

PRACTICE EXAM 7 — NASCLA MARYLAND — QUESTIONS 1-55

Instructions: 55 questions total. Recommended time limit: 150 minutes. Passing threshold: 70% (39 of 55 correct). Open book — the NASCLA Maryland reference may be consulted.

1. Under Maryland law, a "subcontractor" license under the MHIC framework is required when a person:
 - A. Contracts directly with the homeowner for the entire home improvement project
 - B. Performs home improvement work on a subcontract from a licensed prime contractor
 - C. Sells home improvement contracts on behalf of a licensed contractor employer
 - D. Designs the work as a licensed architect without performing any installation

2. Before the Maryland Home Improvement Commission may pay a Guaranty Fund claim, the claimant must generally:
 - A. Obtain unanimous approval from all five Commission members at a public hearing
 - B. Post a refundable cash deposit equal to ten percent of the total claim amount
 - C. Successfully sue the contractor in federal district court for the underlying damages
 - D. Establish actual loss after a hearing before the Commission or a court judgment

3. To qualify for an MHIC contractor license, the responsible individual must generally demonstrate:
 - A. At least two years of experience in the home improvement business or its equivalent

- B. Five years of supervisory experience on commercial construction projects only
- C. Completion of a bachelor's degree program in construction management studies
- D. Active membership in a trade association recognized by the Department of Labor

4. A contractor's MHIC license is subject to automatic suspension if the contractor fails to:

- A. Submit annual progress reports to the Commission's enforcement division promptly
- B. Attend a minimum of two industry trade shows during each license renewal period
- C. Maintain the required surety bond or financial security in effect at all times
- D. Pay all subcontractors within fifteen days of receiving the final progress payment

5. A Maryland home improvement contract must contain all of the following except:

- A. The contractor's name, address, and MHIC license number on the document
- B. The contractor's federal taxpayer identification number on the face of the contract
- C. A description of the work and materials to be furnished by the contractor's crew
- D. The dates work will commence and substantially be completed by the contractor

6. Under Maryland law, a contractor may not require final payment from a homeowner until:

- A. The work has been substantially completed in accordance with the contract terms
- B. The homeowner has paid all related real property taxes for the current calendar year
- C. The contractor has filed a notarized affidavit of completion with the county clerk
- D. Thirty days have elapsed since the last subcontractor left the job site permanently

7. If a contractor must substitute a different material than the one specified in the home improvement contract, the contractor should:

- A. Make the substitution silently to avoid alarming or upsetting the property owner

- B. Wait until the project is finished and then bill for the upgraded material used
- C. Notify the local building inspector but not the homeowner of any product substitution
- D. Obtain the homeowner's written approval through a signed change order document

8. Under Maryland's regulation of door-to-door home improvement sales, a salesperson must:

- A. Make all sales contacts only between the hours of nine A.M. and five P.M. on weekdays
- B. Refrain from any contract solicitation at the residence after a first verbal refusal
- C. Provide the consumer with a written notice of the three-day right of cancellation
- D. Hold a separate Maryland mobile sales endorsement issued by the Commission staff

9. The Maryland Consumer Protection Act prohibits unfair or deceptive trade practices and is enforced by:

- A. The Maryland Office of the Attorney General's Consumer Protection Division
- B. The Maryland Home Improvement Commission's examiner division exclusively
- C. The Maryland Department of Commerce business advocate's office only
- D. The Federal Trade Commission's regional office located in Washington, D.C.

10. Advertisements for home improvement services in Maryland must:

- A. Be approved in advance by the Commission's marketing review staff committee
- B. Include the contractor's MHIC license number in a clear and legible format
- C. Be limited to print media only since broadcast advertising is fully prohibited
- D. State the lowest price the contractor will accept for the advertised type of work

11. A homeowner wishing to file a Guaranty Fund claim against an MHIC contractor must generally file the claim with the Commission within:

- A. Sixty days after the date the contractor failed to complete the contract work
- B. One year after the date the contractor's license expired or was revoked
- C. Three years after the date the homeowner discovered or should have discovered the loss
- D. Five years after the original home improvement contract was signed by the parties

12. Following a contested case hearing, the Maryland Home Improvement Commission may:

- A. Suspend, revoke, or impose a civil penalty against the contractor's license
- B. Sentence the contractor to a period of incarceration of up to one year in jail
- C. Order the contractor to provide free labor to the complaining homeowner for repairs
- D. Garnish the contractor's personal bank accounts without any further court order

13. The difference between a license bond and a project (performance) bond is best described as:

- A. License bonds are required only for residential projects of small dollar value amounts
- B. Project bonds are mandatory for all licensed contractors before bidding any work
- C. License bonds and project bonds are exactly the same financial instrument by law
- D. License bonds protect the public broadly while project bonds secure specific contracts

14. A contractor who collects funds from a homeowner as a deposit for special-order materials should:

- A. Commingle the deposit funds with the contractor's general operating account funds
- B. Keep the funds separate or in trust until the materials are ordered and received
- C. Treat the deposit as the contractor's own income once it has been deposited
- D. Return the deposit to the homeowner only if specifically requested in writing later

15. Before performing renovation work that disturbs paint in a pre-1978 child-occupied facility, an EPA-certified renovator must:

- A. Obtain a separate Maryland lead abatement contractor license for the project work
- B. Provide the homeowner with a one-time cash rebate from the EPA RRP fund
- C. Remove all painted surfaces in the home down to the underlying bare substrate
- D. Distribute the EPA "Renovate Right" pamphlet and obtain owner acknowledgment

16. Under the EPA RRP Rule, a "certified renovator" is responsible for:

- A. Training non-certified workers and ensuring that lead-safe work practices are followed
- B. Performing all renovation work personally with no assistance from any other worker
- C. Inspecting the property for hidden defects unrelated to lead-based paint hazards
- D. Replacing all windows, doors, and trim in the renovation work area completely

17. OSHA's General Duty Clause requires employers to provide a workplace that is:

- A. Compliant with every voluntary industry consensus standard published in the field
- B. Equal in safety to the average workplace within the same trade or industry sector
- C. Free from recognized hazards likely to cause death or serious physical harm
- D. Free from any condition that could cause discomfort to a single covered employee

18. When a portable ladder is used to access an upper level, the ladder side rails must extend above the upper landing surface by at least:

- A. One foot measured from the top rung to the upper landing surface itself
- B. Three feet measured from the upper landing surface to the top of the side rails
- C. Five feet measured from the upper landing surface to the top of the side rails
- D. Two and one-half feet measured from the upper rung to the top of the rails

19. OSHA requires construction workers to wear hard hats when there is a danger of head injury from:

- A. Falling objects, electrical shock, or impact from fixed objects in the work area
- B. Aggressive sunlight exposure during the warm summer months on outdoor jobs
- C. Possible verbal threats from other crew members during a workplace confrontation
- D. Routine noise levels below the published OSHA action level threshold limit

20. Under MOSH reporting rules, an employer must report a work-related fatality to MOSH within:

- A. Twenty-four hours of the contractor receiving formal notice of the worker's death
- B. Forty-eight hours of the contractor's discovery of the worker's fatal jobsite injury
- C. Five business days of the contractor's discovery of the fatal jobsite incident
- D. Eight hours of the contractor's discovery of the work-related fatality

21. Under MOSH reporting rules, an employer must report a work-related inpatient hospitalization, amputation, or loss of an eye within:

- A. Eight hours of the contractor's discovery of the qualifying injury or illness
- B. Forty-eight hours of the contractor's discovery of the qualifying injury or illness
- C. Twenty-four hours of the contractor's discovery of the qualifying injury or illness
- D. Five business days of the contractor's discovery of the qualifying injury

22. A Stormwater Pollution Prevention Plan (SWPPP) required under the NPDES Construction General Permit must include:

- A. A copy of every employee's individual driver's license and vehicle registration
- B. Site description, control measures, inspection procedures, and maintenance records
- C. A signed personal guarantee from the contractor's chief executive officer only
- D. A surety bond payable to the U.S. Environmental Protection Agency directly

23. Performing structural work on a residential addition without obtaining a required building permit may result in:

- A. A written letter of caution issued by the local code enforcement office staff
- B. A six-month probationary period imposed by the Maryland Builders Association
- C. No consequence whatsoever provided the work meets all applicable code requirements
- D. Stop-work orders, fines, double permit fees, and required removal of the work

24. Zoning setback requirements regulate:

- A. The minimum distance a structure must be located from each property line
- B. The number of subcontractors allowed to work on the site at any one time
- C. The total monetary value of the renovation work performed in a given year
- D. The maximum hourly wage that may be paid to a residential construction worker

25. A residential property's zoning classification determines, among other things:

- A. Whether the homeowner is required to carry private mortgage insurance for the home
- B. Which contractor licensing board the project will fall under for permit purposes
- C. The permitted uses, density, lot coverage, and bulk requirements for the property
- D. The federal income tax bracket applicable to the homeowner's annual earnings

26. Compared to the International Building Code (IBC), the International Residential Code (IRC):

- A. Applies primarily to high-rise commercial office and hotel buildings only
- B. Is used in Maryland exclusively for multifamily apartment buildings five stories tall
- C. Governs industrial occupancies, large warehouses, and manufacturing plants only
- D. Applies to detached one- and two-family dwellings and townhouses up to three stories

27. The IRC generally requires that habitable rooms in a dwelling have a minimum ceiling height of:

- A. Six feet measured at the lowest point of any portion of the ceiling assembly
- B. Seven feet measured from the finished floor to the finished ceiling surface
- C. Eight feet measured from the finished floor to the structural framing above
- D. Nine feet measured from the finished floor to the topmost point of the ceiling

28. The IRC generally limits the maximum riser height and minimum tread depth on residential stairways to:

- A. A maximum riser of seven and three-quarters inches and minimum tread of ten inches
- B. A maximum riser of eight and one-quarter inches and minimum tread of nine inches
- C. A maximum riser of nine inches and minimum tread of eleven and one-half inches
- D. A maximum riser of six inches and a minimum tread of fifteen inches in depth

29. Mechanical ventilation in a residential bathroom under the IRC must generally:

- A. Be supplied by a window of at least twelve square feet of openable area only
- B. Operate continuously twenty-four hours a day at no less than one hundred CFM
- C. Exhaust at no less than fifty cubic feet per minute intermittent or twenty CFM continuous
- D. Be vented exclusively into the attic space above the bathroom ceiling assembly

30. The IRC's minimum uniformly distributed live load for a residential sleeping room floor is:

- A. Twenty pounds per square foot of horizontal projected floor area total
- B. Fifty pounds per square foot of horizontal projected floor area total
- C. One hundred pounds per square foot of horizontal projected floor area total
- D. Thirty pounds per square foot of horizontal projected floor area total

31. The International Energy Conservation Code (IECC) regulates, among other things:

- A. Building envelope insulation, fenestration, and HVAC equipment efficiency standards
- B. The hourly wages paid to apprentice electricians on residential projects in Maryland
- C. The maximum number of stories permitted for a single-family dwelling unit overall
- D. Property tax assessment values used for state real property tax calculations

32. A self-employed contractor with substantial net earnings must pay federal estimated income tax in:

- A. One annual lump-sum payment due on April fifteenth of each tax year for the prior year
- B. Quarterly installments due on the IRS-prescribed dates throughout the year
- C. Monthly installments due on the last business day of each calendar month worked
- D. Two semi-annual payments due on June first and December first of the year

33. The combined employer and employee FICA tax rate on Social Security and Medicare wages is generally:

- A. Five point twenty-five percent split equally between the employer and employee
- B. Ten point fifty percent total split equally between employer and employee parties
- C. Twelve point sixty percent total split equally between the employer and the employee
- D. Fifteen point three percent total, split equally between the employer and employee

34. A Maryland employer's responsibility regarding state income tax withholding includes:

- A. Withholding Maryland income tax only on wages paid to commissioned salespeople
- B. Filing an annual reconciliation return only when total wages exceed one hundred thousand
- C. Withholding Maryland income tax from each employee's wages and remitting it periodically
- D. Withholding only the federal income tax since Maryland will collect directly from the worker

35. A Maryland corporation, LLC, or limited partnership must file an annual report with:

- A. The Maryland State Department of Assessments and Taxation (SDAT) by April 15
- B. The Maryland Office of the Comptroller by the fifteenth day of January each year
- C. The Maryland Home Improvement Commission's corporate licensing division yearly
- D. The U.S. Securities and Exchange Commission no later than December 31 each year

36. Under Article 2 of the Uniform Commercial Code (UCC) as adopted in Maryland, a contract for the sale of goods at a price of five hundred dollars or more must:

- A. Be approved in writing by a Maryland-licensed attorney prior to its execution
- B. Be recorded with the local clerk of the circuit court where signed by the parties
- C. Be witnessed by two disinterested adults of the age of majority in Maryland
- D. Be in writing and signed by the party against whom enforcement is sought

37. Under the Maryland statute of frauds, contracts that cannot be performed within one year must:

- A. Be approved by a notary public who is also a member of the Maryland State Bar
- B. Be in writing and signed by the party against whom enforcement is being sought
- C. Be recorded in the land records of the county where the work will be performed
- D. Be reviewed by a state-employed contract analyst before either party signs the deal

38. An indemnification clause in a construction contract generally provides that:

- A. Both parties waive all rights to recover any damages of any kind under the contract
- B. The contract is exempt from all federal, state, and local tax obligations whatsoever
- C. One party agrees to defend, indemnify, and hold the other harmless from certain claims
- D. The contractor automatically becomes a co-insured on the homeowner's property policy

39. A certificate of insurance (COI) provided by a subcontractor to a prime contractor:

- A. Evidences the existence of stated coverages on the date the certificate is issued
- B. Functions as a binding contract of insurance between the carrier and the contractor
- C. Guarantees that coverage will remain in effect for the entire upcoming calendar year
- D. Substitutes for the actual insurance policy in any subsequent coverage dispute or claim

40. A contractor's workers' compensation experience modification factor (EMR) above 1.00 indicates:

- A. The contractor has had fewer claims than the average employer in the same class
- B. The contractor has had more or larger claims than the average employer in its class
- C. The contractor is exempt from all future workers' compensation premium increases
- D. The contractor's policy is invalid until a re-classification has been completed by NCCI

41. Under Maryland Real Property Article §9-102, a mechanics' lien may be established against:

- A. The personal residence of the homeowner only after a final court judgment is obtained
- B. Federal government property used by a defense contractor under a lease agreement
- C. Maryland state-owned property used by an executive branch agency for its operations
- D. The owner's land and any building erected, repaired, rebuilt, or improved by the work

42. A subcontractor's right to claim a Maryland mechanics' lien:

- A. Vanishes the moment the homeowner makes any progress payment to the prime contractor
- B. Exists only when the subcontractor has a direct written contract signed with the owner
- C. Is generally limited to the amount the owner still owes the prime contractor when claimed
- D. Is unlimited and may exceed the original contract price between owner and contractor

43. The amount claimed in a Maryland mechanics' lien petition by a prime contractor:

- A. Is limited to the wholesale cost of materials only, with no markup or labor included
- B. Includes the unpaid balance for work performed and materials furnished under the contract
- C. May include treble damages plus attorney's fees and statutory interest at twelve percent
- D. Is capped by statute at ten thousand dollars per residential property regardless of work

44. Under the Maryland Custom Home Protection Act, a builder who knowingly fails to apply trust funds to the project may be subject to:

- A. A written warning from the Maryland Builders Association with no other monetary penalty
- B. Civil liability for misuse of trust funds, plus possible criminal penalties under statute
- C. A six-month suspension of the contractor's professional engineer's stamp privileges
- D. Mandatory transfer of company ownership to the customer who paid the funds in question

45. A cost-plus contract differs from a fixed-price (lump-sum) contract in that the cost-plus contract:

- A. Always results in a lower final project price for the homeowner who hires the contractor
- B. Requires the contractor to refund any unspent contingency funds to the homeowner
- C. Eliminates the need for any written documentation between the parties to the contract
- D. Reimburses the contractor for actual costs incurred plus a stated fee or percentage

46. A contractor sells a job for one hundred thousand dollars with direct costs of seventy thousand dollars. The gross profit margin is:

- A. Twenty percent of the contract selling price as billed to the customer
- B. Twenty-five percent of the contract selling price as billed to the customer
- C. Thirty percent of the contract selling price as billed to the customer
- D. Forty percent of the contract selling price as billed to the customer

47. A markup of fifty percent on cost equals a gross profit margin (as a percent of selling price) of:

- A. Thirty-three and one-third percent of the selling price approximately
- B. Fifty percent of the selling price exactly when expressed in dollar amounts
- C. Sixty-six and two-thirds percent of the selling price as a rounded total
- D. Twenty-five percent of the selling price after applying the standard discount

48. A contractor using the cash basis of accounting:

- A. Records revenue when a contract is signed and expenses when the work has begun
- B. Records revenue when cash is received and expenses when cash is paid out
- C. Records revenue at substantial completion of each phase and expenses upon delivery
- D. Records revenue when materials are ordered and expenses when invoices are received

49. A contractor using the accrual basis of accounting:

- A. Records revenue and expenses only when cash actually changes hands directly with payer
- B. Records revenue when materials are ordered and expenses when delivered to the job site
- C. Records revenue only at substantial completion of the project, never any earlier moment
- D. Records revenue when earned and expenses when incurred, regardless of cash flow timing

50. A contractor's current ratio is calculated by dividing:

- A. Total assets by total liabilities of the business at year-end accounting close out
- B. Net income for the year by total shareholder equity at the start of the year reported
- C. Current assets by current liabilities to measure short-term financial liquidity
- D. Long-term debt by total fixed assets to measure the contractor's leverage ratio

51. A contractor's break-even point in dollars is the level of sales at which:

- A. Total revenue equals total fixed plus variable costs, producing zero profit
- B. The contractor has reached its target annual profit margin on each project sold
- C. Direct material costs equal direct labor costs on a particular individual project
- D. The contractor's annual income tax liability equals zero for the calendar year

52. Among the financial ratios commonly used by sureties, the quick ratio measures:

- A. The proportion of long-term debt to the contractor's total stockholders' equity
- B. The number of times annual interest expense is covered by operating earnings before tax
- C. The contractor's net profit margin on completed contracts during the calendar year
- D. Short-term liquidity excluding inventory and other non-quickly-convertible assets

53. A contractor's labor productivity on a recent siding job is best measured by:

- A. The total dollar value of the contract divided by the number of days actually worked
- B. The output (square feet installed) per labor hour expended on the work
- C. The age of the youngest worker assigned to the job during the project period
- D. The number of subcontractors used divided by the total project duration in days

54. A Gantt chart is most useful for:

- A. Calculating the precise material take-off quantities required for the project
- B. Comparing federal income tax brackets for different business legal entities used
- C. Visually displaying project activities and their durations across a timeline
- D. Determining the exact zoning classification of any particular parcel of land

55. During project closeout, a residential contractor would typically:

- A. Provide a punch list completion, final inspection sign-off, and warranty documents
- B. Begin demolition of the structure to make room for the next project phase work
- C. Demand additional payment beyond the contract price for any change orders done
- D. Wait six months before contacting the homeowner about any potential warranty issues

PRACTICE EXAM 7 — NASCLA MARYLAND — EXPLAINED ANSWER KEY

1. B — A subcontractor license under the MHIC framework is required for any person who performs home improvement work on a subcontract from a licensed prime contractor. The license tier exists so that trade firms working below the prime remain accountable to the Commission and to the consumer. A firm that contracts directly with the owner is the prime contractor, not a subcontractor.
2. D — A Guaranty Fund claim requires the claimant to first establish an actual loss either through a Commission hearing or by a court judgment against the contractor. The Fund pays only adjudicated losses so that frivolous or unproven claims do not drain the consumer pool. Commission unanimity, cash deposits, and federal lawsuits are not preconditions.
3. A — MHIC licensing requires the responsible individual to show at least two years of experience in the home improvement business or its equivalent. The experience requirement screens out applicants without working knowledge of the trade and is verified through documentation submitted with the application.
4. C — A licensee's MHIC license is subject to automatic suspension if the required surety bond or financial security is not maintained continuously. Because the bond is the consumer's first line of recovery, the Commission treats any lapse as disqualifying for so long as the gap exists.
5. B — A Maryland home improvement contract must include the contractor's name, address, MHIC license number, the scope of work and materials, and start and completion dates, but it is not required to disclose the contractor's federal taxpayer identification number. The required content is a consumer-disclosure list aimed at price, scope, and accountability — not tax data.
6. A — Under Maryland law, a contractor may not demand final payment until the work has been substantially completed in accordance with the contract terms. Tying final payment to substantial completion prevents contractors from collecting in full on incomplete work and protects the homeowner's remaining leverage to obtain corrections.
7. D — Any change in specified materials must be documented in a written change order signed by both the contractor and the homeowner before the substitution is performed. The signed-writing requirement ensures informed consent and avoids later disputes over scope, quality, and price.

- 8. C** — Maryland's regulation of in-home (door-to-door) sales requires the salesperson to give the buyer a written notice of the three-day right of cancellation at the time of contracting. Without that written notice, the cancellation clock does not start running, which can leave the contract rescindable indefinitely.
- 9. A** — The Maryland Consumer Protection Act is enforced by the Consumer Protection Division of the Maryland Office of the Attorney General. The Division investigates and prosecutes unfair or deceptive trade practices in addition to whatever remedies the MHIC may have under its own statute.
- 10. B** — Maryland regulations require every advertisement for home improvement services to display the contractor's MHIC license number in a clear and legible format. The disclosure lets prospective customers verify licensure before contacting the contractor, supporting the broader consumer-protection scheme.
- 11. C** — A Guaranty Fund claim must generally be filed within three years after the homeowner discovered, or by the exercise of ordinary care should have discovered, the loss. The discovery rule protects homeowners from latent defects but still imposes a finite outer limit on the Fund's exposure.
- 12. A** — After a contested case hearing, the Commission may suspend or revoke the contractor's license and impose civil penalties under its statutory authority. The Commission is an administrative body and cannot order incarceration, free labor, or direct garnishment — those remedies require a court of competent jurisdiction.
- 13. D** — A license bond protects the public broadly from any wrongful act of the licensee, while a project (performance) bond secures a specific construction contract for a specific owner. The two instruments coexist on many jobs: one is a precondition of licensure, the other is a precondition of award.
- 14. B** — Deposit funds collected for special-order materials should be held separately or in trust until the materials are ordered and received. Keeping the funds segregated prevents commingling with operating cash and preserves the homeowner's ability to recover if the order is never placed.
- 15. D** — Before beginning a renovation that disturbs paint in a pre-1978 child-occupied facility, the EPA-certified renovator must distribute the EPA "Renovate Right" pamphlet and obtain a signed owner acknowledgment. The notice ensures the occupants understand the lead-paint risk before work begins.
- 16. A** — A certified renovator under the RRP Rule is the individual responsible for training non-certified workers on the project and ensuring that lead-safe work practices are followed at the site. The role is supervisory; the renovator does not personally have to perform every task on the job.
- 17. C** — The OSHA General Duty Clause requires employers to furnish a workplace free from recognized hazards that are causing or are likely to cause death or serious physical harm. The clause is the catch-all enforcement basis when no specific OSHA standard squarely addresses a particular hazard.
- 18. B** — Under 29 CFR 1926.1053, a portable ladder used for access to an upper landing must extend at least three feet above the landing surface. The extension provides a stable handhold during the transition between ladder and landing, where falls most often occur.

- 19. A** — OSHA requires hard hats whenever there is a potential for head injury from falling objects, electrical contact, or impact with fixed objects. The three exposures are the standard triggers identified in 29 CFR 1926.100 for protective headgear on construction sites.
- 20. D** — A work-related fatality must be reported to MOSH within eight hours of the employer's discovery of the death. The compressed window allows MOSH to investigate the scene quickly while physical evidence and witness recollections are still intact.
- 21. C** — A work-related inpatient hospitalization, amputation, or loss of an eye must be reported to MOSH within twenty-four hours of discovery. The longer reporting window distinguishes serious-but-survivable injuries from fatalities, which carry the stricter eight-hour rule.
- 22. B** — A SWPPP under the NPDES Construction General Permit must include a site description, the planned erosion and sediment control measures, inspection procedures, and records of maintenance and corrective actions. These elements demonstrate that the operator is implementing the permit's pollution-prevention requirements in practice.
- 23. D** — Performing work without a required permit can result in stop-work orders, monetary fines, doubled permit fees, and in serious cases an order to remove or expose the work for inspection. Permits exist to confirm code compliance, and bypassing them carries cumulative consequences.
- 24. A** — Setback requirements specify the minimum distance a structure must be located from each property line — front, rear, and side. The buffer preserves light, air, access, and neighbor relationships, and violation can require costly removal of noncompliant construction.
- 25. C** — A property's zoning classification controls the permitted uses of the land, allowed density, lot coverage, and bulk standards such as height and floor area. These standards shape what may be built and where, independent of the building code's structural rules.
- 26. D** — The IRC applies to detached one- and two-family dwellings and townhouses not more than three stories above grade plane. Larger or multifamily buildings fall under the IBC instead, with its more stringent fire and structural provisions.
- 27. B** — IRC §R305 generally requires habitable rooms to have a minimum ceiling height of seven feet, measured from finished floor to finished ceiling. The clear height ensures usable headroom and supports proper ventilation and lighting design.
- 28. A** — IRC §R311 limits residential stair risers to a maximum of seven and three-quarters inches and tread depths to a minimum of ten inches. The geometry was chosen to fit normal stride length and reduce trip and fall risk on residential stairs.
- 29. C** — IRC mechanical ventilation in a bathroom requires at least fifty cubic feet per minute (CFM) intermittent operation or twenty CFM continuous. The minimum airflow controls moisture and prevents mold growth in a typically humid space.

30. D — The IRC sets the minimum uniformly distributed live load for sleeping rooms at thirty pounds per square foot, with forty psf required for other habitable rooms. The lighter sleeping-room loading reflects the lower expected concentration of furniture and occupants.

31. A — The IECC regulates building energy efficiency, including envelope insulation R-values, fenestration U-factors, duct sealing, and equipment efficiency. Compliance is typically demonstrated through prescriptive, performance, or simulated-rating paths.

32. B — A self-employed contractor with substantial net earnings owes federal estimated income tax in quarterly installments on the IRS-prescribed due dates (generally April 15, June 15, September 15, and January 15). Missing installments can trigger underpayment penalties even if the full balance is settled by April 15.

33. D — The combined FICA rate is 15.3 percent — 6.2 percent each for Social Security and 1.45 percent each for Medicare — split equally between employer and employee. The Social Security portion applies up to an annually adjusted wage base; the Medicare portion does not.

34. C — A Maryland employer must withhold Maryland state income tax from each employee's wages and remit it to the Comptroller on the prescribed schedule. The state withholding system parallels federal withholding and is reconciled annually on the employee's W-2.

35. A — A Maryland corporation, LLC, or limited partnership must file an annual report (and personal property return when applicable) with the State Department of Assessments and Taxation by April 15. Failure to file leads to forfeiture of the entity's right to do business in Maryland.

36. D — Under UCC §2-201 as adopted in Maryland, a contract for the sale of goods at five hundred dollars or more is unenforceable unless evidenced by a writing signed by the party against whom enforcement is sought. The rule reduces fraud risk in higher-value goods transactions.

37. B — The Maryland statute of frauds requires contracts that by their terms cannot be performed within one year to be in writing and signed by the party against whom enforcement is sought. Oral agreements of that duration are unenforceable in court even when both parties acknowledge the terms.

38. C — An indemnification clause shifts certain defined risks from one party to another by promising to defend, indemnify, and hold the indemnified party harmless from specified claims. Enforceability is governed by state law and may be limited by anti-indemnity statutes for construction contracts.

39. A — A certificate of insurance evidences the existence of stated coverages on the date of issuance; it is not itself a contract of insurance and does not amend the underlying policy. Anyone relying on a COI should verify the coverage with the carrier and obtain endorsements where needed.

40. B — A workers' compensation experience modification factor (EMR) greater than 1.00 means the contractor's loss experience has been worse than the average for its classification. The higher the EMR, the higher the premium, and many owners use the EMR as a prequalification screen for bidders.

- 41. D** — Under Real Property Article §9-102, a mechanics' lien attaches to the owner's land and to any building erected, repaired, rebuilt, or improved by the work or materials supplied. Government-owned property is generally not subject to private mechanics' liens, leaving claimants to look to bond rights instead.
- 42. C** — A subcontractor's mechanics' lien is generally limited to the amount the owner still owes the prime contractor at the time the lien is claimed. The cap protects the owner from having to pay twice for the same work and is a key feature of Maryland's lien scheme.
- 43. B** — A prime contractor's lien petition may claim the unpaid balance for labor performed and materials furnished under the contract. Penal items such as treble damages, attorney's fees, and statutory interest are not part of the measure of the mechanics' lien itself.
- 44. B** — A custom home builder who knowingly fails to apply trust-fund payments to the project faces civil liability for misuse of trust funds, plus possible criminal penalties under the Maryland Custom Home Protection Act. The trust treatment elevates misapplication well beyond ordinary contract damages.
- 45. D** — Under a cost-plus contract, the owner reimburses the contractor for actual job costs incurred plus a stated fee or percentage covering overhead and profit. The owner bears more cost risk than under a fixed-price contract but gains transparency into the costs being charged.
- 46. C** — Gross profit margin equals gross profit divided by selling price: $(\$100,000 - \$70,000) \div \$100,000 = 30$ percent. Margin is always expressed against revenue, not against cost, and is a primary measure of pricing health on a job.
- 47. A** — A 50 percent markup on cost yields a gross profit margin of approximately 33.33 percent of the selling price: if cost is \$100, markup is \$50, and the selling price is \$150, then $\$50 \div \$150 = 33.3$ percent. Confusing markup with margin is a common cause of underpriced bids.
- 48. B** — Under the cash basis of accounting, revenue is recorded when cash is received and expenses are recorded when cash is paid out. The method is simple but can distort financial performance when work and the related payments occur in different reporting periods.
- 49. D** — Under the accrual basis, revenue is recorded when earned and expenses are recorded when incurred, regardless of when cash changes hands. Accrual accounting provides a more accurate matching of revenue and expenses for performance measurement and is required of most larger contractors for tax reporting.
- 50. C** — The current ratio is computed as current assets divided by current liabilities and measures the contractor's ability to meet short-term obligations from short-term resources. Sureties typically look for a current ratio of approximately 1.5 or higher as a benchmark of liquidity.
- 51. A** — Break-even is the sales level at which total revenue equals total costs (fixed plus variable), producing zero profit. Below break-even the contractor loses money on each additional dollar of sales; above it, the contribution margin begins generating profit.

52. D — The quick (acid-test) ratio measures short-term liquidity using only the most quickly convertible assets — cash, marketable securities, and receivables — and excludes inventory. The exclusion captures the reality that inventory and work-in-progress may not turn into cash quickly enough to cover near-term obligations.

53. B — Labor productivity is measured by units of output produced per labor hour expended, such as square feet of siding installed per hour worked. The metric lets the contractor compare estimated to actual production rates and refine future bids.

54. C — A Gantt chart is a bar-style schedule visualization that shows each project activity, its duration, and its position along a calendar timeline. It is most useful for communicating the schedule at a glance and complements more detailed network methods such as CPM.

55. A — Project closeout for a residential contractor typically includes generating a punch list, walking the punch list with the owner, obtaining final inspection sign-off from the AHJ, and delivering warranty documents to the customer. A clean closeout supports timely final payment and reduces post-project disputes.