

PRACTICE EXAM 10 — QUESTIONS 1–50

Format: Case-Cluster Questions — 10 clusters of 5 questions each. Each cluster opens with a detailed scenario, followed by 5 questions testing different aspects of that scenario. Read the scenario carefully before attempting each question in the cluster.

CLUSTER 1 (Q1–Q5) — Estimating and Bidding

Scenario: Palmetto Commercial Builders, LLC is preparing a sealed bid for a new four-story, 30,000-square-foot office building in Greenville, SC, due Friday at 2:00 PM. The architect's pre-bid estimate is \$4.8M. Palmetto's preliminary direct cost from quantity takeoff and unit prices is \$4,500,000. Their standard markup applies 18 percent overhead followed by 8 percent profit. The owner requires a 10 percent bid bond. The project schedule is 14 months. One key subcontractor (steel) submitted a bid 28 percent below all other steel quotes received.

1. Palmetto's most appropriate response to the 28 percent outlier steel bid is to:
 - A. Use the outlier bid because it improves competitive position
 - B. Reject the outlier bid as obviously fraudulent
 - C. Review the sub's scope and capability before deciding whether to use it
 - D. Average the outlier bid with the other steel quotes received

2. Applying 18 percent overhead followed by 8 percent profit to the \$4,500,000 direct cost yields a bid price closest to:
 - A. \$5,250,000
 - B. \$5,400,000

- C. \$5,580,000
- D. \$5,734,800

3. The 10 percent bid bond face value required on Palmetto's bid is approximately:

- A. \$450,000
- B. \$510,000
- C. \$573,500
- D. \$720,000

4. If Palmetto's bid is awarded and Palmetto defaults before signing the contract, the bid bond surety is generally obligated to pay:

- A. The difference between Palmetto's bid and the next-lowest responsive bid, up to the bond amount
- B. The full bond amount as liquidated damages regardless of actual loss
- C. The owner's expected profit margin on the lost project
- D. Nothing, because bid bonds do not pay until performance bonds activate

5. Palmetto discovers a \$50,000 quantity takeoff error in their bid one hour before the submission deadline. Their best course of action is to:

- A. Correct the error and submit the revised bid before the deadline
- B. Submit the bid as-is and absorb the loss if awarded
- C. Withdraw entirely from bidding on the project
- D. Submit the bid as-is and request rescission after the award

CLUSTER 2 (Q6–Q10) — Contract Dispute

Scenario: Apex Contracting signed an AIA A201-based contract with Magnolia Properties for a \$2,400,000 retail project with a 9-month schedule and \$2,500 per day liquidated damages. Contractual substantial completion is October 15. Apex experienced 18 days of documented weather delays in June, and the owner directed a \$180,000 change adding a second loading dock that affected the critical path. Apex submitted written notice of claim 12 days after the directive. Five months in, the architect rejected Apex's pay application for missing lien waivers from two subcontractors.

6. Apex's entitlement to a time extension for the weather delays is based on:

- A. A general right to weather relief existing under SC common law
- B. The contract's force majeure clause and the documented daily reports
- C. OSHA stand-down provisions for severe weather conditions
- D. The architect's discretionary approval of weather-related delays

7. The owner's \$180,000 change order to add a loading dock entitles Apex to:

- A. Only a price adjustment, with the schedule remaining unchanged
- B. Time relief only if Apex is already in delay at the time of the change
- C. Price relief, with a time extension subject to the architect's discretion
- D. A price adjustment and a time extension matching the critical-path impact

8. AIA A201 typically requires written notice of a claim within:

- A. 7 days of the event giving rise to the claim
- B. 21 days of the event giving rise to the claim
- C. 30 days of the event giving rise to the claim

D. 60 days of the event giving rise to the claim

9. The architect's rejection of the pay application for missing lien waivers is:

A. Improper because lien waivers are not part of the pay application requirement

B. Improper unless the contract specifically requires them with each application

C. Proper because lien waivers protect against unpaid-lien claims on the property

D. Proper only if the owner specifically requests them in writing each period

10. If Apex completes the project 20 days after the adjusted contractual completion date with no allowed time extensions, the liquidated damages exposure is:

A. \$25,000

B. \$40,000

C. \$50,000

D. \$75,000

CLUSTER 3 (Q11–Q15) — Project Management and Scheduling

Scenario: Coastal Construction is the GC on a \$6,800,000 school renovation with a 12-month schedule. The critical path runs through demolition (45 days), abatement (30 days), steel erection (60 days), MEP rough-in (75 days), drywall (45 days), and finishes (60 days). At month 4, the project has consumed 35 percent of total budget and the superintendent's update shows 30 percent physical completion. Demolition is late by 8 days; abatement is late by 12 days. The owner requests acceleration to recover.

11. Based on cost-to-date versus percent complete, the project is currently:

A. Overrunning budget relative to physical progress

B. On budget for the physical progress reported

- C. Underrunning budget showing efficient performance
- D. At the projected baseline with no variance

12. To recover the 20-day slip on the critical path, the most direct schedule-recovery method is to:

- A. Add scope to the project to justify time extensions
- B. Slow non-critical activities to free up resources
- C. Extend the contract duration through a no-cost time extension
- D. Crash remaining critical activities by adding labor or shifts

13. The forward pass through the activity network determines:

- A. Earliest start and earliest finish dates for each activity
- B. Latest start and latest finish dates for each activity
- C. Total float available across the activity network
- D. Free float for individual non-critical activities

14. The duration of the critical path through the listed activities is:

- A. 240 days
- B. 270 days
- C. 300 days
- D. 315 days

15. If acceleration costs Coastal \$180,000 but avoids \$250,000 of liquidated damages and protects future bidding eligibility, the acceleration decision should be evaluated using:

- A. Critical path method analysis only, ignoring financial impact
- B. A cost-benefit comparison of acceleration cost versus avoided LDs and risk

- C. The architect's certification of acceleration impact and merit
- D. The surety's underwriting opinion on the recovery approach

CLUSTER 4 (Q16–Q20) — Liens and Collections

Scenario: Carolina Steel Erectors, a subcontractor on a \$1,200,000 Charleston warehouse project, completed its work on March 15, 2026, with \$145,000 still unpaid by the GC. The GC has stopped returning calls and the owner claims the GC was already paid in full for steel work. The owner refuses further engagement. Carolina's last delivery to the site was March 12; last work performed on March 15. It is now June 1, 2026.

16. Carolina's strict deadline to file a mechanic's lien in South Carolina is:

- A. May 14, 2026
- B. June 1, 2026
- C. June 13, 2026
- D. September 15, 2026

17. To perfect the lien, Carolina must file:

- A. A petition for lien only with the SC Department of Revenue
- B. A small claims complaint in the appropriate magistrate's court
- C. A complaint in federal court because the project is commercial
- D. A Statement of Account and Lien with the county clerk where the property is located

18. After filing the lien, Carolina must enforce it by suit within:

- A. 90 days of filing
- B. 6 months of filing

- C. 12 months of filing
- D. 3 years of filing

19. The owner's defense that the GC "was already paid in full" is:

- A. Generally not a defense against a sub's mechanic's lien for unpaid sub work
- B. A complete defense extinguishing the sub's lien against the property
- C. Effective only when supported by a notarized affidavit from the GC
- D. Effective only if more than 30 days have passed since last delivery

20. To clear the property title quickly for refinancing while contesting the lien, the owner's most practical option is to:

- A. Wait out the 6-month enforcement period in hope Carolina misses it
- B. File a counter-suit against Carolina for tortious interference
- C. Pay the disputed amount under protest and pursue reimbursement
- D. File a lien release bond with the clerk of court to transfer the lien to the bond

CLUSTER 5 (Q21–Q25) — Labor Law and HR

Scenario: Lowcountry Construction has 8 employees and is hiring three new field workers. The firm pays nonexempt workers \$22 per hour. The first new hire, Maria, started Monday and worked 48 hours her first week. The HR manager realizes on Friday that she missed completing I-9 Section 2 for Maria, who started Monday eight days earlier. The firm is also being audited by SCDOR on payroll tax compliance.

21. Maria's gross pay for the 48-hour first week, assuming nonexempt status, is:

- A. \$1,056

- B. \$1,144
- C. \$1,200
- D. \$1,320

22. The proper remediation for the missed I-9 Section 2 deadline is to:

- A. Complete Section 2 immediately using the current date with a note explaining the delay
- B. Backdate the form to within the 3-day window from Maria's start date
- C. Terminate the worker because the I-9 violation is unrecoverable
- D. Delay completion until the next pay period to align with payroll timing

23. As a South Carolina employer, Lowcountry must verify the work authorization of new hires through:

- A. The SC Department of Employment and Workforce online portal
- B. Verification by an SC-licensed CPA on a quarterly basis
- C. The federal Social Security Administration verification only
- D. The federal E-Verify program, regardless of the firm's size

24. Workers compensation insurance is required for Lowcountry because the firm:

- A. Has four or more employees, triggering the SC WC requirement
- B. Has eight employees, just over the federal OSHA threshold
- C. Has hired any independent contractors during the calendar year
- D. Operates in construction under NAICS code 23 designation

25. For the SCDOR payroll tax audit, Lowcountry should produce, among other items:

- A. Only the W-2s issued for the audit year

- B. The firm's general ledger and bank statements only
- C. Form 941 quarterly filings, payroll registers, and supporting time records
- D. Only Form W-3 and the year-end reconciliation worksheets

CLUSTER 6 (Q26–Q30) — Financial Management

Scenario: Tidewater Construction is closing the books on a year in which the firm generated \$8,500,000 in revenue and \$640,000 in net income on five major projects. The CFO is preparing the WIP report and financial statements. Three projects ended with underbilling totaling \$220,000, one with overbilling of \$85,000, and one at par. Current assets total \$1,800,000; current liabilities total \$1,100,000. The firm has a \$750,000 credit line with the local bank.

26. The firm's working capital is calculated as:

- A. \$1,800,000
- B. \$1,100,000
- C. \$640,000
- D. \$700,000

27. The firm's current ratio is:

- A. 0.61
- B. 1.64
- C. 2.57
- D. 3.20

28. Net underbilling across the five projects (underbilled less overbilled) is:

- A. \$85,000 overbilled

- B. \$135,000 underbilled
- C. \$220,000 underbilled
- D. \$305,000 overbilled

29. Under percentage-of-completion accounting, the appropriate remedy for the net underbilling is to:

- A. Adjust contract revenue downward to align with the amounts billed
- B. Defer earned revenue recognition until the cash is actually collected
- C. Accelerate billing on the underbilled jobs to align with earned revenue
- D. Reclassify the underbilling as unbilled retainage on the balance sheet

30. For surety underwriting purposes, the firm's bonding capacity is typically evaluated using:

- A. Net worth multiplied by a fixed underwriting factor of two
- B. The Three C's framework — Capital, Capacity, and Character
- C. Current ratio as a single comprehensive financial metric
- D. Annual revenue divided by five as the maximum bonded value

CLUSTER 7 (Q31–Q35) — Tax Compliance

Scenario: Beaufort Builders, a SC LLC taxed as a partnership, made the following payments during the calendar year: \$14,500 to an independent surveying consultant (sole proprietor), \$4,200 to an incorporated architectural firm for design review, and \$3,800 to an out-of-state supplier for project materials shipped directly to a Beaufort site, with no SC sales tax collected at the source. The firm employs 22 workers and remits quarterly payroll taxes via Form 941.

31. Form 1099-NEC must be filed for which payment(s)?

- A. None of the listed payments require Form 1099-NEC filing

- B. Both the surveyor and the architectural firm require 1099-NEC
- C. Only the incorporated architectural firm requires 1099-NEC
- D. The \$14,500 payment to the independent surveyor requires 1099-NEC

32. The Form 1099-NEC filing deadline with the IRS is:

- A. December 31 of the calendar payment year
- B. February 28 of the following year for paper filings
- C. January 31 of the year following the payment year
- D. April 15 of the year following the payment year

33. For the \$3,800 out-of-state purchase with no SC sales tax collected, Beaufort must:

- A. Self-report and remit SC use tax through the SCDOR MyDORWAY portal
- B. Send the supplier a cure notice requiring SC tax collection retroactively
- C. Treat the purchase as exempt because materials shipped to the site directly
- D. Wait for SCDOR to bill the use tax on annual reconciliation later

34. Beaufort's Form 941 quarterly federal payroll tax filing must include:

- A. Federal income tax withholding from employees only, exclusively
- B. Social Security and Medicare withholding from employees, exclusively
- C. The employer's share of Social Security and Medicare only
- D. Federal income tax withholding plus employee and employer FICA

35. The deadline for filing Form 941 for the quarter ending March 31 is:

- A. April 15

- B. April 30
- C. May 15
- D. June 30

CLUSTER 8 (Q36–Q40) — Insurance and Bonding

Scenario: Sandhills Construction is bidding a \$3,600,000 public school project requiring 100 percent performance and 100 percent payment bonds. The firm's existing aggregate bonding capacity is \$8,000,000, with \$5,000,000 currently committed across active jobs. CGL coverage is \$2,000,000 per occurrence with a \$4,000,000 aggregate. Builder's risk on the school project will be carried by Sandhills per contract terms. A jobsite incident last month involved a delivery truck damaging an adjacent property's fence, with \$14,000 in claimed damages.

36. Sandhills' remaining aggregate bonding capacity is:

- A. \$3,000,000
- B. \$5,000,000
- C. \$8,000,000
- D. Insufficient information is provided to determine

37. Bonding the \$3,600,000 school project against the firm's remaining capacity is:

- A. Possible because performance and payment bonds do not count toward aggregate
- B. Not possible without increasing the bond program or freeing capacity from completed jobs
- C. Permissible because surety capacity refreshes automatically at quarter-end
- D. Permissible whenever the contract value is below the firm's reported net worth

38. The fence damage claim against Sandhills should be:

- A. Treated as a builder's risk claim under the active school project policy

- B. Submitted to the firm's CGL carrier as a third-party property damage claim
- C. Paid out of pocket because \$14,000 falls below standard CGL deductibles
- D. Disputed entirely as not a Sandhills responsibility under the contract

39. The builder's risk policy on the school project covers:

- A. Bodily injury to third parties occurring on the construction site
- B. The contractor's tools and equipment when not installed in the work
- C. The project itself — materials, work-in-place — against physical loss
- D. Subcontractor performance failures and resulting delay damages

40. When the school project reaches substantial completion, the builder's risk coverage:

- A. Continues automatically through the end of the warranty period
- B. Converts to a property policy benefiting the owner without action
- C. Renews for one additional year by default policy terms
- D. Is typically terminated per policy terms upon transition to owner's coverage

CLUSTER 9 (Q41–Q45) — Safety and Environmental Compliance

Scenario: Piedmont General Contractors is renovating a 1973 commercial building in Columbia, including roof replacement, asbestos abatement of identified popcorn ceiling material, and major site grading on 3.2 acres of disturbed land. A field laborer fell from a 7-foot scaffold and required emergency room stitches. OSHA was notified. The firm has 32 employees on the project.

41. The 1973 popcorn ceiling asbestos abatement must be conducted under:

- A. RCRA hazardous waste regulations administered by EPA
- B. CERCLA Superfund response regulations only

- C. NESHAP rules with 10-working-day prior notification to SC DHEC
- D. SC DHEC general construction permit conditions only

42. The 3.2-acre site disturbance requires Piedmont to:

- A. Obtain a Coastal Zone permit before any disturbance
- B. Submit only to the City of Columbia stormwater office
- C. Develop a SWPPP and submit NOI under the Construction General Permit
- D. Obtain a wetlands fill permit from the US Army Corps

43. The scaffold fall injury requiring emergency room stitches is:

- A. Recordable on OSHA Form 300 since medical treatment exceeded first aid
- B. Not recordable because no days away from work resulted from the fall
- C. Reportable only if the worker was hospitalized for more than 24 hours
- D. Reportable only because Piedmont employs more than 10 workers

44. OSHA Form 301 (incident report) must be completed within:

- A. 24 hours of the recordable injury
- B. 7 calendar days of the recordable injury
- C. 30 calendar days of the recordable injury
- D. 90 calendar days of the recordable injury

45. Under OSHA scaffold standards, fall protection (guardrails or equivalent) is required for scaffold platforms at or above:

- A. 10 feet above the lower level
- B. 6 feet above the lower level

- C. 8 feet above the lower level
- D. 4 feet above the lower level

CLUSTER 10 (Q46–Q50) — Business Management and Strategy

Scenario: Cypress Construction Group, an SC LLC owned by three partners with a 50/30/20 ownership split, generated \$12,000,000 in revenue last year with \$1,100,000 in net income. The firm has 48 employees and recently signed a \$2,800,000 commercial project that will represent 23 percent of next year's projected revenue. The partners are considering converting to an S corporation for tax planning and are reviewing a strategic plan to expand into the Charleston market.

46. The current SC LLC structure provides Cypress with:

- A. Pass-through taxation but personal liability for all business debts
- B. Corporate-level taxation and a personal liability shield for members
- C. Corporate-level taxation and pass-through losses to members
- D. Pass-through taxation and a personal liability shield for members

47. Converting from a partnership-taxed LLC to an S corporation primarily changes:

- A. The treatment of self-employment tax on the partners' shares of income
- B. The legal liability shield protecting members' personal assets
- C. The state of formation under SC statute for the business entity
- D. The federal employer identification number originally assigned

48. Concentration risk from one project representing 23 percent of next year's revenue is generally considered:

- A. Negligible because the project is under 30 percent of revenue

- B. Acceptable because all contractors face concentration in commercial work
- C. Material and warranting diversification and surety attention to performance
- D. Disqualifying for any contractor seeking bonding above \$1,000,000

49. Cypress's strategic plan to expand into the Charleston market should consider:

- A. Only the demographics and growth profile of the Charleston region
- B. Only the additional travel costs and available labor pool factors
- C. Only the competitive landscape and prevailing pricing structures
- D. Market opportunity, competition, operational capacity, and capital requirements

50. For ownership transitions in the future, a buy-sell agreement among the three partners primarily addresses:

- A. Daily management of the firm and decision-making authority allocation
- B. Tax treatment of partner distributions and capital account activity
- C. Disposition of a partner's interest on death, disability, retirement, or exit
- D. The firm's choice of state of formation under applicable corporate law

PRACTICE EXAM 10: ANSWER KEY AND EXPLANATIONS

- 1. C** — Review the sub's scope and capability before deciding. A 30 percent outlier nearly always signals missing scope, an unqualified bidder, or a misread of the bid documents; verification is the standard diligence step. Automatic acceptance, rejection, or averaging all skip the inquiry that protects the GC from a buyout failure.
- 2. D** — \$5,734,800. Sequential markup is $\$4,500,000 \times 1.18 = \$5,310,000$ for overhead, then $\$5,310,000 \times 1.08 = \$5,734,800$ with profit applied to the overhead-loaded cost. Applying overhead and profit separately on cost rather than sequentially understates the amount needed to achieve the target profit on the marked-up base.
- 3. C** — \$573,500. The bid bond face value is 10 percent of the bid price: $0.10 \times \$5,734,800 = \$573,480$, rounding to \$573,500. The bond is sized as a percentage of the bid amount itself, not the architect's pre-bid estimate or direct cost.
- 4. A** — The difference between the bid and the next-lowest responsive bid, up to the bond amount. A bid bond indemnifies the owner against the increased cost of awarding to the next bidder when the original bidder defaults pre-contract. The bond does not pay the full face value automatically — only the owner's actual measurable damages up to the bond amount.
- 5. A** — Correct the error and submit the revised bid before the deadline. Pre-submission correction is the clean fix when time permits, eliminating the loss without raising any rescission issues. Submitting with the error and absorbing the loss is unnecessary; withdrawing forfeits the opportunity; post-submission rescission is uncertain and depends on the type of mistake.
- 6. B** — The contract's force majeure clause and the documented daily reports. Weather-based time extensions arise from the contractual force majeure provision supported by contemporaneous documentation proving severity and impact. No general SC common law entitlement to weather relief exists outside the contract; OSHA and architect discretion are not the basis for time relief.
- 7. D** — A price adjustment and a time extension matching the critical-path impact. Owner-directed scope additions that affect the critical path mandate both monetary and schedule relief in proportion to the impact. Granting only price relief or making time relief discretionary misallocates the additional duration the contractor cannot otherwise absorb.
- 8. B** — 21 days. AIA A201 establishes a 21-day notice-of-claim window from the event or first recognition of the claim. Apex's 12-day submission satisfied this requirement; missing the 21-day deadline can waive the claim under the express contract terms.
- 9. C** — Proper because lien waivers protect against unpaid-lien claims on the property. Standard AIA pay applications require lien waivers from subs and suppliers as a condition of payment, and the architect's certification depends on the waivers being current. Without them, the GC and owner remain exposed to lien claims on amounts already paid forward.

10. C — \$50,000. Liquidated damages accrue per day at the stipulated rate: $20 \text{ days} \times \$2,500 = \$50,000$. The clause is enforceable as a reasonable forecast of actual harm at the time of contract formation, and the daily rate applies as written.

11. A — Overrunning budget relative to physical progress. 35 percent budget consumed for 30 percent physical completion indicates the cost rate is outpacing the production rate, the classic signature of a budget overrun in progress. Identifying this variance early allows corrective action before the overrun consolidates.

12. D — Crash remaining critical activities by adding labor or shifts. Crashing directly compresses critical-path duration through resource intensification, which is the canonical schedule-recovery technique when time recovery is the goal. Adding scope, slowing non-critical work, and no-cost time extensions do not actually recover lost critical-path days.

13. A — Earliest start and earliest finish dates for each activity. The forward pass moves through the network in dependency order to establish how early each activity can begin and end. The backward pass establishes latest dates; float and the critical path emerge from the comparison of the two passes.

14. D — 315 days. Summing the critical-path activity durations: $45 + 30 + 60 + 75 + 45 + 60 = 315$ days. The critical path equals the longest sequence of dependent activities, which sets the minimum project duration.

15. B — A cost-benefit comparison of acceleration cost versus avoided LDs and risk. Schedule-acceleration decisions are economic: spending \$180,000 to avoid \$250,000 in LDs plus reputational and bonding-capacity benefits is positive expected value. CPM and architect or surety opinions inform the analysis but do not replace the economic comparison.

16. C — June 13, 2026. The SC mechanic's lien must be filed within 90 days of last work or material delivery: March 15 plus 90 days equals June 13, 2026. The deadline is strict; filing on or before June 13 preserves the lien right, and even one day late permanently extinguishes it.

17. D — A Statement of Account and Lien with the county clerk where the property is located. SC Code Title 29 Chapter 5 requires the lien filing in the county where the real property sits, since the lien attaches to that property. SCDOR, magistrate court, and federal court are inappropriate venues for the perfection step.

18. B — 6 months of filing. After filing, the lienor must commence enforcement by suit within six months or the lien dissolves automatically by statute. The 90-day filing deadline and the 6-month enforcement deadline are both strict; missing either kills the lien permanently.

19. A — Generally not a defense against a sub's mechanic's lien for unpaid sub work. In SC, a sub's lien arises from the labor and materials it furnished, not from the GC's payment status with the owner. An owner who paid the GC bears the risk of the GC's nonpayment downstream and must look to the GC and the bond for recourse.

20. D — File a lien release bond with the clerk of court to transfer the lien to the bond. Bonding off is the legal mechanism that substitutes the bond for the property as security, clearing title for sale or refinancing while the dispute is litigated against the bond. Waiting, counter-suing, or paying under protest are slower or financially worse alternatives.

21. B — \$1,144. FLSA overtime is required for hours over 40 at 1.5 times the regular rate: $40 \times \$22 = \880 straight time, plus $8 \times \$33 = \264 overtime premium, total \$1,144. Misclassifying nonexempt workers as exempt or paying straight time for all 48 hours violates the FLSA and triggers back-pay liability.

22. A — Complete Section 2 immediately using the current date with a note explaining the delay. Late but truthful compliance is the proper remediation; backdating is fraud, termination creates greater liability, and continued delay extends the violation. The note documenting the delay is essential for the I-9 audit trail.

23. D — The federal E-Verify program, regardless of the firm's size. SC mandates E-Verify use for all employers with no minimum threshold, distinguishing SC from many other states that exempt smaller employers. Other verification mechanisms do not satisfy the SC requirement.

24. A — Has four or more employees, triggering the SC WC requirement. SC requires workers compensation coverage at four or more employees; Lowcountry's eight employees exceeds the threshold. The OSHA threshold referenced in another option does not exist for WC requirements; WC is a state-level mandate.

25. C — Form 941 quarterly filings, payroll registers, and supporting time records. A SCDOR payroll audit examines whether wages were properly classified, withheld, and reported, which requires the quarterly returns, detailed payroll registers, and time documentation tying hours to wages. W-2s and W-3s alone are insufficient; the general ledger does not show payroll detail.

26. D — \$700,000. Working capital equals current assets minus current liabilities: $\$1,800,000 - \$1,100,000 = \$700,000$. Positive working capital indicates short-term liquidity sufficient to meet obligations as they come due.

27. B — 1.64. The current ratio equals current assets divided by current liabilities: $\$1,800,000 \div \$1,100,000 = 1.636$, rounded to 1.64. A current ratio above 1.0 indicates short-term assets exceed short-term obligations, with construction industry norms often suggesting 1.5 or higher.

28. B — \$135,000 underbilled. Net underbilling equals total underbilling minus overbilling: $\$220,000 - \$85,000 = \$135,000$ net underbilled. Underbilling depresses near-term cash flow because earned revenue has not been billed and collected.

29. C — Accelerate billing on the underbilled jobs to align with earned revenue. The accounting is correct (POC recognizes revenue as earned); the operational issue is billing lag, which is fixed by accelerating billing to match earned revenue. Adjusting revenue or deferring earned revenue would misrepresent the financial statements.

30. B — The Three C's framework — Capital, Capacity, and Character. Surety underwriting evaluates Capital (financial strength), Capacity (ability to perform), and Character (integrity and track record) in an integrated analysis rather than a single ratio or formulaic multiplier.

31. D — The \$14,500 payment to the independent surveyor requires 1099-NEC. Form 1099-NEC is required for payments of \$600 or more to independent contractors who are individuals or sole proprietors; payments to incorporated firms (like the architectural firm) are generally exempt from 1099 reporting outside specific categories.

32. C — January 31 of the year following the payment year. Form 1099-NEC has a January 31 filing deadline to both the IRS and the contractor, regardless of paper or electronic filing. The February 28 deadline applies to certain other 1099 forms but not to 1099-NEC.

33. A — Self-report and remit SC use tax through the SCDOR MyDORWAY portal. SC use tax applies to out-of-state purchases when SC sales tax was not collected at the source; the contractor as end consumer must self-remit through MyDORWAY. Waiting for SCDOR billing is non-compliant and audit-detected.

34. D — Federal income tax withholding plus employee and employer FICA. Form 941 reports the full quarterly payroll tax picture: federal income tax withheld from employees and both halves of Social Security and Medicare (employee withholding and employer matching). Reporting only one component understates the liability and produces filing errors.

35. B — April 30. Form 941 is due the last day of the month following each quarter end. For the Q1 ending March 31, the filing deadline is April 30. No extension is available, and late filing triggers automatic IRS penalties.

36. A — \$3,000,000. Remaining aggregate bonding capacity equals total aggregate minus committed: $\$8,000,000 - \$5,000,000 = \$3,000,000$. Active project commitments reduce capacity until those projects close and reporting is updated by the surety.

37. B — Not possible without increasing the bond program or freeing capacity. The \$3.6M project exceeds the remaining \$3M capacity, requiring either an increased program (which involves new underwriting) or releasing capacity from completed jobs. Bond capacity does not refresh automatically; bond commitments count toward aggregate until released.

38. B — Submitted to the firm's CGL carrier as a third-party property damage claim. The fence damage is third-party property damage caused by Sandhills' operations — the classic CGL claim scenario. Builder's risk covers the project itself, not third-party property; the CGL response is the correct path.

39. C — The project itself — materials, work-in-place — against physical loss. Builder's risk is a project property policy covering the physical work and materials during construction, distinct from CGL (third-party liability) and surety bonds (performance guarantees). Coverage typically ends at substantial completion or owner occupancy.

- 40. D** — Is typically terminated per policy terms upon transition to owner's coverage. Builder's risk policies generally terminate at substantial completion, and the owner's permanent property insurance takes over for the completed structure. Coordinating these transitions is essential to avoid uninsured gaps.
- 41. C** — NESHAP rules with 10-working-day prior notification to SC DHEC. Friable asbestos abatement in regulated facilities is governed by NESHAP, which requires the 10-working-day prior notification submitted to SC DHEC as the delegated agency. The notification must precede the work, not follow it.
- 42. C** — Develop a SWPPP and submit NOI under the Construction General Permit. Construction activities disturbing 1 acre or more trigger CGP coverage under the federal Clean Water Act NPDES program, administered in SC by DHEC. The 3.2-acre site disturbance clearly exceeds the threshold.
- 43. A** — Recordable on Form 300 since medical treatment exceeded first aid. Stitches are medical treatment beyond first aid, which is one of the explicit OSHA recordable criteria. Days away from work, hospitalization, and firm size are separate considerations that do not override the medical-treatment threshold.
- 44. B** — 7 calendar days of the recordable injury. OSHA Form 301 incident report and Form 300 log entry must both be completed within 7 calendar days of learning of the recordable injury. The Form 300A annual posting is a separate February 1 through April 30 requirement.
- 45. A** — 10 feet above the lower level. OSHA scaffold standards (29 CFR 1926 Subpart L) require guardrails or equivalent fall protection on scaffold platforms 10 feet or more above the lower level. The 6-foot threshold applies to general construction fall protection, not specifically to scaffolds.
- 46. D** — Pass-through taxation and a personal liability shield for members. An SC LLC is a hybrid structure providing the limited liability of a corporation with pass-through tax treatment (default partnership taxation for multi-member LLCs). This combination is the primary reason most small construction firms choose the LLC form.
- 47. A** — The treatment of self-employment tax on the partners' shares of income. S corporation election allows partners to take a reasonable salary subject to FICA and treat remaining distributions as not subject to self-employment tax, generating potential tax savings. The legal liability shield, state of formation, and EIN are unaffected by the tax election.
- 48. C** — Material and warranting diversification and surety attention to performance. Concentration of 23 percent of revenue in one project is a meaningful risk concentration that draws surety scrutiny and warrants diversification efforts. Sureties evaluate concentration as part of capacity analysis because failure of a large concentrated project can imperil the firm.
- 49. D** — Market opportunity, competition, operational capacity, and capital requirements. Strategic geographic expansion requires integrated analysis across market potential, competitive position, internal capabilities, and the financial resources to enter and compete. Single-dimension analysis omits critical factors that determine success.

50. C — Disposition of a partner's interest on death, disability, retirement, or exit. Buy-sell agreements govern what happens to ownership when triggering events occur, providing valuation mechanisms, funding (often through insurance), and orderly transition rules. Daily management, tax distributions, and state of formation are addressed in other documents.