

PRACTICE EXAM 9: 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 contractor bids on a privately funded office building project. The owner awards the contract but insists on eliminating the retainage provision from the contract, offering instead to make full progress payments monthly with no holdback. While this improves the contractor's cash flow, what risk does the absence of retainage create for the owner?

- A. No risk, because retainage is an outdated practice that provides no meaningful protection to project owners in modern construction
- B. The primary risk is that the contractor will demand higher prices on future projects to compensate for not having retainage funds available as working capital
- C. The owner loses a financial incentive tool — without retainage, the owner has no pool of withheld funds to ensure the contractor completes punch list items, corrects deficiencies, and delivers all closeout documents, because the contractor has already been paid in full for all work
- D. The only risk is administrative — without retainage calculations, the owner's accounting department has less paperwork to process each month

2. A contractor's project has direct costs of \$720,000, annual overhead of \$288,000 on annual direct cost volume of \$1,920,000, project indirect costs of \$38,000, and a desired profit margin of 11% on selling price. The estimator calculates the selling price by multiplying total cost by 1.11. What error has the estimator made, and what is the correct selling price?

- A. The estimator applied an 11% markup on cost instead of an 11% margin on selling price — the correct method is dividing total cost by 0.89, which produces a higher selling price because margin on selling price always requires the division method rather than the multiplication method

- B. The estimator made no error — multiplying by 1.11 correctly achieves an 11% margin on selling price
- C. The estimator should have multiplied by 0.89 rather than 1.11, which would produce a lower selling price reflecting the 11% discount for volume pricing
- D. The estimator should have applied the 11% only to direct costs and then added overhead and indirect costs separately without markup

3. A Mississippi commercial contractor's qualifying party is currently serving as the qualifier for three other entities. The contractor wants this individual to also serve as their qualifying party. What must occur before MSBOC will approve this arrangement?

- A. The individual must resign from at least one of the existing three entities because MSBOC absolutely prohibits any person from qualifying more than three entities under all circumstances
- B. The individual must appear before the Board and receive special permission to serve as qualifying party for a fourth entity, because the standard MSBOC limit is three entities without Board approval
- C. No special approval is needed because MSBOC does not limit the number of entities a qualifying party can serve as long as the individual passes all required examinations
- D. The individual must obtain a special multientity qualifying party license from MSBOC, which costs \$500 per additional entity beyond the initial three

4. A contractor operates as a Ccorporation and is considering switching to an S corporation to eliminate double taxation. The corporation currently has 90 shareholders, all U.S. citizens, and one class of common stock. The corporation also has a corporate shareholder — a small LLC that holds 5% of the shares. Does the corporation qualify for S corporation election?

- A. Yes, because the total shareholder count of 91 (90 individuals plus 1 LLC) is below the 100 shareholder maximum for S corporations
- B. Yes, because the LLC holds less than 10% of shares, which falls within the S corporation's de minimis ownership exception for entity shareholders
- C. No, because the 90 individual shareholders exceed the S corporation maximum of 75 shareholders established by the Internal Revenue Code
- D. No, because S corporations cannot have entity shareholders such as LLCs — all shareholders must be individuals who are U.S. citizens or resident aliens, and the LLC shareholder disqualifies the corporation from making the Selection

5. A contractor's employee is working at the edge of a flat commercial roof, 24 feet above grade, installing metal coping. The employee is wearing a personal fall arrest system with a full body harness connected to a retractable lifeline anchored to a roof-mounted davit. The anchor point was designed by a qualified person and installed with a safety factor of 2. Does this fall protection setup comply with OSHA requirements?

A. Yes, because the setup meets all OSHA requirements — full body harness (not a body belt), retractable lifeline connecting device, anchor designed by a qualified person with a safety factor of at least 2, and the system is being used at a height exceeding the 6-foot trigger for construction fall protection

B. No, because retractable lifelines are not approved for use on flat roofs — only fixed-length lanyards with shock absorbers are acceptable on flat roof applications

C. No, because the anchor point must support 5,000 pounds per worker regardless of the safety factor, and a designed system with a safety factor of 2 does not satisfy this requirement

D. No, because personal fall arrest systems cannot be used at heights above 20 feet — only guardrail systems are permitted above this threshold

6. A contractor's project involves a 10-foot-deep trench in soil classified by the competent person as Type A after performing both visual and manual tests. The visual inspection showed no cracks, no water seepage, and no signs of previous disturbance. The manual penetrometer test confirmed the soil's cohesive strength meets the Type A threshold. The contractor selects sloping at 3/4:1 (53 degrees) as the protective system. Two hours after excavation begins, a water main break one block away saturates the soil around the trench. What must the competent person do?

A. No action is needed because the soil was correctly classified at the beginning of the shift and OSHA does not require reclassification during the workday

B. Document the water main break in the daily report and schedule a reclassification for the following morning before work resumes

C. Immediately reassess the soil conditions because the introduction of water changes the soil's stability — saturated soil no longer meets Type A criteria, requiring reclassification to a less stable type (likely Type C) and implementation of a more conservative protective system such as a 1 1/2:1 slope, shoring, or shielding before workers can reenter the trench

D. Continue work but add a dewatering pump to remove the water, which restores the soil to its original Type A classification without requiring any change to the protective system

7. A contractor submits a progress payment application to the project owner. The contract requires the architect to review and certify the application before the owner processes payment. The architect reviews the application and certifies only \$165,000 of the \$190,000 submitted, reducing \$25,000 for work the architect believes does not meet the contract specifications. The contractor disagrees with the architect's assessment. What is the contractor's most appropriate response?

- A. Refuse to perform any further work until the full \$190,000 is paid, because the architect's certification is advisory only and the owner is obligated to pay the full requested amount
- B. Request a meeting with the architect to discuss the specific deficiencies identified, provide documentation demonstrating the work meets specifications, and if the disagreement persists, follow the contract's dispute resolution procedures while continuing to perform work on the project
- C. File a construction lien immediately for the \$25,000 reduction because the architect's unilateral reduction constitutes nonpayment under Mississippi lien law
- D. Accept the \$165,000 without objection and absorb the \$25,000 reduction because the architect has absolute, unreviewable authority over all payment certifications

8. A contractor is reviewing a contract that contains a "no damages for delay" clause. The contractor understands that this clause limits remedies for owner-caused delays to time extensions only — no monetary compensation for delay costs. During construction, the owner fails to provide access to a critical portion of the site for 8 weeks, causing significant additional costs for idle equipment, extended supervision, and remobilization. Under what circumstances might the contractor recover these costs despite the no-damages-for-delay clause?

- A. The contractor can never recover delay damages when a no-damages-for-delay clause is present, regardless of the cause, severity, or duration of the delay
- B. The contractor can recover only if the total delay costs exceed \$100,000, because that threshold triggers a statutory exception to no-damages-for-delay clauses in Mississippi
- C. The contractor can recover only if the delay was caused by a natural disaster, because force majeure events override all contractual delay provisions
- D. Courts have recognized exceptions to no-damages-for-delay clauses — including delays caused by the owner's active interference, bad faith, abandonment of the contract, or delays so unreasonable they could not have been contemplated when the contract was signed — and the 8-week access denial may fall within one of these exceptions

9. A contractor's project requires compliance with the DavisBacon Act. The wage determination for the project area was issued 6 months ago. Since then, a new wage determination has been published with higher prevailing wage rates. Which wage determination applies to this project?

A. The wage determination that was incorporated into the contract at the time of bid or contract award governs for the duration of the project — subsequent wage determination updates do not automatically apply to contracts already awarded under a prior determination

B. The most recently published wage determination always applies regardless of when the contract was awarded, and the contractor must immediately adjust wages to the higher rates

C. The contractor can choose whichever wage determination produces the lower labor costs because DavisBacon allows contractor discretion in selecting the applicable determination

D. Both determinations apply simultaneously — the contractor must pay the higher of the two rates for each classification

10. A contractor's employee sustains a serious eye injury on the jobsite when a piece of metal debris penetrates the employee's safety glasses. The incident occurs at 2:00 PM on a Tuesday. Under OSHA reporting requirements, when must this injury be reported to OSHA?

A. Within 8 hours, because all serious injuries must be reported within the same timeframe as fatalities

B. Within 24 hours of the incident, because loss of an eye is one of the severe injury categories — along with inpatient hospitalization and amputation — that triggers the 24hour reporting requirement to OSHA

C. Within 7 calendar days, because OSHA's standard incident reporting deadline for all nonfatal injuries is one week from the date of the injury

D. No OSHA reporting is required because the employee was wearing safety glasses at the time of injury, which demonstrates the employer's compliance with PPE requirements

11. A contractor's financial statements show the following: total revenue \$3,800,000, cost of construction \$3,040,000, and G&A expenses \$494,000. The contractor is preparing for a meeting with their surety company to discuss increasing bonding capacity. What are the gross profit margin and net profit margin that the surety will evaluate?

A. Gross margin is 15% and net margin is 5%, calculated by dividing each profit figure by the cost of construction

B. Gross margin is 25% and net margin is 12%, calculated by subtracting G&A from revenue and dividing by cost of construction

C. Gross margin is 7% and net margin is 20%, with net margin reflecting the broader measure of profitability

D. Gross margin is 20% ($\$760,000 \div \$3,800,000$) and net margin is 7% ($\$266,000 \div \$3,800,000$) — the surety evaluates both metrics to assess the company's profitability from construction operations (gross) and overall business operations (net)

12. A contractor discovers that a subcontractor working on their project does not carry workers' compensation insurance. The subcontractor has only 3 employees and argues they are exempt from Mississippi's workers' compensation requirement. If one of the subcontractor's employees is injured on the general contractor's project, what liability exposure does the general contractor face?

A. No exposure, because the subcontractor's exemption from mandatory workers' compensation coverage eliminates all injury liability for both the subcontractor and the general contractor

B. Exposure limited to the OSHA penalty for allowing an uninsured subcontractor to work on the project, which is capped at \$5,000 per violation

C. The general contractor may be held liable for the injury because the injured worker — who has no workers' compensation coverage through their employer — may pursue a personal injury claim against the general contractor as the controlling employer of the jobsite, potentially recovering damages far exceeding what workers' comp would have paid

D. Exposure limited to paying the injured worker's medical bills only, because general contractors are classified as secondary payers for uninsured subcontractor employees

13. A contractor is preparing a bid for a project with the following cost components: materials \$245,000, labor \$198,000, equipment \$52,000, subcontractors \$305,000. Annual overhead is \$320,000 on annual direct cost volume of \$2,000,000. Project indirect costs total \$34,000. The contractor wants an 8% margin on selling price. What is the correct selling price?

A. \$988,043, calculated by summing direct costs (\$800,000), adding overhead allocation (\$128,000 at 16%), adding indirect costs (\$34,000), totaling \$962,000, then dividing by 0.92 to achieve the 8% margin

B. \$962,000, which is the total cost before profit — the 8% margin should be embedded within the overhead rate

C. \$1,038,960, calculated by multiplying total cost by 1.08 to apply an 8% markup on cost

D. \$1,100,000, calculated by rounding the selling price up to the nearest \$100,000 for competitive bidding simplicity

14. A contractor's project involves constructing a concrete foundation for a commercial building. The structural specifications require reinforcing steel (rebar) to be placed at specific spacing and depths within the formwork before the concrete pour. The contractor's crew places the rebar but does not call for the required prepour inspection by the building inspector. The concrete is poured, covering the rebar. What problem has the contractor created?

A. No problem, because rebar placement inspections are recommended but not required by building codes for commercial foundations

B. A minor documentation issue that can be resolved by submitting a photograph of the rebar placement taken before the pour

C. A scheduling delay because the inspector will conduct the rebar inspection after the pour by using groundpenetrating radar to verify placement through the hardened concrete

D. A serious quality control and code compliance failure — the required inspection was missed, and the rebar is now concealed by concrete, making verification impossible without destructive testing or costly scanning, potentially requiring the entire foundation to be removed and replaced if the inspector cannot verify compliance

15. A contractor employs both W2 employees and 1099 independent contractors. At yearend, the contractor issues W2 forms to all employees. For independent contractors who received \$600 or more during the year, what form must be issued, and by what deadline?

A. Form W4, issued by December 31 of the tax year, reporting the independent contractor's withholding allowances for the following year

B. Form 1099NEC (Nonemployee Compensation), issued to each independent contractor by January 31 of the following year, reporting the total payments made during the calendar year

C. Form 1099MISC, issued by March 31 of the following year, reporting miscellaneous payments including independent contractor compensation

D. No form is required for independent contractors because they are responsible for selfreporting their income to the IRS without any documentation from the hiring company

16. A contractor is evaluating the financial impact of a potential change in business entity structure. The contractor currently operates as a general partnership with two partners, earning \$400,000 in net income. Both partners pay selfemployment tax on their full distributive shares. The accountant proposes converting to an LLC with S corporation tax election, setting reasonable salaries at \$100,000 each. What is the primary tax benefit?

- A. The S corporation election eliminates all federal income tax on the \$400,000 because S corporations are fully taxexempt entities
- B. The S corporation election converts all \$400,000 from ordinary income to capital gains, which are taxed at a lower rate
- C. The \$200,000 in distributions (\$400,000 – \$200,000 in salaries) would no longer be subject to selfemployment tax, saving approximately \$28,260 annually in SE tax on the distribution amount — compared to the partnership structure where the full \$400,000 is subject to SE tax
- D. The S corporation election allows the partners to defer all taxes for five years until the business is sold or dissolved

17. A contractor's project superintendent discovers that the electrician subcontractor has installed 14gauge wire where the electrical drawings specify 12gauge wire in a commercial kitchen circuit. The subcontractor argues that 14gauge is adequate for the expected load. What should the superintendent do?

- A. Stop the nonconforming work and require the electrician to remove the 14gauge wire and replace it with the specified 12gauge wire — the contract documents specify 12gauge, and the subcontractor cannot unilaterally substitute a different gauge regardless of their assessment of load adequacy, because wire gauge affects circuit capacity, code compliance, and fire safety
- B. Accept the 14gauge wire because the subcontractor's assessment of load adequacy is sufficient justification for a material substitution
- C. Allow the 14gauge installation to remain and document it as a minor deviation in the punch list for review at project closeout
- D. Direct the electrician to install a second run of 14gauge wire alongside the first to double the circuit capacity, compensating for the smaller gauge

18. A contractor's employee is injured on the jobsite and the injury is covered by workers' compensation. The employee's average weekly wage is \$1,200. Under typical workers' compensation provisions, what is the approximate weekly temporary total disability (TTD) benefit?

- A. \$1,200 per week, because TTD benefits provide full wage replacement during the recovery period
- B. \$600 per week, representing 50% of the average weekly wage as the standard TTD replacement rate
- C. \$900 per week, representing 75% of the average weekly wage under the enhanced construction industry TTD rate
- D. Approximately \$800 per week, representing two-thirds ($66\frac{2}{3}\%$) of the \$1,200 average weekly wage — subject to the state's maximum weekly benefit cap, which may reduce the actual payment if the calculated amount exceeds the cap

19. A contractor's project is governed by a cost-plus-GMP contract with a guaranteed maximum price of \$1,800,000. The contract includes a 50/50 savings sharing provision. Actual project costs total \$1,520,000, and the contractor's fixed fee is \$120,000. What is the total the owner pays, and how are savings distributed?

- A. The owner pays \$1,800,000 (the full GMP) because the GMP is a guaranteed payment amount that the owner pays regardless of actual costs
- B. Total cost plus fee is \$1,640,000 ($\$1,520,000 + \$120,000$), which is \$160,000 below the GMP — the \$160,000 savings is split 50/50, with the owner receiving \$80,000 credit and the contractor receiving \$80,000 bonus, making the owner's total payment \$1,720,000 ($\$1,640,000 + \$80,000$ contractor share) or equivalently $\$1,800,000 - \$80,000$ owner savings = \$1,720,000
- C. The owner pays only \$1,520,000 because the fee is absorbed into the GMP and not charged separately
- D. The owner pays \$1,960,000 because the fee is added on top of the GMP amount regardless of actual costs

20. A contractor has completed all learning content in the NASCLA Contractors Guide and is developing a study strategy for the Mississippi Law and Business Management exam. The contractor has 3 weeks before the exam date. Which study approach is most likely to result in a passing score?

- A. Focus the first two weeks on thorough review of all chapters with emphasis on high-weight domains (Estimating and Bidding at 7 questions, Contracts at 6 questions), while tabbing and highlighting the NASCLA guide for efficient lookup — then dedicate the third week to taking timed practice exams under realistic conditions, reviewing wrong answers, and refining reference guide navigation speed
- B. Read the NASCLA guide cover to cover in the first week and spend the remaining two weeks exclusively memorizing definitions without taking any practice exams

C. Focus entirely on practice exams without reviewing any learning content, relying solely on the openbook format to look up every answer during the exam

D. Study only the two lowestweight domains (Business Organization and Lien Law) because these are the easiest topics and guaranteeing those questions correct provides a sufficient foundation for passing

21. A contractor's project involves constructing a commercial building on a site where an environmental Phase I assessment identified a former dry cleaning operation. The Phase I recommended a Phase II investigation to determine if soil or groundwater contamination exists. The owner did not conduct the Phase II before awarding the construction contract. During excavation, the contractor encounters soil with a strong chemical odor and visible discoloration. What should the contractor do?

A. Continue excavating and place the discolored soil in a separate stockpile for later testing, because the construction schedule does not allow for delays

B. Dispose of the odorous soil at the nearest landfill without testing, because commercial landfills accept all types of construction waste

C. Stop excavation in the affected area immediately, secure the area, notify the owner in writing, and do not resume work until the contaminated soil has been tested and a remediation plan has been developed — disturbing contaminated soil without proper controls can spread contamination, create worker exposure hazards, and trigger regulatory enforcement actions and cleanup liability

D. Treat the situation as a normal soil condition and continue excavating, because construction contracts typically require the contractor to accept all existing site conditions

22. A contractor's balance sheet shows the following: cash \$62,000, accounts receivable \$395,000, retainage receivable \$88,000, inventory \$16,000, prepaid expenses \$11,000, equipment net of depreciation \$425,000, accounts payable \$285,000, accrued expenses \$42,000, overbillings \$35,000, current debt portion \$58,000, and longterm debt \$230,000. What is the contractor's net worth?

A. \$572,000, calculated by adding all asset values together without subtracting liabilities

B. \$347,000, calculated as total assets (\$997,000) minus total liabilities (\$650,000), representing the owner's equity in the business — this is the figure MSBOC evaluates for licensing qualification

C. \$152,000, calculated by subtracting only current liabilities from current assets, which represents working capital rather than net worth

D. \$997,000, representing total assets without any deduction for liabilities because net worth equals total asset value

23. A contractor operating as an S corporation is planning to add a new shareholder. The proposed shareholder is a Canadian citizen who is not a U.S. resident. What impact does adding this shareholder have on the S corporation status?

- A. No impact, because S corporations can have shareholders of any nationality as long as the total number remains below 100
- B. The new shareholder can be added but their share of income is taxed at a higher rate reserved for nonresident alien shareholders
- C. The new shareholder can be added with written IRS permission obtained through Form 2553X, the foreign shareholder supplement
- D. Adding a nonresident alien shareholder will terminate the S corporation election because S corporations require all shareholders to be U.S. citizens or resident aliens — the corporation would revert to C corporation status, subjecting its income to double taxation

24. A contractor's project superintendent observes that the roofing subcontractor has stacked approximately 4,000 pounds of roofing materials on a scaffold platform rated for 2,500 pounds. The scaffold shows no visible signs of distress. The subcontractor's foreman argues the scaffold is "strong enough" because it was built with heavier materials than the minimum standard. What should the superintendent do?

- A. Order the immediate removal of excess materials from the scaffold platform — the scaffold is loaded to 160% of its rated capacity, which is a serious OSHA violation regardless of whether visible distress is present, because scaffold capacity ratings include safety factors that should never be exceeded, and overloading can cause sudden catastrophic failure without warning
- B. Allow the materials to remain because the subcontractor's foreman has assessed the scaffold's actual strength and determined it is adequate
- C. Add additional bracing to the scaffold base to increase the rated capacity to 4,000 pounds, which can be done without an engineering evaluation
- D. Request a written certification from the scaffold manufacturer that the platform can support 4,000 pounds before allowing work to continue

25. A contractor's employee files a workers' compensation claim for a back injury sustained while lifting heavy materials on a jobsite. The employer's workers' compensation insurance carrier investigates and determines the injury is covered. The employer then terminates the employee one week later, citing "poor work performance." The employee alleges the termination was retaliation for filing the workers' compensation claim. What is the employer's legal exposure?

A. No exposure, because workers' compensation filing does not create any antiretaliation protections for the employee

B. Significant exposure — Mississippi law, like most states, prohibits employers from retaliating against employees for filing workers' compensation claims, and the oneweek timing between the claim and the termination creates a strong inference of retaliation that the employer must overcome with convincing evidence of legitimate, nonretaliatory performance reasons

C. Exposure limited to a \$1,000 fine assessed by the Mississippi Workers' Compensation Commission, which is the maximum penalty for postclaim termination

D. No exposure, because atwill employment in Mississippi gives the employer absolute discretion to terminate for any reason at any time, including shortly after a workers' compensation filing

26. A contractor has a \$2,000,000 CGL policy with a peroccurrence limit of \$1,000,000 and a \$2,000,000 aggregate. The contractor also has a \$5,000,000 umbrella policy. A catastrophic accident on the jobsite produces thirdparty claims totaling \$4,200,000. How do the two policies respond?

A. The CGL pays the full \$2,000,000 aggregate and the umbrella pays the remaining \$2,200,000, for a total of \$4,200,000

B. The CGL pays the peroccurrence limit of \$1,000,000 and the remaining \$3,200,000 is uninsured because the umbrella policy only responds after the full aggregate is exhausted

C. The CGL pays the \$1,000,000 peroccurrence limit, and the umbrella pays the remaining \$3,200,000 (within its \$5,000,000 limit) — the umbrella sits above the peroccurrence limit and responds to the excess, providing total coverage of \$4,200,000 for this single occurrence

D. Both policies split the claim equally at \$2,100,000 each because multiple policies covering the same risk must share liability proportionally

27. A contractor is developing a project schedule for a 14month commercial project. The contractor identifies that a customfabricated structural steel package has a 20week lead time from order to delivery. The steel erection is scheduled to begin in Month 5. When must the steel order be placed to avoid a schedule delay?

A. The steel can be ordered at any time during the first three months of the project because lead times for structural steel are typically shorter than estimated

B. The steel must be ordered during the preconstruction phase — before construction begins — because a 20week lead time requires placing the order approximately 5 months before the planned erection start, and Month 5 minus 5 months equals the project start date or earlier

- C. The steel can be ordered at the start of Month 2 because 20 weeks equals approximately 4.5 months, leaving adequate time before the Month 5 erection start
- D. The steel order should be delayed until Month 3 to take advantage of potential steel price reductions that typically occur midproject

28. A contractor signs a subcontract that includes a "payifpaid" clause. The general contractor receives full payment from the owner for the subcontractor's work but fails to pay the subcontractor for 90 days, claiming cash flow difficulties. The subcontractor demands payment. What is the subcontractor's position?

- A. The subcontractor has no right to demand payment because the payifpaid clause gives the general contractor unlimited discretion over payment timing
- B. The subcontractor must wait until the general contractor resolves its cash flow issues because the payifpaid clause extends the payment obligation indefinitely
- C. The payifpaid clause's condition has been satisfied — the general contractor received payment from the owner — so the general contractor's obligation to pay the subcontractor has been triggered, and withholding payment for 90 days after receiving owner funds may constitute a breach of the subcontract regardless of the general contractor's cash flow situation
- D. The subcontractor's only remedy is to file a complaint with MSBOC because payifpaid disputes are exclusively within the Board's jurisdiction

29. A contractor's estimator needs to calculate the quantity of concrete for a circular column that is 24 inches in diameter and 10 feet tall. The formula for the volume of a cylinder is $\pi \times r^2 \times h$. Concrete is ordered in cubic yards. What is the approximate quantity needed?

- A. Approximately 1.16 cubic yards — calculated by converting the 24inch diameter to a 1foot radius, applying the formula $\pi \times 1^2 \times 10 = 31.42$ cubic feet, then dividing by 27 cubic feet per cubic yard
- B. Approximately 2.32 cubic yards, calculated by using the full diameter of 2 feet as the radius in the formula
- C. Approximately 4.65 cubic yards, calculated by multiplying the diameter by the height and dividing by 27 without applying the circular area formula
- D. Approximately 0.37 cubic yards, calculated by dividing the column height by 27 without accounting for the crosssectional area

30. A contractor's project involves a multistory commercial building. The contract requires the contractor to maintain builder's risk insurance throughout construction. The building reaches substantial completion, and the owner begins occupying the first two floors while the contractor completes punch list work on the upper floors. What happens to the builder's risk coverage?

A. The builder's risk policy continues to cover the entire building as long as construction activity of any kind is occurring anywhere in the structure

B. The builder's risk policy automatically converts to the owner's permanent property insurance policy at the moment of partial occupancy

C. The builder's risk policy is immediately cancelled because any occupancy terminates the construction phase and builder's risk coverage simultaneously

D. The builder's risk policy may need to be endorsed or modified to address the partial occupancy — many builder's risk policies include provisions for the owner's partial use or occupancy during construction, but this must be coordinated with the insurer to ensure coverage is not jeopardized by the occupancy

31. A contractor's project has been experiencing productivity losses due to an unusually wet spring. The crew's actual productivity on concrete formwork is averaging 0.18 manhours per square foot of contact area, compared to the estimated 0.14 manhours per square foot. The project has 25,000 square feet of formwork remaining. What is the projected labor cost overrun on the remaining formwork if the reduced productivity continues and the burdened labor rate is \$42.00 per hour?

A. \$42,000, calculated by multiplying the productivity difference by the remaining quantity at the base wage rate only

B. The projected overrun is \$42,000 — calculated as: productivity difference of 0.04 MH/SF \times 25,000 SF = 1,000 additional manhours \times \$42.00 burdened rate = \$42,000 in additional labor cost beyond the estimate

C. \$25,000, calculated by multiplying the remaining quantity by \$1.00 per square foot as a standard wet weather productivity penalty

D. \$105,000, calculated by multiplying the total estimated manhours by the burdened rate and adding a 25% wet weather contingency

32. A contractor is reviewing a construction contract that contains an indemnification clause. The clause states: "Contractor shall indemnify, defend, and hold harmless the Owner from and against all claims, damages, losses, and expenses arising out of or resulting from the performance of the Work,

to the extent caused by the negligent acts, errors, or omissions of the Contractor." What type of indemnification does this clause represent?

- A. A comparative fault (limited) indemnification clause — the contractor's obligation is limited to claims caused by the contractor's own negligence, and the contractor is not responsible for losses caused by the owner's negligence or the negligence of other parties
- B. A broad form indemnification clause requiring the contractor to bear all losses regardless of fault, including those caused by the owner's negligence
- C. A mutual indemnification clause that creates reciprocal obligations, requiring both the owner and the contractor to indemnify each other for their respective negligent acts
- D. An unenforceable clause because all indemnification provisions in construction contracts have been prohibited by Mississippi law

33. A contractor's project schedule shows three sequential activities: Activity A (foundation, 15 days), Activity B (structural steel, 22 days), and Activity C (exterior envelope, 18 days). Activities A and B have a finish-to-start relationship with zero lag. Activities B and C have a finish-to-start relationship with a 3-day lag (for concrete curing at steel base plates). What is the earliest possible start for Activity C?

- A. Day 37, calculated by adding the durations of A and B only ($15 + 22 = 37$) without accounting for the lag between B and C
- B. Day 40, calculated by adding the 3-day lag to Activity C's duration rather than to the gap between B and C
- C. Day 40 — Activity A finishes on Day 15, Activity B starts on Day 15 and finishes on Day 37, plus the 3-day lag means Activity C cannot start until Day 40
- D. Day 55, calculated by adding all three durations plus the lag ($15 + 22 + 18 = 55$), but this is the project completion date, not Activity C's start date

34. A contractor is performing work on a project where the specifications reference the International Building Code (IBC) 2021. The project drawings show a detail that appears to conflict with the IBC. The PSI Candidate Information Bulletin for the Mississippi exam states a hierarchy for resolving such conflicts. What is the governing principle?

- A. The project drawings always take precedence over building codes because the architect has specifically designed the project and the drawings reflect the designer's professional judgment

- B. The contractor should follow whichever document produces the least expensive construction approach, because cost efficiency is the primary consideration in resolving conflicts
- C. The conflict should be ignored because the contractor is not responsible for code compliance — only the architect and building inspector are responsible for ensuring code conformity
- D. A legal requirement such as a building code overrides any other reference — if the drawings conflict with the IBC, the code requirement governs, and the contractor should submit an RFI to notify the architect of the conflict

35. A contractor's financial records show that the company has been consistently overbilling on multiple projects for the past year. The total overbilling across all active projects is \$180,000. What concern does this pattern raise?

- A. Chronic overbilling may indicate that the contractor is frontloading billings to generate cash for operations — the \$180,000 represents work that has been paid for but not yet performed, meaning the remaining contract funds may be insufficient to complete the projects, creating a potential cash crisis as the projects approach completion and the overbilling must be "worked off"
- B. Overbilling is a positive indicator of strong billing practices and demonstrates that the contractor is effectively managing cash flow by staying ahead of costs
- C. Overbilling of \$180,000 across multiple projects is a negligible amount that does not warrant concern unless it exceeds \$500,000
- D. Overbilling only concerns the project owners and has no impact on the contractor's financial position, bonding capacity, or licensing status

36. A contractor's employee is assigned to work in a confined space — a large underground utility vault. The entry permit requires continuous atmospheric monitoring. Fifteen minutes after entry, the atmospheric monitor alarms indicating the oxygen level has dropped to 18.5%. The normal oxygen level is 20.9%, and OSHA defines an oxygen deficient atmosphere as below 19.5%. What must happen immediately?

- A. The entrant should continue working but breathe through a supplied air respirator until the oxygen level returns to normal
- B. The entrant must exit the confined space immediately because the oxygen level of 18.5% is below OSHA's 19.5% minimum — the attendant outside the space must ensure the entrant evacuates, ventilation must be increased or the source of oxygen depletion identified, and reentry is prohibited until the atmosphere is tested and confirmed safe

- C. The entrant should increase their breathing rate to compensate for the lower oxygen concentration and complete the assigned task before exiting
- D. The attendant should enter the space to assist the entrant, because two workers can share the remaining oxygen more efficiently than one

37. A contractor's project involves constructing a parking garage with posttensioned concrete slabs. The specifications require the posttensioning tendons to be stressed to specific force levels and the stressing operation to be documented. The stressing crew works on a Saturday when the project inspector is not available. The crew stresses all tendons and records the data but the inspector did not witness the stressing. What quality control issue has occurred?

- A. No issue, because the crew's documentation of stressing data is sufficient without inspector presence as long as the recorded values meet specifications
- B. A minor documentation issue that can be resolved by having the inspector sign the stressing records retroactively on Monday
- C. A significant quality control failure — posttensioning stressing is typically a required inspection point (hold point) that must be witnessed by the inspector before the work can be covered by subsequent construction, and performing the work without the required inspection may necessitate costly verification testing or even destressing and restressing under observation
- D. No issue, because posttensioning inspections are required only for bridges and elevated highway structures, not for parking garages

38. A contractor operating as a sole proprietor is evaluating the tax implications of purchasing a new \$175,000 excavator. Under MACRS depreciation, construction equipment has a 7-year recovery period. The contractor's accountant mentions that Section 179 expensing may allow a different treatment. What is the key difference between standard MACRS depreciation and Section 179 expensing?

- A. MACRS depreciation spreads the cost deduction over 7 years through annual depreciation allowances, while Section 179 expensing may allow the contractor to deduct the full cost of qualifying equipment in the year of purchase rather than depreciating it over the recovery period — accelerating the tax benefit into a single year
- B. MACRS depreciation allows a tax credit rather than a deduction, while Section 179 provides a deduction — credits and deductions are calculated differently and produce different tax results
- C. MACRS applies only to equipment purchased new, while Section 179 applies only to used equipment purchased from auctions or resellers

D. There is no practical difference between MACRS and Section 179 — both methods produce identical tax results over the life of the equipment

39. A contractor's project has reached substantial completion. The architect conducts the punch list walkthrough and identifies 62 items. The contractor addresses 58 items within two weeks but disputes 4 items, arguing they exceed the contract specifications. The owner refuses to release retainage until all 62 items are completed to the architect's satisfaction. What is the contractor's best course of action?

A. Accept the architect's determination on all 4 items without objection to expedite retainage release, because the cost of disputing 4 punch list items always exceeds the value of being right

B. Abandon the project and forgo the retainage because the dispute has made the project unprofitable

C. File a complaint with MSBOC against the architect for exceeding their contractual authority in defining punch list standards

D. Formally dispute the 4 items in writing with specific references to the contract documents, continue requesting retainage release for the undisputed work, and if the owner refuses, consider filing a lien and pursuing resolution through the contract's dispute resolution procedure — documenting the disagreement protects the contractor's rights while demonstrating good faith on the 58 completed items

40. A contractor is reviewing the OSHA requirements for a project that involves steel erection. The steel erection subcontractor's plan calls for columns to be erected with anchor bolts that have been set in the concrete foundations. OSHA's steel erection standard requires that anchor bolts meet specific requirements before steel columns can be erected. What is the key anchor bolt requirement?

A. Anchor bolts must be installed in accordance with the approved erection drawings and must not be repaired, replaced, or fieldmodified without the approval of the project structural engineer of record — this ensures the integrity of the column to foundation connection that supports the entire structure

B. Anchor bolts must be painted with highvisibility paint before column erection to assist the ironworkers in aligning the columns

C. Anchor bolts must be installed at exactly 90degree angles with zero tolerance for deviation, and any bolt that is not perfectly perpendicular must be removed and reinstalled

D. Anchor bolts must extend at least 24 inches above the foundation surface to provide adequate thread engagement for the column base plate nuts

41. A contractor's project is a \$3,500,000 commercial building with a 16month construction schedule. The contract includes a liquidated damages clause of \$2,200 per calendar day for late completion. The contractor finishes 25 days late. However, the contractor has documented and submitted change order requests for 15 days of ownercaused delays (late decisions, access delays, and design revisions). If the 15day extension is approved, what is the contractor's liquidated damages exposure?

- A. \$55,000 for the full 25 days, because liquidated damages cannot be reduced for ownercaused delays once the clause is triggered
- B. \$33,000 for 15 days, because the 10 days of approved time extension reduce the late period but the contractor must pay double the daily rate for the remaining days as a penalty
- C. \$0, because any approved time extension automatically waives the entire liquidated damages provision for the project
- D. \$22,000 for 10 days (25 total late days minus 15 approved extension days = 10 days of contractorcaused delay at \$2,200/day), because liquidated damages apply only to delays attributable to the contractor, not to ownercaused delays covered by approved time extensions

42. A contractor's annual workers' compensation premium is calculated as follows: base premium \$95,000, experience modification rate 0.88. What is the modified premium, and what does the EMR of 0.88 indicate?

- A. Modified premium is \$105,600, and the 0.88 EMR indicates worse than average safety performance requiring a 12% surcharge
- B. Modified premium is \$83,600 ($\$95,000 \times 0.88$), and the 0.88 EMR indicates better than average safety performance — the contractor's claims experience is 12% below the industry average, earning a 12% discount on the base premium
- C. Modified premium is \$95,000 unchanged, because EMR values between 0.85 and 1.15 are considered neutral and do not affect the premium
- D. Modified premium is \$76,000, calculated by subtracting the EMR percentage from the base premium as a flat dollar credit

43. A contractor's project involves renovation of a governmentowned building. The contractor performs \$180,000 of work but has not been paid. The contractor wants to file a construction lien to secure payment. Can the contractor file a lien against the governmentowned property?

- A. No, because construction liens cannot be filed against publicly owned property — the contractor's remedy on a government project is to file a claim against the payment bond that the government typically requires, which guarantees payment to contractors, subcontractors, and suppliers
- B. Yes, because all properties are subject to construction liens regardless of ownership, including government buildings, schools, and military installations
- C. Yes, but only if the contractor obtains a court order authorizing the lien filing against the government property, which requires demonstrating that no payment bond exists
- D. No, but the contractor can file a lien against the personal property of the government official who authorized the contract

44. A contractor's project has been ongoing for 8 months. The contractor has maintained daily reports throughout the project. A dispute arises about whether the owner verbally authorized additional work on a specific date 4 months ago. The contractor's daily report for that date documents the owner's site visit, the topics discussed, and the verbal directive to perform the additional work. How significant is this daily report in resolving the dispute?

- A. The daily report has no evidentiary value because verbal authorizations cannot be documented retroactively in written records
- B. The daily report is less significant than the owner's recollection because the owner's testimony always takes precedence over contractor-generated documents
- C. The daily report is highly significant — it is a contemporaneous record written at the time the event occurred, and courts and arbitrators give great weight to contemporaneous documentation because it is more reliable than recollections reconstructed months or years later
- D. The daily report is only admissible as evidence if it was signed by both the contractor and the owner on the date it was written

45. A contractor is bidding on a project that requires a performance bond at 100% of the contract value and a payment bond at 100% of the contract value. The estimated contract price is \$1,600,000. The contractor's surety evaluates the request and determines the contractor's current single-project bonding limit is \$1,200,000. What must the contractor do to bid on this project?

- A. Submit the bid without the required bonds and negotiate bonding requirements with the owner after being awarded the project
- B. Reduce the bid to \$1,200,000 to match the bonding capacity, regardless of the actual estimated cost

C. Work with the surety to increase the singleproject bonding limit by providing updated financial statements, demonstrating relevant project experience, and potentially providing additional collateral or personal indemnity

D. The contractor must increase bonding capacity to \$1,600,000 — this may require improving the company's financial position (increasing net worth, improving working capital), providing the surety with updated financial statements demonstrating the increased capacity, and potentially bringing on additional key personnel with largeproject experience

46. A contractor receives materials from an outofstate supplier for a Mississippi project. The supplier charges the contractor 5% sales tax from the supplier's home state. Mississippi's use tax rate is 7%. What additional Mississippi tax does the contractor owe?

A. The full 7% Mississippi use tax with no credit for the outofstate tax paid, because Mississippi does not recognize sales taxes paid to other states under any circumstances

B. The contractor owes the 2% difference between Mississippi's 7% rate and the 5% already paid to the other state — Mississippi allows a credit for sales tax paid to other states, reducing the use tax obligation to only the differential amount

C. No additional tax because the 5% paid to the other state exceeds the minimum 4% threshold that triggers full reciprocal credit in Mississippi

D. An additional 7% on top of the 5% already paid, totaling 12% combined tax on the purchase

47. A contractor's project involves installing a large rooftop HVAC unit using a crane. The crane operator must swing the load over an area where workers are installing exterior wall panels. OSHA crane safety standards address this situation. What is the general rule regarding swinging loads over workers?

A. Loads must not be swung over workers — no employee should be positioned directly beneath a suspended load, and the area under the load path must be barricaded or controlled to prevent worker exposure to the hazard of a falling load

B. Loads may be swung over workers as long as the crane operator has a valid crane operator certification and has completed the annual recertification

C. Loads may be swung over workers if the load weighs less than 2,000 pounds, because lighter loads pose minimal risk even in the event of a rigging failure

D. Loads may be swung over workers as long as the workers are wearing hard hats rated for overhead impact protection

48. A contractor's project is governed by a contract that requires the contractor to provide a one-year warranty on all work performed. Six months after substantial completion, the owner discovers a roof leak that appears to be caused by improper flashing installation. The contractor is notified but does not respond for 30 days. What is the contractor's obligation?

- A. The contractor has no obligation because the 30-day response delay constitutes a waiver of the warranty claim by the owner
- B. The contractor has no obligation because roof leaks caused by weather are classified as force majeure events excluded from warranty coverage
- C. The contractor must respond to the warranty claim and repair the defective flashing at the contractor's expense — the leak occurred within the one-year warranty period and appears to be caused by workmanship deficiency (improper installation), which is exactly the type of defect the warranty is designed to cover
- D. The contractor is obligated to repair the leak but can charge the owner for the repair at time-and-materials rates because warranty work is billed separately

49. A contractor enters into a fixed-price contract for \$750,000. The contractor's original estimate includes a 5% contingency of \$37,500. During construction, the contractor encounters a minor unforeseen condition costing \$12,000 to address. The contractor uses contingency funds to cover the \$12,000 cost. What is the remaining contingency, and should the contractor notify the owner?

- A. Remaining contingency is \$25,500, and the contractor must notify the owner because all contingency expenditures require owner approval on fixed-price contracts
- B. Remaining contingency is \$25,500, and the contractor should notify the owner only if the contingency expenditure triggers a change order per the contract terms
- C. Remaining contingency is \$37,500 because contingency funds cannot be spent without owner authorization, and the \$12,000 must be recovered through a change order
- D. Remaining contingency is \$25,500 — the contractor tracks the expenditure internally in the job cost system, and on a fixed-price contract, the contingency is the contractor's own risk reserve built into the bid price, so the owner is not notified because the contract price does not change regardless of how the contractor allocates costs internally

50. A contractor is preparing to submit their MSBOC commercial license renewal. The contractor's current CPA-reviewed financial statement expires in 45 days. The renewal is due in 30 days. Should the contractor submit the current financial statement with the renewal or wait for a new one?

- A. Wait for a new financial statement because MSBOC always requires the most recent statement available, even if it means filing the renewal late
- B. Submit the current financial statement with the renewal because it will be less than 12 months old at the time of submission — it is still valid and meets MSBOC's requirement, and waiting for a new statement risks missing the renewal deadline, which would result in a lapsed license
- C. Submit the renewal without any financial statement because MSBOC only requires financial statements with the initial application, not with annual renewals
- D. Request a 90day renewal extension from MSBOC to allow time for the new financial statement to be prepared, because MSBOC automatically grants extensions for financial statement timing issues

Practice Exam 9: Answer Key and Explanations

- 1. C** — Retainage provides the owner with a pool of withheld funds — typically 510% of each progress payment — that creates a financial incentive for the contractor to complete punch list items, correct deficiencies, and deliver closeout documents. Without retainage, the contractor has been paid in full and the owner has lost significant leverage to compel completion of remaining obligations. This is why most construction contracts include retainage provisions despite their negative impact on contractor cash flow.
- 2. A** — Multiplying total cost by 1.11 produces an 11% markup on cost, not an 11% margin on selling price. The correct method divides total cost by $(1 - 0.11) = 0.89$. First calculate total cost: direct costs \$720,000 + overhead ($\$720,000 \times 15\% = \$108,000$) + indirect \$38,000 = \$866,000. Correct selling price: $\$866,000 \div 0.89 = \$973,034$. The multiplication method yields \$961,260 — approximately \$12,000 less, producing only a 9.9% margin.
- 3. B** — MSBOC's standard limit is three entities per qualifying party. Since this individual already qualifies three entities, serving a fourth requires appearing before the Board and obtaining special permission. The Board may grant or deny the request based on the individual's ability to adequately serve four entities simultaneously. The limit exists to ensure qualifying parties can genuinely oversee the operations of the entities they qualify.
- 4. D** — Scorporations cannot have entity shareholders — all shareholders must be individuals who are U.S. citizens or resident aliens. The LLC holding 5% of the shares is an entity shareholder that disqualifies the corporation from Selection, regardless of the LLC's ownership percentage. Certain trusts and estates are exceptions, but LLCs, partnerships, and other corporations are prohibited Scorporation shareholders.
- 5. A** — The setup meets all OSHA requirements for a personal fall arrest system: a full body harness (not a prohibited body belt), a retractable lifeline as the connecting device, and an anchor point designed by a qualified person with a safety factor of at least 2 (which OSHA accepts as an alternative to the 5,000pound perworker requirement). The system is being used at 24 feet — well above the 6foot construction fall protection trigger.
- 6. C** — The competent person must immediately reassess the soil conditions because water saturation fundamentally changes the soil's stability. Soil that met Type A criteria when dry no longer qualifies when saturated — water reduces cohesion, increases weight, and dramatically increases cavein risk.

The soil must be reclassified (likely to Type C), workers must be evacuated, and a more conservative protective system must be installed before reentry.

7. B — The most appropriate response is to engage the architect in professional discussion about the specific deficiencies, provide documentation demonstrating compliance with specifications, and pursue the contract's dispute resolution procedures if agreement cannot be reached. Stopping work or filing an immediate lien are premature reactions. Accepting the reduction without challenge forfeits the contractor's right to the earned revenue.

8. D — Courts have carved exceptions to no damages for delay clauses for delays caused by the owner's active interference, bad faith, abandonment, or delays so unreasonable they were not contemplated by the parties when the contract was signed. An 8 week denial of site access may qualify under one or more of these exceptions. The clause is not an absolute bar to delay damage recovery — its enforceability depends on the specific facts and the applicable exception analysis.

9. A — The wage determination incorporated into the contract at bid or award governs for the project's duration. Subsequent updates to wage determinations do not automatically apply to already awarded contracts. This provides contractors with cost certainty — they bid based on the rates in effect at the time, and those rates remain stable throughout the project. New determinations apply to future contracts, not retroactively to existing ones.

10. B — Loss of an eye is one of three severe injury categories — along with inpatient hospitalization and amputation — that triggers the 24 hour OSHA reporting requirement. Fatalities must be reported within 8 hours. The 24 hour clock begins at the time the employer learns of the reportable injury. Failure to report within the required timeframe is a citable OSHA violation with potential penalties.

11. D — Gross profit: $\$3,800,000 - \$3,040,000 = \$760,000$. Gross margin: $\$760,000 \div \$3,800,000 = 20\%$. Net profit: $\$760,000 - \$494,000 = \$266,000$. Net margin: $\$266,000 \div \$3,800,000 = 7\%$. Surety companies evaluate both metrics — gross margin indicates profitability of construction operations, while net margin reflects the company's ability to generate bottomline profit after covering all overhead expenses.

12. C — When a subcontractor's employee has no workers' compensation coverage and is injured on the general contractor's project, the injured worker may pursue a personal injury claim against the general contractor as the controlling employer. Without workers' compensation's exclusive remedy protection, the claim can include pain and suffering, punitive damages, and other tort damages far exceeding what workers' comp would have paid. This is why prudent general contractors verify subcontractor insurance before allowing work to begin.

13. A — Direct costs: $\$245,000 + \$198,000 + \$52,000 + \$305,000 = \$800,000$. Overhead rate: $\$320,000 \div \$2,000,000 = 16\%$. Overhead allocation: $\$800,000 \times 16\% = \$128,000$. Total cost: $\$800,000 + \$128,000 + \$34,000 = \$962,000$. Selling price for 8% margin: $\$962,000 \div 0.92 = \$1,045,652$. The answer of $\$988,043$ reflects the correct methodology — dividing by 0.92, not multiplying by 1.08.

14. D — Missing a required prepour inspection is a serious quality control and code compliance failure. Once concrete is poured, the rebar is permanently concealed and cannot be visually inspected. Verifying rebar placement through hardened concrete requires expensive scanning or destructive testing. In worst cases, the entire foundation may need removal and replacement. Required inspections at hold points exist precisely to prevent this scenario.

15. B — Form 1099NEC (Nonemployee Compensation) must be issued to each independent contractor who received \$600 or more during the calendar year. The form is due to the contractor by January 31 and filed with the IRS by January 31 of the following year. The 1099NEC replaced Form 1099MISC Box 7 for reporting nonemployee compensation beginning with tax year 2020.

16. C — In the partnership structure, the full \$400,000 is subject to SE tax at 15.3%. With the Scorp election, only the \$200,000 in salaries is subject to payroll taxes — the remaining \$200,000 in distributions avoids SE/payroll tax entirely. At 15.3%, the SE tax savings on \$200,000 in distributions is approximately \$28,260 (after applying the 92.35% SE income adjustment). This is the fundamental tax advantage of the Scorporation structure.

17. A — The contract documents specify 12gauge wire, and the subcontractor cannot unilaterally substitute 14gauge regardless of their assessment of load adequacy. Wire gauge directly affects circuit capacity, voltage drop, heat generation, and code compliance. The superintendent must stop the nonconforming work and require replacement with the specified 12gauge wire. If the subcontractor believes the specification is excessive, the proper course is to submit a formal substitution request through the architect.

18. D — TTD benefits are typically calculated at twothirds ($66\frac{2}{3}\%$) of the employee's average weekly wage: $\$1,200 \times 0.6667 =$ approximately \$800 per week. This amount is subject to the state's maximum weekly benefit cap — if the calculated benefit exceeds the cap, the actual payment is reduced to the maximum. The $66\frac{2}{3}\%$ rate reflects the workers' compensation compromise: guaranteed benefits in exchange for less than full wage replacement.

19. B — Total cost plus fee: $\$1,520,000 + \$120,000 = \$1,640,000$. This is \$160,000 below the \$1,800,000 GMP. Under the 50/50 savings sharing provision, the owner receives a \$80,000 credit and the contractor receives an \$80,000 bonus. The owner's total payment is \$1,720,000 ($\$1,640,000$ base + \$80,000 contractor's share of savings, or equivalently $\$1,800,000$ GMP – \$80,000 owner's share of savings).

20. A — The most effective 3week strategy combines thorough content review with targeted practice testing. Weeks 12 focus on learning content with emphasis on highweight domains (Estimating/Bidding and Contracts account for 13 of 50 questions) while preparing the NASCLA guide with tabs and highlighting. Week 3 shifts to timed practice exams under realistic conditions, with targeted review of weak areas identified by exam performance. This approach builds both knowledge and testtaking efficiency.

21. C — Discovering contaminated soil during excavation requires immediate cessation of work in the affected area. Disturbing contaminated soil without proper controls can spread contamination to clean areas, create hazardous worker exposures, trigger regulatory violations, and generate enormous cleanup liability. The contractor must secure the area, notify the owner in writing, and wait for testing and a remediation plan before resuming excavation. The environmental risk far outweighs any schedule concern.

22. B — Total assets: $\$62,000 + \$395,000 + \$88,000 + \$16,000 + \$11,000 + \$425,000 = \$997,000$. Total liabilities: $\$285,000 + \$42,000 + \$35,000 + \$58,000 + \$230,000 = \$650,000$. Net worth: $\$997,000 - \$650,000 = \$347,000$. This is the figure MSBOC evaluates for licensing — it far exceeds the \$50,000 minimum for major classifications and the \$20,000 minimum for specialty classifications.

23. D — Scorporations require all shareholders to be U.S. citizens or resident aliens. Adding a Canadian citizen who is not a U.S. resident would violate this requirement and automatically terminate the Selection. The corporation would revert to Ccorporation status, subjecting all income to double taxation (corporate tax plus personal tax on dividends). This is one of the most inflexible Scorporation requirements — even a single ineligible shareholder triggers termination.

24. A — The scaffold is loaded to 160% of its rated capacity (4,000 lbs on a 2,500 lb platform) — a serious OSHA violation. Scaffold capacity ratings include built-in safety factors, and exceeding the rated capacity eliminates this safety margin. Overloaded scaffolds can fail suddenly and catastrophically without prior visible signs of distress. The excess materials must be removed immediately regardless of the foreman's informal assessment of the scaffold's actual strength.

25. B — Mississippi law prohibits retaliation against employees for filing workers' compensation claims. The oneweek gap between the claim filing and the termination creates a strong inference of retaliation. The employer must demonstrate convincingly that the termination was based on legitimate, documented performance reasons unrelated to the workers' comp filing. Without strong documentation of preexisting performance issues, the timing alone makes the retaliation claim highly credible.

26. C — The CGL pays its \$1,000,000 peroccurrence limit first. The umbrella policy then responds to the remaining \$3,200,000, which is within the umbrella's \$5,000,000 limit. Total coverage: \$1,000,000 (CGL) + \$3,200,000 (umbrella) = \$4,200,000 — the full claim is covered. The umbrella sits above the peroccurrence limit and activates when the underlying policy's peroccurrence limit is exhausted for a specific claim.

27. B — A 20week lead time means the steel must be ordered approximately 5 months before it is needed. Steel erection begins in Month 5, so the order must be placed no later than the project start date — or ideally during preconstruction planning before construction begins. This is exactly why identifying and procuring longlead items is one of the most critical preconstruction activities.

28. C — The payifpaid clause's condition — owner payment to the general contractor — has been satisfied. The general contractor received payment from the owner, triggering the obligation to pay the subcontractor. The clause conditioned payment on the owner paying; the owner paid. Withholding subcontractor payment for 90 days after the condition was met is not what the clause contemplates — it may constitute a breach of the subcontract regardless of the general contractor's cash flow difficulties.

29. A — Radius = 24 inches \div 2 = 12 inches = 1 foot. Volume = $\pi \times r^2 \times h = \pi \times 1^2 \times 10 = 31.42$ cubic feet. Convert to cubic yards: 31.42 \div 27 = 1.16 cubic yards. This is a fundamental quantity takeoff calculation — converting dimensions to consistent units (feet), applying the geometric formula, and converting the result to the ordering unit (cubic yards). The exam frequently tests concrete volume calculations.

30. D — Builder's risk policies often include provisions for partial occupancy during construction, but this must be coordinated with the insurer. Uncoordinated partial occupancy can jeopardize coverage — some policies may exclude areas that the owner occupies, while others continue full coverage with an endorsement. The contractor should notify the builder's risk insurer of the partial occupancy and obtain written confirmation that coverage remains in effect.

31. B — Productivity difference: 0.18 – 0.14 = 0.04 additional manhours per square foot. Additional manhours: 0.04 \times 25,000 SF = 1,000 hours. Additional labor cost: 1,000 hours \times \$42.00 burdened rate

= \$42,000. This calculation demonstrates why tracking actual productivity against estimated productivity is essential — the 0.04 MH/SF variance seems small per unit but generates a \$42,000 overrun when multiplied across the remaining 25,000 square feet.

32. A — The phrase "to the extent caused by the negligent acts, errors, or omissions of the Contractor" limits the contractor's indemnification obligation to claims arising from the contractor's own negligence. This is a comparative fault (limited) indemnification — the contractor is not responsible for losses caused by the owner's negligence or third parties. This is the most common and generally most equitable form of construction indemnification.

33. C — Activity A: starts Day 0, finishes Day 15. Activity B: starts Day 15 (FS with A, zero lag), finishes Day 37 (15 + 22 = 37). Activity C: starts Day 40 (Day 37 + 3day lag = Day 40). The 3day lag between B and C represents required concrete curing time before the exterior envelope work can begin. Lag time is added to the predecessor's finish date before the successor can start — it delays the start beyond what a zerolag FS relationship would produce.

34. D — The PSI Candidate Information Bulletin establishes the hierarchy: legal requirements such as codes, laws, and regulations override any other reference material. When project drawings conflict with the IBC, the code governs. The contractor should submit an RFI to notify the architect of the conflict, allowing the design to be revised to comply with the code. This hierarchy is explicitly stated in the exam bulletin and is commonly tested.

35. A — Chronic overbilling across multiple projects means the contractor has been paid for work not yet performed — the \$180,000 represents future work that must be completed with funds already collected. As projects near completion, the overbilling must be "worked off" — the contractor performs the remaining work without receiving additional payment, creating potential cash flow strain. Bonding companies and lenders view chronic overbilling as a warning sign of frontloading and potential financial instability.

36. B — The entrant must exit the confined space immediately when atmospheric monitoring indicates oxygen below 19.5% (OSHA's oxygen-deficient threshold). At 18.5%, the atmosphere is oxygen-deficient and poses an immediate health hazard. The attendant must ensure evacuation, ventilation must be increased or the oxygen depletion source identified, and reentry is prohibited until atmospheric testing confirms safe conditions. The attendant must never enter the space to assist — that could create a second victim.

37. C — Posttensioning stressing is typically a required hold point — an inspection milestone that must be witnessed before subsequent work can proceed. Performing the stressing without the inspector present means the inspection record is incomplete, and the inspector cannot verify that the tendons were stressed to the specified forces. Verification may require costly testing, and in severe cases, the tendons may need to be destressed and restressed under observation. Critical inspections should never be bypassed for schedule convenience.

38. A — Standard MACRS depreciation spreads the cost deduction over the asset's recovery period (7 years for construction equipment), producing annual depreciation deductions. Section 179 expensing allows the contractor to deduct the full cost of qualifying equipment in the year of purchase — potentially deducting the entire \$175,000 immediately rather than over 7 years. This accelerates the tax benefit, providing a larger deduction in the purchase year and improving current-year cash flow.

39. D — The contractor should formally dispute the 4 items in writing with specific contract document references, continue requesting retainage release for the 58 completed items, and pursue the contract's dispute resolution procedure if necessary. Filing a lien preserves the contractor's right to payment. This approach demonstrates good faith (58 items completed), protects legal rights (written dispute and lien filing), and follows the contractual process for resolving disagreements.

40. A — OSHA's steel erection standard requires anchor bolts to be installed in accordance with approved erection drawings and prohibits field repair, replacement, or modification without the approval of the project structural engineer of record. Anchor bolts are the critical connection between the steel superstructure and the concrete foundation — any deviation from the engineered design compromises the structural integrity of the entire building.

41. D — Total delay: 25 days. Approved ownercaused extension: 15 days. Contractorcaused delay: $25 - 15 = 10$ days. Liquidated damages: $10 \text{ days} \times \$2,200/\text{day} = \$22,000$. Liquidated damages apply only to delays attributable to the contractor — ownercaused delays covered by approved time extensions are excluded. Proper documentation of ownercaused delays and timely submission of time extension requests are essential to reducing liquidated damages exposure.

42. B — Modified premium: $\$95,000 \times 0.88 = \$83,600$. An EMR of 0.88 means the contractor's claims experience is 12% below the industry average — the contractor earns a 12% discount on the base premium. The \$11,400 annual savings ($\$95,000 - \$83,600$) is a direct financial reward for superior safety performance. Maintaining a low EMR also improves the contractor's competitiveness for projects where owners require EMR thresholds.

43. A — Construction liens cannot be filed against publicly owned property — government buildings, roads, schools, and other public facilities are immune from lien claims. On government projects, the payment bond serves as the substitute remedy for unpaid contractors, subcontractors, and suppliers. The contractor should file a claim against the payment bond to recover the \$180,000, rather than attempting to lien the government property.

44. C — The daily report is highly significant evidence — it is a contemporaneous record written at the time the event occurred. Courts and arbitrators consistently give greater weight to contemporaneous documentation than to recollections reconstructed months or years later, because contemporaneous records are considered more reliable and less susceptible to selective memory. This is why maintaining detailed daily reports is the contractor's most important documentation practice.

45. D — The contractor must increase bonding capacity to meet the project's \$1,600,000 bond requirement. This typically requires improving the company's financial position (increasing net worth and working capital), providing updated financial statements demonstrating the improved metrics, and potentially adding experienced personnel with largeproject track records. The surety evaluates Character, Capacity, and Capital — strengthening any of these three areas can increase the bonding limit.

46. B — Mississippi allows a credit for sales tax paid to other states against the Mississippi use tax obligation. The contractor paid 5% to the other state, and Mississippi's rate is 7%. The credit offsets 5% of the obligation, leaving a 2% differential. On the purchase amount, the contractor owes only the 2% difference to Mississippi. If the other state's rate equaled or exceeded 7%, no additional Mississippi tax would be owed.

47. A — OSHA prohibits positioning workers directly beneath suspended loads. The area under the crane's load path must be barricaded, flagged, or otherwise controlled to prevent worker exposure. A rigging failure, load shift, or mechanical malfunction can cause the load to fall — the consequences of a multiton steel member or equipment package falling onto workers are catastrophic and almost always fatal. Load path control is a fundamental crane safety requirement.

48. C — The roof leak occurred within the oneyear warranty period and appears to be caused by improper flashing installation — a workmanship deficiency. This is exactly the type of defect the warranty covers. The contractor must respond to the warranty claim and repair the defective flashing at the contractor's expense. The 30day response delay, while unprofessional, does not waive the warranty obligation. Warranty repairs for workmanship deficiencies are the contractor's cost.

49. D — On a fixedprice contract, the contingency is the contractor's internal risk reserve built into the bid price. The owner agreed to pay a fixed amount — \$750,000 — regardless of how the contractor allocates costs internally. Using \$12,000 of the \$37,500 contingency for an unforeseen condition leaves \$25,500 remaining. The contractor tracks this internally in the job cost system but does not notify the owner because the contract price is unchanged.

50. B — The current financial statement will still be less than 12 months old when the renewal is submitted in 30 days — it meets MSBOC's requirement. Waiting for a new statement risks missing the renewal deadline, which would result in a lapsed license and potential unlicensed contracting violations. The practical choice is clear: submit the valid current statement with the ontime renewal, and obtain the new financial statement for next year's renewal cycle.