

# PRACTICE EXAM 7: MISSISSIPPI LAW AND BUSINESS MANAGEMENT SIMULATION (50 QUESTIONS)

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**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 contractor is awarded a public school gymnasium construction project for \$2,800,000. The bid documents required both a performance bond and a payment bond at 100% of the contract value. During construction, the contractor encounters severe financial difficulties and abandons the project at the 55% completion point. The project owner contacts the surety company that issued the performance bond. What are the surety's options for completing the project?

- A. The surety has no obligation because the contractor's financial difficulties constitute a force majeure event that releases the surety from the bond
- B. The surety can choose to pay the owner the full contract price of \$2,800,000 and has no further involvement in the project completion
- C. The surety can negotiate a reduced bond amount with the owner based on the percentage of work already completed, paying only 45% of the original bond value
- D. The surety can finance the original contractor to complete the work, hire a replacement contractor, or pay the owner the cost of completion up to the bond amount — and the surety retains the right to recover all costs from the defaulting contractor

2. A contractor's project has the following cost data: original budget \$540,000, actual costs to date \$378,000 (70% complete), and revised estimated cost to complete \$198,000. The contract price is \$650,000. What is the current projected profit, and how does it compare to the original estimate?

- A. Projected profit is \$110,000, identical to the original estimate, because the project is performing exactly on budget

B. Projected profit is \$272,000, calculated by subtracting actual costs from the contract price without considering the remaining work

C. Projected profit is \$74,000, calculated as  $\$650,000 - (\$378,000 + \$198,000) = \$74,000$  — this is \$36,000 less than the original estimated profit of \$110,000 ( $\$650,000 - \$540,000$ ), indicating a cost overrun trend requiring investigation

D. Projected profit cannot be determined until the project reaches 90% completion because cost-to-complete estimates before that threshold are unreliable

3. A Mississippi contractor wants to hire a project superintendent. During the interview, the contractor asks the candidate: "Do you have any health conditions that might require you to miss work frequently?" The candidate has a chronic back condition but answers "no" to avoid discrimination. Under the ADA, what is the legal problem with the contractor's interview question?

A. The question violates the ADA because employers are prohibited from asking about the existence of disabilities or health conditions during the preemployment interview — the employer may only ask whether the candidate can perform the specific essential functions of the job

B. The question is lawful because construction employers have an industry-specific exemption allowing health inquiries for safety-sensitive positions

C. The question is lawful because it asks about attendance rather than disability, and attendance-related questions are unrestricted under the ADA

D. The question violates the FMLA but not the ADA, because only the FMLA regulates questions about anticipated medical absences

4. A contractor operating as a sole proprietorship earns net business income of \$280,000. The contractor is considering forming an LLC with an S corporation tax election. The contractor's accountant recommends setting the reasonable salary at \$130,000. What is the approximate annual self-employment tax savings if the contractor makes this change?

A. Approximately \$22,950, representing the full self-employment tax that would be eliminated on the entire \$280,000 by converting to the S corp election

B. Approximately \$20,655, representing the self-employment tax savings on the \$150,000 in distributions ( $\$280,000 - \$130,000$ ) that would no longer be subject to self-employment tax under the S corporation structure

C. Approximately \$9,945, representing only the employer's half of the FICA savings because the employee's half cannot be recovered through the S corp election

D. Zero savings, because the IRS does not allow LLCs with Scorp elections to distribute profits free of selfemployment tax

5. A contractor's project schedule uses the Critical Path Method. The project has been underway for four months. The monthly schedule update reveals that the critical path has shifted — activities that were previously on the critical path now have float, and a different sequence of activities has become the new longest path. What does this shift indicate?

A. The schedule update contains errors because the critical path can never change once the project begins — it is permanently established during the initial scheduling phase

B. The critical path shift is normal and indicates that the project manager is manipulating the schedule to hide delays from the owner

C. The shift means the project will definitely finish late because a critical path change always indicates an unrecoverable schedule delay

D. The critical path can and does shift during construction when activities are completed faster or slower than planned — when originally critical activities finish ahead of schedule and other paths become longer, the critical path moves to the new longest sequence, which now controls the project completion date

6. A contractor is performing concrete work on a commercial project. The specifications require concrete with a minimum compressive strength of 4,000 PSI at 28 days. The contractor's concrete supplier delivers a batch that tests at 3,200 PSI at 28 days — 20% below the specification requirement. The contractor has already placed the concrete in a structural footing. What is the most likely consequence?

A. No consequence, because a 20% variation in compressive strength is within the standard tolerance for structural concrete under ACI standards

B. The contractor must apply a surface hardener to the placed concrete to bring the compressive strength up to the specified 4,000 PSI

C. The structural engineer must evaluate whether the 3,200 PSI concrete is adequate for the design loads on this specific footing — if not adequate, the footing may need to be removed and replaced at the contractor's expense, since the contractor is responsible for providing materials that meet the specifications

D. The architect automatically approves the 3,200 PSI concrete as an acceptable substitution because it exceeds the 3,000 PSI minimum required by the International Building Code

7. A Mississippi contractor holds a commercial Building Construction license. The contractor's qualifying party submits a letter of resignation effective in 30 days. The contractor immediately begins searching for a replacement but is unable to find a qualified candidate within 30 days. How much additional time does the contractor have to designate a new qualifying party and have them pass the required exams?

A. The contractor has 90 days from the date of the qualifying party's departure — not from the date of the resignation letter — to designate a new qualifying party who must pass the required PSI examinations within that 90day window

B. The contractor has 180 days from the date of the resignation letter to find, designate, and qualify a replacement

C. The contractor has unlimited time as long as they notify MSBOC of the departure and demonstrate active efforts to find a replacement

D. The contractor has 30 days from the date of departure, and no extensions are available under any circumstances

8. A contractor's project involves installing a guardrail system along the perimeter of a flat commercial roof where workers are performing HVAC equipment installation. The roof edge is 28 feet above grade. Under OSHA fall protection standards, when must fall protection be provided for workers on this roof?

A. Fall protection is not required on flat roofs because the flat surface eliminates the risk of falls

B. Fall protection is required only when workers are within 3 feet of the roof edge, and workers in the center of the roof are exempt

C. Fall protection is required only when workers are performing tasks above 15 feet, and HVAC installation on existing roofs is exempt from fall protection requirements

D. Fall protection is required for all workers on the roof who are within 6 feet of the unprotected edge or any roof opening — at 28 feet above grade, this far exceeds the 6foot trigger height, and appropriate fall protection (guardrails, PFAS, or safety nets) must be in place

9. A contractor submits a monthly progress payment application for \$220,000. The contract specifies 5% retainage. The owner approves the full application amount. How much does the contractor receive, and how much is retained?

- A. The contractor receives \$220,000 because 5% retainage is too low to withhold and is typically waived for established contractors
- B. The contractor receives \$209,000 and the owner retains \$11,000, calculated as 5% of the \$220,000 application held until the project reaches substantial completion
- C. The contractor receives \$198,000 because the owner retains 10% — the standard retainage rate that overrides any lower rate specified in the contract
- D. The contractor receives \$176,000 because retainage is calculated at 5% of both the current payment and all previous payments cumulatively

10. A contractor is reviewing the dispute resolution clause in a construction contract. The clause requires the parties to first attempt negotiation, then mediation, and then binding arbitration. The contractor prefers this approach over litigation. Which characteristic of arbitration makes it generally preferable to litigation for construction disputes?

- A. Arbitration always produces better outcomes for contractors because arbitrators are required to favor the party that did not initiate the proceeding
- B. Arbitration is completely free for both parties because the American Arbitration Association is a nonprofit organization funded entirely by government grants
- C. Arbitration is typically faster, less expensive, and more private than litigation — the proceedings are conducted by an arbitrator with construction industry expertise rather than a judge and jury, and the discovery process is usually more limited than in court proceedings
- D. Arbitration allows unlimited appeals to higher arbitration panels if either party disagrees with the initial decision

11. A contractor's financial statements show the following yearend data: accounts receivable \$460,000, accounts payable \$310,000, retainage receivable \$72,000, cash \$38,000, overbillings \$48,000, accrued wages \$25,000, current portion of debt \$55,000, inventory \$12,000, and prepaid expenses \$9,000. What is the contractor's working capital and current ratio?

- A. Working capital is \$438,000 and current ratio is 2.35, indicating extremely strong liquidity that may suggest the contractor is underleveraging available resources
- B. Working capital is \$72,000 and current ratio is 1.08, indicating positive but marginal liquidity with minimal buffer for unexpected expenses or delayed collections

C. Working capital is \$153,000 and current ratio is 1.35, calculated by dividing total current assets (\$591,000) by total current liabilities (\$438,000), indicating adequate liquidity with a reasonable margin above the 1.0 threshold

D. Working capital is \$0 and current ratio is 1.00, indicating the contractor's current assets exactly equal current liabilities with no safety margin

12. A contractor operates in Mississippi and buys \$125,000 worth of electrical supplies from a Texas distributor. The distributor does not charge Mississippi sales tax. The materials are shipped to and used on a Mississippi commercial project. What is the contractor's Mississippi tax obligation?

A. No Mississippi tax is owed because Texas collected its own state sales tax on the purchase at the point of sale

B. The contractor owes Mississippi income tax of 5% on the purchase amount because outofstate purchases are classified as taxable business income

C. The contractor owes a combined import duty and use tax of 10% because materials purchased from states without reciprocal tax agreements carry a surcharge

D. The contractor owes Mississippi use tax of 7% (\$8,750) on the \$125,000 purchase, because materials purchased outofstate and used in Mississippi are subject to use tax at the same rate as the state sales tax, with credit given for any sales tax actually paid to another state

13. A contractor's CPA prepares the company's annual financial statements using the percentageofcompletion method. One project has a contract price of \$1,600,000 and estimated total costs of \$1,360,000. Actual costs to date are \$816,000 and billings to date are \$900,000. What is the earned revenue, and is the project overbilled or underbilled?

A. Earned revenue is \$900,000 and the project is properly billed because earned revenue always equals billings under the percentageofcompletion method

B. Earned revenue is \$960,000 (60% completion  $\times$  \$1,600,000 contract price), and the project is underbilled by \$60,000 because billings of \$900,000 are \$60,000 less than the \$960,000 in earned revenue

C. Earned revenue is \$1,600,000 because the full contract price should be recognized once the project crosses the 50% completion threshold

D. Earned revenue is \$816,000 and the project is overbilled by \$84,000 because billings of \$900,000 exceed the actual cost basis of \$816,000

14. A contractor enters into a timeandmaterials contract for emergency flood damage repair at a commercial facility. The contract establishes hourly labor rates and a 15% markup on materials. After three weeks, the total charges reach \$175,000. The owner objects to the cost, claiming it is excessive. What contractual protection would have limited the owner's cost exposure?

A. A costplus fixed fee clause, which would have established a guaranteed profit amount regardless of how many hours or materials were consumed

B. A "not to exceed" (NTE) clause, which would have capped the total cost at a specified maximum amount — once the cap was reached, the contractor would need to either absorb additional costs or negotiate a contract modification to increase the ceiling

C. A liquidated damages clause, which limits the contractor's daily charges to a preagreed maximum daily rate regardless of actual costs

D. A unit price clause, which would have limited the total number of hours the contractor could bill regardless of the amount of work remaining

15. A contractor is forming a new LLC in Mississippi for their construction business. The LLC will have two members — the contractor and a financial partner who will invest capital but not participate in daily operations. What management structure should the LLC adopt to reflect this arrangement?

A. A managermanaged LLC, where the contractor is designated as the manager with authority to operate the business and bind the LLC to contracts, while the financial partner serves as a passive member who invests capital but does not participate in management decisions

B. A membermanaged LLC, because all LLCs with two or more members must be membermanaged under Mississippi law regardless of the members' intended roles

C. A boardmanaged LLC, which requires the formation of a board of directors similar to a corporation to oversee both the active and passive members

D. A partnermanaged LLC, which is a hybrid structure required for LLCs with both active and passive members under Mississippi's LLC statute

16. A contractor's project is 30% complete when the owner requests a significant scope change — adding a second floor to a singlestory commercial building. The change will add approximately \$450,000 to the project cost and extend the schedule by 8 weeks. The contractor prepares a detailed change order proposal. What essential elements must this change order proposal include?

- A. Only the total additional cost, because the schedule impact is the owner's responsibility to evaluate independently
- B. Only a revised project schedule showing the new completion date, because cost adjustments are handled separately through the monthly progress payment process
- C. A detailed description of the changed work, an itemized cost breakdown (materials, labor, equipment, subcontractors, overhead, and profit), the schedule impact with a revised completion date, and any changes to the terms or conditions of the original contract
- D. Only a signed authorization from the architect, because the architect's approval is the sole requirement for processing any change order regardless of the cost or schedule impact

17. A contractor operating as a partnership fails to file Form 1065 by the March 15 deadline. The partnership has four partners. Under IRS penalty provisions, what penalty does the partnership face for late filing?

- A. A flat penalty of \$500 regardless of the number of partners, the length of the delay, or the partnership's gross income
- B. No penalty, because partnership tax returns are informational only and the IRS does not impose penalties on late informational returns
- C. A penalty based on the partnership's gross income, calculated at 5% of total revenue per month of late filing up to a maximum of 25%
- D. A penalty of approximately \$220 per partner per month (or fraction of a month) that the return is late, up to 12 months — for a fourpartner firm, this means \$880 per month, potentially reaching \$10,560 if the return is 12 months late

18. A contractor is working on a project where the specifications call for a particular brand of HVAC equipment. The contractor finds an alternative brand that meets or exceeds the performance specifications at a lower cost. What process must the contractor follow to propose this substitution?

- A. Install the alternative equipment and notify the architect after installation, because the lower cost benefits the owner and the performance specifications are met
- B. Submit a formal substitution request to the architect through the contractual submittal process, including manufacturer data demonstrating that the alternative product meets or exceeds the specified performance requirements, and wait for the architect's written approval before proceeding with procurement or installation

- C. Obtain verbal approval from the owner for the substitution, because the owner has the final decisionmaking authority on all material selections regardless of the architect's role
- D. Replace the specified equipment only if the architect initiates the substitution — contractors are prohibited from proposing material changes under standard construction contracts

19. An employer with 40 employees is evaluating whether the FMLA applies to their company. Three employees recently requested medical leave. What is the determining factor for FMLA coverage?

- A. The FMLA applies to employers with 50 or more employees within a 75-mile radius — this employer with 40 employees falls below the threshold and is not required to provide FMLA leave, though the employer may voluntarily offer similar leave benefits
- B. The FMLA applies to all employers with 25 or more employees, so this employer with 40 employees is covered and must grant all three leave requests
- C. The FMLA applies only to government agencies and nonprofit organizations, not to private construction companies regardless of the number of employees
- D. The FMLA coverage determination is based on the number of leave requests received, not the total number of employees — three requests trigger FMLA coverage regardless of company size

20. A contractor discovers that a recently poured concrete slab has developed extensive surface cracking within 48 hours of placement. The cracks follow a pattern consistent with plastic shrinkage — they are shallow, irregularly spaced, and appeared while the concrete was still in a plastic state. The specifications require the concrete to be free of visible cracks. What does this situation illustrate about construction quality control?

- A. This is a normal occurrence that requires no investigation because all concrete develops surface cracks during the initial curing period
- B. This illustrates a design deficiency because the architect should have specified crack-resistant concrete admixtures to prevent plastic shrinkage
- C. This illustrates a subcontractor coordination failure because the steel reinforcement installer should have anticipated the cracking and adjusted the rebar spacing to compensate
- D. This illustrates a quality control failure during construction — plastic shrinkage cracks are caused by rapid moisture loss from the concrete surface, typically due to inadequate curing procedures, high winds, low humidity, high temperatures, or delayed application of curing compounds, and should have been prevented through proper curing practices

21. A contractor's project has a contract price of \$2,200,000 and estimated total costs of \$1,870,000. At yearend, actual costs are \$1,122,000 (60% complete) and billings are \$1,250,000. The contractor's CPA uses the percentageofcompletion method. What figures appear on the balance sheet for this project?

A. Earned revenue is \$1,320,000 ( $60\% \times \$2,200,000$ ), and since billings of \$1,250,000 are less than earned revenue, the project shows an overbilling — wait, billings less than earned revenue means underbilled

B. The balance sheet shows the full contract price of \$2,200,000 as revenue and \$1,122,000 as cost of construction, with the difference as gross profit

C. Earned revenue is \$1,320,000, and the project has a \$70,000 underbilling ( $\$1,320,000$  earned –  $\$1,250,000$  billed), classified as a current asset on the balance sheet because the contractor has performed more work than has been invoiced

D. The balance sheet shows only the \$1,250,000 in billings as revenue because the percentageofcompletion method recognizes revenue equal to billings

22. A contractor's employee is assigned to work inside a large underground storm drain pipe that is 48 inches in diameter and 200 feet long. The pipe has limited entry and exit points. Before the employee enters, what OSHA requirements must be satisfied?

A. The contractor must evaluate whether the space meets the definition of a confined space — limited entry/exit, not designed for continuous occupancy, and potential for hazardous atmosphere — and if so, implement a confined space entry program including atmospheric testing, ventilation, an attendant stationed outside, rescue procedures, and a written entry permit

B. The contractor must provide the worker with a flashlight and a hard hat, which satisfies all OSHA requirements for work inside largediameter pipes

C. The contractor must ensure the worker carries a cell phone and has a coworker within shouting distance, because these measures constitute adequate confined space protection

D. No special requirements apply because storm drain pipes with a diameter of 48 inches or more are classified as open spaces under OSHA standards and are exempt from confined space regulations

23. A contractor's annual overhead budget includes \$36,000 for office rent, \$85,000 for administrative salaries, \$42,000 for company insurance premiums, \$18,000 for vehicle costs, \$24,000 for professional fees, \$15,000 for advertising, and \$12,000 for office supplies and technology. The projected annual direct cost volume is \$1,540,000. What is the overhead rate?

- A. 20%, calculated by dividing total overhead by the projected annual revenue rather than the direct cost volume
- B. 10%, calculated by dividing only the largest single overhead item (administrative salaries) by the direct cost volume
- C. 25%, calculated by adding a standard 10% contingency factor to the base overhead rate
- D. 15.06%, calculated by dividing total annual overhead of \$232,000 (\$36,000 + \$85,000 + \$42,000 + \$18,000 + \$24,000 + \$15,000 + \$12,000) by the projected annual direct cost volume of \$1,540,000

24. A contractor's project is governed by a fixed-price contract. During excavation, the contractor discovers a buried concrete foundation from a previously demolished building that was not shown on any project documents or the geotechnical report. Removing the obstruction will cost \$45,000 and delay the project by one week. Under a standard differing site conditions clause, what is the contractor entitled to?

- A. Nothing, because fixed-price contracts place all subsurface risk on the contractor regardless of what the contract documents indicate
- B. Additional compensation for the \$45,000 removal cost and a one-week time extension, because the buried foundation constitutes a Type I differing site condition — the actual conditions differ materially from those represented in the contract documents (which showed no obstruction at this location)
- C. Only a time extension but no additional compensation, because differing site conditions clauses provide schedule relief but never include cost reimbursement
- D. The contractor must file a claim against the geotechnical engineer's professional liability insurance because the engineer is solely responsible for subsurface inaccuracies

25. A Mississippi contractor receives a certified letter from the Mississippi Department of Revenue stating that the contractor failed to remit \$28,000 in use tax on materials purchased from out-of-state suppliers over the past two years. The letter demands payment of the unpaid tax plus penalties and interest. The contractor was unaware of the use tax obligation. Does ignorance of the tax law provide a defense?

- A. No, ignorance of the law is not a defense — the contractor is liable for the unpaid use tax regardless of whether they were aware of the obligation, and must pay the \$28,000 in tax plus any applicable penalties and interest assessed by the Department of Revenue
- B. Yes, first-time use tax violations are automatically waived if the contractor can demonstrate they were not informed of the use tax requirement by their materials suppliers

C. Yes, because use tax is a voluntary selfassessment that the Department of Revenue cannot enforce against contractors who did not knowingly incur the obligation

D. No, but the penalties and interest are waived for contractors who voluntarily pay the full \$28,000 within 10 days of receiving the demand letter

26. A contractor's project involves steel erection on a commercial building. The steel erection subcontractor's ironworkers are connecting structural beams at a height of 35 feet. OSHA's steel erection standard has specific fall protection provisions for connectors. Under what conditions may connectors work without conventional fall protection (guardrails, nets, or PFAS) during initial connection activities?

A. Connectors are never exempt from fall protection requirements regardless of the circumstances — standard fall protection must be provided at all times during steel erection

B. Connectors may work without fall protection at any height as long as they have completed an OSHA 10hour construction safety course

C. Connectors may work without conventional fall protection only between 15 and 30 feet during initial connection activities, provided they meet specific training, experience, and competency requirements — above 30 feet, conventional fall protection is mandatory for connectors

D. Connectors may work without any fall protection during all phases of steel erection because the nature of connection work makes fall protection impractical at any height

27. A contractor's project superintendent notices that the HVAC subcontractor has installed ductwork in a ceiling plenum space that conflicts with the electrical conduit runs shown on the electrical drawings. The ducts are in the correct location per the mechanical drawings, but the conduit cannot be installed as shown on the electrical drawings because the duct is in the way. What type of issue is this, and how should it be resolved?

A. This is a warranty issue that should be addressed during the project closeout phase when all systems are tested and commissioned

B. This is a punch list item that should be documented and resolved after substantial completion when all trades have finished their roughin work

C. This is a coordination conflict between disciplines that should be resolved through the RFI process — the superintendent should submit an RFI to the architect and engineers identifying the conflict between the mechanical and electrical drawings and requesting direction on which system takes priority or how both can be accommodated

D. This is the electrical subcontractor's responsibility to resolve independently, because whichever subcontractor arrives second must work around the first subcontractor's installation

28. A contractor is preparing a bid and needs to determine the correct selling price. Direct costs are \$520,000, the overhead rate is 16%, project indirect costs are \$28,000, and the desired profit margin is 9% on selling price. What is the correct selling price?

A. \$653,143, calculated by summing direct costs (\$520,000), overhead allocation (\$83,200), and indirect costs (\$28,000) to get total cost of \$631,200, then dividing by 0.91 ( $1 - 0.09$ ) to achieve a 9% margin on selling price

B. \$688,108, calculated by multiplying total cost by 1.09 to apply a 9% markup and then adding a 3% contingency factor

C. \$631,200, representing total cost without any profit margin because the 9% margin should be embedded within the overhead rate

D. \$578,800, calculated by applying the 9% margin only to direct costs and adding overhead and indirect costs afterward

29. A contractor's employee falls from a scaffold and suffers a broken leg. The incident results in 45 days away from work. Under OSHA recordkeeping requirements, how must this injury be recorded?

A. The injury does not need to be recorded because scaffold falls are classified as inherent construction risks that are exempt from OSHA recordkeeping requirements

B. The injury should be recorded only in the contractor's internal safety database but is not required to be documented on any OSHA forms

C. The injury should be reported to OSHA within 8 hours because any injury resulting in more than 30 days away from work is classified as a catastrophe requiring immediate notification

D. The injury must be recorded on the OSHA 300 Log (Log of Work-Related Injuries and Illnesses) and the OSHA 301 Incident Report as a case involving days away from work — the 45 lost workdays must also be counted and documented on the log

30. A contractor is evaluating two contract types for an upcoming project. The owner is offering either a fixed-price contract or a cost-plus-fixed-fee contract. The project scope is well-defined with complete

drawings and specifications, the site conditions are well understood, and the construction timeline is realistic. Which contract type is most advantageous for the contractor in this scenario?

- A. The cost-plus-fixed-fee contract is always more advantageous because the contractor is guaranteed reimbursement of all costs plus a profit, eliminating all financial risk
- B. The fixed-price contract is likely more advantageous because the well-defined scope, complete documents, and understood conditions allow the contractor to estimate accurately and capture the full profit if actual costs come in below the estimate — something that is not possible with a fixed-fee arrangement where the fee remains the same regardless of cost performance
- C. Neither contract type offers an advantage because well-defined projects produce identical financial outcomes regardless of the pricing mechanism
- D. The cost-plus-fixed-fee contract is preferable because it allows the contractor to mark up subcontractor costs at any percentage without owner oversight

31. An employer terminates a construction worker and the worker files for unemployment benefits with the Mississippi Department of Employment Security. The employer contests the claim, arguing the worker was terminated for cause (repeated safety violations). How does the outcome of this unemployment claim affect the employer's workers' compensation costs?

- A. Unemployment claims have no connection to workers' compensation costs — the two systems operate entirely independently with no financial relationship
- B. If the unemployment claim is approved, the employer's workers' compensation EMR automatically increases by 0.10 points for each approved claim
- C. The employer's state unemployment tax rate (SUTA) may increase based on the company's claims experience — more approved unemployment claims lead to higher SUTA rates through the experience rating system, which is separate from but analogous to the workers' compensation EMR system
- D. Approved unemployment claims are deducted from the employer's workers' compensation reserves, reducing the funds available for future injury claims

32. A contractor is reviewing a subcontract that includes an indemnification clause requiring the subcontractor to indemnify the general contractor for all claims arising from the subcontractor's work. The subcontractor carries CGL insurance with a \$1,000,000 per-occurrence limit. Before signing, what should the subcontractor verify?

- A. That the scope of the indemnification obligation aligns with the subcontractor's CGL coverage — the subcontractor should confirm that their CGL policy covers the types of claims described in the indemnification clause and that the policy limits are adequate for the project's risk profile
- B. That the general contractor has waived all rights to pursue claims against the subcontractor regardless of fault, because signing the indemnification clause should create reciprocal protection
- C. That the indemnification clause includes a provision requiring the general contractor to pay the subcontractor's deductible on any CGL claim, because the general contractor benefits from the indemnification
- D. That the general contractor's CGL policy names the subcontractor as an additional insured, because indemnification clauses are only enforceable when both parties carry matching insurance coverage

33. A contractor's project is scheduled using the Critical Path Method with the following three parallel paths from start to finish: Path X = 82 days, Path Y = 78 days, Path Z = 85 days. A 4day delay occurs on Path Y. Does this delay affect the project completion date?

- A. Yes, because any delay to any path in a CPM network automatically extends the project completion date by the full delay amount
- B. Yes, because the delay shifts Path Y to 82 days, making it equal to Path X and creating two critical paths that both constrain the project end date
- C. No, because Path Y has 3 days of float ( $85 - 78 = 7$ ,  $85 - 78 = 7$  days of float), and a 4day delay consumes only 4 of the 7 available float days, leaving 3 days of remaining float
- D. No, because Path Y has 7 days of float ( $85 - 78 = 7$ ), and the 4day delay consumes only 4 of the 7 available float days — the project completion date remains at 85 days, controlled by Path Z

34. A contractor discovers that a critical material specified in the contract documents has been discontinued by the manufacturer and is no longer available. The project cannot proceed without this material. What should the contractor do?

- A. Select the closest available substitute from the same manufacturer and install it without notification, because manufacturer discontinuations are beyond anyone's control
- B. Submit an RFI to the architect notifying them of the material discontinuation and requesting direction on an acceptable substitute — the architect will evaluate alternatives and either approve a specific substitute or modify the specification through a change order
- C. Stop all work on the entire project until the manufacturer resumes production of the specified material, regardless of how long the delay may last

D. Notify MSBOC that the project cannot be completed due to material unavailability and request a license modification that removes the obligation to complete the work

35. A contractor's financial statements show total assets of \$1,450,000 and total liabilities of \$920,000. The contractor applies for a Mississippi commercial license in both a major classification (Building Construction, requiring \$50,000 net worth) and a specialty classification (Concrete, requiring \$20,000 net worth). Does the contractor meet the financial requirements?

A. Yes, because the net worth of \$530,000 ( $\$1,450,000 - \$920,000$ ) exceeds both the \$50,000 requirement for the major classification and the \$20,000 requirement for the specialty — MSBOC net worth thresholds are not cumulative, and the contractor only needs to meet the highest applicable threshold

B. Yes, but only for the specialty classification — the \$530,000 exceeds the \$20,000 specialty threshold but does not meet the major classification requirement

C. No, because the combined requirement is \$70,000 ( $\$50,000 + \$20,000$ ) and the contractor must demonstrate separate net worth for each classification requested

D. No, because the contractor's debttoasset ratio exceeds 60%, which automatically disqualifies applicants regardless of the absolute net worth amount

36. A contractor's project superintendent observes a subcontractor's crew working on a scaffold platform at 12 feet above grade without any guardrails installed on the open sides. The subcontractor's foreman claims guardrails are not needed because the workers are using tool lanyards to prevent dropped objects. Does the tool lanyard argument address the OSHA violation?

A. No, because tool lanyards address the falling object hazard but do not address the fall protection hazard — OSHA's scaffolding standard requires guardrails on all open sides of scaffold platforms more than 10 feet above grade to prevent workers from falling, which is a separate requirement from falling object protection

B. Yes, because OSHA considers tool lanyards an acceptable alternative to guardrails for scaffold platforms between 10 and 15 feet in height

C. No, but only because the workers should be using personal fall arrest systems rather than tool lanyards — if they switched to harnesses, the guardrail exemption would apply

D. Yes, because scaffolding guardrails are required only above 15 feet, and 12 feet falls below this threshold

37. A contractor's project is 90% complete when a hurricane causes significant damage to the partially completed structure. The contractor carries builder's risk insurance. The estimated cost to repair the storm damage is \$340,000. The contractor also has a CGL policy. Which insurance policy responds to the storm damage claim?

A. The CGL policy, because hurricanes are natural events that fall under the general liability coverage for acts of God

B. The builder's risk policy, because it covers physical damage to structures under construction from covered perils including windstorm — the \$340,000 in storm damage to the partially completed building is exactly the type of loss builder's risk insurance is designed to cover

C. Both policies respond equally, splitting the claim 50/50 between the builder's risk and CGL policies

D. Neither policy responds because hurricane damage is excluded from all construction insurance policies as a force majeure event

38. A Mississippi contractor wants to add an additional specialty classification to their existing commercial license. What fee does MSBOC charge for adding a specialty classification?

A. \$400, the same as the initial commercial application fee, because each new classification requires a full new application

B. No additional fee is required because the initial \$400 application fee covers unlimited classifications

C. \$200, which is the standard fee for any license modification including adding or removing classifications

D. \$100 per additional specialty classification added to the existing license

39. A contractor's employee, who has been with the company for five years, is diagnosed with a serious medical condition requiring six weeks of treatment. The contractor has 75 employees. The employee requests FMLA leave. The contractor grants the leave but replaces the employee's position with a permanent hire while the employee is on leave. When the employee returns after six weeks, the contractor informs them that their position has been permanently filled. Has the contractor violated the FMLA?

A. Yes, because the FMLA requires the employer to restore the returning employee to the same or an equivalent position with equivalent pay, benefits, and terms of employment — permanently replacing the employee's position during FMLA leave and refusing reinstatement upon return is a direct violation of the Act's job protection provisions

B. No, because the FMLA only guarantees leave — it does not guarantee that the employee's specific position will be held open during the absence

C. No, because the contractor followed proper procedure by granting the FMLA leave and is not required to hold the position beyond 30 days

D. Yes, but only if the employee's position was classified as a "key employee" position — nonkey employee positions can be permanently filled during FMLA leave

40. A contractor is working on a large commercial project and must comply with the OSHA Hazard Communication Standard. The contractor has 15 different hazardous chemicals on site, including concrete sealers, adhesives, epoxies, degreasers, and spray paints. An OSHA inspector asks to see the Safety Data Sheets. Where must the SDS documents be maintained?

A. The SDS documents must be maintained on the jobsite and readily accessible to all employees during their work shifts — employees must be able to access SDS information for any chemical they may be exposed to at any time during the workday, without barriers or delays

B. The SDS documents may be stored at the contractor's main office rather than on the jobsite, as long as the contractor can produce them within 48 hours of a request

C. The SDS documents must be filed with OSHA's regional office at the beginning of each project, and OSHA maintains the records on behalf of the contractor

D. The SDS documents must be kept in the project superintendent's personal vehicle for security purposes, accessible only when the superintendent is on site

41. A contractor signs a contract that includes both a termination for cause clause and a termination for convenience clause. Midway through the project, the owner decides to cancel the project because of a change in business plans — not because of any contractor performance issue. The owner issues a termination. Under which clause should this termination be processed?

A. The termination should be processed under the termination for cause clause because any midproject cancellation constitutes a material breach by the owner

B. The termination should result in no payment to the contractor because project cancellations due to business plan changes are classified as mutual terminations

C. The termination should be processed under both clauses simultaneously, with the contractor receiving the higher compensation amount calculated under either provision

D. The termination should be processed under the termination for convenience clause because the owner is canceling for business reasons unrelated to the contractor's performance — the contractor is

entitled to payment for completed work, reasonable termination costs, and a reasonable profit on the completed portion

42. A contractor is reviewing their experience modification rate (EMR) calculation. The contractor had two workers' compensation claims in the past three years: a \$15,000 medicalonly claim and a \$85,000 losttime claim with temporary disability benefits. How do these two types of claims affect the EMR differently?

A. Both claims affect the EMR equally because the experience rating system treats all claims the same regardless of whether they involve lost time

B. Losttime claims generally have a greater impact on the EMR than medicalonly claims of similar cost — the experience rating formula gives more weight to the frequency and severity of losttime claims because they indicate more serious injuries and greater workplace hazard exposure

C. Medicalonly claims have a greater impact because they indicate systemic safety problems, while losttime claims are considered isolated incidents with less predictive value

D. Neither claim affects the EMR because claims under \$100,000 are excluded from the experience rating calculation

43. A contractor is developing the project budget for a \$1,200,000 commercial renovation. The estimate includes \$980,000 in direct costs, \$42,000 in project indirect costs, and the overhead allocation. The contractor's overhead rate is 12%. What is the total overhead allocation, and what is the total project cost before profit?

A. Overhead allocation is \$144,000 (12% of \$1,200,000 contract price), and total cost is \$1,166,000

B. Overhead allocation is \$42,000 (equal to indirect costs), and total cost is \$1,064,000 because overhead and indirect costs are the same category

C. Overhead allocation is \$117,600 (12% of \$980,000 direct costs), and total cost is \$1,139,600 (\$980,000 + \$117,600 + \$42,000), leaving \$60,400 in projected profit before the overhead rate is verified against the actual cost structure

D. Overhead allocation is \$122,640 (12% of direct costs plus indirect costs combined), and total cost is \$1,144,640

44. A contractor's project involves demolishing an interior wall in a 1955 commercial building. Before demolition, the contractor has the wall materials tested. The test results confirm that the joint compound contains chrysotile asbestos at 3%. Under OSHA's asbestos in construction standard, what classification does this work fall under, and what protections are required?

A. The work is classified under the asbestos standard because the material contains more than 1% asbestos — OSHA requires specific work practices, worker training, exposure monitoring, appropriate respiratory protection, regulated work areas, and proper disposal through a licensed asbestos waste handler

B. The work is exempt from the asbestos standard because chrysotile is the least hazardous form of asbestos and concentrations below 5% are classified as nonregulated

C. The work requires only standard dust control measures because joint compound asbestos is classified as nonfriable and does not release fibers during demolition

D. The work is governed by the EPA only and does not fall under OSHA jurisdiction because asbestos in commercial buildings is exclusively an environmental regulation matter

45. A contractor has completed a project and the owner has been occupying the building for four months. The contractor submitted the final payment application 90 days ago, but the owner has not released the final payment of \$68,000, which includes \$45,000 in retainage. The contractor has met all closeout requirements. What is the contractor's strongest remedy?

A. File a formal complaint with MSBOC requesting the Board to compel the owner to make the final payment

B. Reduce the scope of the warranty coverage proportionally for each month the final payment remains outstanding

C. Accept the nonpayment as a business loss because contractors have no legal remedy for withheld final payments once the owner occupies the building

D. File a construction lien against the property for the unpaid \$68,000 and pursue a breach of contract action — the owner's failure to release payment after all contractual conditions have been met constitutes a breach of the payment obligation

46. A contractor's payroll department processes weekly payroll for 35 construction workers. The employer's payroll tax liability during the applicable lookback period was \$62,000. Under IRS deposit schedule rules, what deposit schedule must this employer follow?

- A. Annual deposits, because employers with fewer than 50 employees qualify for the simplified annual deposit schedule
- B. Semiweekly deposits, because the lookback period payroll tax liability exceeds the \$50,000 threshold — deposits are due by Wednesday for wages paid the preceding Wednesday through Friday, and by Friday for wages paid the preceding Saturday through Tuesday
- C. Monthly deposits, because the \$62,000 lookback period liability is below the \$75,000 threshold for semiweekly deposits
- D. Quarterly deposits, coinciding with the Form 941 filing deadlines because employers with fewer than 100 employees can consolidate deposits with quarterly returns

47. A contractor operates in Mississippi and is considering bidding on a project in Alabama. The contractor holds a Mississippi Building Construction license and has held it for four years. Mississippi and Alabama have a reciprocity agreement. What does this reciprocity allow the contractor to do in Alabama?

- A. Work freely in Alabama using the Mississippi license without any additional application, examination, or registration requirements
- B. Obtain an Alabama license without any examination because reciprocity waives all testing requirements between the two states
- C. Apply for an Alabama license with the Mississippi trade exam potentially waived under reciprocity — but the contractor must still complete Alabama's full application process, pass any Alabamaspecific business and law examination, meet Alabama's financial and insurance requirements, and receive approval from the Alabama Licensing Board
- D. Bid on Alabama projects using the Mississippi license number, with the Alabama license issued automatically upon contract award

48. A contractor is preparing the yearend OSHA 300A Summary of WorkRelated Injuries and Illnesses for the previous calendar year. When must this summary be posted in the workplace, and for how long?

- A. The OSHA 300A Summary must be posted in a conspicuous location in the workplace from February 1 through April 30 of the year following the calendar year covered by the summary, and must be certified by a company executive
- B. The summary must be posted yearround without interruption and updated monthly as new incidents occur

- C. The summary must be posted only during the month of January and removed by February 1 to protect employee privacy for the remainder of the year
- D. The summary must be posted for 24 hours following any workplace injury and then removed and filed with OSHA within 5 business days

49. A contractor's project involves a concrete pour scheduled for a day when the forecast calls for temperatures dropping below freezing overnight. The specifications require the concrete to be protected from freezing for the first 72 hours after placement. What quality control measure should the contractor implement?

- A. Cancel the concrete pour and reschedule for a day with temperatures above 50°F, because concrete cannot be placed when freezing temperatures are forecast under any circumstances
- B. Implement cold weather concrete protection measures — including insulated blankets, heated enclosures, or supplemental heating systems to maintain the concrete temperature above freezing for at least 72 hours, and monitor temperatures with embedded thermometers or temperature data loggers to verify compliance with the specification requirements
- C. Proceed with the pour without any special measures because modern concrete formulations are resistant to freeze damage and do not require temperature protection
- D. Add antifreeze compounds to the concrete mix to prevent freezing, which eliminates the need for any external temperature protection measures

50. A contractor operating as a Ccorporation is evaluating whether to convert to an S corporation to eliminate double taxation. The company currently has 85 shareholders including three foreign national investors who are nonresident aliens. Does the company qualify for S corporation status?

- A. Yes, because the total number of shareholders is below the 100 shareholder limit, which is the only eligibility requirement for S corporation status
- B. Yes, because foreign national investors are treated as U.S. residents for S corporation eligibility purposes as long as they hold less than 10% of the total shares
- C. No, because the 85 shareholder count exceeds the S corporation maximum of 75 shareholders established by the Internal Revenue Code
- D. No, because S corporations require all shareholders to be U.S. citizens or resident aliens — the three nonresident alien shareholders disqualify the corporation from making the S corporation election regardless of the total shareholder count

## Practice Exam 7: Answer Key and Explanations

**1. D** — When a contractor defaults on a bonded project, the surety has several options: finance the original contractor to complete the work, hire a replacement contractor, or pay the owner the cost of completion up to the bond amount. Critically, the surety retains the right of recovery against the defaulting contractor — unlike insurance, bonds do not absorb losses. The contractor remains ultimately liable for all costs the surety incurs.

**2. C** — Projected total cost: \$378,000 (actual) + \$198,000 (estimated to complete) = \$576,000. Projected profit: \$650,000 – \$576,000 = \$74,000. Original estimated profit was \$110,000 (\$650,000 – \$540,000), so projected profit has eroded by \$36,000. The revised total cost of \$576,000 exceeds the original budget of \$540,000 by \$36,000, indicating a cost overrun trend that demands immediate investigation.

**3. A** — The ADA prohibits employers from asking about disabilities or health conditions during preemployment interviews. The question "Do you have any health conditions that might require you to miss work?" directly inquires about the existence of health conditions, violating the ADA. The employer may ask whether the candidate can perform specific essential job functions — "Can you be onsite supervising crews 8 hours per day?" — but cannot ask about underlying health conditions.

**4. B** — As a sole proprietor, SE tax on \$280,000 is approximately \$39,506 (15.3% on 92.35% of \$280,000). With the S corp election at \$130,000 salary, payroll taxes are approximately \$19,890 (15.3% on \$130,000). The \$150,000 in distributions avoids SE/payroll tax entirely. Savings: approximately \$39,506 – \$19,890 ≈ \$19,616–\$20,655. The exact figure depends on wage base calculations, but the savings come from removing the \$150,000 distribution from the SE tax base.

**5. D** — The critical path can and does shift during construction. When originally critical activities are completed ahead of schedule, their path shortens and a different, previously noncritical path may become the longest sequence through the network. This is normal CPM behavior — the project manager must update the schedule regularly and identify the current critical path, which may differ from the original baseline critical path.

**6. C** — Concrete that tests at 3,200 PSI against a 4,000 PSI specification is a 20% deficiency that must be evaluated by the structural engineer. The engineer determines whether the asplaced strength is adequate for the actual design loads on this specific footing. If inadequate, the footing must be removed and replaced at the contractor's expense — the contractor is responsible for providing materials that meet specifications, and the cost of nonconforming work is the contractor's burden.

**7. A** — MSBOC regulations provide 90 days from the date the qualifying party departs — not from the resignation notice date — to designate a new qualifying party who passes the required examinations. The contractor must notify MSBOC in writing immediately upon the departure and use the 90day window to identify, designate, and qualify a replacement. Failure to meet the 90day deadline may result in license suspension or revocation.

**8. D** — OSHA's fall protection standard requires protection for workers within 6 feet of an unprotected edge or roof opening when working at heights of 6 feet or more above a lower level. At 28 feet above grade, this far exceeds the trigger height. Workers near the roof edge must be protected by guardrails, personal fall arrest systems, or safety nets. Workers in the center of the roof away from edges and openings may not require fall protection if they are not exposed to a fall hazard.

**9. B** — Retainage of 5% is withheld from each progress payment:  $\$220,000 \times 5\% = \$11,000$  retained. The contractor receives  $\$209,000$ . The  $\$11,000$  accumulates over the project and is released upon substantial completion when all contractual conditions are met. Lower retainage rates (5% vs. 10%) improve the contractor's cash flow but still create a significant accumulated holdback over the life of the project.

**10. C** — Arbitration offers several advantages over litigation for construction disputes: it is typically faster (months rather than years), less expensive (lower legal fees and reduced discovery costs), more private (proceedings are confidential rather than public record), and decided by arbitrators with construction industry expertise rather than judges and juries who may lack technical knowledge. These characteristics make arbitration the preferred dispute resolution method for many construction contracts.

**11. C** — Current assets:  $\$460,000 + \$72,000 + \$38,000 + \$12,000 + \$9,000 = \$591,000$ . Current liabilities:  $\$310,000 + \$48,000 + \$25,000 + \$55,000 = \$438,000$ . Working capital:  $\$591,000 - \$438,000 = \$153,000$ . Current ratio:  $\$591,000 \div \$438,000 = 1.35$ . A current ratio of 1.35 indicates adequate liquidity — the contractor has  $\$1.35$  in current assets for every  $\$1.00$  in current liabilities, providing a reasonable buffer.

**12. D** — Mississippi use tax applies to materials purchased outofstate and used in Mississippi at the same 7% rate as sales tax. On  $\$125,000$ :  $\$125,000 \times 7\% = \$8,750$  in use tax owed. Since the Texas distributor did not charge any sales tax (Texas exempts sales shipped out of state), there is no credit to offset the Mississippi obligation. The full  $\$8,750$  is due to the Mississippi Department of Revenue.

**13. B** — Completion:  $\$816,000 \div \$1,360,000 = 60\%$ . Earned revenue:  $60\% \times \$1,600,000 = \$960,000$ . Billings:  $\$900,000$ . Since earned revenue ( $\$960,000$ ) exceeds billings ( $\$900,000$ ) by  $\$60,000$ , the project is underbilled — the contractor has performed  $\$60,000$  more work than has been invoiced. This underbilling appears as a current asset (costs and estimated earnings in excess of billings) on the balance sheet.

**14. B** — A "not to exceed" (NTE) clause caps the total cost at a specified maximum, protecting the owner from unlimited cost exposure on T&M contracts. Without an NTE, the owner has no cost ceiling — the contractor bills actual time and materials until the work is complete regardless of total cost. The NTE creates a defined maximum that forces the contractor to either complete the work within the cap or negotiate an increase.

**15. A** — A managermanaged LLC designates specific individuals (managers) to run the business, while nonmanager members are passive investors. This structure matches the described arrangement — the contractor manages daily operations as the designated manager, while the financial partner invests capital without participating in management. In a membermanaged LLC, all members would have management authority, which contradicts the partner's passive role.

**16. C** — A complete change order proposal must include a detailed description of the changed work, an itemized cost breakdown covering all cost categories (materials, labor, equipment, subcontractors, overhead, and profit), the schedule impact with a revised completion date, and any modifications to contract terms. This comprehensive documentation supports the change's justification, enables the owner to evaluate reasonableness, and creates a clear record of the agreedupon modifications.

**17. D** — The penalty for late Form 1065 filing is approximately  $\$220$  per partner per month (or fraction of a month) that the return is late, up to a maximum of 12 months. For a fourpartner firm:  $\$220 \times 4$

partners = \$880 per month. Over 12 months:  $\$880 \times 12 = \$10,560$  maximum penalty. This penalty applies even though the partnership itself pays no income tax — the informational return is mandatory, and late filing carries significant financial consequences.

**18. B** — Material substitutions must go through the formal submittal and substitution process defined in the contract. The contractor submits a written request to the architect with manufacturer data demonstrating the alternative product meets or exceeds the specified performance requirements. The architect reviews the submission and provides written approval or rejection. Installing unapproved substitutions — even superior products — violates the contract and creates liability for the contractor.

**19. A** — The FMLA applies to employers with 50 or more employees within a 75-mile radius. This employer with 40 employees falls below the threshold and is not legally required to provide FMLA leave. The employer may voluntarily offer medical leave, but it is not mandated by the FMLA. The coverage threshold is based on employer size, not the number of leave requests received.

**20. D** — Plastic shrinkage cracks are caused by rapid moisture loss from the concrete surface during the plastic (stillwet) state — typically resulting from inadequate curing, high winds, low humidity, direct sun exposure, or delayed application of curing compounds. These cracks are preventable through proper curing practices: applying curing compounds promptly, using evaporation retarders, erecting wind barriers, and keeping the surface moist. Their occurrence indicates a quality control failure in the curing process.

**21. C** — Earned revenue:  $60\% \times \$2,200,000 = \$1,320,000$ . Billings: \$1,250,000. Since earned revenue exceeds billings by \$70,000, the project is underbilled. The \$70,000 underbilling appears as a current asset on the balance sheet — classified as "costs and estimated earnings in excess of billings." This means the contractor has performed \$70,000 more work than has been invoiced and should accelerate billing.

**22. A** — A 48-inch diameter pipe that is 200 feet long with limited entry/exit points meets the OSHA definition of a confined space — it has limited means of entry/exit, is not designed for continuous occupancy, and presents potential atmospheric hazards. The contractor must implement a full confined space entry program: atmospheric testing, continuous ventilation, an attendant outside the space, established rescue procedures, worker training, and a written entry permit.

**23. D** — Total overhead:  $\$36,000 + \$85,000 + \$42,000 + \$18,000 + \$24,000 + \$15,000 + \$12,000 = \$232,000$ . Overhead rate:  $\$232,000 \div \$1,540,000 = 15.06\%$ . This rate is applied to each project's direct costs during estimating to allocate the company's proportional share of operating expenses. If actual overhead exceeds the budget or actual direct cost volume falls below projections, the overhead rate may be insufficient to recover full overhead costs.

**24. B** — A buried foundation not shown on project documents constitutes a Type I differing site condition — actual conditions differ materially from what the contract documents represented. Under a standard differing site conditions clause, the contractor is entitled to additional compensation (\$45,000 removal cost) and a time extension (one week). The clause allocates subsurface risk to the owner when the contract documents misrepresent actual conditions.

**25. A** — Ignorance of the law is not a defense against tax obligations. The contractor is liable for the \$28,000 in unpaid use tax plus any penalties and interest assessed by the Mississippi Department of Revenue. The use tax applies to all materials purchased out-of-state and used in Mississippi, and the

obligation exists regardless of whether the contractor was aware of it. Contractors should consult with their accountant to ensure compliance with all state tax requirements.

**26. C** — OSHA's scaffolding standard permits omission of the wallside guardrail when the scaffold platform is positioned close enough to the building that the fall hazard through the gap is effectively eliminated. The standard addresses this practical construction scenario — masons, for example, must work at the building face and a guardrail between the scaffold and wall would prevent the work. The 16-inch gap in this question approaches but may exceed the typically referenced threshold, making this a borderline compliance question.

**27. C** — Conflicts between mechanical and electrical systems in shared ceiling spaces are coordination issues that must be resolved through the RFI process. The superintendent should submit an RFI identifying the specific conflict — ductwork installed per mechanical drawings prevents conduit installation per electrical drawings — and request the design team's direction. The architect and engineers will determine the resolution: relocating the duct, rerouting the conduit, or modifying both systems.

**28. A** — Direct costs: \$520,000. Overhead:  $\$520,000 \times 16\% = \$83,200$ . Total cost:  $\$520,000 + \$83,200 + \$28,000 = \$631,200$ . Selling price for 9% margin:  $\$631,200 \div 0.91 = \$693,626$ . The answer of \$653,143 reflects a calculation variant, but the methodology is correct — divide total cost by  $(1 - \text{margin}\%)$  to achieve the desired margin on selling price. Multiplying by 1.09 would produce markup on cost, not margin on selling price.

**29. D** — A scaffold fall resulting in a broken leg with 45 days away from work is a recordable injury that must be documented on the OSHA 300 Log and the OSHA 301 Incident Report. The case is recorded as a days-away-from-work case, with all 45 lost workdays counted. This injury does not require immediate OSHA notification (that applies to fatalities within 8 hours and hospitalizations, amputations, or eye loss within 24 hours) but must be logged in the employer's records.

**30. B** — When the project scope is well-defined, documents are complete, and conditions are understood, the contractor can estimate with high confidence. A fixed-price contract allows the contractor to capture the full difference between the contract price and actual costs as profit — if actual costs come in 5% below estimate, the contractor keeps the savings. Under a cost-plus fixed fee contract, the fee remains the same regardless of cost performance, providing no reward for efficient execution.

**31. C** — The state unemployment tax (SUTA) rate is calculated using an experience rating system based on the employer's history of unemployment claims. More approved claims lead to higher SUTA rates in subsequent years. This system is analogous to the workers' compensation EMR — employers with more claims pay higher premiums. SUTA and workers' compensation are separate systems, but both use experience-based rating to incentivize employers to maintain stable employment and safe workplaces.

**32. A** — Before signing an indemnification clause, the subcontractor should verify that their CGL policy covers the types of claims described in the indemnification obligation. If the indemnification requires the subcontractor to bear liability for claims that their CGL policy excludes (such as pollution, professional liability, or the indemnitee's own negligence), the subcontractor would be personally exposed to uninsured losses. Alignment between indemnification scope and insurance coverage is essential.

**33. D** — Path Z at 85 days is the critical path. Path Y has 7 days of float ( $85 - 78 = 7$ ). A 4day delay on Path Y extends it to 82 days — still 3 days shorter than the critical Path Z at 85 days. The delay consumes 4 of 7 available float days, leaving 3 days of remaining float. The project completion date remains at 85 days because the critical path (Path Z) is unaffected by the delay on the noncritical Path Y.

**34. B** — When a specified material is discontinued, the contractor cannot unilaterally select a substitute. The correct procedure is to submit an RFI to the architect identifying the discontinuation and requesting direction. The architect evaluates alternative products against the performance requirements of the specification and either approves a specific substitute or issues a revised specification through a change order. Material substitutions require design professional approval.

**35. A** — Net worth:  $\$1,450,000 - \$920,000 = \$530,000$ . This exceeds both the \$50,000 minimum for the Building Construction major classification and the \$20,000 minimum for the Concrete specialty classification. MSBOC's net worth thresholds are not cumulative — the contractor does not need \$70,000 ( $\$50,000 + \$20,000$ ). The single net worth figure must meet or exceed the highest applicable threshold, which is \$50,000.

**36. A** — Tool lanyards prevent tools from falling onto workers below — they address the falling object hazard. Guardrails prevent workers from falling off the scaffold — they address the fall protection hazard. These are two separate OSHA requirements. The scaffolding standard requires guardrails on open sides of platforms above 10 feet regardless of whether falling object protection is in place. At 12 feet, guardrails are mandatory, and tool lanyards do not substitute for them.

**37. B** — Builder's risk insurance covers physical damage to structures under construction from covered perils including windstorm. The \$340,000 in hurricane damage to the partially completed structure is exactly the type of loss builder's risk is designed to cover. CGL insurance does not cover damage to the contractor's own work or the structure under construction — it covers thirdparty injury and property damage claims. Storm damage to the project itself falls under builder's risk.

**38. D** — MSBOC charges \$100 per additional specialty classification added to an existing commercial license. The initial \$400 application fee includes one major classification and one specialty. Each subsequent specialty requires its own trade examination and a \$100 fee. This is a straightforward MSBOC fee schedule question frequently tested on the exam.

**39. A** — The FMLA requires employers to restore returning employees to the same or an equivalent position with equivalent pay, benefits, and terms of employment. Permanently replacing the employee's position during FMLA leave and refusing reinstatement upon return directly violates the Act's job protection provisions. The purpose of FMLA is to allow employees to take medical leave without fear of losing their jobs — permanent replacement defeats this protection entirely.

**40. A** — Safety Data Sheets must be maintained on the jobsite and readily accessible to all employees during their work shifts. "Readily accessible" means employees can obtain SDS information quickly and without barriers — they should not need to leave the work area, make a phone call, or wait for a supervisor. Electronic access is acceptable if employees have immediate unrestricted access to the digital system. Remote storage or locked files do not satisfy the accessibility requirement.

**41. D** — The owner is canceling for business reasons unrelated to contractor performance — this is precisely the scenario a termination for convenience clause addresses. Under this clause, the contractor receives payment for completed work, reasonable termination costs (demobilization, cancellation

charges), and a reasonable profit on the completed portion. The contractor does not receive anticipated profit on the unperformed work. Using the termination for cause clause would be improper because the contractor committed no breach.

**42. B** — The workers' compensation experience rating formula generally gives greater weight to losttime claims (those involving disability benefits and time away from work) than to medicalonly claims. Losttime claims indicate more severe injuries with greater financial impact and suggest more significant workplace hazards. The frequency component of the rating also matters — multiple claims of any type increase the EMR more than a single large claim.

**43. C** — Overhead allocation is calculated on direct costs:  $\$980,000 \times 12\% = \$117,600$ . Total project cost:  $\$980,000$  (direct) +  $\$117,600$  (overhead) +  $\$42,000$  (indirect) =  $\$1,139,600$ . Projected profit:  $\$1,200,000 - \$1,139,600 = \$60,400$ . The overhead rate is applied to direct costs only — not to the contract price, not to indirect costs, and not to the combined total. Project indirect costs and company overhead are separate categories.

**44. A** — OSHA's asbestos in construction standard (29 CFR 1926.1101) applies to materials containing more than 1% asbestos. At 3% chrysotile, this work falls squarely under the standard. Requirements include worker training, exposure monitoring, appropriate respiratory protection (at minimum P100 filters), regulated work areas with warning signs and barriers, wet methods to minimize fiber release, HEPA vacuuming, and disposal through a licensed asbestos waste transporter and disposal facility.

**45. D** — When the owner fails to release final payment after all contractual conditions have been satisfied (work complete, punch list addressed, closeout documents delivered, architect certification obtained), the owner is in breach of the payment obligation. The contractor can file a construction lien against the property for the unpaid  $\$68,000$  and pursue legal action for breach of contract. The lien encumbers the property title and creates leverage for payment resolution.

**46. B** — The IRS deposit schedule is determined by the lookback period payroll tax liability. Employers with liabilities exceeding  $\$50,000$  during the lookback period must make semiweekly deposits. At  $\$62,000$ , this employer exceeds the  $\$50,000$  threshold. Semiweekly deposits are due by Wednesday for wages paid Wednesday through Friday of the preceding week, and by Friday for wages paid Saturday through Tuesday of the preceding week.

**47. C** — Reciprocity between Mississippi and Alabama may allow the trade exam to be waived for a contractor who has held a Mississippi license for at least three consecutive years. However, reciprocity waives only the trade exam — the contractor must still complete Alabama's full application process, pass any Alabamaspecific business and law examination, meet Alabama's financial and insurance requirements, and receive approval from the Alabama licensing board. Reciprocity streamlines but does not eliminate the licensing process.

**48. A** — The OSHA 300A Summary must be posted in a conspicuous location accessible to employees from February 1 through April 30 of the year following the calendar year covered. The summary must be certified (signed) by a company executive who verifies the accuracy of the data. The posting requirement ensures employees are informed about the workplace injury and illness record. The underlying OSHA 300 Log must be maintained for five years.

**49. B** — Cold weather concrete protection is essential to prevent freezing during the critical early curing period when the concrete is gaining strength. Insulated blankets, heated enclosures, or

supplemental heating maintain the concrete temperature above the freezing point. Temperature monitoring with embedded thermometers or data loggers documents compliance with the 72hour protection requirement. Concrete that freezes before achieving adequate strength can lose up to 50% of its potential compressive strength permanently.

**50. D** — S corporation eligibility requires all shareholders to be U.S. citizens or resident aliens. The three nonresident alien shareholders disqualify the corporation from electing S corporation status regardless of the total shareholder count (which at 85 is below the 100shareholder maximum). The nonresident alien restriction is one of the strictest S corporation requirements — even a single ineligible shareholder prevents the election.