguard their license credentials

C. The contractor should wait until the former employee is arrested before contacting the ACLB to avoid interfering with a criminal investigation

D. The contractor's only obligation is to change the lock on their office to prevent future unauthorized access to company documents

4. The ACLB receives a complaint that a licensed contractor operating under a restricted commercial license has been signing contracts that intentionally split a single project into multiple contracts to keep each individual contract below the \$750,000 cap. Specifically, a \$1,200,000 office building project was split into a \$600,000 "shell" contract and a \$600,000 "interior" contract with the same owner, same building, and overlapping construction schedules. What violation has occurred?

A. No violation because the contractor legitimately structured two separate contracts each below the cap

B. A minor administrative issue that can be resolved by combining the contracts into a single filing with the ACLB

C. A violation only if the building department issued a single building permit for both contracts

D. Contract splitting to circumvent the restricted license cap is a serious violation — the ACLB views this as an attempt to perform work that exceeds the contractor's authorized license tier, and intentional contract splitting demonstrates willful circumvention of the licensing requirements, which may result in disciplinary action including fines, suspension, or revocation

5. A contractor applies for an Arkansas unrestricted commercial license. The ACLB requires a reviewed or audited financial statement. The applicant submits a reviewed statement showing net worth of \$52,000 and cash of \$26,000. The ACLB examiner also notes that the applicant's current ratio (current assets ÷ current liabilities) is 0.85, meaning the contractor has more current liabilities than current assets. Should this concern the ACLB?

A. No, because the ACLB evaluates only net worth and cash, not the current ratio

B. No, because a current ratio below 1.0 is normal for construction companies due to seasonal cash flow variations

C. Yes, because a current ratio below 1.0 indicates negative working capital — the contractor cannot meet their shortterm obligations from current assets, which raises serious concerns about the contractor's ability to fund ongoing operations, pay subcontractors and suppliers, and complete projects in progress

D. Yes, but only if the current ratio has been below 1.0 for more than 3 consecutive years

DOMAIN: ESTIMATING AND BIDDING (4 Questions)

6. A contractor's estimator calculates the following: direct costs \$1,400,000; annual overhead \$420,000 on annual direct cost volume of \$2,800,000; target net profit margin of 8% on selling price. What is the correct selling price?

- A. \$1,750,000, calculated by allocating overhead at 15% (\$210,000), adding to direct costs (\$1,610,000), and dividing by 0.92 to achieve exactly 8% margin on selling price ($\$1,610,000 \div 0.92$)
- B. \$1,610,000, calculated with overhead but without the profit margin adjustment
- C. \$1,400,000 with no overhead or profit applied
- D. \$1,820,000, calculated by applying a flat 30% combined markup

7. A public project requires sealed bids with mandatory prequalification. The prequalification requirements include: minimum 5 years of experience on similar projects, audited financial statement, EMR below 1.0, and three completed reference projects exceeding \$2,000,000 each. A contractor meets all requirements except one — their three reference projects are \$1,800,000, \$1,950,000, and \$2,100,000. Only one exceeds \$2,000,000. Should the contractor submit a prequalification application?

- A. Yes, because exceeding the threshold on one project is sufficient if the other two are within 15% of the requirement
- B. The contractor should contact the owner's prequalification administrator to discuss whether the two projects at \$1,800,000 and \$1,950,000 — both close to but below the \$2,000,000 threshold — might be accepted as substantially compliant, because some public owners exercise discretion on borderline qualifications while others strictly enforce published thresholds
- C. No, because failing to meet even one prequalification requirement automatically disqualifies the contractor without exception
- D. Yes, because prequalification requirements are aspirational guidelines rather than mandatory thresholds

8. A contractor estimates a loading dock ramp: 20 ft × 60 ft × 8 inches. Concrete at \$185/CY with 5% waste. Finishing at \$2.75/SF. What is the total estimated cost?

- A. \$3,300, representing only the finishing labor

- B. \$5,755, representing only concrete material with waste
- C. \$5,476, calculated without the waste factor on concrete plus finishing
- D. \$9,055, calculated as concrete with waste ($31.11 \text{ CY} \times \$185 = \$5,755$) plus finishing ($1,200 \text{ SF} \times \$2.75 = \$3,300$)

9. A contractor receives subcontractor quotes for the structural steel on a commercial project: \$550,000, \$575,000, \$530,000, and \$510,000. The \$510,000 low quote states: "Price valid for 14 days only. Subject to market price adjustment for steel purchased after the validity period." The project award is expected in 30 days and steel procurement would follow 15 days after award. The other three quotes are firm for 120 days. What risk does the \$510,000 quote create for the contractor on a fixedprice project?

- A. No risk because all steel quotes contain standard escalation provisions and the 14day validity is a formality
- B. Minimal risk because the contractor can lock the price by placing a purchase order within 14 days before the project is awarded
- C. The 14day validity expires well before the expected 30day award, and the market price adjustment clause means the actual steel cost at procurement (45 days out) is unknown — using the \$510,000 quote on a fixedprice bid exposes the contractor to unlimited steel cost escalation, making the \$530,000 firm quote a safer choice with only a \$20,000 premium for 120 days of price certainty
- D. The risk is capped at \$10,000 because steel market adjustments are limited by federal commodity price regulations

DOMAIN: CONTRACT MANAGEMENT (8 Questions)

10. A contractor on a fixedprice commercial project encounters a natural spring during basement excavation. The geotechnical report stated: "No groundwater was encountered in any borings to 40 feet below grade." The spring produces continuous flow requiring permanent dewatering and waterproofing measures costing \$72,000. Under the differing site conditions clause, who bears this cost?

- A. The owner, because the geotechnical report represented no groundwater to 40 feet — the actual condition (active natural spring) differs materially from this representation, the contractor relied on the report when pricing, and the spring constitutes a Type I differing site condition entitling the contractor to compensation through a change order
- B. The contractor, because natural springs are a foreseeable subsurface condition that experienced contractors should anticipate regardless of geotechnical findings

C. The geotechnical engineer who prepared the report, because they failed to identify the spring during their boring program

D. The cost should be split between the owner and contractor because subsurface water is always a shared risk

11. A general contractor receives a change order adding \$210,000 of additional structural work. The contractor will subcontract \$170,000 of steel fabrication and selfperform \$40,000 of concrete anchor installation. The contract allows 15% markup on selfperformed work and 8% on subcontracted work. What is the total billable amount?

A. \$210,000 with no markup

B. \$241,500, at 15% on the full \$210,000

C. \$220,500, at a blended 5% rate

D. \$229,600, calculated as selfperformed ($\$40,000 \times 1.15 = \$46,000$) plus subcontracted ($\$170,000 \times 1.08 = \$183,600$)

12. A project owner terminates a contractor for cause, alleging the contractor used nonspecified materials. The contractor has documentation showing: (1) the architect approved the material substitution through a formal RFI response; (2) the substituted material meets or exceeds the specification's performance requirements; and (3) a written change order was processed for the substitution. If the contractor challenges the termination, what is the likely outcome?

A. The termination stands because the owner has absolute authority over termination regardless of documentation

B. The termination will likely be found wrongful and converted to a termination for convenience — the contractor's documentation demonstrates the material substitution was formally approved through the architect's RFI response and a written change order, meaning the contractor used approved materials and the forcause termination has no legitimate basis

C. The termination stands because the contractor should have used the originally specified material regardless of the architect's approval

D. The contractor can recover only demobilization costs because wrongful termination damages are limited to direct expenses

13. A subcontractor on a commercial project provides a 2year warranty on their concrete flatwork. Eighteen months after substantial completion, the building owner notices widespread random cracking in the warehouse floor slab. The subcontractor inspects and argues the cracking is caused by the concrete mix's excessive watercement ratio — which they claim was

the readymix supplier's responsibility, not theirs. The specification requires the subcontractor to verify concrete mix properties at the time of placement. Under the warranty, is the subcontractor responsible?

A. No, because concrete mix design deficiencies are always the readymix supplier's sole responsibility

B. No, because random cracking in warehouse slabs is classified as normal concrete behavior excluded from warranty coverage

C. Yes, because the specification requires the subcontractor to verify concrete mix properties at placement — by accepting and placing concrete with an excessive water-cement ratio without verification, the subcontractor failed to meet their contractual quality control obligation, making the cracking a workmanship issue covered by the warranty

D. Yes, but only for the cost of crack sealing, not for slab replacement

14. A contractor completes a commercial project. The one-year warranty begins on substantial completion (December 1). On November 15 of the following year — sixteen days before expiration — the owner discovers that the rooftop HVAC equipment is vibrating excessively, loosening mounting hardware, and damaging the roof membrane beneath the equipment supports. The owner notifies the contractor on November 18. The contractor states their HVAC specialist is unavailable until January. Is the warranty claim preserved?

A. Yes, because the owner discovered the defect on November 15 and notified the contractor on November 18 — both within the warranty period — which preserves the claim, and the contractor cannot defeat the warranty obligation by citing specialist unavailability to delay the investigation past the December 1 expiration

B. No, because the contractor must complete the investigation within the warranty period for the claim to be valid

C. Yes, but only if the owner hires an independent HVAC engineer to document the vibration before December 1

D. No, because HVAC vibration is classified as normal equipment behavior excluded from construction warranties

15. A contractor on a school project receives a directive from the architect to install acoustic ceiling tiles with a Noise Reduction Coefficient (NRC) of 0.90 instead of the specified NRC 0.70. The upgrade improves classroom sound quality. The cost difference is \$18,000. The architect states: "This is a design clarification, not a change." The contractor disagrees, arguing the NRC change from 0.70 to 0.90 requires a completely different product. Who is correct?

- A. The architect is correct because NRC changes within the same product family are always classified as design clarifications
- B. The architect is correct because acoustic performance improvements benefit the students and therefore cannot be classified as scope changes
- C. Both parties are partially correct, and the cost should be split equally between the owner and the contractor
- D. The contractor is correct — changing the acoustic performance requirement from NRC 0.70 to NRC 0.90 requires a different product with different performance characteristics and a higher cost, making it a scope change requiring a change order, not a "design clarification" of the existing specification

16. A contractor on a timeandmaterials contract discovers that the owner's representative has been routinely signing daily time sheets without verifying the actual hours worked. The contractor's superintendent has been inflating hours by approximately 30 minutes per worker per day — adding roughly 20 hours per week of phantom labor across a 40person crew. After 8 weeks, the total inflated billing is approximately \$14,400. The owner's auditor discovers the discrepancy through GPS equipment tracking data. What are the consequences?

- A. Only the contractor must repay the \$14,400 overbilling with no additional consequences
- B. The contractor faces serious consequences beyond repayment — inflating labor hours on a T&M contract constitutes fraud, which may result in contract termination for cause, civil liability for damages exceeding the \$14,400 (including the owner's audit costs and legal fees), criminal prosecution for theft or fraud, and ACLB disciplinary action including potential license revocation
- C. Only the owner's representative faces consequences for signing unverified time sheets
- D. No consequences because T&M billing discrepancies under \$25,000 are classified as administrative variances

17. A project architect issues a nonconformance report stating that the installed firerated partition walls use standard drywall instead of the specified Type X (firerated) gypsum board. Standard drywall has no fire rating, while Type X achieves a 1hour fire rating per layer. The affected area covers 12,000 square feet of rated corridor walls serving as the building's primary fire separation. What must happen?

- A. The architect will accept the standard drywall and require the contractor to add an additional layer to achieve equivalent thickness
- B. The architect will require a firerated intumescent coating applied over the standard drywall to achieve the required fire rating

C. All standard drywall in the rated corridors must be removed and replaced with Type X fire-rated gypsum board at the drywall subcontractor's expense — fire-rated assemblies must use the specific materials tested and listed in the fire-rated design, and standard drywall cannot achieve the 1-hour fire rating regardless of thickness because it lacks the glass fiber reinforcement and chemical additives that allow Type X drywall to resist fire exposure

D. The building inspector will accept the standard drywall with a reduced occupancy load to compensate for the lower fire resistance

18. A contractor working on a commercial renovation discovers that the existing building's electrical panel uses a bus bar configuration that is incompatible with the new circuit breakers specified in the renovation documents. The architect's design assumed the existing panel used a standard bus configuration. Adapting the panel or replacing it entirely costs \$38,000. Under the Spearin Doctrine, who bears this cost?

A. The owner, because the architect's design failed to verify the compatibility between the specified new breakers and the existing panel — the Spearin Doctrine establishes that the owner impliedly warrants the adequacy of the plans and specifications, and the contractor relied on the design's implied compatibility when pricing the electrical work

B. The contractor, because experienced electricians should independently verify panel compatibility before bidding

C. The circuit breaker manufacturer, because they should have designed universal compatibility

D. The cost should be split between the owner and the architect based on their respective insurance policies

19. A general contractor's subcontract includes a paywhenpaid clause requiring payment within 10 days of the GC receiving corresponding owner payment. The owner pays the GC on July 15. The GC does not pay the plumbing subcontractor until September 10 — 57 days later. The subcontractor sends a formal demand letter including an interest claim. Is the interest claim valid?

A. No, because paywhenpaid clauses create no enforceable payment deadline

B. No, because the subcontractor must send three demand letters before interest can accrue

C. Yes, but only at the prime rate regardless of any contractual interest provisions

D. Yes, because the 10-day deadline was July 25 and the September 10 payment is 47 days late — the subcontractor is entitled to interest from July 25 through September 10 for the GC's breach of the contractual payment timeline

20. A project owner issues a deductive change order removing the entire security camera system (\$88,000) from a commercial project. The contractor's bid included \$70,000 in direct costs and \$18,000 in overhead and profit. The contract states: "Deductive change orders shall be calculated at direct cost savings." What is the correct deduction?

- A. \$88,000, representing the full bid amount
- B. \$70,000, representing the direct cost savings only — the contractor retains the \$18,000 in overhead and profit because the contract calculates deductive change orders at "direct cost savings," protecting the contractor's margin on deleted scope
- C. \$79,200, representing 90% of the bid amount
- D. \$44,000, representing 50% of the bid amount

DOMAIN: PROJECT MANAGEMENT (6 Questions)

21. A project manager on a \$10,000,000 commercial project calculates earned value at the 45% completion mark: BAC = \$10,000,000; PV = \$4,500,000; EV = \$4,050,000; AC = \$4,250,000. What are the SPI, CPI, and EAC?

- A. SPI = 1.11 and CPI = 1.05, indicating the project is ahead of schedule and under budget
- B. SPI = 0.953 and CPI = 0.90, with the indices reversed from their correct formulas
- C. SPI = 0.90 ($\$4,050,000 \div \$4,500,000$) and CPI = 0.953 ($\$4,050,000 \div \$4,250,000$) — both below 1.0, indicating the project is behind schedule and over budget, with an EAC of approximately \$10,493,000 ($\$10,000,000 \div 0.953$) if the current cost inefficiency continues
- D. Both indices are within acceptable tolerance and no action is needed at the 45% mark

22. A contractor's superintendent discovers that the fire sprinkler subcontractor installed concealedtype sprinkler heads in a commercial kitchen where the specification requires quickresponse upright heads with corrosionresistant coatings. Concealed heads are recessed in the ceiling behind a decorative cover plate — in a commercial kitchen with high heat, grease, and steam, the cover plates may become blocked or corroded, preventing the concealed head from deploying during a fire. What should the superintendent do?

- A. Stop the sprinkler subcontractor, notify the architect and fire protection engineer, and require replacement of all concealed heads with the specified quickresponse upright corrosionresistant heads at the subcontractor's expense — the commercial kitchen environment

demands heads that are openly exposed and protected against corrosion, and concealed heads behind cover plates create a deployment risk in highheat greaseladen environments

- B. Accept the concealed heads and install supplemental fire extinguishers to compensate
- C. Allow the concealed heads to remain and clean the cover plates quarterly as part of building maintenance
- D. Apply a corrosionresistant coating to the concealed head cover plates to match the specification's intent

23. A project schedule shows the following critical path: Site Prep (8 days) → Foundation (16 days) → Steel (20 days) → Roofing (10 days) → MEP (18 days) → Drywall (12 days) → Finishes (14 days) → Closeout (4 days). Total: 102 days. The owner directs a 10day stopwork during Foundation for a redesign. Separately, the contractor's steel erector causes a 5day delay during Steel. What is the revised project duration and who is responsible for each delay?

- A. 102 days unchanged because the two delays offset each other
- B. 112 days with the owner responsible for 10 days and the contractor responsible for 5 days
- C. 107 days with only the owner's 10 days added because the contractor's 5day delay is absorbed by float
- D. 117 days — both delays are on the critical path and each independently extends the completion date: the owner is responsible for the 10day stopwork (entitling the contractor to a time extension and potentially compensation), and the contractor is responsible for the 5day steel delay (which the owner may assess liquidated damages for if the contract includes an LD provision)

24. A contractor managing a renovation in an occupied data center needs to install new overhead cable trays directly above operating server racks. The installation requires drilling into the ceiling slab, which will generate concrete dust that could damage sensitive electronic equipment. The contract requires maintaining continuous data center operations during construction. How should the contractor approach this work?

- A. Perform the drilling during business hours using standard drilling methods with a vacuum attachment on the drill
- B. Install temporary protective covers over all server racks in the affected zone, use HEPAfiltered vacuum drilling equipment to capture concrete dust at the point of generation, schedule the drilling during a planned data center maintenance window when the affected servers can be temporarily powered down, and coordinate with the facility's IT manager to ensure backup systems are active during the work

- C. Use adhesivemounted cable tray brackets instead of drilled anchors to avoid any dust generation
- D. Schedule the cable tray installation during the data center's annual shutdown period, even if this delays the project by 6 months

25. A contractor's threeweek lookahead schedule identifies that the waterproofing application on the belowgrade foundation walls is scheduled for next week. The weather forecast shows sustained rain for 5 of the next 7 days. The waterproofing manufacturer's installation instructions require dry substrate surfaces and no precipitation for 24 hours after application. What should the project manager do?

- A. Reschedule the waterproofing to the following week when dry weather is forecast, notify the waterproofing subcontractor and general contractor of the delay, protect the exposed foundation walls with temporary sheeting until the application can proceed, and document the weatherbased schedule adjustment — because applying waterproofing to wet surfaces or before precipitation violates the manufacturer's requirements and will void the warranty
- B. Proceed with the waterproofing during brief dry intervals between rain events and apply a second coat after the rain stops
- C. Apply the waterproofing during the rain using a tented enclosure over the foundation walls
- D. Switch to a different waterproofing product that can be applied in wet conditions without consulting the architect

DOMAIN: INSURANCE AND BONDING (3 Questions)

26. A contractor carries a CGL policy with a \$1,000,000 peroccurrence limit and a \$2,000,000 general aggregate. The contractor also carries a \$5,000,000 umbrella policy. During the policy year, three incidents occur: Incident 1 = \$800,000 (worker from another trade falls through floor opening); Incident 2 = \$1,300,000 (adjacent property damage from demolition vibration); Incident 3 = \$600,000 (visitor injury from falling debris). How are the claims covered?

- A. CGL pays all three claims in full (\$2,700,000) because the total is within the combined peroccurrence limits
- B. CGL pays \$2,000,000 aggregate and the umbrella covers the remaining \$700,000
- C. CGL pays: Incident 1 = \$800,000 (within peroccurrence limit); Incident 2 = \$1,000,000 (peroccurrence cap); Incident 3 = \$200,000 (remaining aggregate: \$2,000,000 – \$800,000 –

\$1,000,000 = \$200,000). Total CGL = \$2,000,000. Umbrella pays: Incident 2 excess = \$300,000; Incident 3 excess = \$400,000. Total covered = \$2,700,000 — zero personal exposure

D. CGL pays \$1,000,000 per incident (\$3,000,000 total) and the umbrella pays nothing

27. A surety evaluates a contractor for a \$2,100,000 performance bond. The contractor's financial statements show: working capital \$160,000; net worth \$560,000; existing bonded backlog \$2,000,000. The surety uses a 15× working capital multiplier. What is the assessment?

A. Automatic approval because net worth exceeds the bond request by 25%

B. Bonding capacity is \$2,400,000 ($15 \times \$160,000$), with \$2,000,000 committed leaving only \$400,000 available — the \$2,100,000 request exceeds available capacity by \$1,700,000, and the surety will deny unless the contractor substantially increases working capital or completes existing bonded projects

C. Approval because total capacity (\$2,400,000) exceeds the single bond request (\$2,100,000)

D. Conditional approval with the contractor providing personal real estate as collateral

28. A contractor's workers' compensation premium audit reveals that 4 workers classified as "general laborers" (\$8.50 per \$100 of payroll) have been performing "underground utility installation" (\$16.50 per \$100 of payroll) for the past year. The misclassified payroll totals \$260,000. The contractor's EMR is 1.06. What is the approximate additional premium owed?

A. \$22,100, calculated at the laborer rate without the classification adjustment

B. \$42,900, at the utility rate without crediting the laborer premium already paid

C. \$0, because disputes between laborer and utility classifications are automatically resolved in the contractor's favor

D. Approximately \$22,048, calculated as the premium difference: $(\$260,000 \div \$100) \times (\$16.50 - \$8.50) \times 1.06 = 2,600 \times \$8.00 \times 1.06 = \$22,048$ — reflecting the higher risk of underground utility trenching compared to general labor

DOMAIN: OSHA RECORDKEEPING (3 Questions)

29. A construction worker is installing metal roofing panels when a sharp edge slices through their work glove and lacerates three fingers. The site medic cleans the wounds, applies antibiotic ointment, and wraps each finger with adhesive bandages. The worker returns to full duty immediately. Two days later, the deepest laceration on the index finger shows signs of

infection. The worker visits a physician who removes the bandage, irrigates the wound, prescribes oral antibiotics, and applies a new adhesive bandage. The worker continues full duty with no restrictions. At what point does this case become OSHA recordable?

A. At the 2day followup when the physician prescribes oral antibiotics — the initial adhesive bandage treatment was first aid, but prescription medication constitutes medical treatment beyond first aid, and the case is recorded with the original injury date because the infection is a continuation of the original workrelated laceration

B. At the initial injury because any laceration requiring antibiotic ointment constitutes medical treatment beyond first aid

C. The case is never recordable because adhesive bandages are first aid and the subsequent infection is a separate nonworkrelated event

D. At the initial injury because lacerations on three fingers automatically trigger OSHA's multipleinjury recording requirement

30. An employer with 180 employees in the construction industry (NAICS 236) reviews their electronic reporting obligations. What are their requirements?

A. Submit complete 300 Logs and 301 forms within 48 hours of each recordable case

B. No electronic submission because employers with fewer than 250 employees are exempt

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

D. Submit all 300 Logs, 300A Summaries, and 301 forms quarterly

31. A construction worker develops persistent numbness and tingling in their fingers after 8 months of operating a pneumatic chipping hammer. A physician diagnoses workrelated handarm vibration syndrome (HAVS), prescribes a prescription vasodilator medication, and restricts the worker from operating vibrating equipment for 8 weeks. The worker is reassigned to surveying and layout duties. How should this case be classified on the OSHA 300 Log?

A. Not recordable because the worker continued working without missing any workdays

B. "Other recordable" because the prescription medication is the primary recordability trigger

C. "Days away from work" because vibration disorders are automatically classified in the most severe category

D. "Restricted work or job transfer" because the worker was restricted from operating vibrating equipment and reassigned to surveying — the restriction from routine duties is the most significant outcome, taking precedence over "other recordable" even though the prescription medication independently triggers recordability

DOMAIN: PERSONNEL REGULATIONS (8 Questions)

32. A contractor with 55 employees has a worker who has been employed for 6 years. The worker's spouse is undergoing chemotherapy for breast cancer. The worker requests intermittent FMLA leave for 4 hours every other Friday to drive the spouse to and from chemotherapy appointments. Under the FMLA, is this intermittent leave request covered?

A. No, because intermittent leave for spousal care requires a minimum of 8 consecutive hours per leave period

B. Yes, because the FMLA provides intermittent leave when medically necessary to care for a spouse with a serious health condition — breast cancer requiring biweekly chemotherapy is a serious health condition, the biweekly 4hour appointments are medically necessary, the employer has 55 employees (above threshold), and the worker's 6year tenure exceeds eligibility

C. No, because intermittent FMLA leave is available only for the employee's own medical condition, not for spousal care

D. Yes, but only if the worker provides a physician's certification for each individual appointment

33. A nonexempt concrete finisher earns \$38.00 per hour and works 48 hours during a workweek. The employer provides a \$200 nondiscretionary weekly cold weather premium for performing concrete work in temperatures below 32°F. Under the FLSA, what is the correct total gross pay?

A. \$2,192.67, calculated as straighttime plus premium (\$2,024.00) plus overtime premium ($\$42.17 \text{ regular rate} \times 0.5 \times 8 \text{ hours} = \168.67), where the \$200 cold weather premium is included in the regular rate ($\$2,024 \div 48 = \42.17)

B. \$2,024.00 with no overtime premium

C. \$2,120.00, at the base overtime rate without the cold weather premium

D. \$2,280.00, at doubletime for all overtime hours

34. An employer with 45 employees terminates a 55-year-old project superintendent with 15 years of positive performance reviews. The superintendent is replaced by a 32-year-old project coordinator at a 38% salary reduction. The employer cites "organizational restructuring" as the reason. The terminated superintendent discovers that two other employees over age 50 were similarly replaced by younger workers within the past 12 months under the same "restructuring" rationale. Under the ADEA, what strengthens the superintendent's claim?

- A. The superintendent's higher salary compared to the replacement
- B. The fact that the replacement holds a different professional certification than the superintendent
- C. The pattern of three older workers (all over 50) being replaced by younger workers under the same "restructuring" rationale within 12 months — this pattern evidence demonstrates the restructuring may be a systematic pretext for age-based workforce replacement, and combined with the 15 years of positive reviews and the substantially identical job duties, it creates compelling circumstantial evidence of age discrimination
- D. The employer's failure to offer the superintendent a voluntary early retirement package before termination

35. An employer with 40 employees has a worker who files a workers' compensation claim for a repetitive strain injury. The employer's carrier accepts the claim. While on modified duty, the worker discovers their employer has posted their position on an external job board. The posting appeared 5 days after the comp claim was filed. The worker alleges retaliation. Is the claim viable?

- A. No, because posting a position does not constitute an adverse employment action until someone is actually hired to replace the worker
- B. No, because employers routinely post positions proactively to maintain a pipeline of qualified candidates
- C. Yes, but only if the worker can prove the employer intended to fill the position immediately
- D. Yes, because posting the worker's exact position on an external job board 5 days after a comp filing creates a strong inference of retaliatory intent — the temporal proximity between the claim and the posting, combined with the specificity of the position advertised, suggests the employer is actively seeking to replace the claimant in response to the filing

36. A contractor operating on a Davis-Bacon covered project has ironworkers who work 50 hours during a workweek. The prevailing wage specifies ironworker wages of \$48.00/hour plus \$22.00/hour in fringe benefits. One ironworker receives a \$250 nondiscretionary weekly height premium. How must the overtime be calculated?

- A. Overtime at 1.5 times the combined wage and fringe ($\$70.00 \times 1.5$) for 10 hours
- B. The overtime premium applies to the cash wage plus the prorated height premium, while the fringe continues at straighttime — regular rate = $(\$48.00 \times 50 + \$250) \div 50 = \$53.00$; overtime premium = $\$53.00 \times 0.5 = \$26.50 \times 10 = \$265.00$; fringe at $\$22.00$ for all 50 hours
- C. Overtime at 1.5 times only the base wage ($\$48.00 \times 1.5$) without the height premium
- D. No overtime because ironworkers receiving height premiums are exempt from FLSA overtime

37. An employer terminates a worker after two documented incidents of operating a crane with an expired annual inspection certification. The first incident received a written warning. The second incident — occurring 3 weeks later — resulted in termination. The employer has: the safety policy requiring current crane inspection certificates, the expired inspection documentation, two incident reports with photographs of the expired certificate posted on the crane, and the worker's training records confirming they understood the certification requirements. The worker files for unemployment benefits. What is the likely outcome?

- A. The worker will likely be denied benefits because operating a crane with an expired annual inspection certification constitutes willful misconduct — operating uninspected heavy equipment creates a recognized safety hazard for the operator and all nearby workers, and the deliberate repeat violation after a written warning establishes disqualifying conduct
- B. The worker will receive benefits because crane inspection certificates are administrative documents that do not affect operational safety
- C. The worker will receive benefits because two incidents over 3 weeks is insufficient to establish a pattern of misconduct
- D. The unemployment agency will defer until the crane inspection is completed and the results confirm whether the crane was actually unsafe

38. An employer with 55 employees has a worker who requests 6 weeks of FMLA leave to care for their elderly mother diagnosed with earlystage dementia. The mother requires assistance with medication management, meal preparation, and transportation to medical appointments. The worker has been employed for 4 years. Under the FMLA, is this leave covered?

- A. No, because earlystage dementia allows the parent to remain partially independent and does not meet the FMLA's "incapacity" standard for a serious health condition
- B. No, because FMLA leave for parental care covers only acute medical events such as hospitalization, not chronic degenerative conditions

C. Yes, but only for the first 2 weeks because FMLA leave for dementia care is limited to 80 hours annually

D. Yes, because the FMLA provides leave to care for a parent with a serious health condition — early stage dementia requiring assistance with medication management, meals, and medical transportation constitutes a condition involving continuing treatment and incapacity, the employer has 55 employees (above threshold), and the worker's 4 year tenure exceeds eligibility

39. An employer's I9 compliance audit reveals that 15 employees have I9 forms where the employer completed Section 2 by examining documents presented by the employee's spouse rather than the employee personally presenting the documents. The spouses dropped off the documents at the HR office while the employees were working at jobsites. Under IRCA, what is the problem?

A. No problem because the documents were authentic and properly examined regardless of who physically presented them

B. Each I9 is deficient because the employer must examine the original documents in the physical presence of the employee — accepting documents delivered by a third party does not satisfy the verification requirement, and the employer must correct these I9s by reexamining documents with each employee personally present

C. The only issue is that the spouses should have signed the I9 as the presenting party

D. No problem because IRCA permits designated agents (including family members) to present I9 documents on behalf of employees

40. An employer with 50 employees has a worker who has exhausted 12 weeks of FMLA leave following hip replacement. The worker's physician releases them with a permanent restriction: no walking on uneven terrain. The worker's regular job as a site superintendent requires daily walking across active construction sites with uneven ground. Under the ADA, what must the employer do?

A. Terminate the worker immediately because walking on uneven terrain is an essential function of the site superintendent position

B. Hold the superintendent position open for 6 additional months beyond FMLA while the worker recovers

C. Engage in the ADA interactive process to evaluate whether the terrain restriction can be accommodated — potential accommodations include reassignment to a project management role based in the office trailer, use of a utility vehicle for site inspections, assignment to projects with finished surfaces (interior renovations, tenant improvements), or restructuring the role so another superintendent handles roughgrade site inspections

D. Create a new "indoor superintendent" position exclusively for workers with terrain walking restrictions

41. A contractor operating on a DavisBacon covered project has laborers who work 46 hours during a workweek. The prevailing wage specifies laborer wages of \$26.00/hour plus \$12.00/hour in fringe benefits. How must the 6 overtime hours be compensated?

- A. 40 hours at \$26.00 wage plus \$12.00 fringe, and 6 overtime hours at \$39.00 wage ($1.5 \times \26.00) plus \$12.00 fringe at the straighttime rate — the overtime premium applies only to the cash wage, while the fringe continues at straighttime for all 46 hours
- B. All 46 hours at the combined overtime rate ($\$38.00 \times 1.5 = \57.00)
- C. 40 hours at \$26.00 plus \$12.00, and 6 hours at \$26.00 plus \$18.00 ($1.5 \times \$12.00$)
- D. No overtime because laborers earning prevailing wages under \$30.00/hour are exempt from FLSA overtime

42. An employer discovers that their payroll department has been paying 10 nonexempt construction workers overtime at 1.0 times the regular rate instead of the required 1.5 times for 22 months. Each worker averages 10 overtime hours per week at a regular rate of \$36.00 per hour. What is the employer's approximate minimum backpay exposure?

- A. The exposure is limited to the unpaid overtime premium only ($\$18.00$ per hour \times 10 hours \times 10 workers \times 95.7 weeks = \$172,260 in back pay)
- B. \$0 because the workers were paid for the overtime hours and only the premium is at issue, which does not trigger FLSA violations
- C. \$86,130, representing only half the affected workers
- D. Approximately \$172,260 in minimum back pay ($\$18.00$ unpaid premium \times 10 hours \times 10 workers \times approximately 95.7 weeks), with potential FLSA liquidated damages doubling the amount to \$344,520, plus the employees' attorney fees — the employer's failure to pay the $0.5 \times$ overtime premium violates the FLSA regardless of whether the base rate was paid

43. An employer has a worker who reports racial harassment by a supervisor — specifically, the supervisor has been making racially derogatory comments and using racial slurs in front of the work crew for several weeks. The worker reports to HR. HR investigates and confirms the harassment through multiple witness statements. What constitutes an appropriate employer response?

- A. A verbal counseling session reminding the supervisor about the company's diversity policy

B. Immediate corrective action proportional to the severity — which should include formal written warning or suspension, mandatory antiharassment and cultural sensitivity training, possible reassignment or termination of the supervisor depending on the severity and pattern, documentation of all measures taken, and followup monitoring to verify the harassment has stopped

C. Transfer of the affected worker to a different jobsite to remove them from the hostile environment

D. No action required because racial comments between coworkers are protected under the First Amendment

44. An employer with 50 employees has a worker who requests 10 weeks of FMLA leave to undergo treatment for gambling addiction at an inpatient rehabilitation facility. Under the FMLA, is this leave covered?

A. Yes, because all addiction treatment programs are covered by the FMLA without limitation

B. No, because gambling addiction is a behavioral disorder rather than a medical condition and does not qualify as a serious health condition under the FMLA

C. Yes, because inpatient treatment at a healthcare facility qualifies as a serious health condition — any condition requiring overnight hospitalization or inpatient care meets the FMLA's definition, and a medically supervised residential rehabilitation program for a recognized disorder involves continuing treatment by healthcare providers

D. No, because the FMLA specifically excludes gambling disorder from its list of covered conditions

45. An employer terminates a 57yearold senior estimator with 16 years of consistently excellent performance reviews. The employer replaces them with a 29yearold junior estimator at a 43% salary reduction, citing "budget constraints." Under the ADEA, what evidence most strongly undermines the "budget constraints" defense?

A. A combination of factors: the 16 years of excellent reviews contradicting any performance basis for termination, the replacement of a senior estimator with a junior estimator at 43% less pay (showing the "budget" savings come from swapping experienced for inexperienced), evidence of similar replacements of other older workers, and the fact that the "budget constraints" rationale was not applied to any younger employees in comparable positions

B. The terminated estimator's higher educational qualifications compared to the replacement

C. The employer's failure to post the position on public job boards before hiring the replacement

D. Evidence that the employer's overall revenue increased during the same period as the alleged budget constraints

46. A contractor organized as a sole proprietorship earns \$160,000 in net SE income with no W2 income. The Social Security wage base is \$168,600. After the 92.35% adjustment, adjusted SE income is approximately \$147,760. What is the approximate selfemployment tax?

A. \$24,480, at the flat 15.3% on \$160,000 without the adjustment

B. \$18,322, at the Social Security rate only without Medicare

C. \$10,000, at a simplified flat rate

D. Approximately \$22,607 — Social Security 12.4% on \$147,760 (below the \$168,600 wage base, so the full amount is taxed) = \$18,322; Medicare 2.9% on \$147,760 = \$4,285; no additional surtax because \$147,760 is well below \$200,000; total \approx \$22,607

47. An employer with 35 employees has a worker who files a workers' compensation claim for a knee injury. The employer's carrier accepts the claim. While on modified duty, the worker's supervisor begins assigning them exclusively to the least desirable tasks — cleaning portable toilets, organizing the dumpster area, and picking up trash across the jobsite — while other modified duty workers receive officebased administrative assignments. The worker alleges retaliation. Is the claim viable?

A. No, because employers have discretion to assign any available tasks during modified duty regardless of how unpleasant they are

B. Yes, because the discriminatory assignment of exclusively undesirable tasks to a comp claimant — while other modified duty workers receive office assignments — creates a strong inference of retaliatory motive, particularly when the temporal proximity to the comp filing and the disparate treatment compared to other modified duty workers establish a pattern of targeted adverse treatment

C. No, because modified duty workers cannot claim retaliation because they are already receiving a benefit (continued employment during recovery)

D. Yes, but only if the worker can demonstrate the undesirable assignments caused a measurable decrease in pay or benefits

48. An employer with 55 employees has a worker who requests FMLA leave to undergo a planned cesarean section (Csection) delivery. The worker is 8 months pregnant and the Csection is scheduled for 3 weeks from now. The worker requests 10 weeks of leave (2 weeks predelivery preparation and 8 weeks postdelivery recovery). Under the FMLA, is this leave covered?

- A. Yes, but only for the postdelivery recovery period, not the 2week predelivery preparation
- B. No, because planned Csections are elective procedures excluded from FMLA coverage
- C. Yes, because pregnancy, childbirth, and related medical conditions including planned Csections are covered under the FMLA — the predelivery period involving medical incapacity and the postdelivery recovery both qualify, the employer has 55 employees (above threshold), and the 10week request is within the 12week maximum
- D. Yes, but limited to 6 weeks total because FMLA pregnancy leave is capped at 6 weeks for Csection deliveries

49. An employer's workers' compensation carrier reports the EMR will increase from 0.95 to 1.18 at the next renewal. The annual base premium at EMR 1.0 is \$280,000. What is the total annual financial impact?

- A. Premium increases from \$266,000 (at 0.95) to \$330,400 (at 1.18) — a \$64,400 annual increase — and the 1.18 EMR exceeds the 1.0 prequalification threshold commonly required by safetyconscious owners, potentially disqualifying the contractor from certain projects and compounding the financial impact through lost bidding opportunities
- B. Premium increases by \$2,800 with no operational consequences
- C. Premium decreases because higher EMRs indicate more claims experience qualifying the contractor for volume discounts
- D. The EMR increase triggers mandatory OSHA safety program participation

50. A contractor organized as a partnership earns \$500,000. Partner A (55%) has a \$275,000 distributive share with \$60,000 in W2 income from a consulting position. The Social Security wage base is \$168,600. After the 92.35% adjustment, adjusted SE income is approximately \$253,963. What is Partner A's approximate selfemployment tax?

- A. \$42,075, at flat 15.3% without adjustments
- B. \$13,466, only the Social Security portion
- C. \$20,000, simplified estimate
- D. Approximately \$21,317 — Social Security 12.4% on \$108,600 ($\$168,600 - \$60,000$ W2) = \$13,466; Medicare 2.9% on full \$253,963 = \$7,365; additional Medicare surtax 0.9% on \$53,963 (adjusted SE income exceeding \$200,000) = \$486; total \approx \$21,317

Practice Exam 38: Answer Key and Explanations

- 1. A** — Corporate tax on \$200,000 distributed: $21\% \times \$200,000 = \$42,000$. Dividend tax: $15\% \times \$200,000 = \$30,000$. Total: \$72,000. This double taxation is the CCorporation's structural disadvantage — the same earnings are taxed at the entity level when earned and again at the shareholder level when distributed. An SCorporation would eliminate the \$42,000 corporate layer.
- 2. C** — While standard electrical and HVAC work falls within EL and ME classifications, highdensity power distribution (2MW redundant feeds), UPS battery systems, and precision environmental controls for data centers may have additional requirements. The contractor should verify with the ACLB before committing because specialized data center infrastructure may extend beyond standard commercial classifications.
- 3. B** — The contractor must immediately notify the ACLB and the local building department of the fraudulent use. Failure to act upon discovery could expose the contractor to liability for unauthorized work performed under their credentials. The ACLB may hold the contractor partially responsible for failing to safeguard their license information from misuse.
- 4. D** — Intentional contract splitting to circumvent the restricted license cap is a serious violation. Splitting a \$1,200,000 project into two \$600,000 contracts with the same owner, building, and overlapping schedules demonstrates willful circumvention. The ACLB views this as performing work that exceeds the authorized license tier, warranting disciplinary action including potential revocation.
- 5. C** — A current ratio below 1.0 means the contractor has negative working capital — current liabilities exceed current assets. This indicates the contractor cannot meet shortterm obligations from current assets, raising serious concerns about their ability to fund operations, pay subcontractors, and complete projects. Even though net worth and cash meet minimums, the liquidity problem is significant.
- 6. A** — Overhead rate: $\$420,000 \div \$2,800,000 = 15\%$. Allocation: $\$1,400,000 \times 15\% = \$210,000$. Total cost: \$1,610,000. Selling price: $\$1,610,000 \div 0.92 = \$1,750,000$. Dividing by $(1 - \text{margin})$ ensures profit equals exactly 8% of the selling price.
- 7. B** — The contractor should contact the prequalification administrator because some public owners exercise discretion on borderline qualifications. Two projects at \$1,800,000 and \$1,950,000 are close to the \$2,000,000 threshold. Some owners accept substantially compliant submissions while others strictly enforce published requirements — the contractor should ask rather than assume disqualification.
- 8. D** — Volume: $20 \times 60 \times (8/12) = 800 \text{ CF} \div 27 = 29.63 \text{ CY}$. With 5% waste: $31.11 \text{ CY} \times \$185 = \$5,755$. Finishing: $1,200 \text{ SF} \times \$2.75 = \$3,300$. Total: \$9,055. The waste factor applies to concrete volume, and finishing is calculated on the net ramp surface area.
- 9. C** — The 14day validity expires well before the 30day expected award. The market price adjustment clause creates unlimited escalation risk at procurement (45 days out). Using the

\$510,000 quote on a fixed-price bid exposes the contractor to unknown steel costs. The \$530,000 firm quote provides 120 days of certainty for only a \$20,000 premium.

10. A — The geotechnical report stated no groundwater to 40 feet. The natural spring differs materially from this representation. The contractor relied on the report when pricing. This is a Type I differing site condition, and the \$72,000 dewatering and waterproofing cost is the owner's responsibility through a change order.

11. D — Selfperformed: $\$40,000 \times 1.15 = \$46,000$. Subcontracted: $\$170,000 \times 1.08 = \$183,600$. Total: $\$46,000 + \$183,600 = \$229,600$. The different markup rates apply to each category based on who performs the work.

12. B — The contractor's documentation proves the material substitution was formally approved through the architect's RFI response and a written change order. Using approved materials cannot constitute grounds for a for-cause termination. The termination will likely be converted to a termination for convenience with corresponding compensation.

13. C — The specification requires the subcontractor to verify concrete mix properties at placement. By accepting and placing concrete with excessive water-cement ratio without verification, the subcontractor failed their quality control obligation. The resulting random cracking is a workmanship issue covered by the warranty.

14. A — The owner discovered the defect on November 15 and notified the contractor on November 18 — both within the warranty period ending December 1. Timely notification preserves the claim. The contractor cannot defeat the warranty by citing specialist unavailability to delay the investigation past expiration.

15. D — Changing from NRC 0.70 to NRC 0.90 requires a completely different product with different performance characteristics and a higher cost. This is a scope change, not a "design clarification." The \$18,000 cost difference must be addressed through a change order because the contractor priced the original NRC 0.70 specification.

16. B — Inflating labor hours on a T&M contract constitutes fraud with consequences far beyond repayment. The contractor faces contract termination for cause, civil liability including audit and legal costs, potential criminal prosecution, and ACLB disciplinary action. Systematic billing fraud is among the most serious offenses a contractor can commit.

17. C — Fire-rated assemblies must use the specific materials tested and listed in the fire-rated design. Standard drywall lacks the glass fiber reinforcement and chemical additives of Type X and cannot achieve a fire rating regardless of thickness. All 12,000 SF of rated corridor walls must be replaced with Type X at the subcontractor's expense.

18. A — The Spearin Doctrine establishes that the owner impliedly warrants the adequacy of plans and specifications. The architect's design assumed panel compatibility without verifying the existing bus configuration. The contractor relied on this implied compatibility. The \$38,000 adaptation cost is the owner's responsibility.

19. D — The 10-day deadline was July 25 (July 15 + 10 days). Payment on September 10 is 47 days late. The subcontractor is entitled to interest from July 25 through September 10 for the GC's breach of the contractual payment timeline.

20. B — The contract specifies deductive change orders at "direct cost savings." The deduction is \$70,000 in direct costs. The contractor retains the \$18,000 in overhead and profit. The deductive change order provision protects the contractor's margin on deleted scope.

21. C — $SPI = \$4,050,000 \div \$4,500,000 = 0.90$ (behind schedule). $CPI = \$4,050,000 \div \$4,250,000 = 0.953$ (over budget). $EAC = \$10,000,000 \div 0.953 = \$10,493,000$. Both indices below 1.0 confirm the project is behind schedule and over budget, projecting a \$493,000 overrun.

22. A — Concealed sprinkler heads behind cover plates create a deployment risk in commercial kitchen environments with high heat, grease, and steam. The cover plates may become blocked or corroded, preventing deployment during a fire. Quickresponse upright corrosionresistant heads are specified specifically for this harsh environment and must replace all concealed heads.

23. D — Both delays are on the critical path. Original: 102 days. Owner stopwork: +10 days. Contractor steel delay: +5 days. Revised: 117 days. The owner is responsible for the 10day excusable delay (time extension and potentially compensation), and the contractor is responsible for the 5day delay (potential liquidated damages).

24. B — Concrete dust can damage sensitive server equipment. The contractor should install protective covers, use HEPAfiltered vacuum drilling, schedule during a maintenance window, and coordinate with IT to ensure backups are active. Continuous operations require compensating measures that protect equipment while allowing construction to proceed.

25. A — The manufacturer requires dry substrate and no precipitation for 24 hours after application. Sustained rain for 5 of 7 days makes compliant application impossible. The contractor should reschedule, protect exposed walls with temporary sheeting, and document the weather delay. Applying waterproofing to wet surfaces voids the warranty.

26. C — CGL: Incident 1 = \$800,000. Incident 2 = \$1,000,000 (peroccurrence cap). Incident 3 = \$200,000 (remaining aggregate). Total CGL = \$2,000,000. Umbrella: Incident 2 excess = \$300,000; Incident 3 excess = \$400,000. Total covered: \$2,700,000. Zero personal exposure.

27. B — Bonding capacity: $15 \times \$160,000 = \$2,400,000$. Existing: \$2,000,000. Available: \$400,000. The \$2,100,000 request exceeds available capacity by \$1,700,000. The surety will deny unless the contractor substantially increases working capital or completes existing projects.

28. D — Premium difference: $(\$260,000 \div \$100) \times (\$16.50 - \$8.50) \times 1.06 = 2,600 \times \$8.00 \times 1.06 = \$22,048$. Underground utility trenching carries higher risk than general labor, and the premium difference reflects this classification disparity.

29. A — The initial adhesive bandage treatment was first aid. The case becomes recordable when the physician prescribes oral antibiotics — prescription medication is medical treatment beyond first aid. The case is recorded with the original injury date because the infection is a continuation of the original workrelated laceration.

30. C — Establishments with 20249 employees in designated highhazard industries including NAICS 236 must submit 300A Annual Summary data electronically through OSHA's ITA by

March 2 of the following year. With 180 employees in construction, this employer meets the threshold.

31. D — The worker was restricted from operating vibrating equipment and reassigned to surveying. "Restricted work or job transfer" is the most significant recordable outcome. The prescription vasodilator independently triggers recordability, but restricted work takes precedence as the more significant classification.

32. B — The FMLA provides intermittent leave when medically necessary to care for a spouse with a serious health condition. Breast cancer requiring biweekly chemotherapy qualifies. The employer has 55 employees (above threshold) and the worker has 6 years of tenure (exceeding eligibility). Each 4hour appointment is deducted from the 12week entitlement.

33. A — Straighttime + premium: $(\$38.00 \times 48) + \$200 = \$2,024$. Regular rate: $\$2,024 \div 48 = \42.17 . Overtime premium: $\$42.17 \times 0.5 \times 8 = \168.67 . Total gross: $\$2,024 + \$168.67 = \$2,192.67$. The nondiscretionary cold weather premium increases the regular rate and overtime premium.

34. C — The pattern of three older workers (all over 50) replaced by younger workers under the same "restructuring" rationale within 12 months demonstrates the restructuring may be systematic pretext. Combined with 15 years of positive reviews and substantially identical job duties, this pattern evidence creates compelling circumstantial evidence of age discrimination.

35. D — Posting the worker's exact position on an external job board 5 days after a comp filing creates a strong inference of retaliatory intent. The temporal proximity and specificity of the advertised position suggest the employer is actively seeking to replace the claimant in response to the filing.

36. B — Under DavisBacon, the overtime premium applies to cash wage plus prorated nondiscretionary bonuses. Regular rate: $(\$48.00 \times 50 + \$250) \div 50 = \$53.00$. Overtime premium: $\$53.00 \times 0.5 \times 10 = \265.00 . Fringe at \$22.00 straighttime for all 50 hours. The height premium increases the effective overtime cost.

37. A — Operating a crane with an expired annual inspection certification on two documented occasions despite a written warning constitutes willful misconduct. Operating uninspected heavy equipment creates a recognized safety hazard. The documentation — expired certificates, photographs, incident reports, and training records — establishes disqualifying conduct.

38. D — Earlystage dementia requiring assistance with medication management, meals, and medical transportation constitutes a condition involving continuing treatment and incapacity. The employer has 55 employees (above threshold) and the worker has 4 years of tenure (exceeding eligibility). The FMLA covers chronic degenerative conditions requiring ongoing care.

39. B — The employer must examine original documents in the physical presence of the employee. Accepting documents delivered by a spouse does not satisfy the inperson verification requirement. Each of the 15 deficient I9s must be corrected by reexamining documents with the employee personally present.

40. C — After FMLA exhaustion, the ADA interactive process applies. The employer must evaluate whether the terrain restriction can be accommodated through reassignment to officebased management, use of a utility vehicle, assignment to finishedsurface projects, or role restructuring. The employer cannot terminate without completing the interactive process.

41. A — Under DavisBacon, the overtime premium applies only to the cash wage. Straight time: 40 hours × (\$26.00 + \$12.00). Overtime: 6 hours × (\$39.00 wage [1.5 × \$26.00] + \$12.00 fringe at straighttime). The fringe continues at straighttime for all 46 hours.

42. D — Unpaid overtime premium: \$18.00 × 10 hours × 10 workers × 95.7 weeks ≈ \$172,260. FLSA liquidated damages may double to \$344,520 plus attorney fees. The failure to pay the 0.5× overtime premium violates the FLSA regardless of whether the base rate was paid for those hours.

43. B — Repeated racial slurs by a supervisor constitute severe harassment requiring immediate proportional corrective action. Appropriate responses include formal warning or suspension, mandatory training, possible termination depending on severity, thorough documentation, and followup monitoring. A verbal counseling session is insufficient for confirmed racial harassment.

44. C — Any condition requiring inpatient care (overnight hospitalization) qualifies as a serious health condition. The medically supervised residential rehabilitation program involves continuing treatment by healthcare providers. The FMLA does not categorically exclude gambling addiction treatment if the treatment involves inpatient care meeting the serious health condition criteria.

45. A — The defense is undermined by multiple factors: 16 years of excellent reviews contradict performance justification, the replacement with a junior estimator at 43% less shows savings come from swapping experienced for inexperienced, similar replacements of other older workers establish a pattern, and the "budget constraints" were not applied to younger employees. Together these reveal pretext.

46. D — Adjusted SE income of \$147,760 is below the \$168,600 wage base. Social Security (12.4%) on full \$147,760 = \$18,322. Medicare (2.9%) on \$147,760 = \$4,285. No surtax because \$147,760 is well below \$200,000. Total: approximately \$22,607.

47. B — Assigning exclusively undesirable tasks to a comp claimant while other modifiedduty workers receive office assignments creates a strong retaliation inference. The discriminatory treatment pattern, temporal proximity to the filing, and disparate treatment compared to other modifiedduty workers all support the claim.

48. C — Pregnancy, childbirth, and related medical conditions including planned Csections are covered under the FMLA. Both the predelivery period involving medical incapacity and the postdelivery recovery qualify. The employer has 55 employees (above threshold) and the 10week request is within the 12week maximum.

49. A — Premium at 0.95: \$266,000. Premium at 1.18: \$330,400. Increase: \$64,400 annually. The 1.18 EMR exceeds the 1.0 prequalification threshold, potentially disqualifying the contractor from safetyconscious projects and compounding the financial impact through lost bidding opportunities.

50. D — W2 wages of \$60,000 reduce the SS wage base: $\$168,600 - \$60,000 = \$108,600$. Social Security (12.4%) on $\$108,600 = \$13,466$. Medicare (2.9%) on $\$253,963 = \$7,365$. Additional surtax (0.9%) on $\$53,963 (\$253,963 - \$200,000) = \486 . Total: approximately \$21,317.