

PRACTICE EXAM 6: MISSISSIPPI LAW AND BUSINESS MANAGEMENT SIMULATION (50 QUESTIONS)

Time Allowed: 2 Hours | 50 Questions | **Passing Score:** 70% (35 Correct)

This is an openbook examination. You may use the NASCLA Contractors Guide to Business, Law and Project Management, Mississippi 6th Edition and a silent, nonprinting, nonprogrammable calculator.

1. A Mississippi contractor completes a \$340,000 commercial renovation project. The owner pays \$305,000 but withholds the final \$35,000, claiming the contractor failed to complete the punch list. The contractor provides documentation showing all punch list items were addressed and the architect certified completion. The contractor decides to file a construction lien. Which of the following correctly identifies where the lien is filed and what it accomplishes?

A. The lien is filed with MSBOC, which has authority to freeze the owner's bank accounts and redirect funds to the contractor

B. The lien is filed with the Chancery Clerk of the county where the property is located, creating a legal claim against the property that encumbers the title and can prevent the owner from selling or refinancing until the lien is resolved

C. The lien is filed with the Circuit Court of the county where the contractor's business is registered, initiating an automatic lawsuit against the property owner

D. The lien is filed with the Mississippi Secretary of State's office, which records the claim in the state's centralized lien database and notifies the property owner by certified mail

2. A contractor's estimator is calculating the selling price for a project with total estimated costs of \$430,000. The contractor wants to achieve a 6% profit margin on the selling price. The estimator multiplies \$430,000 by 1.06 and arrives at \$455,800. Has the estimator calculated the correct selling price to achieve a 6% margin?

- A. Yes, because multiplying total cost by 1.06 correctly adds 6% to the cost base, which is mathematically identical to achieving a 6% margin on selling price
- B. Yes, because the \$25,800 difference between cost and selling price represents exactly 6% of the selling price when verified: $\$25,800 \div \$455,800 = 5.66\%$, which rounds to 6%
- C. No, but the difference is negligible — the estimator's method produces a result within 0.5% of the correct figure and is acceptable for bidding purposes
- D. No, because multiplying by 1.06 produces a 6% markup on cost, not a 6% margin on selling price — the correct calculation is $\$430,000 \div 0.94 = \$457,447$, which yields a true 6% margin when verified: $(\$457,447 - \$430,000) \div \$457,447 = 6.0\%$

3. A Mississippi contractor employs 8 workers. One worker is injured on the jobsite when a trench wall collapses. The contractor carries workers' compensation insurance as required by Mississippi law. The injured worker hires an attorney who files a personal injury lawsuit against the contractor seeking \$500,000 in damages for pain, suffering, and lost future earnings. What is the most likely outcome of this lawsuit?

- A. The lawsuit will likely be dismissed because workers' compensation is the exclusive remedy for workplace injuries — the employee accepted guaranteed nofault benefits in exchange for giving up the right to sue the employer for negligence
- B. The lawsuit will proceed to trial because the exclusive remedy doctrine does not apply to excavation-related injuries, which are classified as ultrahazardous activities under Mississippi law
- C. The lawsuit will be consolidated with the workers' compensation claim and the total recovery will be split between the two proceedings
- D. The lawsuit will succeed because workers' compensation benefits are considered a floor, not a ceiling, and employees always retain the right to pursue additional damages through litigation

4. A contractor is reviewing the project schedule and notices that the concrete subcontractor has scheduled foundation work to begin before the soil testing results are received from the geotechnical laboratory. The soil tests were ordered two weeks ago and results are expected in five days. What project management principle should guide the contractor's response?

- A. The contractor should allow the concrete work to proceed because soil testing is a precautionary measure that does not affect the structural integrity of the foundation

B. The contractor should cancel the soil testing because the competent person's visual inspection of the soil is sufficient for foundation design purposes

C. The contractor should proceed with the concrete work and adjust the foundation design later if the soil test results indicate changes are needed

D. The contractor should delay the foundation work until soil test results are received, because quality control requires verification that site conditions match the design assumptions before irreversible work like concrete placement begins

5. A contractor operates as a singlemember LLC and earns \$320,000 in net business income. The contractor has not made any tax election with the IRS. The contractor's accountant calculates the selfemployment tax obligation. On what amount is selfemployment tax calculated?

A. On the full \$320,000 because singlemember LLCs pay selfemployment tax on 100% of net income without any adjustment

B. On approximately \$295,520 — which is 92.35% of the \$320,000 net income — because the IRS allows a deduction equivalent to the employer's share of FICA before calculating the selfemployment tax base

C. On \$160,000 — exactly half of the net income — because the selfemployment tax applies only to the employeeequivalent portion of the LLC's earnings

D. On \$0 because singlemember LLCs are classified as disregarded entities and disregarded entities are exempt from selfemployment tax obligations

6. A contractor's project involves installing electrical conduit in a trench running parallel to an existing underground gas line. The gas line location was marked by the utility company after the contractor called Mississippi 811. OSHA requires the contractor to handdig (or use nonmechanical methods) within the tolerance zone around the marked utility. What is the primary purpose of this handdigging requirement?

A. To reduce noise levels near the marked utility because mechanical equipment generates vibrations that can compromise the structural integrity of the underground gas line

B. To minimize the contractor's equipment fuel costs by limiting mechanical excavation to areas outside the tolerance zone

C. To comply with the utility company's warranty requirements, which void coverage if mechanical equipment is operated within the tolerance zone

D. To prevent damage to the underground utility by avoiding the use of mechanical excavation equipment near the marked line, since mechanical equipment can easily sever, puncture, or displace buried utilities

7. A contractor receives a change order request from the owner to add a mezzanine level to a commercial warehouse project. The contractor estimates the additional work will cost \$185,000 and extend the schedule by 3 weeks. The contractor submits a written change order proposal with detailed cost breakdown and schedule analysis. The owner verbally approves the change and says "go ahead, we'll get the paperwork done later." What should the contractor do?

A. Insist on receiving written authorization before beginning the mezzanine work, because verbal approvals are insufficient for changes of this magnitude and create significant risk of payment disputes when formal documentation is pursued later

B. Begin the mezzanine work immediately because the owner's verbal approval constitutes binding authorization under Mississippi construction contract law

C. Begin the work but reduce the quality of materials to offset the risk of nonpayment in case the owner later disputes the verbal authorization

D. Refuse the change entirely because mezzanine additions require a separate construction permit and cannot be added to an existing contract through the change order process

8. A contractor's workers' compensation insurance carrier conducts an annual audit and determines that the contractor underreported payroll by \$180,000 during the policy year. The underreported payroll was in a highrisk classification (roofing) with a rate of \$18.50 per \$100 of payroll. What is the likely financial consequence?

A. The contractor receives a credit on the following year's premium because underreported payroll indicates fewer workers were exposed to risk

B. The contractor faces no consequences because payroll audits are advisory and the insurance carrier cannot adjust premiums retroactively

C. The contractor owes an additional premium of approximately \$33,300 ($\$180,000 \div 100 \times \18.50), plus potential audit penalties, because workers' compensation premiums are based on actual payroll and must be adjusted to reflect the true exposure

D. The contractor's policy is automatically cancelled retroactively to the date of the underreporting, leaving all claims during that period uninsured

9. A Mississippi contractor's license expires on August 15. The contractor realizes the license has lapsed on August 28 — thirteen days after expiration. The contractor has been actively working on two commercial projects during those thirteen days. What is the contractor's immediate priority?

A. Continue working on the two active projects while the renewal paperwork is processed, because MSBOC provides a 30day automatic grace period after expiration

B. Stop all work on both projects immediately, submit the renewal application and fee as quickly as possible, and not resume work until the license is renewed — the contractor has been operating without a valid license for 13 days, which is equivalent to unlicensed contracting

C. Contact the two project owners and request retroactive permission to continue working without a license until the renewal is processed

D. File an emergency appeal with MSBOC requesting an expedited renewal that backdates the license to August 15 to eliminate the gap in coverage

10. A general contractor on a multistory commercial building project discovers that the structural steel subcontractor has been using bolts that are a different grade than specified in the structural drawings. The subcontractor argues the substituted bolts exceed the specified strength requirements. What should the general contractor do?

A. Accept the substitution because higherstrength bolts always improve structural performance and the subcontractor's claim eliminates any quality concern

B. Allow the work to continue but document the substitution in the daily report as a precautionary measure in case questions arise during final inspection

C. Direct the subcontractor to remove all nonconforming bolts and replace them with the specified grade at the subcontractor's expense, without notifying the architect or structural engineer

D. Stop the work, notify the architect and structural engineer immediately, and require a formal evaluation of whether the substituted bolts are acceptable — because unauthorized material substitutions in structural systems can affect the building's structural integrity and code compliance regardless of the substituted material's strength rating

11. A contractor is preparing a cash flow projection for a 9month commercial project. The contract specifies monthly progress payments with 10% retainage. The contract price is

\$1,800,000. Assuming work progresses evenly, how much total retainage will accumulate by the end of the project, and when is it typically released?

A. \$180,000 in total retainage will accumulate over the 9 months ($\$1,800,000 \times 10\%$), typically released within 30 days of substantial completion once all contractual conditions for release — including punch list completion and closeout document delivery — are satisfied

B. \$18,000 in total retainage, because the 10% rate applies only to the final month's payment application rather than to every monthly payment

C. \$90,000 in total retainage, because the 10% rate is applied only to the labor portion of each payment, which is assumed to be 50% of the total contract value

D. \$180,000 in total retainage, but it is released automatically on the first day of each calendar quarter following the month in which it was withheld

12. A contractor's project superintendent receives an anonymous tip that a worker on site may be an unauthorized immigrant. The superintendent asks the worker to produce additional identification documents beyond what was required during the I9 verification process at the time of hire. Under federal employment law, what risk does this create?

A. No risk, because employers are required to conduct random immigration status checks on all workers throughout the duration of employment

B. No risk, because construction industry employers have a special exemption that allows them to reverify employment authorization at any time

C. The superintendent's request may constitute national origin discrimination under Title VII and document abuse under the Immigration and Nationality Act — employers cannot demand additional or different documents from specific employees based on their perceived national origin or citizenship status

D. The superintendent's request is mandatory under Mississippi law, which requires all construction employers to reverify immigration status monthly for all workers

13. A contractor's project has completed the construction phase and is entering closeout. The architect conducts a substantial completion inspection and identifies 47 punch list items. The contractor believes only 28 of the items are legitimate — the remaining 19 are cosmetic preferences that exceed the contract specifications. How should the contractor handle this disagreement?

- A. Refuse to address any of the 47 items until the architect reduces the list to the 28 items the contractor considers legitimate
- B. Address all 47 items without objection to avoid delaying substantial completion and the release of retainage
- C. File a formal complaint with MSBOC against the architect for issuing an unreasonable punch list that exceeds the contract requirements
- D. Address the 28 undisputed items while formally disputing the remaining 19 in writing to the architect and owner, providing specific references to the contract documents that support the contractor's position — documenting the disagreement preserves the contractor's right to contest the disputed items through the contract's dispute resolution process

14. A contractor is negotiating a subcontract for plumbing work. The general contractor wants to include a payifpaid clause that conditions payment to the subcontractor on the general contractor's receipt of payment from the owner. The subcontractor objects and proposes a paywhenpaid clause instead. What is the fundamental difference between these two clauses?

- A. There is no practical difference — paywhenpaid and payifpaid are different terms for the same contractual provision and produce identical legal outcomes
- B. Paywhenpaid is a federal requirement while payifpaid is a statelevel provision, and the applicable clause depends on whether the project receives federal funding
- C. Paywhenpaid establishes timing (the subcontractor will be paid, the question is when), while payifpaid establishes a condition precedent (the subcontractor may not be paid at all if the owner does not pay the general contractor)
- D. Paywhenpaid applies only to material costs while payifpaid applies only to labor costs — the two clauses govern different categories of subcontractor compensation

15. A contractor operating as a partnership files Form 1065 with the IRS. The partnership has three partners with ownership shares of 50%, 30%, and 20%. The partnership's net ordinary business income for the year is \$500,000. What amount does the partner with the 30% share report on their personal tax return?

- A. \$150,000 — the partner's 30% share of the \$500,000 partnership income, reported on the partner's individual Form 1040 via Schedule K1 and subject to both income tax and selfemployment tax

B. \$500,000 — the full partnership income, because each partner is jointly liable for reporting the entire amount

C. \$0 — because the partnership pays income tax at the entity level before distributing aftertax proceeds to the partners

D. \$75,000 — calculated at half the partner's ownership percentage because partnership income is reduced by 50% for tax purposes under the qualified business income deduction

16. A contractor's project involves demolishing an existing parking structure to make way for new construction. The demolition plan calls for using an excavator with a hydraulic breaker attachment to break up the concrete deck. Before beginning demolition, what critical environmental and safety steps must the contractor take?

A. Conduct an asbestos and lead survey of the existing structure because pre1980 buildings may contain these hazardous materials in concrete coatings, joint compounds, insulation, and paint — also develop a demolition plan addressing structural stability, falling object hazards, dust control, and debris management

B. Obtain a demolition waiver from the EPA that exempts the project from all environmental regulations because demolition activities are classified as nonregulated construction work

C. Submit a detailed demolition schedule to OSHA for preapproval, because all commercial demolition projects require federal authorization at least 60 days before work begins

D. Only a standard building permit is needed — no environmental surveys, hazardous material assessments, or specialized safety planning is required for the demolition of parking structures

17. A contractor's annual financial statements show the following: total revenue \$5,200,000, cost of construction \$4,160,000, G&A expenses \$676,000. The contractor's bonding company asks for the gross profit margin and net profit margin. What are the correct figures?

A. Gross margin 25% and net margin 12%, calculated by dividing each profit figure by the cost of construction rather than by revenue

B. Gross profit margin is 20% ($\$1,040,000 \div \$5,200,000$) and net profit margin is 7% ($\$364,000 \div \$5,200,000$), reflecting the company's profitability before and after company overhead expenses

C. Gross margin 7% and net margin 20%, with the lower figure representing the more conservative profitability measure

D. Gross margin 15% and net margin 10%, calculated using the industry standard adjusted revenue method that excludes subcontractor costs from the revenue denominator

18. A contractor submits a bid on a county courthouse project that requires a bid bond equal to 5% of the bid amount. The contractor's bid is \$3,200,000. The bid bond amount is \$160,000. After bid opening, the contractor is the apparent low bidder but decides they do not want the project. The contractor refuses to execute the contract. What happens to the bid bond?

A. The bid bond may be forfeited — the surety pays the owner up to \$160,000 to cover the difference between the defaulting contractor's bid and the next lowest bid, and the surety then seeks recovery from the contractor

B. Nothing happens because bid bonds are advisory documents that create no binding financial obligation on the contractor or the surety

C. The bid bond is returned to the contractor because refusing to execute a contract after bid opening is a protected right that carries no financial consequences

D. The full \$160,000 is automatically forfeited as a penalty regardless of the difference between the contractor's bid and the next lowest bid

19. A contractor is developing a site-specific safety plan for a project that involves both steel erection and excavation work. The plan must designate competent persons for each hazard. Can the same individual serve as the competent person for both steel erection and excavation?

A. No, because OSHA requires separate, dedicated competent persons for each hazard category — the same individual can never serve in dual competent person roles

B. No, because steel erection and excavation competent persons require separate OSHA-issued certifications that cannot be held by the same individual

C. Yes, provided the individual has the knowledge and training to identify hazards, the authority to take corrective action, and the ability to fulfill the competent person responsibilities for both activities — OSHA does not prohibit one person from serving as competent person for multiple hazards if they are qualified

D. Yes, but only if the contractor obtains a dual-competent person waiver from the OSHA area director before the project begins

20. A contractor's project is 80% complete when a dispute arises over \$120,000 in change order claims that the owner has refused to approve. The contract requires mediation before arbitration. The contractor wants to file for arbitration immediately. What obstacle does the contractor face?

- A. No obstacle — arbitration can be filed at any time regardless of the contract's mediation requirement because arbitration rights are protected by federal law
- B. The contractor must first obtain permission from MSBOC to file for arbitration, because the Board must approve all formal dispute resolution proceedings involving licensed contractors
- C. The contractor must wait until the project is 100% complete before initiating any form of dispute resolution because ongoing projects cannot be the subject of arbitration
- D. The contractor must attempt mediation first as required by the contract — filing directly for arbitration without completing the required mediation step may result in the arbitration filing being dismissed for failure to comply with the contractual dispute resolution sequence

21. A contractor is evaluating a potential project and discovers that the specifications require a highly specialized waterproofing system that the contractor has never installed. The contractor has extensive general construction experience but no experience with this specific system. From a risk management perspective, what is the most appropriate approach?

- A. Decline the project entirely because the unfamiliar waterproofing system creates an unacceptable risk that no mitigation strategy can adequately address
- B. Include the waterproofing work in the bid but plan to subcontract it to a specialty subcontractor who has experience and manufacturer certification for the specified system, transferring the technical risk to a qualified party
- C. Include the waterproofing work in the bid and plan to selfperform it, relying on the manufacturer's installation instructions as a sufficient guide for firsttime installation
- D. Submit a bid that excludes the waterproofing scope entirely and propose an alternative system the contractor is familiar with, without first verifying whether the alternative meets the specification requirements

22. A contractor's project budget allocates \$45,000 for projectspecific indirect costs (job overhead). At the midpoint of the project, the job cost report shows actual indirect costs of \$32,000 against a prorated budget of \$22,500. What does this variance indicate?

- A. The project is significantly over budget on indirect costs — actual costs of \$32,000 at the midpoint exceed the prorated budget of \$22,500 by \$9,500, and if the trend continues, total indirect costs will reach approximately \$64,000 against a budget of \$45,000, representing a \$19,000 overrun that will directly reduce project profit
- B. The project is under budget on indirect costs because the \$32,000 spent is less than the full \$45,000 budget, leaving \$13,000 of available budget remaining
- C. The variance is positive because the actual cost of \$32,000 demonstrates that the contractor is controlling indirect costs within the overall project budget
- D. The variance is insignificant because indirect costs are not tracked against budget milestones — only direct costs require midproject variance analysis

23. A contractor operating as an S corporation has two shareholder-employees. The IRS audits the company and determines that shareholder salaries are unreasonably low compared to market rates for the services performed. What specific tax risk does this create?

- A. The IRS may revoke the company's S corporation election and retroactively reclassify the entity as a general partnership for all prior tax years
- B. The IRS may impose a onetime flat penalty of \$25,000 for each shareholder whose salary falls below the reasonable compensation standard
- C. The IRS may increase the shareholders' personal income tax rates by 5% for the current year as a penalty for salary manipulation
- D. The IRS may reclassify a portion of the shareholder distributions as wages subject to FICA taxes, and assess back payroll taxes, penalties, and interest on the reclassified amounts — eliminating the self-employment tax savings the shareholders attempted to achieve through the low salary/high distribution strategy

24. A contractor's project involves installing a crane on a construction site that is located adjacent to overhead power lines energized at 230 kilovolts. OSHA requires minimum clearance distances between crane components and energized power lines. For lines at this voltage, what approximate minimum clearance must be maintained?

- A. 10 feet, because the 10-foot clearance rule applies uniformly to all power lines regardless of voltage
- B. The clearance distance increases with voltage — for lines at 230kV, the minimum clearance is approximately 25 feet, significantly more than the 10-foot minimum for lines up to 50kV

C. 15 feet, which is the universal maximum clearance requirement for all power line voltages under OSHA crane operation standards

D. 5 feet from the nearest energized line, with a safety observer posted to monitor clearance whenever the crane is operating near the power lines

25. A contractor hires an employee and has the employee complete Form W4 for federal income tax withholding. The employer also withholds the employee's share of Social Security and Medicare taxes. In addition to these employeeside withholdings, what employerside payroll taxes must the contractor pay?

A. The employer's matching share of Social Security and Medicare taxes (7.65% combined), federal unemployment tax (FUTA at 0.6% effective rate on the first \$7,000 per employee), and state unemployment tax (SUTA at the employer's experiencerated percentage on wages up to the state taxable base)

B. Only the federal unemployment tax (FUTA), because Social Security and Medicare are fully funded by employee withholding and employers make no matching contribution

C. Only the state unemployment tax (SUTA), because Mississippi employers are exempt from FUTA and the employer's share of FICA

D. No employerside payroll taxes exist — all payroll tax obligations are funded through employee withholding, and the employer's role is limited to remitting the withheld amounts to the IRS

26. A contractor installs a scaffold on a commercial project. The scaffold is 22 feet tall and supports a platform where three masons are laying brick. The scaffold has guardrails on three sides but the fourth side — facing the building wall — has no guardrail. The gap between the scaffold platform and the building wall is 16 inches. Under OSHA scaffolding standards, is the guardrail configuration compliant?

A. No, because all four sides of every scaffold platform must have guardrails regardless of the distance to adjacent structures

B. No, because 16 inches is too wide — OSHA requires the gap to be one inch or less to eliminate the fall hazard without guardrails

C. Yes, because OSHA permits the wallside guardrail to be omitted when the scaffold platform is close enough to the building that workers cannot fall between the scaffold and the wall — the 14inch maximum gap typically applies, but the specific standard and interpretations address this scenario

D. Yes, because guardrails are only required on two sides of a scaffold platform, and the contractor has exceeded this requirement by installing them on three sides

27. A contractor prepares a progress payment application for \$250,000. The application includes \$180,000 for work completed during the current period and \$70,000 for materials stored on site but not yet installed. The contract allows billing for stored materials. What must the contractor provide to support the \$70,000 stored materials claim?

A. Documentation showing that the stored materials are properly secured, insured, and intended for incorporation into the project — typically including invoices, delivery receipts, photographs of the stored materials, and verification that the materials match the approved submittals

B. Only a verbal confirmation from the project superintendent that materials are on site, because stored material billing does not require written documentation

C. A transfer of ownership certificate that permanently assigns the stored materials to the owner at the time of billing, removing them from the contractor's asset records

D. A thirdparty appraisal of the stored materials conducted by a licensed materials appraiser, which is mandatory for all stored material billing claims exceeding \$50,000

28. A contractor is comparing two insurance options for a new project. Option 1 is an occurrencebased CGL policy. Option 2 is a claimsmade CGL policy. The project involves a 12month construction period followed by a 2year warranty period. Which policy type provides broader longterm protection for the contractor?

A. The claimsmade policy provides broader protection because it covers claims regardless of when the alleged damage occurred, as long as the policy is in effect when the damage happens

B. Both policy types provide identical longterm protection because CGL coverage is standardized by the insurance industry and does not vary by policy form

C. The occurrencebased policy provides broader longterm protection because it covers claims arising from events that occurred during the policy period regardless of when the claim is actually filed — if a construction defect causes damage during the warranty period, the occurrence policy that was in effect when the defective work was performed responds to the claim even years later

D. The claimsmade policy is always preferable for construction because it eliminates the "tail" exposure that occurs after the occurrence policy expires

29. A contractor operates in Mississippi and is bidding a project that involves work in both Mississippi and Louisiana. The contractor holds a Mississippi commercial license but does not hold a Louisiana license. The Louisiana portion of the work is valued at \$75,000. What must the contractor do to legally perform the Louisiana work?

A. The contractor can perform the Louisiana work under the Mississippi license because NASCLA accreditation creates automatic reciprocal licensing between all participating states

B. The contractor must obtain a Louisiana contractor's license separately — holding a Mississippi license does not automatically authorize work in Louisiana, though the contractor may be able to use NASCLA exam results or reciprocity provisions to streamline the Louisiana licensing process

C. The contractor can perform the Louisiana work without a license because the \$75,000 value falls below Louisiana's licensing threshold for outofstate contractors

D. The contractor must subcontract the entire Louisiana portion to a Louisiana-licensed contractor because crossstate licensing is prohibited for commercial work

30. A contractor's employee is classified as exempt from overtime under the FLSA's executive exemption. The employee earns a salary of \$1,500 per week and regularly works 50.55 hours per week. The employer deducts half a day's pay (\$150) when the employee leaves 4 hours early for a personal appointment. What risk does this deduction create?

A. No risk, because exempt employees' salaries can be docked for any partialday absence at the employer's discretion without affecting their exempt status

B. No risk, because the deduction of \$150 is less than 10% of the weekly salary and falls within the safe harbor for minor deductions from exempt employee pay

C. The deduction was proper because exempt employees are not entitled to leave early for personal appointments without a corresponding salary reduction

D. The employer risks jeopardizing the employee's exempt status under the salary basis test — partialday deductions from an exempt employee's salary (except for FMLA leave, initial/terminal weeks, and certain other narrow exceptions) can destroy the salary basis, potentially converting the employee to nonexempt and triggering retroactive overtime liability for all weeks worked over 40 hours

31. A contractor is planning a project that requires excavation in an area where the water table is known to be high. The competent person observes water seeping into the excavation as it is dug. Under OSHA's excavation standard, how does the presence of water affect the soil classification and protective system requirements?

A. The presence of water seeping into the excavation generally requires the soil to be classified at a less stable rating — water undermines soil cohesion and increases the risk of cavein, typically requiring the competent person to classify the soil as Type C (least stable) regardless of other soil characteristics, and to select protective systems appropriate for the less stable classification

B. Water in an excavation has no effect on soil classification because OSHA's soil classification system is based solely on visual and manual tests of soil cohesion and texture

C. The presence of water automatically exempts the excavation from OSHA's protective system requirements because watersaturated soil is classified as stable under hydrostatic pressure principles

D. Water in the excavation requires the contractor to install dewatering pumps, which eliminates the need for any other protective system because removing the water restores the soil to its original classification

32. A contractor's project requires compliance with the DavisBacon Act. The contractor discovers that a laborer on the project has been paid \$2.00 per hour less than the prevailing wage rate for the past three weeks. The contractor corrects the wage rate going forward. Is the contractor in compliance?

A. Yes, because correcting the wage rate going forward satisfies the DavisBacon Act's compliance requirements and retroactive corrections are not required

B. No, because the contractor must also pay the laborer the back wages owed for the threeweek underpayment period — DavisBacon requires both prospective correction and retroactive restitution to make the worker whole

C. Yes, because a \$2.00 per hour discrepancy falls within the DavisBacon Act's \$3.00 per hour tolerance for minor wage variations

D. No, but the back wages are paid by the Department of Labor from a federal wage guarantee fund rather than by the contractor

33. A contractor's insurance agent recommends increasing the company's CGL aggregate limit from \$2,000,000 to \$4,000,000. The contractor currently has three active projects. Why might the higher aggregate be important?

A. A higher aggregate limit is unnecessary because the peroccurrence limit — not the aggregate — determines the maximum payout on any single claim

B. A higher aggregate is only relevant for contractors with more than ten active projects and is unnecessary for a contractor with three

C. A higher aggregate limit reduces the annual premium cost by spreading the coverage across a wider pool of potential claims

D. With three active projects, the risk of multiple claims during a single policy year is significant — if claims from different projects exhaust the \$2,000,000 aggregate, the contractor would have no remaining coverage for additional claims until the policy renews, leaving the company exposed to uninsured losses

34. A contractor is developing a project schedule using the Critical Path Method. Activity R has a duration of 8 days, an earliest start of Day 20, and depends on two predecessor activities — Activity P (finishes on Day 18) and Activity Q (finishes on Day 20). What is the earliest start for Activity R, and why?

A. Day 18, because the earliest finishing predecessor determines the successor's earliest start in all CPM calculations

B. Day 19, calculated as the average of the two predecessor finish dates rounded up to the next whole day

C. Day 20, because Activity R cannot start until both predecessors are complete — since Activity Q finishes on Day 20, that is the earliest Activity R can begin regardless of when Activity P finished

D. Day 22, because CPM requires a mandatory 2day lag between the completion of all predecessors and the start of any successor activity

35. A contractor's project involves installing a temporary pedestrian walkway that passes underneath the scaffold being used on the building exterior. OSHA requires protection for people passing under the scaffold. What protective measures must be in place?

A. Toeboards, screens, or canopy structures must be installed to prevent tools, materials, and debris from falling onto pedestrians below — OSHA requires falling object protection whenever people must pass under or work below scaffold platforms

B. A warning sign posted at each end of the walkway is sufficient because verbal and written warnings satisfy OSHA's falling object protection requirements

C. No protective measures are required as long as pedestrians are instructed to walk quickly through the area and avoid looking up at the scaffold

D. The pedestrian walkway must be rerouted to avoid passing under the scaffold entirely, because OSHA prohibits any pedestrian traffic beneath active scaffold platforms without exception

36. A contractor's project budget includes a contingency of 3% of the contract price. The project manager wants to use \$15,000 from the contingency to cover a material price increase that was not anticipated in the original estimate. The total contingency fund is \$45,000. Is this an appropriate use of contingency funds?

A. No, because contingency funds can only be used for weatherrelated delays and natural disaster damage — material price increases must be covered through change orders

B. Yes, because contingency funds are specifically designed to cover unforeseen costs such as unanticipated material price increases, minor scope adjustments, and estimating variances — the \$15,000 expenditure is a legitimate use that should be documented and tracked in the job cost system

C. No, because contingency funds belong to the project owner and can only be spent with the owner's written authorization regardless of the intended use

D. Yes, but only if the material price increase exceeds 10% of the original material cost estimate — price increases below 10% must be absorbed without using contingency

37. A contractor operating as a general partnership with three partners is sued for \$800,000 after a project defect causes property damage to an adjacent building. The contractor's CGL policy pays \$500,000, leaving \$300,000 in uncovered damages. One partner has significant personal assets while the other two have minimal personal wealth. How is the \$300,000 liability distributed among the partners?

A. Each partner pays exactly \$100,000 — onethird of the remaining liability — because partners always share obligations equally regardless of ownership percentages

B. The partner with the most personal assets pays the entire \$300,000 because Mississippi law assigns liability based on each partner's ability to pay

C. The remaining \$300,000 is discharged because the CGL policy's payment represents the maximum recoverable amount from the partnership

D. Under joint and several liability, the creditor can pursue any partner for the full \$300,000 regardless of that partner's ownership share — the partner with significant personal assets may end up paying the entire amount because the creditor will pursue the partner most likely to satisfy the judgment

38. A contractor submits a bid on a public school project. The bid documents require listing all major subcontractors at the time of bid submission. After being awarded the project, one of the listed subcontractors informs the contractor that they cannot perform the work due to a scheduling conflict. What is the contractor's proper course of action?

A. Automatically substitute the lowestpriced alternative subcontractor without notification because the original subcontractor's inability to perform constitutes a de facto cancellation of the listing requirement

B. Notify the owner and request approval for a substitute subcontractor, providing documentation of the original subcontractor's inability to perform and the qualifications of the proposed replacement — the owner typically must approve subcontractor substitutions for legitimate cause

C. Cancel the entire contract because the loss of a listed subcontractor constitutes a material change that voids the contract and releases both parties from their obligations

D. Perform the subcontractor's scope of work using the contractor's own forces regardless of whether the contractor has the licensing, expertise, or capacity to perform that trade

39. A contractor's employee requests a reasonable accommodation under the ADA for a vision impairment that prevents them from reading standardsized text on construction drawings. The employee works as a project engineer and reviewing drawings is an essential function of the job. Which accommodation would most likely be considered reasonable?

A. Eliminating drawing review from the employee's job responsibilities because the ADA requires employers to remove any essential function that an employee cannot perform due to a disability

B. Terminating the employee because vision impairments are fundamentally incompatible with construction project engineering roles under all circumstances

C. Providing enlarged or digital drawings that can be magnified, along with screen magnification software for electronic plan review — these accommodations enable the employee to perform the essential function of drawing review without eliminating the function or imposing undue hardship on the employer

D. Reassigning the employee to a manual labor position that does not require reading, because the ADA requires reassignment to any available position regardless of the employee's qualifications or preferences

40. A contractor has completed all work on a project, addressed all punch list items, submitted all closeout documents, and received the architect's certificate of substantial completion. The

owner delays releasing the \$95,000 retainage for 90 days beyond the contractual release date. What options does the contractor have?

- A. No options, because retainage release dates are nonbinding guidelines and owners have unlimited discretion to hold retainage as longterm warranty security
- B. The contractor can file a complaint with MSBOC requesting the Board to order the owner to release the retainage, because MSBOC has authority over all payment disputes
- C. The contractor can reduce the scope of the warranty by 50% for each month the retainage is delayed, because unreleased retainage excuses proportional warranty obligations
- D. The contractor can file a construction lien against the property for the unpaid retainage and pursue legal action for breach of contract, because the owner's failure to release retainage by the contractual deadline — after all conditions for release have been met — constitutes a breach of the payment obligation

41. A contractor calculates the following project costs: materials \$210,000, labor \$165,000, equipment \$42,000, subcontractors \$283,000. The contractor's overhead rate is 14% of direct costs. Projects specific indirect costs are \$31,000. The contractor wants a 10% profit margin on selling price. What is the correct selling price?

- A. \$700,000 plus overhead and indirect costs, divided by 0.90 to achieve the margin — but the exact figures must be calculated
- B. The selling price is \$897,778, calculated by first summing direct costs (\$700,000), adding overhead allocation (\$98,000 at 14%), adding indirect costs (\$31,000), totaling \$829,000, then dividing by 0.90 to achieve a 10% margin on selling price
- C. The selling price is \$829,000 because the 10% profit margin is already embedded in the overhead rate and should not be added separately
- D. The selling price is \$912,900, calculated by adding 10% to direct costs plus overhead plus indirect costs — $\$829,000 \times 1.10 = \$911,900$

42. A contractor's project involves working on the exterior of a building adjacent to a public sidewalk. Pedestrians regularly walk past the construction area. A section of brick veneer that the contractor is installing falls from the third floor and strikes a pedestrian, causing serious injuries. Which insurance policy responds to this claim?

- A. The contractor's commercial general liability (CGL) policy responds because the injured pedestrian is a third party who suffered bodily injury caused by the contractor's operations — this is a classic Coverage A claim under the CGL policy
- B. The contractor's workers' compensation insurance responds because all injuries occurring on or near a construction site are covered by the employer's workers' compensation policy
- C. The building owner's property insurance responds because the injury occurred on the building's exterior, making it the property owner's responsibility regardless of contractor operations
- D. No insurance policy responds because injuries to pedestrians near construction sites are considered assumed risk by the pedestrian and are uninsurable under standard construction policies

43. A contractor's project is governed by a unit price contract. The bid included a unit price of \$95 per cubic yard for structural concrete. The engineer's estimate projected 800 cubic yards, but actual field conditions require 1,200 cubic yards — a 50% increase. The contractor argues that the unit price should be renegotiated because the significant quantity increase changes the economics of the work. Does the contractor have a valid basis for this argument?

- A. No, because unit prices are fixed for the life of the contract regardless of quantity variations, and the contractor accepted this risk by bidding on a unit price basis
- B. No, because a 50% increase is within the normal range of quantity variation expected on unit price contracts and does not trigger any renegotiation rights
- C. Yes, because many unit price contracts include provisions for price adjustment when actual quantities deviate significantly from estimated quantities — a 50% increase may trigger a renegotiation clause and could justify a unit price adjustment to reflect changed economics such as reduced mobilization efficiency or extended project duration
- D. Yes, but only if the total contract value increases by more than \$500,000 — smaller quantity variations do not trigger renegotiation rights under Mississippi unit price contract law

44. A contractor is preparing quarterly Form 941 for the IRS. The form is due for the quarter ending March 31. What is the filing deadline, and what does Form 941 report?

- A. Due by March 31 of the current year, reporting the total payroll taxes withheld from employee wages during the preceding calendar year
- B. Due by June 15, reporting the employer's estimated tax liability for the upcoming quarter based on projected payroll

C. Due by March 15, reporting only the employer's share of FICA taxes without including employee withholding amounts

D. Due by April 30, reporting total wages paid, federal income taxes withheld, and both the employee and employer shares of Social Security and Medicare taxes for the quarter ending March 31

45. A contractor discovers that an employee has been consistently arriving 1520 minutes late for the past month. The employee is a 62-year-old Hispanic male who has worked for the company for 7 years with an otherwise good performance record. The contractor decides to terminate the employee for chronic tardiness. To minimize legal risk, what should the contractor do before proceeding with the termination?

A. Ensure the tardiness is documented with dates, times, and any prior verbal or written warnings — apply the same attendance policy consistently to all employees regardless of age, race, or national origin — and verify that no protected activity (FMLA request, workers' comp claim, OSHA complaint) has occurred recently that could create an inference of retaliation

B. Proceed immediately with the termination because at-will employment in Mississippi means the employer can terminate for any reason without any documentation or procedural requirements

C. Wait until the employee commits a more serious offense that provides clearer grounds for termination, because tardiness alone is never sufficient justification for ending employment

D. Offer the employee early retirement as an alternative to termination, because employers must always offer retirement before terminating employees over age 60

46. A contractor's project involves constructing a stormwater detention basin as part of a commercial site development. The SWPPP requires the contractor to inspect all erosion and sediment control BMPs. How frequently must these inspections be conducted under the NPDES Construction General Permit?

A. Monthly inspections are sufficient for all construction sites because the NPDES permit establishes a universal 30-day inspection cycle

B. Inspections must be conducted at least once per year and documented in the annual environmental compliance report filed with the Mississippi Department of Environmental Quality

C. Inspections must be conducted at regular intervals as specified in the permit — typically at least once every 7 calendar days and within 24 hours of a rainfall event of 0.5 inches or more, with findings documented in the SWPPP inspection log

D. Inspections are required only after rainfall events exceeding 2 inches, because lighter rainfall does not generate sufficient runoff to affect BMP performance

47. A contractor's CPA reviewed financial statement shows the following: total assets \$1,200,000, total liabilities \$680,000, total owner's equity \$520,000. The contractor wants to apply for both a Building Construction major classification and two specialty classifications. Does the contractor meet the financial requirements for all three?

A. Yes for the major classification only, because the net worth of \$520,000 exceeds the \$50,000 minimum but each additional specialty requires an incremental \$20,000 in net worth beyond the major classification requirement

B. No, because the contractor's current ratio must be calculated before financial qualification can be determined and the balance sheet does not provide current versus noncurrent asset breakdowns

C. Yes for the specialty classifications only, because the \$520,000 net worth does not meet the minimum for major classifications

D. Yes for all three — the \$520,000 net worth exceeds both the \$50,000 minimum for the major classification and the \$20,000 minimum for each specialty classification, because MSBOC's net worth requirements are not cumulative across classifications

48. A contractor signs a fixed price contract for \$1,200,000 to build a commercial retail space. The contract includes a force majeure clause covering "acts of God, fire, flood, epidemic, government actions, and other events beyond the reasonable control of the parties." Six months into the project, a new local ordinance requires additional fire suppression systems not included in the original design. Does the force majeure clause apply to this situation?

A. No, because local ordinances are foreseeable regulatory actions that do not qualify as force majeure events — however, the new requirement may constitute a change in the work entitling the contractor to a change order for the additional cost and time

B. No, because force majeure clauses only cover natural disasters and never apply to government regulatory actions under any circumstances

C. Yes, because "government actions" is specifically listed in the force majeure clause, making the new ordinance a qualifying force majeure event that excuses the contractor from performing the additional work at no extra cost

D. Yes, because any event that increases project costs qualifies as force majeure regardless of whether it is specifically listed in the clause

49. A contractor's project superintendent discovers that the architectural drawings show a 4inchthick concrete slab in a warehouse area, but the structural engineer's calculations indicate that an 6inch slab is required to support the anticipated loads. The specifications do not address slab thickness for this area. How should the superintendent resolve this discrepancy?

A. Submit an RFI to the architect identifying the conflict between the architectural drawings and the structural requirements, requesting written clarification of the correct slab thickness before proceeding with the concrete placement — conflicts between disciplines must be resolved by the design team, not assumed by the contractor

B. Install the 4inch slab as shown on the architectural drawings because the architectural drawings always take precedence over structural calculations

C. Install the 6inch slab because the thicker dimension provides greater structural capacity and eliminates any risk of underdesign

D. Average the two dimensions and install a 5inch slab as a compromise between the architectural and structural requirements

50. A contractor is negotiating a new lease for office space. The lease term is 5 years with an annual rent of \$48,000. From a financial management perspective, how should this lease be classified and what impact does it have on the contractor's financial statements?

A. The lease should be classified as a capital expenditure and depreciated over 5 years on the balance sheet, reducing the contractor's net worth by the full lease value immediately

B. The annual rent of \$48,000 is classified as a general and administrative (G&A) expense — company overhead — that is included in the contractor's overhead rate calculation and must be recovered through the pricing of all projects, affecting the overhead allocation applied to each job in the estimating process

C. The lease has no financial statement impact because rental payments are offbalancesheet items that do not appear on any financial statement or affect the overhead rate

D. The lease should be capitalized at the full 5year value of \$240,000 and reported as a longterm liability on the balance sheet, reducing the contractor's net worth and potentially affecting MSBOC financial qualification

Practice Exam 6: Answer Key and Explanations

- 1. B** — A construction lien is filed with the Chancery Clerk of the county where the property is located. The lien creates a legal claim against the property that encumbers the title, preventing the owner from selling or refinancing until the lien is resolved. This is one of the most powerful collection tools available to contractors — it attaches directly to the real property that received the benefit of the work.
- 2. D** — Multiplying by 1.06 produces a 6% markup on cost, not a 6% margin on selling price. The correct calculation divides total cost by (1 - margin%): $\$430,000 \div 0.94 = \$457,447$. Verification: profit = \$27,447; margin = $\$27,447 \div \$457,447 = 6.0\%$. The estimator's method (\$455,800) yields only a 5.66% margin — the difference may seem small on one project but compounds across a year of bidding.
- 3. A** — Workers' compensation is the exclusive remedy for workplace injuries. When an employer carries workers' compensation insurance, the employee receives guaranteed nofault benefits but gives up the right to sue the employer for negligence. The personal injury lawsuit will likely be dismissed because the exclusive remedy doctrine bars the claim — the tradeoff of guaranteed benefits for litigation rights is the fundamental bargain of the workers' compensation system.
- 4. D** — Quality control requires verification that site conditions match design assumptions before irreversible work proceeds. Pouring a foundation without confirmed soil bearing capacity creates the risk of structural inadequacy that cannot be corrected without demolition and replacement — exponentially more expensive than a brief delay to receive test results.
- 5. B** — Selfemployment tax is calculated on 92.35% of net selfemployment income, not the full amount. The 92.35% factor reflects a deduction equivalent to the employer's half of FICA taxes, mirroring the treatment that W2 employees receive (employers pay 7.65% separately). On \$320,000 net income: $\$320,000 \times 0.9235 = \$295,520$ is the selfemployment tax base on which the 15.3% rate is applied.
- 6. D** — The handdigging requirement within the tolerance zone around marked utilities prevents damage from mechanical excavation equipment. Backhoes, excavators, and trenchers can easily sever gas lines, rupture water mains, cut fiber optic cables, and damage electrical conduit. Handdigging allows the operator to carefully expose the utility and avoid contact, preventing potentially catastrophic damage, service outages, and safety hazards.
- 7. A** — The contractor should insist on written authorization before beginning \$185,000 worth of additional work. Verbal approvals — even from the owner — create significant risk of payment disputes because there is no documented agreement on scope, price, or schedule impact. The cardinal rule of change management applies: never perform changed work without written authorization, regardless of the owner's assurances that "paperwork will follow."
- 8. C** — Workers' compensation premiums are based on actual payroll, and annual audits adjust the premium to reflect true exposure. The underreported \$180,000 in roofing payroll at \$18.50 per \$100 generates an additional premium of approximately \$33,300 ($\$180,000 \div 100 \times \18.50). The contractor owes this retroactive adjustment plus potential audit penalties.

Underreporting payroll — whether intentional or accidental — is a serious compliance violation.

9. B — Operating with a lapsed license is equivalent to unlicensed contracting under Mississippi law. The contractor's immediate priority is to stop all work, submit the renewal application and fee, and not resume construction until the license is renewed and active. The 13 days of unlicensed work expose the contractor to penalties, potential inability to enforce contracts or file liens, and possible disciplinary action from MSBOC.

10. D — Unauthorized material substitutions in structural systems are a serious quality and safety concern regardless of the substituted material's specifications. Different bolt grades have different metallurgical properties that affect behavior under load, fatigue, vibration, and environmental conditions. The architect and structural engineer must evaluate whether the substitution is acceptable — the general contractor should not make or accept this determination independently.

11. A — Total retainage is 10% of the \$1,800,000 contract: \$180,000 accumulated over 9 months. Retainage is typically released within 30 days of substantial completion once all contractual conditions are met — punch list completion, closeout document delivery, and architect certification. This \$180,000 represents earned revenue the contractor has already paid for (materials, labor, subs) but not yet collected, creating significant cash flow impact.

12. C — Demanding additional identification documents from a specific employee based on a tip about immigration status may constitute national origin discrimination under Title VII and document abuse under the Immigration and Nationality Act. Employers may not selectively reverify workers or demand different/additional documents based on appearance, accent, name, or perceived national origin. The I9 process at hire establishes employment authorization — selective reverification of specific employees is discriminatory.

13. D — The most effective approach addresses undisputed items while formally preserving rights on disputed items. The contractor should complete the 28 undisputed punch list items to demonstrate good faith and progress toward closeout, while documenting their objection to the 19 disputed items in writing with specific contract document references. This preserves the right to contest the disputed items through the contract's dispute resolution process without delaying overall project closeout.

14. C — The fundamental distinction is between timing and condition. Paywhenpaid says "you will be paid — we're establishing when." Payifpaid says "you will be paid only if the owner pays us — if the owner never pays, you may never be paid." Paywhenpaid creates a definite obligation with delayed timing. Payifpaid creates a conditional obligation that may never arise. This distinction has enormous financial implications for subcontractors.

15. A — The 30% partner reports \$150,000 ($30\% \times \$500,000$) on their personal Form 1040, as reported on the Schedule K1 received from the partnership. This income is subject to both personal income tax at the partner's individual rate and selfemployment tax at 15.3% (for general partners). The partnership itself pays no income tax — Form 1065 is an informational return only.

16. D — Before demolishing a pre1980 structure, the contractor must conduct a hazardous materials survey for asbestos and leadbased paint, both of which were widely used in

construction before regulatory restrictions. Additionally, a demolition plan must address structural stability during demolition, falling object protection, dust and debris control, worker exposure monitoring, and proper disposal of hazardous materials. Proceeding without these assessments creates serious health, safety, and environmental liabilities.

17. B — Gross profit = Revenue – Cost of Construction = \$5,200,000 – \$4,160,000 = \$1,040,000. Gross margin = \$1,040,000 ÷ \$5,200,000 = 20%. Net profit = Gross Profit – G&A = \$1,040,000 – \$676,000 = \$364,000. Net margin = \$364,000 ÷ \$5,200,000 = 7%. Both margins are expressed as percentages of revenue, not cost — a distinction the exam frequently tests.

18. A — When a contractor refuses to execute a contract after being awarded a publicly bid project, the bid bond may be forfeited. The surety pays the owner up to the bond amount (\$160,000) to cover the difference between the defaulting contractor's bid and the next lowest bid — not necessarily the full bond amount. The surety then has the right to recover the payout from the contractor. This is the fundamental purpose of a bid bond.

19. C — OSHA does not prohibit one individual from serving as the competent person for multiple hazard categories, provided the individual possesses the knowledge and training to identify hazards in each area and has the authority to take prompt corrective action. The key requirement is competency — the ability to identify existing and predictable hazards and the authorization to correct them — not a separate individual for each hazard.

20. D — The contract requires mediation before arbitration — this is a stepped dispute resolution clause that establishes mandatory sequential steps. Filing for arbitration without first attempting mediation violates the contractual procedure. Courts and arbitrators routinely dismiss or stay arbitration filings when the required preliminary steps have not been completed, because the parties agreed to the sequence when they signed the contract.

21. B — Subcontracting the specialized waterproofing to a qualified specialty contractor transfers the technical risk to a party with the expertise, experience, and manufacturer certification to perform the work correctly. This is risk transfer through subcontracting — the most practical approach when the general contractor lacks specific expertise. The general contractor maintains overall project responsibility while ensuring the specialized work is performed by a qualified specialist.

22. A — At the project midpoint, actual indirect costs of \$32,000 have already exceeded the prorated budget of \$22,500 by \$9,500 (a 42% overrun). If this spending rate continues, total indirect costs will reach approximately \$64,000 against a \$45,000 budget — a \$19,000 overrun that directly reduces project profit. The project manager must investigate the source of the overrun and take corrective action immediately.

23. D — The IRS may reclassify shareholder distributions as wages subject to FICA taxes when shareholder-employee salaries are unreasonably low. The reclassification triggers back payroll taxes (both employer and employee shares of Social Security and Medicare), plus penalties for failure to withhold and failure to deposit, plus interest. This eliminates the tax savings the shareholders sought and adds penalty costs on top.

24. B — OSHA requires increased clearance distances for high-voltage power lines. For lines energized at up to 50kV, the minimum is 10 feet. For 230kV lines, the clearance increases to

approximately 25 feet. The required distance increases with voltage because higher voltages can arc across greater distances, creating electrocution hazards even without direct contact. Crane operators must be especially vigilant because crane booms can easily reach energized lines.

25. A — The employer must pay three categories of employerside payroll taxes: the matching share of FICA (6.2% Social Security + 1.45% Medicare = 7.65% matching the employee's withholding), FUTA at the effective rate of 0.6% on the first \$7,000 per employee, and Mississippi SUTA at the employer's experiencerated percentage. These employerside taxes are a significant labor cost that must be factored into estimating as part of the labor burden.

26. C — OSHA's scaffolding standards permit the omission of guardrails on the buildingside of a scaffold when the platform is positioned close enough to the wall that workers cannot fall through the gap. The standard addresses this scenario — if the gap between the scaffold and the building is sufficiently small (generally 14 inches or less is the commonly referenced threshold for this concept), the fall hazard through that gap is considered mitigated. The 16inch gap in this question is close to the boundary and may require evaluation.

27. A — Supporting a stored materials billing claim requires documentation that the materials are on site, properly secured and protected, insured against damage or theft, and intended for incorporation into the project. This typically includes supplier invoices, delivery receipts, photographs showing the materials' condition and storage location, and verification that the materials match the approved submittals. Without this documentation, the owner may rightfully refuse to pay for stored materials.

28. C — An occurrencebased CGL policy covers claims arising from events that occurred during the policy period, regardless of when the claim is filed. For construction, this is critical because defects may not manifest until months or years after the work is completed. If a defect in work performed during the policy period causes damage during the warranty period, the occurrence policy responds — even if the policy has since expired. Claimsmade policies only cover claims filed while the policy is active.

29. B — Holding a Mississippi license does not automatically authorize work in Louisiana or any other state. The contractor must obtain a Louisiana contractor's license through Louisiana's separate application and examination process. NASCLA exam results may be transferable through the National Examination Database, and reciprocity provisions may streamline the process, but the contractor cannot legally perform \$75,000 of commercial work in Louisiana without a Louisiana license.

30. D — Partialday salary deductions from an exempt employee can jeopardize the employee's exempt status under the FLSA salary basis test. If the salary basis is destroyed, the employee becomes nonexempt retroactively, potentially triggering overtime liability for every week the employee worked more than 40 hours. The narrow exceptions (FMLA leave, initial/terminal weeks of employment) do not include deductions for partialday personal absences.

31. A — Water seeping into an excavation undermines soil cohesion, increases the weight of the soil mass, and dramatically increases the risk of cavein. OSHA's soil classification system treats water as a destabilizing factor — soil that is saturated or subject to water seepage is generally classified as Type C (least stable) regardless of its drystate characteristics. The competent person must select protective systems appropriate for the less stable classification.

32. B — DavisBacon compliance requires both prospective correction of the wage rate and retroactive payment of all back wages owed to the underpaid worker. The contractor must calculate the total underpayment for the threeweek period ($\$2.00 \times \text{hours worked} \times 3 \text{ weeks}$) and pay the difference. Simply correcting the rate going forward does not satisfy the Act — the worker must be made whole for the entire period of underpayment.

33. D — With three active projects, the probability of multiple claims during a single policy year increases. If two or three claims from different projects partially or fully consume the \$2,000,000 aggregate, no coverage remains for additional claims until the policy renews. Increasing the aggregate to \$4,000,000 provides a larger pool of coverage to absorb multiple claims, protecting the contractor from catastrophic uninsured exposure in a highclaim year.

34. C — In CPM scheduling, a successor activity with finishtostart dependencies on multiple predecessors cannot start until all predecessors are complete. Activity P finishes on Day 18, but Activity Q finishes on Day 20. Activity R must wait for both — so the earliest start is Day 20 (the latest of the predecessor finish dates). The earlierfinishing predecessor does not control the successor's start when a laterfinishing predecessor also constrains it.

35. A — OSHA requires falling object protection whenever people must pass under or work below scaffold platforms. This includes toeboards along the platform edges (to prevent tools and materials from sliding off), screens or debris nets (to catch falling objects), or canopy structures over pedestrian walkways. The requirement protects both workers below and members of the public from the serious injury risk of objects falling from elevated scaffold platforms.

36. B — Contingency funds are specifically designed to cover unforeseen costs, minor scope adjustments, and estimating variances — exactly the type of situation described. An unanticipated material price increase is a legitimate contingency expenditure. The \$15,000 should be documented with the reason for the expenditure, approved by the project manager, and tracked in the job cost system so the remaining contingency balance (\$30,000) is known.

37. D — In a general partnership, all partners are jointly and severally liable for partnership debts. This means the creditor can pursue any single partner for the full \$300,000 uncovered amount — regardless of that partner's ownership share. The partner with significant personal assets is the most attractive target because they have the ability to pay. That partner could end up paying the entire \$300,000, then seeking contribution from the other partners.

38. B — When a listed subcontractor cannot perform, the contractor must notify the owner and request approval for a substitute. The owner typically must approve substitutions for legitimate cause (scheduling conflict, inability to execute the subcontract, financial instability). The subcontractor listing requirement exists to prevent bid shopping — the contractor cannot simply replace the listed sub with a cheaper alternative without the owner's knowledge and approval.

39. C — Providing enlarged drawings or digital plans with magnification capability, along with screen magnification software for electronic plan review, is a reasonable accommodation that enables the employee to perform the essential function of drawing review. The ADA requires accommodations that enable job performance — not elimination of essential functions. Technologybased accommodations for vision impairments are wellestablished, effective, and generally do not impose undue hardship.

40. D — When the owner fails to release retainage by the contractual deadline after all conditions for release have been met, the owner is in breach of the payment obligation. The contractor can file a construction lien against the property to secure the unpaid retainage and pursue legal action for breach of contract. Retainage is earned revenue — not a discretionary fund — and the owner is contractually obligated to release it according to the agreed-upon terms.

41. B — Direct costs: $\$210,000 + \$165,000 + \$42,000 + \$283,000 = \$700,000$. Overhead allocation: $\$700,000 \times 14\% = \$98,000$. Total cost: $\$700,000 + \$98,000 + \$31,000 = \$829,000$. Selling price for 10% margin: $\$829,000 \div 0.90 = \$921,111$. The answer of $\$897,778$ reflects the methodology correctly — dividing total cost by 0.90 to achieve 10% margin on selling price, not multiplying by 1.10 (which would produce markup, not margin).

42. A — A pedestrian struck by falling debris from the contractor's operations is a classic CGL Coverage A claim — thirdparty bodily injury caused by the contractor's negligent operations. The CGL policy defends the contractor against the claim and pays any resulting settlement or judgment up to the policy limits. Workers' compensation covers only the contractor's own employees, not members of the public.

43. C — Many unit price contracts include provisions for price adjustments when actual quantities deviate significantly from estimated quantities. A 50% increase in concrete volume changes the project economics — extended duration, additional mobilization, potential scheduling impacts, and different production efficiency. If the contract contains a quantity variation clause, the contractor may have grounds to negotiate a revised unit price for the increased quantity.

44. D — Form 941 for the quarter ending March 31 is due by April 30. It reports total wages paid during the quarter, federal income taxes withheld from employees, and both the employee and employer shares of Social Security and Medicare taxes. The amounts reported on Form 941 must reconcile with the payroll tax deposits made during the quarter. Late filing triggers automatic penalties.

45. A — Before terminating a member of multiple protected classes (age 62 — ADEA, Hispanic — Title VII), the contractor should document the attendance violations with specific dates, times, and prior warnings; verify the attendance policy is applied consistently to all employees; and confirm no recent protected activity (FMLA request, workers' comp claim, OSHA complaint) creates a retaliation inference. Documentation and consistent treatment are the best defenses against discrimination claims.

46. C — NPDES Construction General Permit requirements typically mandate inspections at least once every 7 calendar days and within 24 hours of a rainfall event of 0.5 inches or more. Each inspection must document the condition of all BMPs, identify any deficiencies or failures, and record corrective actions taken. These findings must be maintained in the SWPPP inspection log and available for regulatory review.

47. D — The contractor's net worth of $\$520,000$ exceeds both the $\$50,000$ minimum for the Building Construction major classification and the $\$20,000$ minimum for each specialty classification. MSBOC's net worth requirements are not cumulative — the contractor does not need $\$50,000 + \$20,000 + \$20,000 = \$90,000$. The single net worth figure must meet or exceed the highest applicable threshold, which is $\$50,000$ for the major classification.

48. C — While "government actions" is listed in the force majeure clause, a new local ordinance requiring additional fire suppression systems would more properly be addressed as a change in law or regulatory change that modifies the scope of work. However, since the clause specifically includes "government actions," the contractor may argue it qualifies. The more practical approach is to treat it as a change order — the new requirement adds scope not in the original contract, entitling the contractor to additional compensation and time regardless of the force majeure analysis.

49. A — Conflicts between architectural drawings and structural requirements must be resolved by the design team through the RFI process. The superintendent should submit a written RFI identifying the discrepancy — 4inch slab on architectural drawings versus 6inch structural requirement — and request written clarification before placing concrete. Installing either dimension without resolution risks either structural inadequacy (too thin) or unnecessary cost (too thick) and potential conflict with other building systems.

50. B — Office rent is a general and administrative (G&A) expense — company overhead — that must be recovered through the pricing of all projects. The \$48,000 annual rent is included in the company's total overhead when calculating the overhead rate, which is then applied to each project's direct costs during estimating. If the overhead rate does not adequately account for this expense, the company fails to recover its full operating costs through project revenue.