

PRACTICE EXAM 18 — QUESTIONS 1-50

Format: Direct Scenario Questions — each item presents a construction, business, or regulatory situation. Select the option that correctly states the rule, identifies the proper action, or describes the applicable principle.

1. A general contractor hires a subcontractor to perform plumbing work on a \$200,000 commercial project in SC. The subcontractor performs the work but is unlicensed. What is the GC's typical exposure under SC law?

- A. The GC has no liability for the subcontractor's licensure status under SC law and regulations
- B. The GC must report the unlicensed sub to OSHA before commencing any project work
- C. SC GCs are responsible for ensuring subcontractors performing licensable work are properly licensed; using an unlicensed sub may expose the GC to disciplinary action and disgorgement of payments
- D. The unlicensed subcontractor must obtain a federal contractor license before performing the work

2. A new commercial general contractor applies for an SC commercial general contractor license at a higher grade. The application packet includes financial documentation requirements. What financial component does SC typically require?

- A. SC requires a financial statement (reviewed or audited depending on the grade) and may accept a license bond as an alternative for raising the bid limit at certain grades
- B. SC requires every applicant to post a \$500,000 license bond before issuance regardless of the license grade or contract size

C. License bonds are prohibited in SC commercial general contractor licensing under current LLR rules and procedures

D. SC requires only OSHA 30-hour certification with no financial statement or bonding documentation at any grade

3. A construction lender's mortgage is recorded on January 1. A subcontractor commences work on March 1 and records a mechanic's lien on June 15 for unpaid work. The property is sold at foreclosure. What is the typical priority outcome under SC law?

A. Mechanic's liens always take priority over recorded mortgages in SC under Title 29 Chapter 5 of the Code

B. Recorded mortgages always take priority over mechanic's liens regardless of when work commenced on the project

C. The subcontractor's lien is automatically subordinated to all other recorded interests on the property at foreclosure

D. SC mechanic's lien priority generally relates back to when work first commenced; a mortgage recorded before that date typically has priority, while a mortgage recorded after typically does not

4. A contract uses AIA A201 with 10 percent retainage. The contractor reaches 50 percent completion with satisfactory performance. The contractor asks the architect about reducing retainage. What is the typical AIA A201 treatment after 50 percent completion?

A. Retainage automatically increases to 15 percent after 50 percent completion under standard AIA A201 forms

B. Retainage remains exactly 10 percent until issuance of the certificate of substantial completion on the project

C. Retainage converts to a separate owner-funded escrow account after the 50 percent completion threshold is reached

D. Under typical AIA A201 modifications, retainage may be reduced or eliminated after 50 percent completion with satisfactory contractor performance, subject to architect recommendation and owner approval

5. A contractor purchases builder's risk insurance on a \$2 million renovation project. A fire damages partially completed work. The carrier accepts the claim. What does builder's risk typically cover?

- A. Builder's risk covers only third-party bodily injury claims arising during construction operations on the project
- B. Builder's risk typically covers physical damage to the project under construction from named perils such as fire, vandalism, theft, and weather; coverage extends to work in place and stored materials on or near the project site
- C. Builder's risk excludes all damage from fire and is limited to weather-related perils only under standard policy forms
- D. Builder's risk is identical to general liability insurance and covers the same perils with the same exclusions

6. A roofing contractor's workers are exposed to a fall of 8 feet above a lower level. No fall protection is provided. OSHA cites the contractor. What is the basis for the citation?

- A. OSHA's construction fall protection standard (29 CFR 1926.501) requires fall protection at 6 feet or more above a lower level; at 8 feet of exposure, guardrails, safety nets, or personal fall arrest systems are required
- B. OSHA fall protection requirements apply only to work above 20 feet in commercial construction operations
- C. Fall protection is voluntary in roofing operations below 25 feet of working height under federal regulations
- D. Fall protection is required only on bridges and elevated steel structures in commercial construction work

7. A contractor is preparing to pay a \$5,000 subcontractor invoice. The subcontractor is a sole proprietor providing services for the first time. What form should the contractor request from the subcontractor before issuing payment?

- A. Form W-2 to document the employee-employer relationship for federal income tax withholding purposes
- B. Form 1040 to verify the subcontractor's prior year income tax return as compliance documentation
- C. Form W-9 to obtain the subcontractor's taxpayer identification number (TIN) and certification, which the contractor uses to issue Form 1099-NEC at year-end
- D. Form I-9 to verify the subcontractor's work authorization status under federal immigration law

8. A project manager is reviewing a CPM network diagram. Which statement best describes the critical path?

- A. The critical path is the longest sequence of dependent activities through the network and determines the minimum project duration; any delay to a critical-path activity directly delays project completion absent schedule compression
- B. The critical path is the shortest sequence of activities and represents the most efficient path through the project network diagram
- C. The critical path is the sequence with the most resources allocated and the highest associated direct labor costs
- D. The critical path is determined solely by activity cost ranking, not by activity sequence or duration in standard CPM analysis

9. An SC contractor purchases materials for a direct federal government installation project. The federal contracting officer provides a tax exemption certificate. How does this affect the contractor's purchase under SC sales tax law?

- A. The contractor must collect SC sales tax from the federal government on all materials at the standard 6 percent rate
- B. Sales directly to the federal government are generally exempt from SC sales tax, but contractors performing improvement work are typically end consumers and remain liable for tax on their material purchases unless a specific contractor exemption applies
- C. SC sales tax doubles when materials are installed on federal property under SC tax law provisions

D. Federal government installations are taxed at the local-only rate without the state portion under federal preemption

10. A contractor's balance sheet shows total assets of \$1.5 million, total liabilities of \$900,000, and total equity of \$600,000. The bank computes debt-to-equity. What is the correct calculation?

A. Debt-to-equity = total assets ÷ total equity = $\$1.5\text{M} \div \$600\text{K} = 2.5$, the standard banking ratio for construction firms

B. Debt-to-equity = total equity ÷ total liabilities = $\$600\text{K} \div \$900\text{K} = 0.67$, indicating an equity-heavy capital structure

C. Debt-to-equity = total assets ÷ total liabilities = $\$1.5\text{M} \div \$900\text{K} = 1.67$, the standard for commercial lending analysis

D. Debt-to-equity = total liabilities ÷ total equity = $\$900\text{K} \div \$600\text{K} = 1.5$, indicating \$1.50 of debt for every \$1.00 of equity in the firm

11. A contractor obtains NPDES Construction General Permit coverage for a 4-acre site. What primary document must the contractor prepare and maintain on-site under the permit?

A. An OSHA 300 Log of all stormwater-related injuries occurring during site construction operations

B. A Form 941 quarterly tax filing covering all site personnel including subcontractors and suppliers

C. A Storm Water Pollution Prevention Plan (SWPPP) identifying potential pollutant sources, best management practices, inspection procedures, and corrective actions for the site

D. A federal lobbying disclosure statement listing all governmental contacts during the permit application

12. A commercial project is approaching substantial completion. The architect prepares a list of items requiring completion or correction before final acceptance and final payment. What is this document typically called?

- A. A schedule of values listing remaining payment items with their original contract values on the project
- B. A change order log summarizing all approved scope modifications processed to date on the project
- C. A punch list (or punchlist) itemizing remaining work, defective items, and corrections required for final acceptance, final payment, and release of retainage
- D. A submittal log tracking all material and shop drawing submissions through the duration of the project

13. During construction, the contractor identifies an ambiguity in the structural drawings between two details. The contractor submits a written question to the architect seeking clarification. What is this document called?

- A. A Request for Information (RFI), used to obtain clarification, interpretation, or additional information from the design team during construction, typically with a response timeframe specified in the contract documents
- B. A change order proposal requesting compensation for the design discrepancy and any additional work
- C. A submittal returned to the contractor with the architect's interpretation of the design issue
- D. A pay application requesting partial payment for the work area affected by the design conflict

14. The owner directs the contractor to add a 200 square foot mechanical room to the project after construction has begun. The contractor and architect agree on cost and time impacts. What document formalizes this scope addition?

- A. A Request for Information documenting the owner's verbal directive and the design clarification needed
- B. A change order executed by the owner, contractor, and architect, modifying the contract scope, contract sum, and contract time as agreed by the parties
- C. A submittal log entry tracking the new mechanical room equipment and shop drawings through review

D. A punch list addition listing the new mechanical room as a remaining item for final acceptance

15. A contractor receives chemical products containing hazardous substances for use on a commercial project. Under OSHA's Hazard Communication Standard, what documentation must the contractor maintain accessible to employees?

A. Form I-9 documentation for each employee handling the hazardous products at the project location

B. EPA permit documentation for each chemical product brought onto the project construction site

C. Form 1099-NEC for each chemical supplier providing hazardous products to the construction project

D. Safety Data Sheets (SDS) for each hazardous chemical product, with employee training on labels, hazards, and protective measures, as required under 29 CFR 1910.1200 (HazCom)

16. A contractor is preparing a preliminary budget estimate for a new commercial office building of 25,000 sq ft. Local benchmarks indicate similar projects cost approximately \$200 per sq ft. What is the most likely use and limitation of this estimate?

A. The square-foot method ($\$200 \times 25,000 = \5 million) provides a quick preliminary budget estimate for early conceptual planning; accuracy is limited because the method does not account for project-specific design, materials, site conditions, or market variations

B. The square-foot method produces a final binding bid price that the contractor must honor without further detailed takeoff or analysis on the work

C. The square-foot method is used only for residential single-family construction and is invalid for commercial projects of any size

D. The square-foot method requires detailed quantity takeoffs of every material and labor component before producing the preliminary estimate

17. An applicant for an SC commercial general contractor license must pass which examination components to qualify for licensure?

- A. Only a federal contractor's exam administered by the U.S. Department of Labor on a quarterly basis
- B. A NASCLA-accredited commercial general building contractor examination (or SC equivalent) along with the SC Business Management and Law examination administered through PSI
- C. Only the OSHA 30-hour construction safety course completion certificate exam without any business examination
- D. A residential builder exam combined with an electrical journeyman exam under current SC licensure requirements

18. A contractor's electricians are performing work on energized equipment in a commercial building's electrical room. What OSHA program governs the de-energization, isolation, and tagging of the equipment before maintenance?

- A. The OSHA Hazard Communication program governs energized equipment isolation in construction settings
- B. The OSHA Lockout/Tagout (LOTO) program under 29 CFR 1910.147 controls the isolation of hazardous energy sources during servicing and maintenance, requiring written procedures to lock and tag energy sources to prevent unexpected startup
- C. The OSHA Hearing Conservation program addresses electrical isolation requirements in industrial maintenance work
- D. The OSHA Respiratory Protection program controls all electrical room maintenance activities under the federal rule

19. A contract includes a force majeure clause. A hurricane causes a 21-day delay to the project. What is the typical effect of the force majeure clause?

- A. Force majeure clauses entitle the contractor to monetary damages for all delay-related costs caused by the hurricane
- B. Force majeure clauses void the entire construction contract upon any weather-related delay exceeding 7 days

C. Force majeure clauses typically excuse performance delays caused by specified unforeseeable events (such as natural disasters, war, government action) and entitle the contractor to a time extension, but generally not to additional money damages for the delay

D. Force majeure clauses apply only to subcontractors and have no effect on the general contractor's contract obligations

20. A subcontractor on a bonded public project defaults after performing 60 percent of the work. The general contractor turns to the sub's performance bond. What is the surety's typical obligation?

A. The surety must immediately pay the GC the remaining 40 percent of the subcontract value in cash within 30 days

B. The surety has no obligation to the GC on a subcontractor default and the GC bears all completion costs alone

C. The surety reimburses the GC only for the original bid amount without considering completion costs incurred

D. The surety's options typically include arranging completion by the defaulting sub, financing the sub to complete, tendering a replacement sub, or paying the GC the excess completion cost up to the bond's penal sum

21. An owner and contractor agree to a time and material (T&M) contract for an emergency repair where scope is unclear at signing. What are the typical risk allocation features of T&M contracts?

A. T&M contracts pay the contractor for actual labor hours at agreed rates plus actual material cost (usually with markup) plus equipment use; the owner bears most cost risk because expense scales with work performed, while the contractor bears less estimating risk

B. T&M contracts shift all cost risk to the contractor as a fixed-price lump sum regardless of actual hours or materials used

C. T&M contracts require the contractor to perform unlimited work for a single capped fee under SC commercial practice

D. T&M contracts are prohibited in SC commercial construction and are valid only for residential repair projects

22. A newly hired construction worker completes paperwork on the first day of employment. Which IRS form does the employee complete to direct the employer on federal income tax withholding?

- A. Form 1099-NEC for nonemployee compensation reporting during the calendar tax year
- B. Form W-2 reporting wages and federal income tax withheld during the year by the employer
- C. Form W-4 (Employee's Withholding Certificate), submitted by the employee to direct federal income tax withholding from wages based on filing status, dependents, and other adjustments
- D. Form W-9 providing the taxpayer identification number for nonemployee compensation reporting purposes

23. A contractor is performing work on a federally funded \$5 million public works construction project. Workers must be paid at certain rates. What law governs the wage requirement?

- A. The Fair Labor Standards Act (FLSA) sets the prevailing wage requirement on all federally funded construction work
- B. The Family and Medical Leave Act (FMLA) governs the wage requirements on federally funded construction projects
- C. The Occupational Safety and Health Act (OSH Act) governs prevailing wages on federally funded construction work
- D. The Davis-Bacon Act requires contractors and subcontractors on federally funded construction projects above \$2,000 to pay locally prevailing wages and fringe benefits as determined by the U.S. Department of Labor

24. A worker on a construction site sustains a minor cut requiring only a single application of an antiseptic and a bandage. The worker continues working. Is this incident OSHA recordable on the 300 Log?

- A. All cuts and abrasions of any severity are OSHA recordable on the 300 Log regardless of medical treatment provided

B. The incident is generally not OSHA recordable because first aid alone (such as cleaning and bandaging) does not meet the recordkeeping threshold; recordable incidents require medical treatment beyond first aid, loss of consciousness, restricted work, or other specified criteria

C. OSHA 300 Log entries are based solely on whether the worker reports the incident to the immediate supervisor

D. The incident becomes recordable only if the worker takes more than 24 hours off work to recover from the cut

25. A subcontract contains an indemnification clause requiring the sub to indemnify the GC for claims arising from the sub's work. The sub's employee is injured on the project, and the employee sues the GC. The GC tenders the defense to the sub. What is the typical legal effect?

A. Indemnification clauses obligate the indemnitor (sub) to defend, indemnify, and hold harmless the indemnitee (GC) for covered claims; the sub typically must defend the GC against claims arising from the sub's work, subject to anti-indemnity statutes that may limit indemnity for the indemnitee's own negligence

B. Indemnification clauses are unenforceable in SC construction contracts and the GC must bear all defense costs alone

C. The sub's indemnification obligation applies only to claims by the owner and never to claims by third parties or the sub's own employees

D. Indemnification clauses automatically transfer the GC's CGL insurance to the sub's policy without further action

26. A contractor encounters unexpected rock formations during foundation excavation on a commercial project. The conditions differ materially from those indicated in the geotechnical report furnished by the owner. What contract provision typically applies?

A. The contractor bears all costs of unexpected site conditions under fixed-price contracts without any exception or remedy

B. The owner must terminate the contract and rebid the project when site conditions differ from the geotechnical report

C. The contractor must continue performance at the original contract price regardless of any conditions encountered on-site

D. A differing site conditions (DSC) clause typically allows the contractor to recover additional cost and time when actual conditions differ materially from those indicated in the contract documents or from those ordinarily encountered, subject to timely notice requirements

27. A contractor's first pay application on a commercial project is submitted. The architect requires the contractor to submit a Schedule of Values prior to processing the application. What is a Schedule of Values?

A. A list of subcontractors and suppliers furnishing labor or materials to the project for lien tracking purposes

B. A schedule of remaining float on each activity in the CPM network diagram for the project schedule

C. A breakdown of the total contract sum allocated to discrete work items, used as the basis for measuring progress and processing periodic pay applications; each line item is assigned a dollar value summing to the contract sum

D. A schedule of all change orders processed to date on the project showing cumulative scope and cost impact

28. An applicant for an SC commercial general contractor license at the highest grade asks about the financial statement requirements. What is the typical SC requirement?

A. SC requires audited financial statements from an independent CPA for the highest grade levels, with reviewed or compiled financial statements accepted for lower grades; the financial statement supports the maximum allowable bid limit per project and aggregate

B. SC requires only a self-prepared income statement signed by the applicant without any independent CPA review

C. SC accepts personal income tax returns in lieu of any business financial statements for all license grade levels

D. SC requires no financial statements at any grade level — only the license application fee and the examination

29. A commercial project has reached the point where the work is sufficiently complete for the owner to occupy and use the building for its intended purpose, though minor items remain. What is this milestone called?

- A. Final completion, marking the conclusion of all work including all punch list items and final acceptance
- B. Substantial completion, marking the point at which the work is sufficiently complete for the owner to occupy or use for its intended purpose; typically triggers the start of warranty periods and release of most retainage
- C. Mechanical completion, marking the readiness of mechanical systems only without regard to other building systems
- D. Beneficial occupancy, marking the owner's temporary use of a portion of the project before any major systems are complete

30. A material supplier on a private commercial project in SC wants to know whether a preliminary notice is required to preserve lien rights. What is the SC requirement?

- A. SC requires a 30-day preliminary notice prior to commencing work on every project to preserve lien rights under Title 29
- B. SC requires a 60-day preliminary notice mailed to the owner before any materials are delivered to the site
- C. SC requires a written preliminary notice posted at the project site before lien rights vest in any party
- D. SC mechanic's lien law (Title 29 Chapter 5) does not require a general preliminary notice for lien rights to attach; the primary statutory deadlines are filing within 90 days of last work and commencing enforcement within 6 months of filing

31. A construction superintendent conducts a 10-minute safety briefing with the crew at the start of each workday. The briefing covers the day's tasks and associated hazards. What is this practice typically called?

- A. A pre-task hazard control plan documenting all hazards identified at the project planning phase

B. An OSHA inspection walkthrough with documentation of all safety conditions on the construction site

C. A formal job hazard analysis (JHA) submitted to OSHA quarterly under federal recordkeeping requirements

D. A toolbox talk (also called tailgate meeting or safety briefing) — a short, frequent crew-level safety discussion focused on the day's specific tasks and hazards, widely used in construction as a frontline safety communication tool

32. An owner on a public project requires a bid bond with each submitted bid. What is the typical bid bond percentage requirement on public construction projects?

A. Bid bonds are typically 25 percent of the contract value as required by federal procurement regulations

B. Bid bonds are typically 50 percent of the contract value under standard public procurement practice

C. Bid bonds are typically 5 percent to 10 percent of the bid amount, with 5 percent being most common on public projects; the bond guarantees the bidder will enter into the contract if awarded the work

D. Bid bonds are not required on public projects and are used only on private commercial construction work

33. A contractor's experience modification rate (EMR) for workers compensation is 1.25. The contractor is preparing a bid on a project where the owner requires an EMR below 1.00. What does the EMR indicate?

A. The EMR is a multiplier comparing the contractor's actual workers comp claims experience to the industry average for similar firms; an EMR of 1.25 means claims experience is 25 percent worse than industry average, while 1.00 is average and below 1.00 is better than average

B. The EMR measures the contractor's total revenue divided by total payroll without regard to safety performance

C. The EMR is a fixed value set by the state and does not vary with the individual contractor's claims experience

D. The EMR applies only to construction firms with more than 100 employees on the payroll under federal rules

34. A contractor on a commercial project is paid through a construction loan's monthly draw schedule. The lender requires inspection and approval before each draw is released. What does this inspection process typically verify?

A. The contractor's compliance with federal payroll tax filings for all employees and subcontractors on the project

B. The lender's inspector typically verifies that work claimed in the pay application has been performed in place, materials are stored on-site as billed, and the percent complete supports the draw amount before approving the disbursement

C. The contractor's compliance with SC sales tax collection on the construction work performed at the location

D. The contractor's compliance with EPA stormwater regulations and the SWPPP for the project construction site

35. A subcontractor's work damages the GC's installed work, requiring repairs by the GC. The GC deducts the repair cost from the subcontractor's next pay application. What is this deduction called?

A. A change order reducing the subcontract amount for scope removal from the sub's contracted work

B. A retainage adjustment increasing the percentage held back from the subcontractor's monthly payments

C. A backcharge, where the GC charges back to the subcontractor's account the cost of work the GC performed that should have been performed by the sub (or to remedy damage caused by the sub); typically deducted from the sub's pay application

D. A liquidated damages assessment for late completion of the subcontractor's work on the project

36. A construction contract is signed but the contractor cannot mobilize until the owner issues a formal written authorization to begin work. What is this authorization called?

- A. A Notice to Proceed (NTP), the owner's formal written authorization that establishes the start date for performance and typically triggers the contract time clock for the project
- B. A certificate of substantial completion, marking the readiness of the project for owner occupancy and use
- C. A schedule of values approving the contractor's billing breakdown for periodic pay applications on the project
- D. A Notice of Award, the owner's preliminary acknowledgment of bid acceptance prior to contract execution

37. A general contractor encounters asbestos-containing material during a renovation. The contractor's own employees are not trained or certified for asbestos work. What is the typical regulatory requirement?

- A. The contractor may handle the asbestos using standard PPE without specialized training or licensing required
- B. The contractor must perform the asbestos work in-house using a 4-hour OSHA awareness course only for the crew
- C. The contractor must notify the owner verbally and proceed with the work using standard demolition crews on-site
- D. Asbestos abatement is typically subject to specialized licensing or certification requirements for both firms and workers under state and federal rules; the contractor should retain a properly licensed asbestos abatement contractor for the work

38. A construction firm has employees and is preparing year-end federal payroll tax filings. Which form reports the firm's federal unemployment tax (FUTA) liability for the year?

- A. Form 941 reports the firm's quarterly FUTA contribution and federal income tax withholding for employees
- B. Form 940 (Employer's Annual Federal Unemployment Tax Return) reports the employer's FUTA liability annually; FUTA tax is paid by the employer (not deducted from wages) and funds federal/state unemployment programs

C. Form W-3 reports the firm's annual FUTA contribution combined with state unemployment for federal filing

D. Form 1099-MISC reports the firm's FUTA liability on payments to nonemployees during the calendar year

39. A project has earned value (EV) of \$400,000 and actual cost (AC) of \$500,000 at the measurement date. The PM calculates the cost performance index (CPI). What is the result and meaning?

A. $CPI = EV \div AC = \$400,000 \div \$500,000 = 0.80$; a CPI below 1.0 indicates the project is over budget — the contractor is earning only \$0.80 of value for every \$1.00 spent, signaling cost overrun

B. $CPI = AC \div EV = \$500,000 \div \$400,000 = 1.25$; a CPI above 1.0 indicates the project is under budget on cost performance to date

C. CPI is calculated only on labor cost and excludes material and equipment costs from the cost performance analysis

D. CPI cannot be calculated until the project reaches 100 percent complete and all final costs are tallied and reported

40. Two contractors form a general partnership to perform commercial work. One partner signs a contract on behalf of the partnership. The project incurs a \$200,000 liability the partnership cannot cover. What is the personal liability of each partner?

A. Partners are protected from personal liability by the partnership's separate legal entity status under SC partnership law

B. Only the partner who signed the contract has personal liability; the non-signing partner is fully protected from creditors

C. In a general partnership, each partner is jointly and severally liable for the partnership's debts and obligations; personal assets of each partner may be reached to satisfy partnership debts, regardless of which partner signed the contract

D. Partners in a general partnership have liability limited to their initial capital contributions to the partnership

41. A contractor receives the architect's punch list at substantial completion. The contractor must address the items before final payment. What is the contractor's typical next step?

A. Submit a change order request for compensation to perform all punch list items at additional cost to the owner

B. Promptly complete or correct the punch list items, request architect re-inspection, and submit a final pay application with required closeout documents (warranties, as-builts, lien waivers) for final payment and retainage release

C. File a mechanic's lien against the property for the value of the punch list items remaining at substantial completion

D. Demobilize the project immediately because substantial completion ends all of the contractor's contractual obligations

42. A contractor's welder is performing welding on steel beams inside an occupied commercial building. Before beginning the welding, what document is typically required under fire safety practice?

A. An OSHA 30-hour training certificate must be posted at the welding location during the operation on-site

B. A Form W-9 must be filed by the welder before any sparks or open-flame work is performed in the building

C. A SWPPP inspection report must be completed before any indoor welding can commence on the project site

D. A hot work permit issued under the facility's hot work program or NFPA 51B requirements, specifying the location, time, fire watch personnel, and fire prevention measures for welding, cutting, or other spark-producing operations

43. After bid opening, a GC who won the prime contract approaches a subcontractor whose number was used in the bid and asks the sub to reduce the price further. What is this practice typically called?

A. Bid bonding, a routine post-award practice required by public procurement rules in most jurisdictions

- B. Bid leveling, an ethical practice of normalizing subcontractor bids for accurate comparison purposes
- C. Bid shopping, the post-bid practice of using one sub's price to pressure others (or the same sub) for lower numbers; widely viewed as unethical and prohibited or discouraged under many public procurement codes and AGC ethical guidelines
- D. Bid solicitation, the routine pre-bid practice of inviting subcontractors to submit pricing for the GC's bid

44. A construction contract sets liquidated damages at \$50,000 per day for late completion. The reasonably foreseeable damages at signing were only \$200 per day. The contractor argues the LD is unenforceable as a penalty. What is the typical court analysis?

- A. Courts distinguish enforceable liquidated damages from unenforceable penalties; an LD is enforceable if the amount was a reasonable forecast of likely damages at contracting and actual damages were difficult to ascertain; a daily rate vastly out of proportion to anticipated damages may be voided as a penalty
- B. All liquidated damages clauses are automatically enforced regardless of the relationship to actual damages at signing
- C. All liquidated damages clauses are automatically unenforceable in SC commercial construction work under SC law
- D. Liquidated damages clauses must be reduced to exactly half the daily amount to be enforceable in SC under case law

45. A contractor generates waste solvent on a commercial project. The waste meets RCRA criteria for hazardous waste. What is the contractor's typical obligation under federal RCRA?

- A. The contractor may dispose of the solvent in the regular construction dumpster after labeling it appropriately for collection
- B. RCRA requires the generator to characterize the waste, obtain an EPA generator identification number (if above small-quantity thresholds), use a licensed transporter, and ship to a permitted treatment, storage, or disposal facility under manifested cradle-to-grave tracking

C. The contractor must self-incinerate the solvent on-site to comply with RCRA hazardous waste rules under federal law

D. RCRA applies only to manufacturing facilities and does not extend to construction-generated waste under federal regulations

46. A PM is reviewing a CPM schedule. The schedule shows several types of float on each activity. Which definition best describes "total float"?

A. The amount of time an activity can be delayed without exceeding its planned budget on the project schedule

B. The amount of time an activity can be accelerated by adding additional resources to the scheduled work

C. The maximum amount of time an activity can be delayed from its early start without delaying the project completion date; activities on the critical path have zero total float by definition

D. The number of working days remaining until the activity's scheduled completion date on the CPM network diagram

47. A contractor is required to ensure that field supervisors complete OSHA safety training. Which OSHA training course is typically required for supervisory construction personnel?

A. OSHA 4-hour Hazard Awareness course is sufficient for all supervisory construction personnel under federal rules

B. OSHA 1-hour orientation video is sufficient for supervisory training under federal construction safety regulations

C. OSHA 8-hour HAZWOPER refresher is the standard supervisory training requirement for construction supervisors

D. OSHA 30-hour Construction Safety and Health course is typically required for supervisors and others with safety responsibility; OSHA 10-hour is the entry-level course for workers, and many owners and states mandate 10/30-hour training on covered projects

48. An owner issues a stop work order to the contractor citing a safety concern. The order halts all activity on the project. What is the typical contractor obligation upon receiving such an order?

- A. The contractor must promptly comply by halting the affected work, document the order and the date received, notify subs and suppliers, address the underlying concern (or dispute it through contract procedures), and pursue any contractual remedy for delay and cost impacts if the stop order was improper
- B. The contractor may ignore the order and continue work without consequence under standard AIA contract practice
- C. The contractor must terminate the contract upon receipt of any stop work order from the owner or architect
- D. The contractor must immediately file a lawsuit against the owner for issuance of any stop work order from the owner

49. A contractor allocates general overhead (rent, office salaries, utilities, insurance) to projects using a percentage of direct labor cost. A project has \$400,000 in direct labor. The firm's overhead rate is 30 percent. What is the allocated overhead?

- A. \$30,000 (10 percent of direct labor as a standard estimating practice in commercial construction work)
- B. \$120,000 ($\$400,000 \times 30$ percent), the indirect overhead allocated to this project as the contractor's share of general office operating costs to be recovered through the bid price
- C. \$400,000 (100 percent of direct labor as the typical overhead allocation in commercial construction estimating)
- D. \$40,000 (10 percent of direct labor calculated using the overhead allocation formula on the project)

50. Two contractors form a joint venture to bid and perform a specific large commercial project. The JV agreement does not address liability among the venturers. What is the typical default liability allocation?

- A. The lead contractor in the joint venture bears 100 percent of the liability for the project's performance and debts
- B. The non-lead contractor in the joint venture bears no liability beyond its capital contribution to the joint venture
- C. In a joint venture (typically treated as a partnership for the specific project), the venturers are generally jointly and severally liable for the JV's obligations on the project; each venturer may be individually pursued for the full amount of JV debts
- D. Joint ventures eliminate all personal liability of the venturers under SC partnership law and case authority

PRACTICE EXAM 18: ANSWER KEY AND EXPLANATIONS

1. C — Under SC contractor licensing law, general contractors are responsible for ensuring that subcontractors performing licensable work hold the appropriate SC license for their trade and scope. Using an unlicensed sub on licensable work exposes the GC to disciplinary action by the SC LLR Contractor's Licensing Board, possible disgorgement, and unenforceability of the subcontract itself. The GC's verification of sub licensure is a baseline due-diligence step before contracting.
2. A — SC commercial general contractor licensing requires a financial statement supporting the requested bid limit, with the level of CPA involvement (compilation, review, or audit) scaling with the grade applied for. A license bond is an alternative pathway at certain grades to raise the bid limit when the financial statement alone would not support the higher tier. Together, the financial statement and optional bond establish the contractor's permitted single-project and aggregate bid limits.
3. D — Under SC Code Title 29 Chapter 5, mechanic's lien priority relates back to the date work first commenced or materials were first furnished to the project. A mortgage recorded before commencement of work typically has priority over the lien, while a mortgage recorded after commencement is typically subordinated. This relation-back doctrine protects contractors and suppliers whose work increases the value of the property securing the lender.
4. D — AIA A201 provides for retainage on progress payments, and the parties commonly modify the form to reduce or eliminate retainage after 50 percent completion when the contractor's performance has been satisfactory. The reduction is typically subject to architect recommendation and owner approval and is intended to ease the contractor's working capital position in the back half of the project. Final retainage release follows substantial completion and resolution of punch list items.
5. B — Builder's risk insurance is property coverage on the project under construction, typically written on a named-perils or special-form basis and covering physical damage from fire, vandalism, theft, weather, and similar causes. Coverage usually extends to work in place, materials stored on or near the site, and sometimes to materials in transit. It differs fundamentally from CGL, which addresses third-party liability rather than damage to the project itself.

6. A — OSHA's construction fall protection standard at 29 CFR 1926.501 establishes 6 feet above a lower level as the trigger for required fall protection. Acceptable methods include guardrail systems, safety net systems, and personal fall arrest systems, with the choice driven by the work surface and task. The 6-foot threshold is stricter than the 4-foot trigger in general industry, reflecting the elevated risk profile of construction work.
7. C — Form W-9 is the IRS form used to collect a payee's taxpayer identification number and certification of TIN accuracy. The contractor obtains the W-9 from any unincorporated payee before issuing payment so the contractor can correctly issue Form 1099-NEC at year-end for nonemployee compensation of \$600 or more. Failure to collect a W-9 can trigger backup withholding obligations on the payments made.
8. A — The critical path is the longest sequence of dependent activities through a CPM network and determines the project's minimum possible duration. Activities on the critical path have zero total float, meaning any delay to those activities delays project completion unless the schedule is compressed through crashing or fast-tracking. Identifying and protecting the critical path is the central purpose of CPM scheduling.
9. B — Direct sales to the federal government are exempt from SC sales tax, but SC treats contractors performing improvement work as end consumers of materials installed into real property. Even on federal projects, the contractor's purchases of materials are typically taxable unless a narrow contractor-specific exemption applies. The federal exemption attaches to direct government purchases, not to all material flow on federally funded jobs.
10. D — Debt-to-equity ratio equals total liabilities divided by total equity. Here $\$900,000 \div \$600,000$ produces 1.5, meaning the firm carries \$1.50 of debt for every \$1.00 of equity. Construction lenders and sureties watch this ratio as a leverage indicator; consistently rising debt-to-equity signals increasing financial risk and reduced borrowing or bonding capacity.
11. C — The NPDES Construction General Permit requires the operator to develop, implement, and maintain a Storm Water Pollution Prevention Plan that identifies pollutant sources, prescribes best management practices, sets inspection schedules, and documents corrective actions. The SWPPP must be kept on-site, updated as conditions change, and made available to inspectors. EPA citations frequently target missing, outdated, or unimplemented SWPPPs even when the underlying permit coverage was properly obtained.
12. C — A punch list is the architect's (or owner's representative's) itemized list of incomplete or defective work that the contractor must address before final acceptance and final payment. It is typically prepared at or near substantial completion and serves as the closeout to-do list. Completion of punch list items, along with submission of warranties, as-builts, and lien waivers, triggers release of remaining retainage.
13. A — A Request for Information is the formal written mechanism the contractor uses during construction to obtain clarification, interpretation, or supplemental information from the design team about contract documents. RFIs are typically logged, numbered, and responded to within a contractually specified timeframe. RFI responses can constitute constructive change directives if they materially alter the work scope or specifications.
14. B — A change order is the formal contract amendment executed by the owner, contractor, and (typically) architect to modify the contract scope, contract sum, contract time, or all three. The change order documents the agreed cost and time impact of the directed work and protects both parties from later disputes about the modification. Executed change orders are also the foundation of clean closeout and final reconciliation.

15. D — OSHA's Hazard Communication Standard at 29 CFR 1910.1200 requires employers to maintain Safety Data Sheets for each hazardous chemical brought into the workplace, with employee training on container labels, SDS use, and chemical hazards. SDS must be readily accessible to employees during work shifts, typically kept in a central binder or electronic system on-site. HazCom violations are among the most-cited OSHA standards across all industries.
16. A — The square-foot method multiplies project area by a per-square-foot benchmark cost to produce a quick, order-of-magnitude estimate suitable for early conceptual planning and feasibility analysis. Here, $25,000 \times \$200$ yields a \$5 million budget figure. Accuracy is limited because the method does not capture project-specific design, materials, site conditions, or current local market pricing; detailed takeoff-based estimating replaces it as the project develops.
17. B — Applicants for an SC commercial general contractor license must pass the NASCLA-accredited Commercial General Building Contractor examination (or the SC equivalent) covering technical scope, and the SC Business Management and Law examination covering state-specific contracting, lien, tax, and labor law. Both exams are administered through PSI testing centers. Passing both is a prerequisite for license issuance at any commercial grade.
18. B — OSHA's Lockout/Tagout standard at 29 CFR 1910.147 controls the isolation of hazardous energy sources during servicing and maintenance of equipment. The standard requires written energy control procedures, locks and tags applied by authorized employees, and verification of de-energization before work begins. LOTO is one of OSHA's most frequently cited general-industry standards and applies to electrical, mechanical, hydraulic, pneumatic, and chemical energy sources.
19. C — Force majeure clauses excuse performance delays caused by enumerated unforeseeable events such as natural disasters, war, government action, and labor disturbances beyond the contractor's control. The typical remedy is a time extension equal to the delay, but the contractor generally is not entitled to monetary damages absent specific contract language to that effect. The clause allocates the risk of unforeseen disruptions between the parties without compensation flowing either way.
20. D — Under a typical performance bond, the surety has several options when the principal defaults: arrange for the defaulted contractor to complete, finance the contractor to complete, tender a replacement contractor acceptable to the obligee, or pay the obligee the cost of completion in excess of the unpaid contract balance up to the bond's penal sum. The choice belongs to the surety and is driven by cost, schedule, and the relative strength of the defaulted contractor.
21. A — Time and material contracts compensate the contractor for actual labor hours at agreed billing rates plus actual material cost (typically with markup) plus equipment use. Because expense scales with work performed, the owner bears most of the cost risk while the contractor bears less estimating risk than under a fixed-price contract. T&M is commonly used for emergency, unscoped, or evolving-scope work where a fixed price cannot be reasonably estimated.
22. C — Form W-4 is the Employee's Withholding Certificate, completed by the employee at hire (and whenever circumstances change) to direct federal income tax withholding from wages. The form captures filing status, dependents, multiple-job adjustments, and other withholding inputs under the post-2020 simplified design. The employer uses the W-4 with IRS withholding tables to calculate the federal income tax to withhold each pay period.
23. D — The Davis-Bacon Act applies to contractors and subcontractors on federally funded or assisted construction projects above \$2,000 and requires payment of locally prevailing wages and fringe benefits as determined by the U.S. Department of Labor. Wage determinations are project-

specific and incorporated into the bid documents. Certified payroll reports are required throughout the project to document compliance.

24. B — OSHA recordability is governed by 29 CFR 1904, which excludes incidents resolved by first aid only from the 300 Log even though they involve a work-related injury. First aid examples include cleaning surface wounds, applying bandages, and using non-prescription medications at non-prescription strength. Recordable incidents require medical treatment beyond first aid, loss of consciousness, days away from work, restricted work, or job transfer.
25. A — Indemnification clauses obligate the indemnitor to defend, indemnify, and hold harmless the indemnitee against specified categories of claims, typically including claims by injured workers, third parties, and property owners arising from the indemnitor's work. SC and many other states limit the extent to which a party may be indemnified for its own negligence under anti-indemnity statutes, so enforceability depends on both the clause language and the underlying claim's cause. The indemnitor's CGL insurance often funds the indemnification obligation.
26. D — A differing site conditions clause allocates the risk of materially different physical conditions encountered during construction. Type I covers conditions differing materially from those indicated in the contract documents; Type II covers unusual conditions not ordinarily encountered. With timely notice, the contractor may recover additional cost and time when subsurface or other conditions truly differ from those represented or expected. Without a DSC clause, the contractor typically bears that risk.
27. C — A Schedule of Values is the contractor's allocation of the total contract sum to discrete work items or cost categories, summing exactly to the contract sum. It is the basis for measuring progress and processing periodic pay applications: the contractor reports percent complete for each line item, and the architect certifies the resulting payment amount. Front-end loading the schedule is a common abuse, which architects scrutinize during initial approval.
28. A — SC's commercial general contractor licensing scheme requires a financial statement supporting the bid limit, with the level of CPA assurance increasing with the grade applied for. The highest grade levels typically require an audited financial statement from an independent CPA, while lower grades accept reviewed or compiled statements. The financial statement directly determines the maximum allowable bid limit per project and in aggregate across all open work.
29. B — Substantial completion is the contractual milestone at which the work is sufficiently complete in accordance with the contract documents so that the owner can occupy or utilize the work for its intended use. Under AIA A201, the date triggers the start of warranty periods, transfer of risk of loss, release of most retainage, and assessment of whether the contractor met any liquidated-damages-protected completion date. Final completion follows after punch list resolution.
30. D — SC mechanic's lien law under Title 29 Chapter 5 does not impose a general preliminary notice requirement on contractors, subs, or suppliers as a precondition to lien rights. The primary statutory deadlines are filing the Statement of Account within 90 days of last work and commencing enforcement within 6 months of filing. The exception arises when the owner files a Notice of Project Commencement, which then triggers a 30-day Notice of Furnishing requirement for lien claimants.
31. D — A toolbox talk (also called a tailgate meeting or safety briefing) is a short, frequent crew-level safety discussion focused on the day's specific tasks and hazards. The format is informal, typically 5 to 15 minutes, and is widely used in construction as a frontline safety communication tool. Documented toolbox talks support both safety culture and the contractor's defense to OSHA citations by demonstrating ongoing hazard communication.

32. C — Bid bonds on public construction projects typically run 5 percent to 10 percent of the bid amount, with 5 percent being most common; some federal procurements use a flat percentage of the bid as well. The bond guarantees the bidder will execute the contract and post the required performance and payment bonds if awarded. Forfeiture serves as liquidated damages for a bidder's refusal to perform after acceptance.
33. A — The experience modification rate is a workers compensation rating multiplier comparing the insured's actual claims experience to the expected loss for similar firms in the same classification. An EMR of 1.00 represents the industry average; values above 1.00 indicate worse-than-average loss experience (and higher premiums), while values below 1.00 indicate better-than-average experience (and lower premiums). Many owners use EMR thresholds for pre-qualification, making safety performance a direct competitive factor.
34. B — The construction lender's draw inspection verifies that the work claimed in the pay application has actually been performed in place, that any materials billed as stored on-site are present and properly stored, and that the cumulative percent complete supports the requested draw amount. The inspection protects the lender's collateral position by ensuring loan disbursements track actual project value. Discrepancies between billed and observed progress typically trigger holds or adjustments to the draw.
35. C — A backcharge is a charge by one party (typically the GC) against another party's account (typically a subcontractor) for the cost of work the GC performed that should have been the sub's responsibility, or to remedy damage caused by the sub. Backcharges are typically deducted from the sub's next pay application, with supporting documentation showing the cost incurred. Contract provisions usually require notice before backcharging to give the sub an opportunity to cure.
36. A — A Notice to Proceed is the owner's formal written authorization directing the contractor to commence work as of a specified date. The NTP typically starts the contract time clock for performance and the calculation of any liquidated damages tied to completion deadlines. NTP issuance follows contract execution and any preliminary conditions such as receipt of bonds, insurance, and required submittals.
37. D — Asbestos abatement is heavily regulated by EPA (NESHAP), OSHA (29 CFR 1926.1101), and most states, typically requiring licensure or certification for both the abatement firm and individual workers along with project-specific notifications. A general contractor's standard demolition crew is not authorized to perform abatement and must subcontract to a properly licensed abatement contractor. Doing the work in-house without proper licensure exposes the GC to citations, penalties, and significant liability.
38. B — Form 940 is the Employer's Annual Federal Unemployment Tax Return, reporting the employer's FUTA liability for the calendar year. FUTA is an employer-paid tax (not deducted from employee wages) that funds federal and state unemployment programs. Form 940 is filed annually by January 31 of the following year, separately from quarterly Form 941 filings for income tax and FICA.
39. A — Cost Performance Index equals earned value divided by actual cost. Here, $\$400,000 \div \$500,000 = 0.80$, meaning the project is earning only \$0.80 of value for every \$1.00 spent — a 20 percent cost overrun against the work completed. A CPI below 1.0 signals cost trouble; values significantly below 1.0 warrant immediate investigation and corrective action.
40. C — A general partnership has no liability shield for its partners: each partner is jointly and severally liable for partnership debts and obligations regardless of which partner incurred them. Creditors may pursue the personal assets of any partner to satisfy partnership liabilities up to the

full amount owed. This exposure is the primary reason most contracting businesses operate as LLCs or corporations rather than as general partnerships.

41. B — At substantial completion, the contractor's path to final payment requires completing or correcting punch list items, requesting re-inspection by the architect, and submitting a final pay application along with required closeout documents including warranties, as-built drawings, lien waivers, operations and maintenance manuals, and consent of surety. Only after these steps and architect certification does the owner release the final payment and remaining retainage.
42. D — A hot work permit is a written authorization, typically issued under the facility's hot work program or NFPA 51B standards, that controls welding, cutting, grinding, and other spark-producing operations in occupied or hazard-sensitive areas. The permit specifies location, time, fire watch personnel, fire prevention measures, and post-work monitoring requirements. Failure to obtain a permit before hot work is a leading cause of construction-related building fires.
43. C — Bid shopping is the post-bid practice in which a successful general contractor uses one subcontractor's price to pressure that sub (or competing subs) to reduce their numbers further after the prime award is decided. The practice is widely condemned as unethical because it undermines the integrity of the bid process and damages trust between GCs and subs. Many public procurement codes and industry organizations such as AGC prohibit or discourage bid shopping through anti-shopping provisions.
44. A — Courts enforce liquidated damages clauses when the daily amount was a reasonable forecast of likely damages at the time of contracting and actual damages were difficult to ascertain. When the LD amount is grossly disproportionate to anticipated damages, courts may strike the clause as an unenforceable penalty rather than a valid pre-estimate. The proportionality test focuses on contract-formation reasonableness, not on later-determined actual damages.
45. B — RCRA imposes cradle-to-grave responsibility on generators of hazardous waste: characterize the waste, obtain an EPA generator ID number once thresholds are reached, properly accumulate and label waste, use licensed transporters, and ship to permitted treatment, storage, or disposal facilities under a manifest system. Generator status (LQG, SQG, VSQG) determines specific obligations and accumulation limits. Construction waste solvents commonly trigger RCRA when characterized as ignitable or solvent-listed wastes.
46. C — Total float is the maximum amount of time an activity can be delayed from its early start without delaying the project's overall completion date. By definition, activities on the critical path have zero total float because any delay propagates directly to the end date. Total float differs from free float, which measures delay tolerance against the immediate successor rather than against project completion.
47. D — The OSHA 30-hour Construction Safety and Health course is the standard supervisory-level training for construction supervisors, foremen, and others with safety oversight responsibility, while the OSHA 10-hour course is the entry-level worker training. Both are voluntary under federal OSHA but mandated by many states (such as New York, Massachusetts, Nevada, and Connecticut) and by many public and private owners as a prerequisite for project entry. The 30-hour course covers a deeper range of standards and supervisory responsibilities than the 10-hour course.
48. A — Upon receiving a stop work order, the contractor must promptly comply by halting affected work, documenting the order and date received, notifying subcontractors and suppliers, addressing the cited concern (or disputing the order through contract procedures), and pursuing any contractual remedy for delay and cost impacts if the stop order was improper. Ignoring a stop order

or terminating the contract unilaterally would create separate breach exposure. Proper documentation is critical to preserve later claims for time extensions and damages.

49. B — Overhead is allocated to a project by multiplying the allocation base (direct labor cost here) by the firm's overhead rate. $\$400,000 \times 30 \text{ percent} = \$120,000$, representing this project's share of the firm's general operating costs to be recovered through the bid price. Overhead allocation methods vary (direct labor, revenue, direct cost), but the calculation principle is consistent — the project absorbs a proportional share of indirect costs.
50. C — A joint venture is typically treated as a partnership for the specific project undertaking, meaning the venturers are jointly and severally liable for the JV's obligations on the project. Each venturer may be individually pursued for the full amount of JV debts regardless of internal cost-sharing arrangements among the parties. Sophisticated JV agreements address indemnification, sharing of losses, and limits on individual exposure, but the default rule between the JV and third parties is joint and several liability.