

PRACTICE EXAM 13 — QUESTIONS 1-50

Format: Compare/Contrast Pair Questions — each item presents two paired but distinct concepts, clauses, regulations, or instruments. Select the option that correctly distinguishes them or accurately captures the relationship between them.

1. Compare markup and margin. Which statement correctly distinguishes them?

- A. Markup and margin are mathematically identical and always produce the same numerical result
- B. Markup is profit divided by cost; margin is profit divided by sale price
- C. Markup includes overhead while margin includes only profit on direct cost
- D. Margin is always larger than the equivalent markup for any given sale price

2. Compare a "pay-if-paid" clause and a "pay-when-paid" clause. Which statement correctly distinguishes them?

- A. They have identical legal effect in all jurisdictions and are interpreted the same way
- B. Pay-when-paid creates a condition precedent to payment; pay-if-paid creates only a timing delay
- C. Both clauses are unenforceable in South Carolina construction contracts
- D. Pay-if-paid generally creates a condition precedent to payment; pay-when-paid generally creates only a timing delay

3. Compare the South Carolina mechanic's lien filing deadline and the lien enforcement deadline. Which statement correctly states both?

- A. 60 days for filing; 6 months for enforcement
- B. 90 days for filing; 6 months for enforcement
- C. 90 days for filing; 12 months for enforcement
- D. 60 days for filing; 12 months for enforcement

4. Compare the forward pass and backward pass in critical path method scheduling. Which statement correctly distinguishes them?

- A. Forward pass calculates earliest start/finish dates; backward pass calculates latest start/finish dates
- B. Forward pass calculates latest start/finish dates; backward pass calculates earliest start/finish dates
- C. Both passes calculate total float through identical procedures and inputs
- D. Forward pass identifies the critical path itself; backward pass identifies free float values

5. Compare builder's risk insurance and commercial general liability insurance. Which statement correctly distinguishes them?

- A. Builder's risk covers third-party liability; CGL covers the project itself and work-in-place
- B. Builder's risk covers the project itself and work-in-place; CGL covers third-party liability
- C. Both coverages address the same risks but at different policy limits
- D. Builder's risk applies only post-occupancy; CGL applies only during construction

6. Compare South Carolina sales tax and South Carolina use tax. Which statement correctly distinguishes them?

- A. Sales tax and use tax apply at different statutory rates in SC
- B. Sales tax applies only to services performed; use tax applies only to goods purchased
- C. Sales tax is self-reported by the buyer; use tax is collected by the seller at point of sale
- D. Sales tax is collected by the SC seller at point of sale; use tax is self-reported on out-of-state purchases

7. Compare exempt and nonexempt employee classification under the Fair Labor Standards Act. Which statement correctly distinguishes them?

- A. Exempt employees are not entitled to overtime; nonexempt employees receive 1.5x rate for hours over 40
- B. Exempt employees are entitled to overtime; nonexempt employees are paid straight time only
- C. The distinction depends solely on the employee's hourly wage rate, not duties
- D. Both classifications receive overtime at 1.5x rate for hours worked above 40 per week

8. Compare a lump sum contract and a cost-plus contract. Which statement correctly distinguishes them?

- A. Lump sum fixes the total price for defined scope; cost-plus reimburses actual costs plus a fee
- B. Lump sum is used for uncertain quantities; cost-plus is used for fully defined scope
- C. Both contract types allocate quantity risk identically to the owner
- D. Lump sum is preferred for emergency repair work; cost-plus is preferred for new construction

9. Compare substantial completion and final completion under AIA A201. Which statement correctly distinguishes them?

- A. Substantial completion requires all punch list items finished; final completion is owner occupancy
- B. Both terms are interchangeable in standard construction contract practice
- C. Substantial completion is beneficial use with minor punch list remaining; final completion is when all items are finished
- D. Substantial completion is triggered only by owner certification; final completion triggers the start of warranty

10. Compare the SC mechanic's lien filing requirement and the SC contractor licensing requirement. Which statement correctly distinguishes them?

- A. Both requirements are administered by the same South Carolina agency
- B. The lien is filed with the county clerk where the property is located; the license is issued by the SC Contractor's Licensing Board
- C. The lien is issued by SCDOR; the license is filed with the county clerk
- D. Both requirements have identical statutory deadlines under SC Code Title 40

11. Compare PERT and the Critical Path Method. Which statement correctly distinguishes them?

- A. PERT and CPM are identical methods using the same calculation procedures
- B. PERT calculates the critical path; CPM calculates only project cost variances
- C. PERT uses deterministic single estimates; CPM uses probabilistic three-point estimates
- D. PERT uses three time estimates weighted as $(O + 4M + P) \div 6$; CPM uses a single deterministic duration per activity

12. Compare direct cost and indirect cost (overhead). Which statement correctly distinguishes them?

- A. Both categories are recovered through the same single markup factor in bids
- B. Direct costs are job-specific (labor, materials, equipment); indirect costs are firm-wide overhead allocated to projects
- C. Direct costs are general overhead; indirect costs are project-specific labor and materials
- D. Both terms refer to the same line items in the project budget under different names

13. Compare liquidated damages and actual damages. Which statement correctly distinguishes them?

- A. Both require post-event proof of the actual loss amount to be recovered by the harmed party
- B. Liquidated damages are awarded by a court; actual damages are pre-stipulated in the contract
- C. Both types are categorically unenforceable in South Carolina construction contracts
- D. Liquidated damages are pre-stipulated daily amounts in the contract; actual damages must be proven by the harmed party

14. Compare a performance bond and a payment bond. Which statement correctly distinguishes them?

- A. Performance bonds protect the owner from contractor non-completion; payment bonds protect subs and suppliers from non-payment
- B. Both bonds protect only the project owner and exclude lower-tier parties
- C. Performance bonds protect subcontractors; payment bonds protect the project owner
- D. Both bonds combine to protect the surety from contractor default events

15. Compare IRS Form 941 and IRS Form 940. Which statement correctly distinguishes them?

- A. Both forms are filed quarterly to report federal payroll taxes by the employer
- B. Form 941 reports state-level payroll taxes; Form 940 reports federal payroll taxes
- C. Form 941 is annual FUTA; Form 940 is quarterly FICA and income tax withholding
- D. Form 941 is quarterly federal income tax and FICA withholding; Form 940 is annual FUTA

16. Compare NESHAP and NPDES. Which statement correctly distinguishes them?

- A. Both programs address the same pollutant categories under the federal Clean Air Act
- B. NESHAP addresses hazardous air pollutants (including asbestos abatement); NPDES addresses water discharges (including stormwater)
- C. NESHAP governs stormwater discharges; NPDES governs asbestos abatement notifications
- D. Both programs apply only to industrial facilities and never to construction sites

17. Compare a bid bond and a performance bond. Which statement correctly distinguishes them?

- A. Both bonds apply only after the construction contract has been executed
- B. Bid bonds are typically 100 percent of the bid; performance bonds are typically 5 to 10 percent
- C. Bid bond protects the owner from bidder default pre-contract; performance bond protects the owner from contractor non-completion
- D. Both bonds are paid by the owner as a separate line item project cost

18. Compare cash basis and accrual basis accounting. Which statement correctly distinguishes them?

- A. Cash basis recognizes revenue when cash is received; accrual basis recognizes revenue when earned regardless of cash receipt

- B. Both methods produce identical reported revenue figures in any given period
- C. Cash basis is required for all construction contracts under GAAP; accrual is optional
- D. Accrual basis recognizes revenue only at substantial completion of construction contracts

19. Compare Form I-9 Section 1 and Section 2. Which statement correctly distinguishes them?

- A. Both sections are completed entirely by the employee on the first day of work
- B. Section 1 is completed by the employer; Section 2 is completed by the employee
- C. Section 1 is completed by the employee on or before first day; Section 2 by the employer within 3 business days
- D. Both sections must be completed within 7 calendar days of the start of employment

20. Compare termination for cause and termination for convenience. Which statement correctly distinguishes them?

- A. For cause requires contractor breach plus notice and cure period; for convenience allows owner termination without contractor fault, typically with compensation
- B. Both terminations require the same notice and cure period procedures under AIA A201
- C. For cause provides the contractor with full compensation; for convenience provides none
- D. For cause is unilateral by the owner; for convenience requires bilateral negotiation and signature

21. Compare crashing and fast-tracking as schedule recovery techniques. Which statement correctly distinguishes them?

- A. Both techniques add resources to critical-path activities to compress duration

- B. Crashing overlaps sequential design and construction; fast-tracking adds resources
- C. Crashing adds resources to critical activities to shorten duration; fast-tracking overlaps sequential phases such as design and construction
- D. Both techniques reduce overall project scope to achieve a faster completion date

22. Compare hard costs and soft costs in construction development. Which statement correctly distinguishes them?

- A. Hard costs are non-physical development costs; soft costs are physical construction expenses
- B. Both categories are budgeted together as a single combined development line item
- C. Hard costs include permits and insurance; soft costs include labor and materials
- D. Hard costs are direct physical construction costs (labor, materials, equipment); soft costs are non-physical (design fees, permits, financing)

23. Compare AIA Document A101 and AIA Document A201. Which statement correctly distinguishes them?

- A. Both documents are the same form with different revision dates only
- B. A101 is the General Conditions; A201 is the Standard Form of Agreement
- C. A101 is the contractor-subcontractor agreement; A201 is the owner-contractor agreement
- D. A101 is the Standard Form of Agreement Between Owner and Contractor; A201 is the General Conditions of the Contract for Construction

24. Compare overbilling and underbilling on a WIP report. Which statement correctly distinguishes them?

- A. Both positions reflect the same underlying accounting issue measured differently
- B. Overbilling means billed amount exceeds earned revenue; underbilling means earned revenue exceeds billed amount
- C. Overbilling means earned revenue exceeds billed amount; underbilling means billed exceeds earned
- D. Both positions must be reconciled to zero before each pay application is submitted

25. Compare filing a SC mechanic's lien and enforcing a SC mechanic's lien. Which statement correctly distinguishes them?

- A. Filing is recording the Statement of Account with the clerk within 90 days; enforcing is commencing suit within 6 months of filing
- B. Both procedural steps must be completed within 90 days of last work or material delivery
- C. Filing is the commencement of enforcement suit; enforcing is the recording with the county clerk
- D. Both steps share the same 12-month statutory deadline from the date of last work

26. Compare a Request for Information and a change order. Which statement correctly distinguishes them?

- A. Both documents modify the contract scope and the contract price simultaneously
- B. An RFI clarifies ambiguous document items; a change order modifies contract scope, price, or time
- C. An RFI requires a signed change order to be issued before the question can be asked
- D. Both documents require architect certification before contractor performance can proceed

27. Compare a named insured and an additional insured on an insurance policy. Which statement correctly distinguishes them?

- A. Both designations confer identical coverage rights under the policy without limitation
- B. A named insured is added by endorsement; an additional insured holds the policy in their name
- C. A named insured holds the policy in their name; an additional insured is added by endorsement and typically has narrower coverage
- D. An additional insured is the primary coverage holder; a named insured is added as a beneficiary

28. Compare total float and free float in CPM scheduling. Which statement correctly distinguishes them?

- A. Both float types apply only to non-critical activities and equal each other in all cases
- B. Total float applies to the successor activity; free float applies to project completion
- C. Total float is the delay possible without delaying project completion; free float is the delay possible without delaying the immediate successor
- D. Free float is always larger than total float for any given activity in the network

29. Compare open bidding and sealed bidding procurement procedures. Which statement correctly distinguishes them?

- A. Open bidding is rolling submission without a fixed deadline; sealed bidding requires confidential submission opened publicly at a fixed deadline
- B. Open bidding is the SC standard for public projects; sealed bidding is for private projects only
- C. Open bidding requires sealed envelopes; sealed bidding involves publicly disclosed numbers throughout
- D. Both procurement processes have identical procedures, deadlines, and transparency rules

30. Compare an SC contractor's treatment as end consumer versus as retailer for sales tax purposes. Which statement correctly captures the rule?

- A. SC contractors are retailers who collect sales tax from customers on installed construction materials
- B. SC contractors are end consumers — they pay sales tax to suppliers; they do not collect from customers on installed work
- C. Both treatments apply equally — contractors both collect at point of sale AND pay tax to suppliers
- D. SC contractors are exempt from sales tax entirely under SC Code provisions

31. Compare mediation and arbitration. Which statement correctly distinguishes them?

- A. Both processes are binding and adjudicate the dispute through identical procedures
- B. Mediation is binding adjudication; arbitration is non-binding facilitated negotiation
- C. Both processes require court approval before initiation by the parties
- D. Mediation is non-binding facilitated negotiation by a neutral; arbitration is binding adjudication by chosen arbitrators

32. Compare a unit-price contract and a lump sum contract. Which statement correctly distinguishes them?

- A. Both contract types fix the total price at the time of bid for the defined scope
- B. Unit-price contracts fix the total; lump sum contracts price by quantity multiplied by unit rate
- C. Both pricing approaches transfer the same quantity-risk allocation to the project owner
- D. Unit-price prices each item by quantity multiplied by unit rate (for uncertain quantities); lump sum fixes total price for defined scope

33. Compare filing a mechanic's lien and bonding off a recorded mechanic's lien. Which statement correctly distinguishes them?

- A. Both actions are taken by the same party — the lienor — at different stages of the dispute
- B. Filing is the lienor's act to perfect rights against the property; bonding off is the owner's act to substitute a bond and clear title
- C. Both actions terminate the underlying lien claim entirely upon completion
- D. Filing transfers the lien to a bond; bonding off attaches the lien to the property

34. Compare Notice to Proceed and Substantial Completion as project milestones. Which statement correctly distinguishes them?

- A. Both terms mark the same project milestone at the start of physical construction
- B. Notice to Proceed marks punch list completion; substantial completion marks contract execution
- C. Notice to Proceed is the owner's authorization to begin work; substantial completion is when work is sufficient for the owner's beneficial use
- D. Both terms apply only to government projects and are not used on private commercial work

35. Compare the Initial Decision Maker function and the architect's certification of pay applications under AIA A201. Which statement correctly distinguishes them?

- A. Both functions are dispute-resolution mechanisms triggered only after failed mediation
- B. Both functions are performed by the IDM separately from the architect of record
- C. The IDM certifies pay applications; the architect resolves contract disputes between parties
- D. The IDM is the first-stop dispute mechanism under AIA A201; the architect's certification on pay apps is a payment prerequisite, not a dispute resolution mechanism

36. Compare contingency and profit margin in a bid. Which statement correctly distinguishes them?

- A. Both items are recovered through the same markup factor and serve the same financial function
- B. Contingency is the firm's earnings; profit margin is the allowance for unknown risks
- C. Contingency is a set-aside for uncertainty and unknown risks; profit margin is the firm's earnings on the work
- D. Both items are excluded from the contract price under standard construction practice

37. Compare an "or equal" specification and a sole-source specification. Which statement correctly distinguishes them?

- A. "Or equal" identifies a brand but allows substitution of equivalent products; sole-source requires the named brand specifically with no substitution
- B. Both specification types require the named brand with no substitution allowed by the contractor
- C. "Or equal" requires the named brand; sole-source allows any equivalent product chosen by the contractor
- D. Both specification types allow contractor substitution at the contractor's sole discretion

38. Compare a performance bond and builder's risk insurance. Which statement correctly distinguishes them?

- A. Both instruments cover the same risk types and are interchangeable in the contractor's risk program
- B. Both instruments are issued by insurance carriers and serve identical risk-transfer functions
- C. Performance bond covers project physical damage; builder's risk covers contractor non-completion
- D. Performance bond is a surety guarantee of contractor completion (financial guarantee); builder's risk is property insurance covering physical loss to the project

39. Compare a Schedule of Values and a project schedule of activities. Which statement correctly distinguishes them?

- A. Both schedules are identical documents serving the same project-management purpose
- B. The SOV is the project's time-based plan; the schedule of activities lists pay line items
- C. The SOV is a breakdown of contract price by pay line items; the schedule of activities is the time-based project plan
- D. Both schedules are part of the architect's certification packet rather than contractor-prepared documents

40. Compare FICA and FUTA payroll taxes. Which statement correctly distinguishes them?

- A. Both taxes are paid only by employees with no employer matching contribution
- B. FICA is federal unemployment tax; FUTA is Social Security and Medicare combined
- C. FICA is Social Security and Medicare combined at 15.3 percent; FUTA is federal unemployment at 0.6 percent net effective on the first \$7,000 of wages
- D. Both taxes are paid only by employers with no employee withholding requirement

41. Compare a force majeure clause and a no-damage-for-delay clause. Which statement correctly distinguishes them?

- A. Force majeure excuses performance for events beyond a party's control and may grant time relief; no-damage-for-delay limits the contractor's monetary recovery for delays
- B. Both clauses provide identical relief to the contractor for any project delay event
- C. Force majeure limits monetary recovery; no-damage-for-delay grants automatic time extensions
- D. Both clauses are categorically unenforceable under South Carolina construction law

42. Compare direct cost and bid price. Which statement correctly distinguishes them?

- A. Both terms are interchangeable in construction bidding terminology
- B. Bid price is direct cost only; overhead and profit are added separately by the owner
- C. Direct cost is the total expense of executing the work; bid price is direct cost plus overhead, profit, and contingency
- D. Both items must be disclosed separately on the public bid form under SC procurement law

43. Compare bonding off a lien and a quiet title action. Which statement correctly distinguishes them?

- A. Bonding off transfers the lien from the property to a release bond; a quiet title action is a court proceeding to settle competing property claims
- B. Both procedures are filed only with the SC Department of Revenue for resolution
- C. Bonding off requires court approval; quiet title is filed administratively with the clerk
- D. Both procedures dissolve the underlying lien claim entirely upon completion

44. Compare a SWPPP (Stormwater Pollution Prevention Plan) and an SPCC plan (Spill Prevention, Control, and Countermeasure). Which statement correctly distinguishes them?

- A. Both plans address only construction site stormwater management under the Clean Water Act
- B. SWPPP addresses oil spill prevention; SPCC addresses construction site stormwater
- C. SWPPP addresses stormwater discharges from construction sites; SPCC addresses oil spill prevention at facilities with significant petroleum storage
- D. Both plans require monthly inspections and quarterly reporting to SCDOR

45. Compare a pay application and a lien waiver. Which statement correctly distinguishes them?

- A. Both documents are identical in form and submitted as a single package to the architect
- B. A pay application is the contractor's request for payment for work performed; a lien waiver releases lien rights for amounts received
- C. A pay application releases lien rights; a lien waiver requests payment for the work performed
- D. Both documents are required only at final completion of the project, not during construction

46. Compare punch list items and defective work. Which statement correctly distinguishes them?

- A. Both terms refer to the same items handled identically by the contractor under contract
- B. Punch list items are warranty-period defects; defective work is identified at substantial completion only
- C. Both items are governed solely by the architect's discretionary decisions during construction
- D. Punch list items are minor incomplete or non-conforming items identified at substantial completion; defective work is non-conforming work covered by warranty regardless of when discovered

47. Compare the SC E-Verify requirement and the SC Workers Compensation coverage requirement. Which statement correctly distinguishes them?

- A. Both requirements apply to all SC employers regardless of firm size
- B. SC E-Verify applies to all employers regardless of size; SC WC coverage is required at four or more employees
- C. SC E-Verify requires ten or more employees; SC WC coverage applies to all employers
- D. Both requirements are administered by the same SC state agency

48. Compare a surety bond and an insurance policy. Which statement correctly distinguishes them?

- A. Both instruments are identical risk-transfer mechanisms with the same parties and procedures
- B. A bond is a two-party risk transfer; insurance is a three-party guarantee with recovery rights
- C. Both instruments allow the issuer to pursue recovery from the policyholder after a claim is paid
- D. A bond is a three-party guarantee where the surety can pursue recovery from the principal after paying a claim; insurance is a two-party risk transfer where the carrier absorbs the loss

49. Compare a balance sheet and an income statement. Which statement correctly distinguishes them?

- A. Both statements report the same items at different points in time during the fiscal year
- B. The balance sheet reports assets, liabilities, and equity at a point in time; the income statement reports revenue and expenses over a period
- C. The balance sheet reports revenue and expenses; the income statement reports assets and liabilities
- D. Both statements are required annually for SC contractors but not on a quarterly basis

50. Compare a bid bond and bid security (other than a bond, such as a certified check). Which statement correctly distinguishes them?

- A. A bid bond is a surety bond issued by a licensed surety company; bid security is the broader category that can include a bid bond, certified check, or other guarantee depending on bid specifications
- B. Both terms are interchangeable and refer only to certified checks deposited with the owner
- C. The bid bond is the broader category; bid security refers only to a specific surety bond instrument
- D. Both forms must be issued by an SC-licensed bank rather than a surety company

PRACTICE EXAM 13: ANSWER KEY AND EXPLANATIONS

- 1. B** — Markup is profit divided by cost; margin is profit divided by sale price. These two pricing metrics are mathematically distinct: a 25 percent markup on cost yields only a 20 percent margin on sale price. Confusing the two is a common contractor pricing error that systematically under-recovers profit when margin is intended.
- 2. D** — Pay-if-paid generally creates a condition precedent to payment; pay-when-paid generally creates only a timing delay. The two clauses have distinct legal effects despite similar wording: pay-if-paid can permanently bar payment if the owner never pays, while pay-when-paid only delays payment timing. Many jurisdictions enforce these clauses differently.
- 3. B** — 90 days for filing; 6 months for enforcement. SC Code Title 29 Chapter 5 requires the mechanic's lien to be filed within 90 days of last work and enforced by suit within 6 months of the filing date. Both deadlines are strict and missing either permanently extinguishes the lien.
- 4. A** — Forward pass calculates earliest start/finish dates; backward pass calculates latest start/finish dates. The two passes through a CPM network establish the early and late date pairs; total float and the critical path emerge from comparing them. Free float is a derived value, not a primary calculation.
- 5. B** — Builder's risk covers the project itself and work-in-place; CGL covers third-party liability. Builder's risk is project property insurance for materials and the work under construction; CGL is liability insurance for bodily injury and property damage to third parties. Coordinating both coverages closes typical construction risk gaps.
- 6. D** — Sales tax is collected by the SC seller at point of sale; use tax is self-reported on out-of-state purchases. Both taxes operate at the same rate but on different triggers: sales tax applies in-state with the seller collecting, while use tax applies to out-of-state purchases with the buyer self-remitting through MyDORWAY.
- 7. A** — Exempt employees are not entitled to overtime; nonexempt employees receive 1.5x rate for hours over 40. The FLSA classification turns on duties and salary tests, not just hourly rate. Misclassifying nonexempt workers as exempt is the most common FLSA violation and triggers back-pay liability.
- 8. A** — Lump sum fixes the total price for defined scope; cost-plus reimburses actual costs plus a fee. The two contract types allocate risk differently: lump sum places quantity, productivity, and execution risk on the contractor, while cost-plus transfers most cost risk to the owner with the contractor receiving a fee for service.
- 9. C** — Substantial completion is beneficial use with minor punch list remaining; final completion is when all items are finished. Substantial completion triggers warranty start, retainage release timing, and risk shift to the owner; final completion follows after all punch list items are completed and closeout documents delivered.

10. B — The lien is filed with the county clerk where the property is located; the license is issued by the SC Contractor's Licensing Board. The two requirements are administered by entirely different bodies under different statutory chapters — Title 29 governs liens, Title 40 governs licensing.

11. D — PERT uses three time estimates weighted as $(O + 4M + P) \div 6$; CPM uses a single deterministic duration per activity. PERT incorporates uncertainty in activity durations through the weighted formula, while CPM treats durations as known fixed values. The two methods are complementary but distinct.

12. B — Direct costs are job-specific (labor, materials, equipment); indirect costs are firm-wide overhead allocated to projects. Direct costs are traceable to the specific job; indirect costs (overhead) are recovered through markup that distributes general firm expenses across all projects.

13. D — Liquidated damages are pre-stipulated daily amounts in the contract; actual damages must be proven by the harmed party. LDs enforce automatically at the agreed rate when triggering events occur, while actual damages require post-event proof of the specific loss amount in litigation.

14. A — Performance bonds protect the owner from contractor non-completion; payment bonds protect subs and suppliers from non-payment. The two bonds typically run together at 100 percent of contract value, but they protect different parties against different defaults. Sureties issue both as a coordinated package.

15. D — Form 941 is quarterly federal income tax and FICA withholding; Form 940 is annual FUTA. The two forms cover different federal payroll tax obligations on different filing cycles: 941 is quarterly and reports the bulk of withholdings, while 940 is filed annually for federal unemployment tax.

16. B — NESHAP addresses hazardous air pollutants (including asbestos abatement); NPDES addresses water discharges (including stormwater). The two programs operate under different federal statutes — Clean Air Act for NESHAP, Clean Water Act for NPDES — and apply to different pollutant categories.

17. C — Bid bond protects the owner from bidder default pre-contract; performance bond protects the owner from contractor non-completion. The two bonds operate at sequential project stages: bid bonds at the procurement stage, performance bonds during construction execution. Both protect the owner but at different times against different defaults.

18. A — Cash basis recognizes revenue when cash is received; accrual basis recognizes revenue when earned regardless of cash receipt. Construction firms typically use accrual (specifically percentage-of-completion) because long-term contracts span multiple periods and cash flow does not reflect work earned.

19. C — Section 1 is completed by the employee on or before first day; Section 2 by the employer within 3 business days. The two-section structure separates employee attestation from employer document verification, with strict federal deadlines for each.

20. A — For cause requires contractor breach plus notice and cure period; for convenience allows owner termination without fault, typically with compensation. The two termination pathways have distinct triggers and remedies: for cause requires demonstrated default with cure opportunity, while for convenience requires no fault but typically includes compensation.

- 21. C** — Crashing adds resources to critical activities to shorten duration; fast-tracking overlaps sequential phases such as design and construction. The two techniques achieve schedule compression through different mechanisms: crashing through resource intensity, fast-tracking through sequence overlap.
- 22. D** — Hard costs are direct physical construction costs (labor, materials, equipment); soft costs are non-physical (design fees, permits, financing). The distinction matters in development pro formas because the two categories have different risk profiles and funding sources.
- 23. D** — A101 is the Standard Form of Agreement Between Owner and Contractor; A201 is the General Conditions of the Contract for Construction. The two AIA documents work together — A101 is the executable agreement, while A201 contains the substantive contract terms incorporated by reference.
- 24. B** — Overbilling means billed amount exceeds earned revenue; underbilling means earned revenue exceeds billed amount. The WIP report tracks both positions per job: overbilling represents a future liability to perform work for amounts already collected; underbilling represents earned but uncollected revenue.
- 25. A** — Filing is recording the Statement of Account with the clerk within 90 days; enforcing is commencing suit within 6 months of filing. The two procedural steps preserve the lien at sequential stages: filing creates the recorded claim, and enforcement converts the claim into a judgment.
- 26. B** — An RFI clarifies ambiguous document items; a change order modifies contract scope, price, or time. The two documents serve different purposes: RFIs resolve interpretation questions without changing the contract, while change orders are signed amendments that alter the contractual obligations.
- 27. C** — A named insured holds the policy in their name; an additional insured is added by endorsement and typically has narrower coverage. Named insureds have the broadest coverage including operations and claims; additional insureds typically have coverage only for liability arising from the named insured's operations.
- 28. C** — Total float is the delay possible without delaying project completion; free float is the delay possible without delaying the immediate successor. The two float concepts measure different scheduling flexibility — total float reflects project-level slack, while free float reflects local activity-to-activity slack.
- 29. A** — Open bidding is rolling submission without a fixed deadline; sealed bidding requires confidential submission opened publicly at a fixed deadline. The two procurement procedures provide different levels of transparency and competitive dynamics, with sealed bidding being the standard for public works.
- 30. B** — SC contractors are end consumers — they pay sales tax to suppliers; they do not collect from customers on installed work. SC treats contractors as end users of materials installed into real property, so the sales tax is paid at the point of material purchase by the contractor, not collected from the owner.
- 31. D** — Mediation is non-binding facilitated negotiation by a neutral; arbitration is binding adjudication by chosen arbitrators. The two ADR methods differ on bindingness and procedure — mediators help parties reach agreement, while arbitrators decide the dispute. AIA A201 typically requires mediation as a condition precedent to arbitration.

- 32. D** — Unit-price prices each item by quantity multiplied by unit rate (for uncertain quantities); lump sum fixes total price for defined scope. The two pricing methods allocate quantity risk differently: unit-price contracts adjust the total based on actual quantities, while lump sum locks in the total at bid time.
- 33. B** — Filing is the lienor's act to perfect rights against the property; bonding off is the owner's act to substitute a bond and clear title. The two procedures are taken by different parties at different stages: the lienor records the lien claim; the owner subsequently substitutes a bond for the property to clear title.
- 34. C** — Notice to Proceed is the owner's authorization to begin work; substantial completion is when work is sufficient for the owner's beneficial use. The two milestones bookend the active construction period — NTP starts the contract time clock, and substantial completion stops the LD clock and triggers warranty.
- 35. D** — The IDM is the first-stop dispute mechanism under AIA A201; the architect's certification on pay apps is a payment prerequisite. The two functions of the architect serve different purposes — the IDM role is a dispute filter, while pay app certification is a routine payment gatekeeping function.
- 36. C** — Contingency is a set-aside for uncertainty and unknown risks; profit margin is the firm's earnings on the work. The two items serve distinct purposes and should not be conflated — contingency covers what might go wrong, while profit compensates the firm for accepting the project risk.
- 37. A** — "Or equal" identifies a brand but allows substitution of equivalent products; sole-source requires the named brand with no substitution. The two specification approaches allocate substitution risk and procurement flexibility differently: "or equal" allows competitive substitution, while sole-source restricts to one product.
- 38. D** — Performance bond is a surety guarantee of contractor completion (financial guarantee); builder's risk is property insurance covering physical loss to the project. The two instruments are categorically different — bonds are surety guarantees with recovery rights against the principal, while insurance is risk transfer to the carrier.
- 39. C** — The SOV is a breakdown of contract price by pay line items; the schedule of activities is the time-based project plan. The two schedules serve different functions in pay app and progress tracking — the SOV maps dollars to deliverables, while the activity schedule maps time to deliverables.
- 40. C** — FICA is Social Security and Medicare combined at 15.3 percent; FUTA is federal unemployment at 0.6 percent net effective on the first \$7,000. The two payroll taxes have distinct purposes and rates — FICA funds retirement and Medicare programs, while FUTA funds the federal unemployment insurance system.
- 41. A** — Force majeure excuses performance and may grant time relief; no-damage-for-delay limits the contractor's monetary recovery for delays. The two clauses operate on different relief axes — force majeure provides time, while no-damage-for-delay restricts money. They can coexist in the same contract.

- 42. C** — Direct cost is the total expense of executing the work; bid price is direct cost plus overhead, profit, and contingency. The two figures differ by the markup applied to direct cost — bid price is the price quoted to the owner, while direct cost is the underlying expense base.
- 43. A** — Bonding off transfers the lien from the property to a release bond; quiet title is a court proceeding to settle competing property claims. The two procedures are distinct remedies — bonding off substitutes a bond for the property as security, while quiet title resolves competing claims on title.
- 44. C** — SWPPP addresses stormwater discharges from construction sites; SPCC addresses oil spill prevention at petroleum storage facilities. The two plans address different environmental risks under different programs — SWPPP under CWA stormwater, SPCC under CWA oil pollution prevention.
- 45. B** — A pay application is the contractor's request for payment for work performed; a lien waiver releases lien rights for amounts received. The two documents work together in the payment process but serve distinct purposes — pay apps request payment, while waivers protect the property from lien claims after payment.
- 46. D** — Punch list items are minor incomplete or non-conforming items at substantial completion; defective work is non-conforming work covered by warranty regardless of when discovered. The two concepts address different timing and scope — punch list is at the SC milestone, while defects can emerge during the warranty period and beyond.
- 47. B** — SC E-Verify applies to all employers regardless of size; SC WC coverage is required at four or more employees. The two SC compliance requirements have different applicability thresholds — E-Verify is universal in SC, while WC is triggered by headcount.
- 48. D** — A bond is a three-party guarantee where the surety can pursue recovery from the principal; insurance is a two-party risk transfer where the carrier absorbs the loss. The two instruments are fundamentally different in structure — bonds have an indemnity right against the principal, while insurance is true risk transfer.
- 49. B** — The balance sheet reports assets, liabilities, and equity at a point in time; the income statement reports revenue and expenses over a period. The two statements are complementary — the balance sheet is a snapshot, while the income statement covers a period of operations.
- 50. A** — A bid bond is a surety bond issued by a licensed surety company; bid security is the broader category that can include a bid bond, certified check, or other guarantee. The two terms are not interchangeable — bid security can take multiple forms, with a bid bond being one specific option allowed by most bid specifications.