

PRACTICE EXAM 16 QUESTION (1 -50)

For each item, choose the option whose pair correctly fills both blanks.

1. A General Contractor Limited Tier license carries a per-project cap of ____ and an aggregate limit of ____.

- A. \$250,000 ... \$1 million
- B. \$500,000 ... \$1.5 million
- C. \$1 million ... \$3 million
- D. \$100,000 ... \$500,000

2. In Georgia, the Business and Law exam is required for ____ classifications, and a business entity holds its license through a ____.

- A. only residential ... registered agent
- B. only commercial ... bonding company
- C. only unlimited ... silent partner
- D. all contractor ... qualifying agent

3. A candidate must pass both exams within ____, and Georgia licenses renew on a ____ cycle.

- A. five years ... annual
- B. six months ... monthly
- C. one year ... biennial
- D. two years ... quarterly

4. After a license expires, Georgia allows a late-renewal period of about ____, after which ____ is required.

- A. 30 days ... a new exam
- B. one year ... nothing further
- C. six months ... reinstatement
- D. two years ... a refund

5. A Residential–Light Commercial classification covers light commercial structures up to ___ stories, while the unlimited General Contractor classification has ___.

- A. five ... a \$1 million cap
- B. one ... a \$500,000 cap
- C. ten ... a county limit
- D. three ... no dollar limit

6. With \$50,000 in direct costs and 10% overhead added, the subtotal is ____, and adding \$5,000 profit gives a bid of ____.

- A. \$45,000 ... \$50,000
- B. \$60,000 ... \$65,000
- C. \$50,000 ... \$55,000
- D. \$55,000 ... \$60,000

7. To earn a 20% margin on a \$40,000 cost, the price is ____, whereas a 20% markup on that cost would give ____.

- A. \$50,000 ... \$50,000
- B. \$50,000 ... \$48,000
- C. \$48,000 ... \$50,000
- D. \$32,000 ... \$48,000

8. A takeoff of 1,000 blocks with a 5% waste factor means ordering ____, and at \$3 each the cost is ____.

- A. 1,000 ... \$3,000
- B. 1,050 ... \$3,150
- C. 950 ... \$2,850
- D. 1,005 ... \$3,015

9. In a bid build-up, ____ are added to direct costs first, and ____ is added last.

- A. profit ... overhead
- B. retainage ... taxes
- C. discounts ... markup
- D. overhead ... profit

10. A unit-price contract is best when ____, while a lump-sum contract is best when ____.

- A. quantities are uncertain ... the scope is fixed
- B. the scope is fixed ... quantities are uncertain
- C. there is no contract ... the work is illegal
- D. profit is waived ... costs are unknown

11. With \$50,000 annual overhead and \$500,000 expected direct costs, the overhead rate is ____, applied by ____ it to each job's costs.

- A. 5% ... subtracting
- B. 10% ... adding
- C. 20% ... dividing
- D. 50% ... ignoring

12. If a contractor underbids a lump-sum job by \$7,000, the loss is borne by ____, and the contract price ____.

- A. the owner ... rises by \$7,000
- B. the surety ... is refunded
- C. the Board ... is voided
- D. the contractor ... stays fixed

13. The accounting equation is assets equal ____ plus ____.

- A. revenue ... expenses
- B. liabilities ... owner's equity
- C. profit ... overhead
- D. cash ... inventory

14. A company with \$180,000 in assets and \$100,000 in liabilities has owner's equity of ____, computed by ____ the two figures.

- A. \$80,000 ... subtracting
- B. \$280,000 ... adding
- C. \$100,000 ... dividing
- D. \$180,000 ... ignoring

15. A single-member LLC provides ____, and is taxed by default as a ____.

- A. no liability shield ... C corporation
- B. personal-asset protection ... pass-through entity
- C. public ownership ... nonprofit
- D. unlimited liability ... partnership

16. Commingling funds can lead a court to ____, exposing the owner's ____.

- A. raise credit ... tax refund
- B. dissolve the suit ... competitors
- C. issue a bond ... employees
- D. pierce the veil ... personal assets

17. A balance sheet shows position ____, while an income statement covers ____.

- A. at a point in time ... a period
- B. over a period ... a single day
- C. for one job ... all jobs
- D. only at year-end ... only monthly

18. A C corporation's profits may be taxed ____, a situation called ____.

- A. only once ... pass-through
- B. never ... an exemption
- C. at the county level ... use tax
- D. twice ... double taxation

19. Job costing compares ____ to ____ so a contractor can improve future bids.

- A. assets ... liabilities
- B. revenue ... overhead
- C. cash ... profit
- D. actual costs ... the estimate

20. A Georgia contractor pays sales tax on materials ____, because the contractor is treated as the ____.

- A. at the time of purchase ... consumer
- B. when billing the owner ... reseller
- C. at project completion ... agent
- D. never ... exempt entity

21. Use tax applies to ____ materials that are ____ in Georgia.

- A. tax-paid ... resold
- B. donated ... stored
- C. untaxed out-of-state ... used
- D. exported ... destroyed

22. FICA is ____ from the employee and ____ matched by the employer, each at 7.65%.

- A. withheld ... equally
- B. refunded ... never
- C. exempt ... doubled
- D. waived ... tripled

23. Withheld payroll taxes are ____ funds, and misusing them can bring ____ for the responsible person.

- A. company ... a tax credit
- B. trust ... personal liability
- C. exempt ... a refund
- D. donated ... immunity

24. A pass-through owner avoids an underpayment penalty by paying ____, in ____ installments through the year.

- A. once ... twelve
- B. nothing ... zero
- C. annually ... two
- D. estimated tax ... quarterly

25. Non-exempt overtime is paid at ____ for hours over ____ in a workweek.

- A. 1.0× ... 35
- B. 1.5× ... 40
- C. 2.0× ... 45
- D. 1.25× ... 50

26. Worker classification is decided by the ____, not merely by issuing a ____.

- A. worker's choice ... W-2
- B. employer's budget ... contract
- C. control test ... 1099
- D. county clerk ... permit

27. Georgia requires workers' compensation once a business has ____ employees, and a GC can be a ____ for an uninsured sub's workers.

- A. one ... registered agent
- B. three ... statutory employer
- C. ten ... surety
- D. five ... lienholder

28. A new hire's eligibility is verified with ____, while ____ reports the employer's quarterly payroll taxes.

- A. Form I-9 ... Form 941
- B. Form 1099 ... Form W-2
- C. Form W-4 ... Form I-9
- D. Form 940 ... Form 1099

29. The binding minimum wage for Georgia's covered workers is the ____ rate, because it ____ the state figure.

- A. county ... matches
- B. state ... exceeds
- C. federal ... exceeds
- D. negotiated ... ignores

30. The critical path is the ____ sequence of activities and determines the ____ project duration.

- A. longest ... shortest
- B. shortest ... longest
- C. cheapest ... most expensive
- D. optional ... required

31. A Georgia claim of lien must be filed within ____ days, and the owner served a copy within ____ business days.

- A. 90 ... two
- B. 30 ... ten
- C. 365 ... five
- D. 60 ... one

32. A lien action to enforce must be commenced within ____ of filing, after which a notice of the action is filed within ____ of suit.

- A. 90 days ... 2 days
- B. 365 days ... 30 days
- C. 30 days ... 365 days
- D. 10 years ... 90 days

33. A lower-tier party preserves lien rights by sending a ____ after a recorded ____.

- A. Notice to Contractor ... Notice of Commencement
- B. final waiver ... certificate of occupancy
- C. bid bond ... punch list
- D. affidavit of completion ... change order

34. At ____ the owner may occupy with a punch list pending, while ____ follows after the list is finished.

- A. notice to proceed ... mobilization
- B. mobilization ... contract award
- C. substantial completion ... final completion
- D. contract award ... bidding

35. An interim lien waiver becomes conclusive about ____ after signing unless the unpaid party files a ____ first.

- A. 30 days ... bid bond
- B. 90 days ... affidavit of nonpayment
- C. 365 days ... change order
- D. two days ... final waiver

36. A valid contract requires offer, acceptance, ____, and a ____ purpose.

- A. consideration ... lawful
- B. recording ... public
- C. a bond ... commercial
- D. a permit ... residential

37. A counteroffer ____ the original offer and proposes ____.

- A. accepts ... payment
- B. records ... a lien
- C. rejects ... new terms
- D. extends ... a warranty

38. Even when unwritten, a contractor owes an implied warranty of ____, and abandoning a job is generally a ____ breach.

- A. payment ... minor
- B. workmanlike work ... material
- C. timeliness ... excusable
- D. design ... technical

39. Before doing extra work, a contractor should obtain a ____, signed ____ the work.

- A. lien ... after
- B. waiver ... during
- C. bond ... without
- D. change order ... before

40. With \$300/day liquidated damages and 5 chargeable late days, the owner deducts ____, which is the rate ____ the days.

- A. \$1,500 ... times
- B. \$300 ... minus
- C. \$60 ... divided by
- D. \$1,800 ... plus

41. From least to most formal, disputes may move from negotiation to ____, then to ____, and finally to litigation.

- A. litigation ... arbitration
- B. a lien ... a bond
- C. a permit ... a waiver
- D. mediation ... arbitration

42. Buying insurance and bonds is a way of ____ risk, while doing nothing about a risk is ____ it.

- A. avoiding ... transferring
- B. eliminating ... insuring
- C. transferring ... retaining
- D. ignoring ... bonding

43. ____ covers third-party injury from operations, while ____ covers the structure under construction.

- A. Workers' comp ... auto insurance
- B. Builder's risk ... a bid bond
- C. Auto insurance ... workers' comp
- D. General liability ... builder's risk

44. After a default, a surety pays the ____, and the contractor must ____ the surety.

- A. surety ... ignore
- B. owner ... reimburse
- C. Board ... sue
- D. employee ... bond

45. A contractor grows bonding capacity by building ____, since sureties underwrite on ____.

- A. more debt ... project size
- B. a bigger crew ... headcount
- C. strong financials ... financial strength
- D. one large job ... single contracts

46. OSHA requires construction fall protection at ____, and a fatality must be reported within ____.

- A. 6 feet ... 8 hours
- B. 10 feet ... 24 hours
- C. 4 feet ... 7 days
- D. 12 feet ... 30 days

47. Before workers use a new chemical, the employer first obtains the ____, then ____ the container.

- A. permit ... removes
- B. bond ... paints
- C. Safety Data Sheet ... labels
- D. lien ... seals

48. An amputation must be reported to OSHA within ____, while an in-patient hospitalization is reported within ____.

- A. 8 hours ... 8 hours
- B. 7 days ... 30 days
- C. 24 hours ... 24 hours
- D. 30 days ... 7 days

49. Disturbing ____ or more of land requires ____ before grading begins.

- A. one acre ... NPDES permit and SWPPP
- B. five acres ... only a building permit
- C. ten acres ... no permit at all
- D. half an acre ... only a noise permit

50. A competent person must inspect a trench ____, and has authority to ____ hazards.

- A. once a month ... ignore
- B. only on day one ... record
- C. before each entry ... correct
- D. after work ends ... photograph

Practice Exam 16: Answer Key and Explanations

1. B — The Limited Tier license caps a single project at \$500,000 with a \$1.5 million aggregate across open work. The other pairs misstate one or both figures. Tracking both limits keeps a Limited Tier contractor within its lawful scope.

2. D — The Business and Law exam is required for all contractor classifications, and an entity holds its license through a qualifying agent. A registered agent handles legal service, not licensure. Both facts are foundational to Georgia licensing.

- 3. C** — Both exams must be passed within one year, and Georgia licenses renew on a biennial cycle. The other intervals are wrong on one or both blanks. Knowing the eligibility window and renewal period prevents lapses.
- 4. C** — Georgia allows roughly a six-month late-renewal window after expiration, after which reinstatement is required. Neither a new exam nor a refund applies. Acting within six months avoids the costlier reinstatement.
- 5. D** — Residential–Light Commercial covers light commercial up to three stories, while the unlimited General Contractor classification has no dollar limit. The other pairs misstate the height or the cap. Matching scope to project drives classification choice.
- 6. D** — Overhead is 10% of \$50,000 = \$5,000, making the subtotal \$55,000, and adding \$5,000 profit gives \$60,000. The price builds from costs through overhead to profit. Each layer must be added in turn.
- 7. B** — A 20% margin on price is $\$40,000 \div 0.80 = \$50,000$, while a 20% markup on cost is $\$40,000 \times 1.20 = \$48,000$. Margin always yields a higher price than the same markup percentage. Confusing the two underprices the job.
- 8. B** — Adding 5% waste gives $1,000 \times 1.05 = 1,050$ blocks, and at \$3 each the cost is \$3,150. The waste factor is applied before pricing. Ordering only 1,000 would fall short.
- 9. D** — In a bid build-up, overhead is added to direct costs first, then profit is added last. Reversing the order or substituting other items misstates the process. The correct sequence yields a recoverable price.
- 10. A** — Unit pricing fits uncertain quantities, while a lump sum fits a fixed scope. The reversed pairing and the nonsense options are wrong. Matching the contract type to the certainty of scope is essential.
- 11. B** — The overhead rate is $\$50,000 \div \$500,000 = 10\%$, and it is recovered by adding it to each job's costs. Subtracting, dividing, or ignoring it would misstate the recovery. An accurate rate covers overhead across the year.
- 12. D** — In a lump-sum contract the contractor bears its own underbid, and the contract price stays fixed. The owner is not billed and the surety does not cover estimating errors. Fixed pricing places this risk on the contractor.
- 13. B** — The accounting equation states assets equal liabilities plus owner's equity. The other pairs are not the equation. This identity underlies every balance sheet.
- 14. A** — Equity is assets minus liabilities: $\$180,000 - \$100,000 = \$80,000$, computed by subtracting. Adding or dividing the figures is wrong. Equity is the residual after liabilities.
- 15. B** — A single-member LLC provides personal-asset protection and is taxed by default as a pass-through entity. It does not lack a shield or default to a C corporation. This combination is why the LLC is popular for solo contractors.

- 16. D** — Commingling funds can lead a court to pierce the veil, exposing the owner's personal assets. It does not raise credit, dissolve suits, or affect employees. Keeping finances separate preserves protection.
- 17. A** — A balance sheet shows position at a point in time, while an income statement covers a period. The reversed and narrowed options are wrong. Each statement answers a distinct question.
- 18. D** — A C corporation's profits may be taxed twice, a situation called double taxation. It is not taxed only once or never. The S election is what avoids this outcome.
- 19. D** — Job costing compares actual costs to the estimate so bids improve. The other pairs are unrelated figures. Variance between actual and estimated drives better estimating.
- 20. A** — A Georgia contractor pays sales tax at the time of purchase because it is the consumer of the materials. It is not a reseller or exempt entity. The contractor bears the tax as the end user.
- 21. C** — Use tax applies to untaxed out-of-state materials that are used in Georgia. Tax-paid, donated, or exported goods do not fit. Use tax captures purchases that escaped sales tax.
- 22. A** — FICA is withheld from the employee and equally matched by the employer, each at 7.65%. It is not refunded, exempt, or waived. The employer match doubles the total FICA cost.
- 23. B** — Withheld payroll taxes are trust funds, and misusing them can bring personal liability for the responsible person. They are not company money or penalty-free. These funds must stay set aside.
- 24. D** — A pass-through owner avoids an underpayment penalty by paying estimated tax in quarterly installments. Paying once, nothing, or annually does not satisfy the rule. Estimates are paid as income is earned.
- 25. B** — Non-exempt overtime is paid at 1.5× for hours over 40 in a workweek. The other thresholds and multipliers are wrong. The 40-hour weekly line governs overtime.
- 26. C** — Worker classification is decided by the control test, not merely by issuing a 1099. The worker's choice, the budget, or a clerk do not govern. Substance, not paperwork, determines status.
- 27. B** — Georgia requires workers' compensation at three employees, and a GC can be a statutory employer for an uninsured sub's workers. The other pairs misstate the threshold or the role. Both points shape risk planning.
- 28. A** — Form I-9 verifies a new hire's eligibility, while Form 941 reports quarterly payroll taxes. The other pairings confuse the forms. Each serves a distinct payroll-compliance purpose.
- 29. C** — The federal minimum wage binds Georgia's covered workers because it exceeds the state figure. The county, state, or a negotiated rate do not control. The higher applicable standard governs.
- 30. A** — The critical path is the longest activity sequence and sets the shortest possible project duration. The reversed and other pairs are wrong. Delays on this path push the finish date.

- 31. A** — A Georgia claim of lien must be filed within 90 days, and the owner served within two business days. The other intervals are incorrect. Both deadlines preserve the lien.
- 32. B** — A lien action must be commenced within 365 days of filing, and a notice of that action filed within 30 days of suit. The other pairs misstate the windows. Meeting both keeps the lien enforceable.
- 33. A** — A lower-tier party preserves lien rights by sending a Notice to Contractor after a recorded Notice of Commencement. The other documents do not serve this purpose. The preliminary notice safeguards the later lien.
- 34. C** — At substantial completion the owner may occupy with a punch list pending, and final completion follows once the list is finished. Notice to proceed and mobilization come at the start. These milestones govern occupancy and final payment.
- 35. B** — An interim lien waiver becomes conclusive about 90 days after signing unless the unpaid party files an affidavit of nonpayment first. The other intervals and documents are wrong. The affidavit, filed in time, preserves rights.
- 36. A** — A valid contract requires offer, acceptance, consideration, and a lawful purpose. Recording, a bond, or a permit are not formation elements. These four elements make an agreement enforceable.
- 37. C** — A counteroffer rejects the original offer and proposes new terms. It does not accept, record, or extend the offer. The original offer is gone until new terms are accepted.
- 38. B** — A contractor owes an implied warranty of workmanlike work even when unwritten, and abandoning a job is a material breach. The other pairs misstate one or both. Both principles arise by law.
- 39. D** — Extra work should be covered by a change order signed before the work. Doing it after, during, or without documentation risks nonpayment. The signed change order secures payment.
- 40. A** — Liquidated damages of \$300/day for 5 chargeable days are $300 \times 5 = \$1,500$, the rate times the days. Subtracting, dividing, or adding is wrong. The clause applies per day of delay.
- 41. D** — Dispute resolution escalates from negotiation to mediation, then arbitration, and finally litigation. The reversed and unrelated pairs are wrong. Each step adds formality and cost.
- 42. C** — Buying insurance and bonds transfers risk, while doing nothing about a risk is retaining it. Avoiding or eliminating mischaracterize the strategies. Naming each strategy correctly guides risk decisions.
- 43. D** — General liability covers third-party injury from operations, while builder's risk covers the structure under construction. The reversed and other pairs are wrong. Each exposure maps to its own coverage.
- 44. B** — After a default, the surety pays the owner, and the contractor must reimburse the surety. The other pairs misstate the parties or duty. This repayment obligation distinguishes a bond from insurance.

- 45. C** — A contractor grows bonding capacity by building strong financials, since sureties underwrite on financial strength. Debt, headcount, or one large job do not build capacity. Sound finances earn larger bonds.
- 46. A** — OSHA requires construction fall protection at 6 feet, and a fatality must be reported within 8 hours. The other pairs misstate the height or deadline. Both are key safety numbers.
- 47. C** — Before workers use a new chemical, the employer first obtains the Safety Data Sheet, then labels the container. Removing, painting, or sealing are wrong. The SDS informs proper labeling.
- 48. C** — An amputation must be reported within 24 hours, and an in-patient hospitalization also within 24 hours. The 8-hour rule applies to fatalities, not these events. Both share the 24-hour window.
- 49. A** — Disturbing one acre or more requires an NPDES permit and SWPPP before grading. The larger-acre and lesser-permit options are wrong. Permitting and controls must precede disturbance.
- 50. C** — A competent person must inspect a trench before each entry and has authority to correct hazards. Monthly, first-day-only, or after-work inspections fail the rule. Daily inspection with corrective authority protects workers.