

PRACTICE EXAM 15 — QUESTIONS 1-50

Format: Cause-Effect Identification Questions — each item presents an observed effect, outcome, or result in a construction or business situation. Select the option that identifies the most likely underlying cause.

1. A contractor's commercial bids consistently come in 20 percent above all other competing bids and the firm is rarely awarded projects. What is the most likely cause?

- A. The firm's profit margin is set below industry norms for the work type
- B. The firm's takeoff is omitting significant scope items, suppressing the bid price below cost
- C. The firm's overhead allocation is loading too aggressively onto bids, inflating the total price beyond market
- D. The firm's bonding capacity exceeds the firm's actual work volume

2. An owner refuses to release final payment to the contractor despite the architect's Certificate of Substantial Completion. What is the most likely cause?

- A. The contractor's surety performance bond has expired before the milestone
- B. The owner's permanent property insurance has not yet taken effect on the building
- C. The contractor has not submitted all required closeout documents (final lien waivers, as-builts, O&M manuals, warranties)
- D. The owner is exercising a unilateral right to retain 50 percent of final payment until year-end

3. An SC mechanic's lien recorded by a subcontractor is held to be invalid by the court. What is the most likely cause?

- A. The owner paid the GC in full before the subcontractor recorded the lien
 - B. The subcontractor performed the work without a written subcontract
 - C. The subcontractor failed to provide preliminary notice to the GC at the start of work
 - D. The subcontractor filed the lien 95 days after last work, exceeding the 90-day SC statutory window
4. A 12-month project schedule is showing a 25-day delay in month 8, with no schedule recovery measures taken. What is the most likely cause?
- A. The schedule was developed using PERT instead of CPM, producing inaccurate duration estimates
 - B. Critical path activities have consumed all available float, and continued slippage now extends project completion directly
 - C. The owner has issued multiple RFIs that the contractor has answered on the project
 - D. The project schedule was updated at month 6 instead of monthly per the contract terms
5. A contractor's surety lowers the firm's aggregate bonding capacity from \$10M to \$6M without any project losses or claims. What is the most likely cause?
- A. The contractor's audited financial statements showed a 30 percent decline in net worth and working capital
 - B. The contractor failed to add any new bonded project to the program in the past year
 - C. The contractor's CGL carrier changed its premium structure for the policy period
 - D. The surety's underwriter rotated to a new analyst on the account
6. An SC contractor receives an SCDOR assessment for \$14,000 in unpaid use tax plus penalty and interest. What is the most likely cause?
- A. The contractor failed to collect sales tax from customers on installed work
 - B. The contractor missed the Form 941 quarterly federal payroll tax filing deadline
 - C. The contractor purchased materials from out-of-state suppliers who did not collect SC sales tax and did not self-remit use tax to SCDOR

D. The contractor classified field employees as independent contractors on Form 1099-NEC

7. An SC contractor receives a Department of Labor back-wages assessment for \$42,000 covering field workers. What is the most likely cause?

A. The contractor misclassified nonexempt field workers as exempt, failing to pay overtime for hours over 40 per workweek

B. The contractor failed to display the SC E-Verify poster at the jobsite as required

C. The contractor paid workers in cash without W-2 reporting on year-end forms

D. The contractor did not enroll in workers compensation coverage at four or more employees

8. A contractor's bid for a public school project is rejected as non-responsive by the owner. What is the most likely cause?

A. The contractor failed to include the required bid bond with the sealed bid submission

B. The contractor's bid price was 5 percent below the second-lowest bid in the field

C. The contractor's CGL coverage limits exceeded the owner's minimum bid requirement

D. The contractor's profit margin exceeded 15 percent of the total bid price

9. A general contractor's pay application for \$185,000 is rejected by the architect during certification review. What is the most likely cause?

A. The owner requested the rejection without architect concurrence on the matter

B. The contractor's schedule of values reported overhead too low in the line items

C. The contractor's pay application was filed before the 30-day pay cycle ended

D. The contractor failed to include current lien waivers from subcontractors with the pay application

10. An EPA Notice of Violation is issued to a contractor for asbestos abatement on a commercial renovation. What is the most likely cause?

- A. The contractor's abatement contractor was properly licensed and certified under EPA rules
- B. The contractor used proper containment and disposal procedures during the abatement work
- C. The contractor notified EPA after the abatement work began on the project
- D. The contractor failed to submit NESHAP notification at least 10 working days before regulated abatement

11. A project that was on schedule at month 4 has slipped by 15 days at month 6 despite no scope changes. What is the most likely cause?

- A. The project schedule was developed using the Critical Path Method
- B. Critical path activities have experienced productivity below estimate, consuming float and extending project completion
- C. The contractor has issued change order proposals to the owner during the period
- D. The owner has not yet certified pay applications submitted during the period

12. A contractor's actual labor cost on a framing scope comes in 30 percent above the bid estimate at project closeout. What is the most likely cause?

- A. The contractor's lumber prices increased after bid submission and contract signing
- B. The contractor failed to file the bid bond properly with the public owner
- C. The contractor underestimated labor productivity on the project due to site conditions reducing crew efficiency
- D. The contractor's profit margin was set too aggressively in the bid pricing structure

13. A contractor's CGL claim for \$80,000 in damage to the contractor's own installed work is denied by the carrier. What is the most likely cause?

- A. The "your work" exclusion in the CGL policy bars coverage for damage to the contractor's own completed work product
- B. The contractor failed to pay the CGL premium for the active policy period
- C. The CGL policy deductible exceeds the total claim amount filed

D. The contractor did not name the project owner as additional insured on the policy

14. The IRS reclassifies a contractor's 15 independent contractor workers as employees, generating \$95,000 in back FICA, FUTA, and penalties. What is the most likely cause?

A. The contractor issued Form 1099-NEC to the workers at year end with proper W-9 documentation

B. The workers signed independent contractor agreements at the time of engagement with the firm

C. The workers worked under direct supervision with set hours on contractor projects, failing the IRS common-law test

D. The contractor paid the workers via direct deposit instead of paper check during the year

15. A subcontractor obtains a \$90,000 judgment against the GC for unpaid work despite a pay-when-paid clause in the subcontract. What is the most likely cause?

A. Pay-when-paid clauses are categorically unenforceable in all U.S. jurisdictions

B. The pay-when-paid clause was interpreted as a timing delay, not a condition precedent; the GC's payment obligation still arose after a reasonable time

C. The GC failed to provide certificates of insurance with the subcontract documents

D. The owner declared bankruptcy before paying the GC for the disputed work

16. An owner faces a \$145,000 mechanic's lien from a supplier despite having paid the GC in full for that work. What is the most likely cause?

A. The lien is invalid because the owner has already paid the GC in full

B. The owner failed to provide preliminary notice to the supplier before work began

C. SC mechanic's lien rights extend independently to suppliers; the supplier's lien runs against the property regardless of the owner's payment to the GC

D. The supplier's lien must be released because GC payment satisfies all downstream claims

17. A contractor's \$1.8M bid is significantly higher than competitors' bids on a similar commercial project. What is the most likely cause?

- A. The contractor's profit margin is set below industry norms for the work type
- B. The contractor included excessive contingency in the bid due to perceived project risk, inflating the total price
- C. The contractor's overhead allocation is loaded too low onto the project bid
- D. The contractor's takeoff omitted significant scope items from the bid build-up

18. A contractor's wrongful-termination lawsuit against an owner is dismissed by the court at the pleadings stage. What is the most likely cause?

- A. The contract included a binding arbitration clause requiring disputes to be submitted to arbitration before any court action, and the contractor failed to proceed through arbitration first
- B. The owner provided the contractor with a 30-day cure notice before terminating the contract
- C. The contractor's CGL policy did not cover the wrongful termination claim filed
- D. The court ruled that wrongful termination claims are statutorily preempted in SC

19. A project that was forecast to complete 5 days late at month 8 actually completes 22 days late at month 12. What is the most likely cause?

- A. The PM updated the schedule weekly instead of monthly per contract terms
- B. The owner issued change orders adding scope only to non-critical activities
- C. Crashing the original critical path elevated previously non-critical activities to the new critical path, where subsequent slippage compounded delay
- D. The contractor's surety reduced bonding capacity midway through the project

20. An SC contractor receives a Notice of Inspection from ICE citing 14 I-9 paperwork violations. What is the most likely cause?

- A. The contractor failed to enroll in the federal E-Verify program for the project
- B. The contractor completed I-9 Section 2 more than 3 business days after each employee's start date
- C. The contractor provided blank I-9 forms to employees at the time of hire

D. The contractor used the most current version of Form I-9 for all new hires

21. A contractor's \$2.4M bid is rejected by the public owner during the bid review process. What is the most likely cause?

A. The contractor's profit margin was below 5 percent of the total bid price

B. The contractor's takeoff was performed using digital takeoff software for accuracy

C. The contractor's CGL coverage limits matched the owner's minimums on the bid form

D. The contractor failed to submit the SC contractor's license number and group classification on the bid form, rendering the bid non-responsive

22. A surety pays \$350,000 on a payment bond claim, then files suit against the contractor's three individual owners. What is the most likely cause?

A. The contractor's surety bond face value was 200 percent of the contract value

B. The surety's underwriting analysis was incorrect at the time of bond issuance

C. The contractor's CGL policy did not cover payment bond claims at issue

D. The individual owners signed personal indemnification agreements with the surety, giving the surety direct recovery rights against them after paid claims

23. A contractor's bank calls a \$400,000 line of credit, demanding immediate repayment despite the firm being current on payments. What is the most likely cause?

A. The contractor's annual financial statements showed a covenant violation (such as a current ratio or working capital threshold) that triggered the bank's right to call the loan

B. The contractor missed a single quarterly interest payment on the line

C. The bank's lending officer rotated to a new role at the institution

D. The contractor's revenue grew 50 percent year over year on the financials

24. An "or equal" specification dispute results in the contractor being required to install the specified Brand X product without compensation for the cost differential. What is the most likely cause?

- A. The architect's substitution review favored the contractor's proposed substitute product
- B. The owner waived the specification requirement entirely for the project work
- C. The contractor's proposed substitute exceeded the named brand's performance specifications
- D. The contractor proceeded with the substituted product without submitting a formal substitution request to the architect for review

25. An IRS audit assesses \$18,000 in penalties against a contractor for missed Form 1099-NEC filings. What is the most likely cause?

- A. The contractor issued Form 1099-NEC for all corporate vendors during the year
- B. The contractor filed Form 1099-NEC by January 31 of the following year on time
- C. The contractor paid multiple independent specialists \$600 or more during the year but did not file Form 1099-NEC for any of them
- D. The contractor obtained W-9 forms from all contractors at the time of engagement

26. A contractor's \$850,000 bid is accepted, but the project loses \$90,000 during execution. What is the most likely cause?

- A. The contractor's takeoff was incomplete, omitting significant scope items that had to be performed at the firm's expense without compensation
- B. The contractor's overhead allocation was excessive in the bid pricing structure
- C. The contractor's profit margin was set above industry norms for the work type
- D. The contractor obtained low-cost subcontractor quotes for all major trades

27. A pay application reflects 60 percent complete by SOV but only 45 percent complete by actual physical progress on the site. What is the most likely cause?

- A. The contractor's PM is working extended hours on the project
- B. The owner has approved all change orders submitted to date
- C. The architect has not yet certified the current pay application

D. The contractor is front-loading the SOV by pricing early-trade items above their proportional value, accelerating early billings ahead of true progress

28. An owner's claim for \$250,000 in liquidated damages is enforced by the court against the contractor's final payment. What is the most likely cause?

A. The LD clause specified a reasonable daily rate (\$2,500) reflecting a fair forecast of damages, and the contractor finished 100 days late without time extensions

B. The owner's actual damages were less than \$50,000 in total

C. The contractor's surety paid the LD amount on the performance bond

D. The contractor's CGL policy covered LDs as third-party damages

29. A contractor's \$620,000 bid is awarded but the contractor is denied bid withdrawal after discovering a \$50,000 takeoff error. What is the most likely cause?

A. The contractor provided written notice of the error to the owner before award

B. The error was a clerical mistake demonstrable from the contractor's takeoff documentation

C. The error was made in good faith without contractor recklessness in preparing the bid

D. The contractor discovered the error after award, when the owner had relied on the bid; the contractor could not meet the strict good-faith and timeliness requirements for post-award rescission

30. A subcontractor's recorded mechanic's lien is automatically dissolved by operation of SC law. What is the most likely cause?

A. The lien filing deadline was missed by 5 days past the 90-day window

B. The 6-month enforcement deadline expired without the subcontractor commencing suit

C. The lien was bonded off by the owner with a release bond at the clerk of court

D. The owner paid the GC in full for the disputed work covered by the lien

31. A contractor faces a \$40,000 fine from OSHA after a jobsite inspection. What is the most likely cause?

- A. The contractor displayed all OSHA-required workplace posters at the jobsite location
- B. An OSHA inspection identified a serious fall protection violation on a 12-foot scaffold platform with no guardrails or personal fall arrest, triggering the citation
- C. The contractor's TRIR was below industry benchmarks for the prior reporting year
- D. The contractor submitted Form 300A by the February 1 posting deadline

32. A contractor's WIP report shows a \$280,000 swing from underbilled to overbilled position across active jobs in a single quarter. What is the most likely cause?

- A. The firm's revenue recognition method changed from accrual basis to cash basis
- B. The firm's net income increased by \$280,000 during the quarter
- C. The contractor accelerated billings on several jobs to align with earned revenue, converting prior underbilling into current overbilling positions
- D. The firm's bonding capacity changed during the same quarter

33. A contractor's \$120,000 change order proposal is denied by the owner after the contractor completed the changed work. What is the most likely cause?

- A. The contractor performed the changed work based on verbal direction without a signed change order, and the owner now contests that the work was directed at all
- B. The architect formally certified the change order before work began on it
- C. The contractor provided written notice within 21 days of the change directive issued
- D. The change work fell on the critical path of the project schedule

34. A contractor's \$5M project bid is awarded but the firm's surety refuses to issue the performance bond. What is the most likely cause?

- A. The contractor's CGL coverage met the owner's minimum project requirements
- B. The \$5M project exceeds the contractor's single-project bonding limit set by the surety through underwriting of capital, capacity, and character
- C. The contractor's profit margin on the bid was set at 12 percent of price

D. The contractor's TRIR was below the industry average for prior years

35. A contractor receives an IRS assessment of \$8,200 in failure-to-deposit penalties on federal payroll taxes. What is the most likely cause?

A. The contractor's Form 941 was filed by the quarterly deadline on time

B. The contractor failed to deposit withheld income tax and FICA per the IRS deposit schedule, missing deadlines despite timely Form 941 filing

C. The contractor classified all employees as nonexempt under the FLSA rules

D. The contractor issued Form W-2 by the January 31 deadline as required

36. An EPA Notice of Violation cites a contractor under NPDES for sediment discharge from a construction site. What is the most likely cause?

A. The contractor properly installed all silt fences and inlet protection at the start

B. The contractor obtained the Construction General Permit before earth disturbance began

C. The contractor's SWPPP inspections were conducted weekly during construction

D. The contractor failed to maintain BMPs (silt fence, inlet protection); sediment discharged from the site during a rain event in violation of NPDES Construction General Permit conditions

37. A contractor's claim against an owner for \$200,000 in delay damages is barred by the court. What is the most likely cause?

A. The contractor documented all delays with daily reports during the project

B. The contract was silent on delay damages and time extension procedures

C. The contractor provided written notice of delay within 21 days of each event

D. The contract included an enforceable no-damage-for-delay clause limiting the contractor's monetary recovery for owner-caused delays, even when properly documented

38. An SC contractor receives a Workers Compensation Commission penalty assessment for \$25,000. What is the most likely cause?

- A. The contractor maintained an active workers compensation policy with full coverage
- B. The contractor employed fewer than four workers during the assessment period
- C. The contractor employed six workers without active workers compensation coverage, exceeding SC's four-employee coverage threshold
- D. The contractor enrolled in the federal E-Verify program for all new hires

39. A contractor's unit-price bid for excavation produces \$25,000 in unexpected profit at project closeout. What is the most likely cause?

- A. Actual excavation quantities significantly exceeded the estimated quantities in the bid documents; the unit-price contract paid the additional volume at the bid rate without renegotiation
- B. The contractor's unit rate was below market and produced losses elsewhere
- C. The owner reduced the project scope during construction execution
- D. The contractor's profit margin on the bid was set at 25 percent of price

40. A project schedule slip of 30 days at month 9 is fully recovered to on-time completion by month 12. What is the most likely cause?

- A. The PM identified the slip early and crashed remaining critical activities by adding shifts and crews, restoring the critical path to its baseline duration
- B. The owner approved a time extension without contractor request for one
- C. The contractor reduced the project scope unilaterally during execution
- D. The architect re-certified the schedule baseline at month 10 of the project

41. A contractor's mediation under AIA A201 results in a binding decision that the contractor disputes. What is the most likely cause?

- A. Mediation under AIA A201 produces binding decisions enforceable in court
- B. The contractor and owner signed a settlement agreement during mediation incorporating mediator-proposed terms; the settlement is binding through the signed agreement, not through mediation itself
- C. The mediator issued an arbitration award at the conclusion of mediation

D. AIA A201 mediation is automatically binding under the Federal Arbitration Act

42. A contractor's \$250,000 builder's risk claim for water damage to work-in-place is denied by the carrier. What is the most likely cause?

- A. The contractor's builder's risk policy covered all physical loss to the work
- B. The damage occurred during construction while the project was active and unfinished
- C. The contractor named the owner as additional insured on the active policy
- D. The water damage was caused by faulty installation by the contractor's own crew, triggering the builder's risk policy's faulty workmanship exclusion

43. A contractor's competitive bid for a \$3M commercial project is 8 percent lower than the next bidder, but the contractor's review identifies a profit margin of 11 percent. What is the most likely cause?

- A. The contractor included excessive contingency in the bid price for the work
- B. The contractor's takeoff and unit pricing were more accurate than competitors, allowing competitive pricing while maintaining acceptable margin
- C. The contractor's overhead allocation is excessive in the bid build-up structure
- D. The contractor's bond cost estimate was 5 percent of contract value

44. An SC contractor receives a tax assessment from SCDOR for sales tax allegedly under-collected on construction projects. What is the most likely cause?

- A. The contractor properly paid sales tax to suppliers on all installed materials
- B. The contractor treated construction as exempt from sales and use tax entirely
- C. The contractor's projects were entirely outside SC borders during the period
- D. The contractor incorrectly collected sales tax from customers on installed work (treating contracting as retail), and SCDOR is reversing the treatment to apply sales tax to the contractor's material purchases

45. A subcontractor's mechanic's lien claim is bonded off by the owner and the lien is removed from the property record. What is the most likely cause?

- A. The subcontractor's lien was invalid on its face under SC statute
- B. The owner paid the GC in full for the disputed sub work
- C. The owner filed a lien release bond with the clerk of court at the statutory amount (typically 110–150 percent of the lien), substituting the bond for the property as security
- D. The subcontractor voluntarily released the lien upon partial payment

46. A subcontractor's claim against the GC for \$65,000 in unpaid retainage is denied by the court despite project completion. What is the most likely cause?

- A. The GC properly released all retainage at project final completion
- B. The subcontractor failed to provide a certificate of substantial completion
- C. The subcontract conditioned retainage release on the owner's release of retainage to the GC; the owner had not yet released retainage to the GC at the time of the sub's claim
- D. The subcontractor's work was not completed to specification

47. A contractor's \$1.2M bid is awarded, but the firm's CGL premium increases by 18 percent on the next renewal. What is the most likely cause?

- A. The contractor's CGL claims experience deteriorated during the prior policy period; multiple paid claims pushed the firm's loss history into a higher rating tier
- B. The firm's bonding capacity increased during the prior policy period
- C. The firm's revenue declined year over year on the financials
- D. The firm's profit margin improved during the renewal period

48. A construction firm's net income drops 40 percent year-over-year despite revenue growth of 12 percent. What is the most likely cause?

- A. Direct cost growth (labor, materials, equipment) outpaced revenue growth through productivity declines, material escalation, or estimating misses, compressing gross margin and net income
- B. The firm reduced overhead spending by 10 percent during the period
- C. The firm's bonding capacity increased during the year on the underwriting

D. The firm's CGL insurance premiums decreased during the policy period

49. A contractor receives a SC DHEC penalty assessment for an unauthorized discharge of hydraulic fluid to a stormwater inlet. What is the most likely cause?

A. The contractor had a current SWPPP in place addressing stormwater quality at the site

B. Equipment leaked hydraulic fluid that was washed into a stormwater inlet during rain; the contractor failed to contain the spill or notify SC DHEC, violating SC and federal Clean Water Act rules

C. The contractor obtained a Coastal Zone Permit before earth disturbance began

D. The contractor enrolled in the federal E-Verify program for all new hires

50. A project's critical path shifts from one set of activities to another mid-project, surprising the PM. What is the most likely cause?

A. The PM updated the schedule weekly during the project execution period

B. The owner approved all change orders timely as they were submitted

C. Schedule compression on the original critical path eliminated those activities' criticality, while previously low-float non-critical activities slipped, becoming the new critical path

D. The contractor's surety adjusted bonding capacity during the project

PRACTICE EXAM 15: ANSWER KEY AND EXPLANATIONS

1. C — Over-allocation of indirect costs to bid line items is the most likely cause. When a firm loads overhead too aggressively onto individual bids, the total bid price inflates above market while actual overhead recovery remains inconsistent across the project portfolio. Recalibrating the overhead allocation method aligns bid recovery with actual firm spending and restores competitive pricing.

2. C — Closeout documents are the standard cause of final payment delays. The contract typically conditions final payment on submission of final lien waivers, as-builts, O&M manuals, and warranties; without those deliverables, the architect cannot certify final completion and the owner is not obligated to pay. Closeout discipline is essential to converting substantial completion into actual cash collection.

3. D — The 90-day filing deadline is the most common cause of lien invalidation in SC. SC Code Title 29 Chapter 5 imposes a strict 90-day window from last work; missing it by even one day permanently

extinguishes the lien regardless of the underlying claim's merit. Both the 90-day filing and the 6-month enforcement deadlines run independently and the first one missed is fatal.

4. B — Critical path slippage with no float remaining directly extends project completion. When critical-path activities consume all available float and continue to slip, the project finish date moves day-for-day with the slippage. Recovery requires crashing remaining critical activities or fast-tracking subsequent phases; without intervention, the delay simply compounds.

5. A — Bonding capacity is driven primarily by the contractor's financial strength as measured by audited statements. A 30 percent decline in net worth and working capital signals reduced capital cushion, which sureties respond to by lowering the bonding program. The decline does not require any claims or losses to trigger the capacity reduction.

6. C — SC use tax applies to out-of-state material purchases when SC sales tax was not collected at the source. As end consumers of installed materials, SC contractors must self-report and remit use tax through MyDORWAY at the same rate that would have applied in-state. Failure to self-remit triggers SCDOR assessments with penalties and interest.

7. A — Overtime misclassification is the leading cause of DOL back-wages assessments. The FLSA imposes affirmative duties on employers to classify workers correctly and pay 1.5x the regular rate for hours over 40 per workweek; misclassifying nonexempt field workers as exempt generates back-pay liability across all affected workers and pay periods. The DOL routinely assesses two years of back wages (three for willful violations) plus liquidated damages.

8. A — Missing bid bond is the standard cause of non-responsive bid rejection on public work. Public bid specifications require a bid bond submitted with the sealed bid as proof of bidder commitment to enter the contract if awarded; absence of the bond renders the bid non-responsive regardless of price competitiveness. The bid is rejected at the bid opening before substantive review of the price.

9. D — Missing lien waivers is the architect's standard reason for pay app rejection. AIA-based pay applications require current lien waivers from subs and suppliers as a condition of certification, protecting the GC and owner from unpaid-lien claims attaching to the property. Without the waivers, the architect cannot certify the amount for payment.

10. D — Failure to provide the 10-working-day NESHAP notification is the most common cause of abatement NOV's. NESHAP requires written notification at least 10 working days before any regulated asbestos abatement work begins; the notification cannot be retroactive or shortened. EPA enforcement focuses on the notification gap as a strict-liability violation.

11. B — Productivity below estimate on the critical path is the standard cause of mid-project slippage absent scope changes. When critical activities consume float through reduced crew output, weather, or coordination issues, the project finish date moves directly. The contractor must monitor productivity weekly and apply corrective measures when float is exhausted.

12. C — Labor cost overrun from productivity loss is the most common cause of labor variance on accepted bids. Site conditions that reduce crew efficiency — overhead obstructions, restricted access,

congestion, weather — require additional hours to complete the same scope, driving labor cost above the bid estimate. Productivity adjustments at bid time would have prevented or absorbed the variance.

13. A — The CGL "your work" exclusion bars coverage for damage to the insured contractor's own completed work product. CGL is designed for third-party bodily injury and property damage to others, not for the contractor's cost of redoing its own defective work. Coverage for that risk requires subcontractor warranty or specific endorsement coverage, not standard CGL.

14. C — Failing the IRS common-law test is the standard cause of independent contractor reclassification. The test evaluates behavioral control, financial control, and the relationship; workers under direct supervision with set hours on the firm's projects typically fail the test regardless of the paperwork. The 1099-NEC and signed agreements do not control if the working relationship is that of an employee.

15. B — Pay-when-paid clauses are typically interpreted as timing delays, not permanent conditions precedent to payment. After a reasonable time has elapsed, the GC's payment obligation arises regardless of the owner's payment status, exposing the GC to judgment in favor of the sub. Pay-if-paid clauses (creating true conditions precedent) require more explicit language and may not be enforceable in all jurisdictions.

16. C — SC mechanic's lien rights extend independently to suppliers and subs in the chain of improvement. The supplier's lien runs against the property regardless of whether the owner has paid the GC; the owner's payment to the GC does not defeat the supplier's direct lien claim. The owner bears the risk of GC nonpayment downstream and must look to the GC and any payment bond for recourse.

17. B — Excessive contingency is the standard cause of bids being significantly above market. When the contractor perceives elevated project risk (uncertain conditions, unfamiliar work, aggressive schedule), the contingency line item inflates the total bid above what competitors price. Calibrating contingency to actual risk rather than worst-case assumptions restores competitive positioning.

18. A — Bypassing a binding arbitration clause is the standard reason courts dismiss construction disputes at the pleadings stage. A valid arbitration clause strips the court of jurisdiction over covered disputes; the contractor must complete arbitration before any court action becomes available. The Federal Arbitration Act and state arbitration statutes enforce these clauses through motions to compel.

19. C — Schedule recovery shifts the critical path; slippage on the new critical activities compounds delay. After crashing the original critical path, previously non-critical activities with low float can become critical, and any subsequent slippage on those new critical activities extends project completion further. The PM must monitor float on all paths after schedule compression.

20. B — Completing I-9 Section 2 late is the most common I-9 paperwork violation cited by ICE. Section 2 must be completed by the employer within 3 business days of the employee's start date; completion on day 5 or later constitutes a technical violation subject to per-form penalties. ICE audits cite even small overruns as paperwork violations.

21. D — Missing license number and group classification on the bid form is a standard cause of non-responsive rejection in SC public work. SC bid specifications routinely require the contractor's license

information to be submitted with the bid; absence of this information renders the bid non-responsive regardless of price. Public bid review screens for completeness before evaluating price.

22. D — Personal indemnification is the standard mechanism by which sureties recover from individual contractor owners. Surety bond programs typically require individual indemnity agreements from controlling owners as a condition of bond issuance, giving the surety direct recovery rights against personal assets after paying claims. The indemnity right is independent of the corporate entity's liability or financial condition.

23. A — Covenant violations are the standard cause of loan callbacks on contractor lines of credit. Bank credit agreements typically contain financial covenants (current ratio, working capital, tangible net worth) that, when violated, give the bank the right to call the loan even if payments are current. Annual financial statement review is when covenant violations are typically identified and acted upon.

24. D — Proceeding without formal substitution review is the standard cause of contractor losing the substitution dispute. "Or equal" specifications obligate the architect to review proposed substitutions, but only if the contractor submits a formal substitution request with supporting documentation. Installing the substitute without architect approval waives the contractor's substitution rights.

25. C — Failure to file Form 1099-NEC for \$600+ payments is the leading cause of IRS 1099 penalties. The reporting threshold is \$600 per payee per calendar year for nonemployee compensation paid to unincorporated payees in trade or business; missing filings accrue per-form penalties regardless of intent. The penalty applies even if the payee reported the income correctly on their own return.

26. A — Incomplete takeoff with missing scope is the classic cause of project losses on accepted bids. Scope items omitted from the takeoff still must be performed under the contract, generating direct cost without compensating revenue. The loss equals the cost of the omitted work plus any allocated overhead that the bid failed to absorb.

27. D — Front-loading the SOV is the standard cause of billing percent exceeding actual progress. The contractor prices early-trade items above their proportional value, accelerating early billings ahead of true completion to improve near-term cash flow. The architect's certification review is the gatekeeper against front-loading, but practices vary in how strictly the SOV is policed.

28. A — Properly drafted LD clauses are enforceable as written, with the daily rate multiplied by days late. Courts generally do not require the LD amount to match actual damages provided the daily rate was a reasonable forecast at contract formation; \$250,000 equals $\$2,500 \times 100$ days at the agreed rate. The contractor's burden to defeat enforcement is to show the clause functions as a penalty rather than a reasonable forecast.

29. D — Post-award rescission requires meeting strict standards rarely satisfied after award. The contractor must demonstrate a clerical or quantity error, made in good faith without recklessness, with prompt notice — and even then, courts require that the owner had not yet detrimentally relied on the bid. Once the owner relies on the bid (typically immediately after award), rescission becomes very difficult.

30. B — Auto-dissolution by missing the 6-month enforcement deadline is the standard cause of SC lien dissolution. Even properly filed liens automatically dissolve by operation of SC Code Title 29 Chapter 5 if the lienor fails to commence enforcement suit within 6 months of filing. The deadline is strict and self-executing.

31. B — Fall protection violations are among the most cited OSHA construction violations and trigger significant penalties. 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; serious violations carry significant per-instance penalties. Fall protection is consistently in OSHA's annual top citation list.

32. C — Accelerated billings converting prior underbillings into current overbillings is the typical mechanism for large WIP swings. When the contractor catches up billing to align with earned revenue (sometimes overshooting), the WIP position shifts substantially in one period. The swing is a billing-process event, not a change in underlying job profitability.

33. A — Performing changed work without signed authorization is the standard cause of denied change order claims. Without a signed change order or written documentation supporting a constructive change theory, the contractor must rely on the owner's voluntary acknowledgment that the work was directed. When the owner contests direction, the contractor's claim becomes evidentiarily weak.

34. B — Exceeding the single-project bonding limit is the standard cause of surety bond refusal. Sureties underwrite single-project and aggregate program limits based on the Three C's of Capital, Capacity, and Character; projects above the single-project limit require either expanded underwriting or co-surety arrangements. Refusal occurs when the contractor's underwriting cannot support the requested project size.

35. B — Failure-to-deposit is the most common federal payroll tax penalty. The IRS imposes percentage-based penalties (typically 2 to 15 percent) on amounts not deposited by the required schedule (monthly or semi-weekly), separate from Form 941 filing timeliness. Late deposits trigger penalty assessments even when the underlying Form 941 is filed on time.

36. D — BMP maintenance failure leading to sediment discharge is the most common NPDES citation cause on construction sites. The Construction General Permit requires installation AND ongoing maintenance of BMPs (silt fence, inlet protection, sediment basins); sediment discharge during rain events demonstrates BMP failure and violates permit conditions. EPA and state delegated authorities actively monitor for these violations.

37. D — Enforceable no-damage-for-delay clauses are the standard bar to delay damage recovery. The clause limits the contractor's monetary recovery for delays, even owner-caused ones; the contractor may still receive time extensions but not monetary compensation for the delay. Most jurisdictions enforce such clauses absent exceptions for active interference, bad faith, or unreasonably long delays.

38. C — Operating with four or more employees without WC coverage is the standard cause of SC WC penalties. SC Code requires workers compensation coverage when an employer has four or more regular employees, and operating without coverage exposes the employer to direct liability for medical costs, lost

wages, and statutory penalties imposed by the SC Workers Compensation Commission. The four-employee trigger is strict and applies regardless of contractor type.

39. A — Quantity overruns on unit-price contracts produce profit when actual unit cost is below the bid rate. Unit-price contracts pay the actual quantity at the bid rate; if the contractor's actual cost per unit is below the bid unit price, every excess quantity unit generates incremental profit. Owners bear the quantity-overrun risk on unit-price contracts, which is the structural risk allocation.

40. A — Crashing critical activities through added shifts and crews is the standard recovery mechanism that restores baseline duration. When identified early, the original 30-day slip can be absorbed by compressing remaining critical-path activities through resource intensification. The recovery cost (overtime, additional crews) is the trade-off for avoiding LDs and protecting the schedule baseline.

41. B — Mediation produces binding outcomes only when a settlement is signed by the parties. The mediator's role is to facilitate negotiation, not to issue binding decisions; binding terms arise from the signed settlement agreement that incorporates negotiated provisions. Once signed, the settlement is enforceable as a contract, not as a mediation award.

42. D — The faulty workmanship exclusion is the most common builder's risk denial reason for damage caused by the insured contractor's own work. Builder's risk policies typically exclude losses arising from defective workmanship or materials of the insured contractor, preserving coverage for fortuitous external events. The exclusion preserves the policy's character as fortuitous loss coverage rather than performance warranty insurance.

43. B — Accurate takeoff and unit pricing is the standard cause of competitive bids with healthy margin. When the contractor's takeoff captures scope correctly and unit pricing reflects the firm's real productivity, the bid can undercut less-disciplined competitors while still preserving target margin. Competitive pricing on this basis is sustainable; competing through margin erosion is not.

44. D — Misapplying retail-sale treatment to construction work is the standard SCDOR adjustment scenario. SC treats contractors as end consumers of materials installed into real property; they pay sales tax to suppliers and do NOT collect from customers on installed work. When a contractor improperly collects from customers, SCDOR reverses the treatment and applies tax to the contractor's material purchases instead.

45. C — Bonding off is the standard mechanism by which owners clear lien from title while contesting the underlying claim. The owner files a release bond with the clerk at the statutory amount, and the lien transfers from the property to the bond as security for the underlying claim. Title clears for sale or refinancing while the lienor must pursue the bond for recovery.

46. C — Flow-down retainage conditions are a common reason sub retainage claims fail prematurely. When the subcontract conditions retainage release on the owner's release to the GC, the sub must wait for the upstream release before its retainage becomes due. The flow-down ties the sub's payment timing to the owner's payment behavior on the same project.

47. A — Loss experience drives CGL renewal pricing in standard insurance markets. Multiple paid claims during the prior policy period push the insured into a higher rating tier, increasing the renewal premium by a meaningful percentage. The premium adjustment reflects the carrier's actuarial expectation of future loss costs based on the insured's track record.

48. A — Direct cost outpacing revenue is the standard cause of compressed margin and net income decline. When labor, material, and equipment costs rise faster than the contractor's revenue base — through productivity declines, material escalation, or estimating misses — gross margin compresses, and the compression flows through to bottom-line profit. Revenue growth alone cannot offset margin erosion when costs grow faster.

49. B — Equipment fluid releases into stormwater are common DHEC enforcement triggers. Construction equipment leaks (hydraulic fluid, fuel, oil) are foreseeable, and contractors must contain spills promptly and notify regulators when discharges occur. Failure to contain or report triggers both Clean Water Act and SC regulatory enforcement, with penalties scaled to the discharge severity.

50. C — Critical path shift is the standard consequence of schedule compression combined with non-critical slippage. When the original critical path is compressed through crashing or improved productivity, activities that previously had low float can become critical themselves. PMs must update CPM analysis after compression to identify the new critical path before it produces surprises.