

PRACTICE EXAM 8 — QUESTIONS 1-50

Format: Assertion-Reason Questions — each item presents an Assertion (A) and a Reason (R). Evaluate the truth of each statement and the logical relationship between them, then select the correct option. The four evaluation options are identical for every question.

1. Evaluate the assertion and the reason about bid preparation:

Assertion: Quantity takeoff is performed early in the bid preparation process.

Reason: A contractor's overhead includes salaries, office rent, and utilities.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

2. Evaluate the assertion and the reason about change orders:

Assertion: A change order is enforceable based solely on an oral agreement between the parties.

Reason: Construction contracts subject to the statute of frauds must be in writing to be enforceable beyond a stated duration.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

3. Evaluate the assertion and the reason about SC mechanic's liens:

Assertion: A subcontractor's mechanic's lien on a South Carolina private project must be filed within 90 days of the last date of work or material delivery.

Reason: South Carolina contractors must hold an active license issued by the SC Contractor's Licensing Board to perform commercial work above the statutory monetary threshold.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

4. Evaluate the assertion and the reason about critical path method:

Assertion: The critical path is the shortest continuous path through a project schedule network.

Reason: Activities lying on the critical path have zero total float and therefore cannot be delayed without delaying the project completion date.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

5. Evaluate the assertion and the reason about financial ratios:

Assertion: The current ratio measures a firm's ability to meet short-term obligations as they come due.

Reason: The current ratio is calculated as total liabilities divided by total assets.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

6. Evaluate the assertion and the reason about surety bonds:

Assertion: A performance bond protects the owner against the contractor's failure to complete the contracted work.

Reason: Workers compensation insurance is required for South Carolina employers at four or more employees.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

7. Evaluate the assertion and the reason about SC sales and use tax:

Assertion: SC general contractors collect sales tax from customers on construction labor charges itemized on customer invoices.

Reason: SC tax law treats contractors as the end consumers of materials installed into real property, meaning the contractor pays sales tax to the supplier on materials purchased.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

8. Evaluate the assertion and the reason about Form I-9:

Assertion: An employer must complete Form I-9 Section 2 within three business days of an employee's first day of work.

Reason: Form I-9 is administered by the Internal Revenue Service as part of federal payroll tax compliance.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

9. Evaluate the assertion and the reason about bond costs in bids:

Assertion: A bid must reflect the cost of required bonds, insurance, and applicable license fees as part of the total price.

Reason: Surety bond premiums in the construction industry are charged at a flat rate of 5 percent of the contract value regardless of contract size or contractor risk profile.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

10. Evaluate the assertion and the reason about liquidated damages:

Assertion: A liquidated damages clause must reflect a reasonable forecast of actual damages anticipated from late completion.

Reason: A liquidated damages amount that bears no reasonable relationship to anticipated harm is treated by courts as an unenforceable penalty rather than enforceable damages.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

11. Evaluate the assertion and the reason about daily reports:

Assertion: A project superintendent should document weather conditions, manpower count, and work performed each day in the daily report.

Reason: Substantial completion is the date when the work is sufficiently complete for the owner's beneficial use of the project.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

12. Evaluate the assertion and the reason about pricing methods:

Assertion: A contractor that wants a 20 percent gross profit margin on sale price must apply a 25 percent markup on cost, not a 20 percent markup.

Reason: Markup is computed as cost multiplied by a markup factor, while achieving an equivalent margin on sale price requires dividing cost by one minus the margin percentage.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

13. Evaluate the assertion and the reason about AIA documents:

Assertion: AIA Document A201 General Conditions establishes the standard rights, duties, and procedures for the parties to a construction contract.

Reason: SC contractors are licensed through the SC Contractor's Licensing Board administered under the SC Department of Labor, Licensing and Regulation.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

14. Evaluate the assertion and the reason about asbestos abatement:

Assertion: NESHAP asbestos notification must be submitted to the regulating authority within 30 calendar days after beginning the abatement work.

Reason: Friable asbestos-containing materials must be removed by a contractor licensed for asbestos abatement under applicable EPA and state regulations.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

15. Evaluate the assertion and the reason about WIP reports:

Assertion: A work-in-progress report identifies whether jobs are currently overbilled or underbilled relative to earned revenue.

Reason: A contractor's bonding capacity is generally determined by the surety's evaluation of net working capital, profitability, and management experience.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

16. Evaluate the assertion and the reason about differing site conditions:

Assertion: A contractor must give the owner prompt written notice of differing site conditions before the condition is disturbed or altered.

Reason: The differing site conditions clause depends on the owner having an opportunity to investigate the condition firsthand, which is impossible if the contractor has already remediated or removed the condition.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

17. Evaluate the assertion and the reason about wage and hour law:

Assertion: The Fair Labor Standards Act requires overtime pay at 1.5 times the regular rate for hours worked beyond 40 in a single workweek.

Reason: South Carolina is a right-to-work state in which union membership cannot be required as a condition of employment.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

18. Evaluate the assertion and the reason about SC lien filing deadlines:

Assertion: A subcontractor seeking to perfect a mechanic's lien in South Carolina must file the Statement of Account and Lien within 90 days of last work or material delivery.

Reason: The 90-day filing deadline is a strict statutory limitation, and failure to file within that window permanently extinguishes the subcontractor's lien rights against the property.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

19. Evaluate the assertion and the reason about PERT analysis:

Assertion: The PERT formula uses three time estimates — optimistic, most likely, and pessimistic — to compute the expected duration of an activity.

Reason: The PERT expected duration formula is calculated as the sum of the optimistic, most likely, and pessimistic estimates divided by three.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

20. Evaluate the assertion and the reason about unit-price contracts:

Assertion: Unit-price contracts offer flexibility on projects where actual quantities are difficult to predict accurately at bid time.

Reason: Unit-price contracts allocate all quantity-overrun risk to the owner regardless of how the contract is drafted or how the overrun arises.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

21. Evaluate the assertion and the reason about business entities:

Assertion: A sole proprietorship provides personal liability protection that shields the owner's personal assets from business debts and lawsuits.

Reason: Forming a limited liability company creates a legal entity separate from its members and generally protects members' personal assets from business liabilities.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

22. Evaluate the assertion and the reason about subcontracts:

Assertion: A subcontract should require the subcontractor to provide certificates of insurance before mobilizing on the project site.

Reason: A general contractor's profit margin is generally determined by market competitive conditions, project complexity, and the firm's risk tolerance.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

23. Evaluate the assertion and the reason about accounts receivable:

Assertion: An aging report categorizes outstanding accounts receivable by the length of time invoices have been unpaid, typically in 30-day bands.

Reason: GAAP requires that all receivables aged beyond 30 days past due be written off as bad debt on the financial statements.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

24. Evaluate the assertion and the reason about pre-bid investigation:

Assertion: A pre-bid site visit allows a bidder to verify physical conditions described in the contract documents.

Reason: AIA Document A201 incorporates the drawings, specifications, addenda, and general conditions into the contract by reference.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

25. Evaluate the assertion and the reason about 1099 reporting:

Assertion: A contractor that pays an independent specialist \$400 for services in a calendar year is required to file Form 1099-NEC for that payment.

Reason: IRS rules require Form 1099-NEC for independent contractor payments totaling \$600 or more in a calendar year.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

26. Evaluate the assertion and the reason about change orders and time extensions:

Assertion: A change order that adds scope to the critical path must include a corresponding time extension for the contractor.

Reason: Additional scope lying on the critical path extends the project completion date proportionally, and the contractor is entitled to time relief equal to the impact on completion.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

27. Evaluate the assertion and the reason about schedule management:

Assertion: A project schedule should be updated at regular intervals throughout the project to reflect actual progress and current forecasts.

Reason: The critical path method identifies the longest sequence of dependent activities in a project network and defines minimum project duration.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

28. Evaluate the assertion and the reason about revenue recognition:

Assertion: Under percentage-of-completion accounting, contractors recognize all project revenue at the moment of substantial completion regardless of work performed throughout the project.

Reason: Percentage-of-completion accounting is the standard revenue recognition method for long-term construction contracts under both GAAP and IRS rules.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

29. Evaluate the assertion and the reason about material escalation:

Assertion: Bid documents on projects with long lead times should include language addressing price escalation for volatile materials such as steel and copper.

Reason: Without contractual price-protection language, a contractor absorbs all material price increases between bid date and procurement, creating exposure that can erode or eliminate project profit.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

30. Evaluate the assertion and the reason about SC lien enforcement:

Assertion: A mechanic's lien filed in South Carolina must be enforced by suit within six months of the lien filing date.

Reason: The six-month enforcement window is a strict statutory deadline, and missing it dissolves the lien automatically regardless of the merits of the underlying debt.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

31. Evaluate the assertion and the reason about subcontract payment clauses:

Assertion: A "pay-when-paid" clause in a subcontract typically conditions the timing of payment to the sub on the GC's receipt of payment from the owner.

Reason: "Pay-when-paid" and "pay-if-paid" clauses have identical legal effect and are interpreted the same way across all U.S. jurisdictions.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

32. Evaluate the assertion and the reason about E-Verify:

Assertion: South Carolina employers with fewer than 50 employees are exempt from the E-Verify program requirement.

Reason: South Carolina law makes E-Verify mandatory for all employers regardless of headcount.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

33. Evaluate the assertion and the reason about sub bid review:

Assertion: When a contractor receives a subcontractor bid that is 30 percent below all other competing quotes, the contractor should automatically use that quote in the GC's bid.

Reason: A subcontractor bid significantly below competing quotes often indicates missing scope, an unqualified bidder, or a misread of the bid documents.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

34. Evaluate the assertion and the reason about indemnification:

Assertion: A contract provision requiring a contractor to indemnify the owner for the owner's own negligence is unenforceable in South Carolina under SC Code 32-2-10.

Reason: A valid contract generally requires consideration, mutual assent, and a legal purpose to be enforceable.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

35. Evaluate the assertion and the reason about builder's risk insurance:

Assertion: Builder's risk insurance covers a contractor's CGL liability exposure for bodily injury to third parties on the construction site.

Reason: Builder's risk policies protect the project itself — materials, work-in-place, and sometimes equipment — against physical loss or damage during construction.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

36. Evaluate the assertion and the reason about bonding capacity:

Assertion: A contractor's bonding capacity is typically expressed as both a single-project limit and an aggregate program limit.

Reason: Surety underwriters calculate bonding capacity primarily by multiplying the contractor's net worth by a fixed factor of two regardless of other financial considerations.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

37. Evaluate the assertion and the reason about construction stormwater compliance:

Assertion: The Construction General Permit threshold for required stormwater coverage in South Carolina is 5 acres of land disturbance.

Reason: The federal Clean Water Act NPDES program requires permit coverage for construction activities that disturb one or more acres of land.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

38. Evaluate the assertion and the reason about RFIs:

Assertion: A Request for Information is used by the contractor to clarify ambiguous or conflicting items in the contract documents.

Reason: An RFI by itself changes the contract scope and automatically entitles the contractor to a price adjustment.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

39. Evaluate the assertion and the reason about SC use tax:

Assertion: A South Carolina contractor that purchases materials from an out-of-state supplier without paying SC sales tax has no further state tax obligation on that purchase.

Reason: South Carolina use tax applies to out-of-state purchases of tangible personal property when SC sales tax was not collected at the source.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

40. Evaluate the assertion and the reason about no-damage-for-delay clauses:

Assertion: A "no damage for delay" clause shifts the financial risk of owner-caused and third-party-caused delay damages back to the contractor.

Reason: When enforceable, the clause prevents the contractor from recovering delay-related costs even when the contractor is not responsible for causing the delay.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

41. Evaluate the assertion and the reason about pay application certification:

Assertion: Under an AIA A201 contract, the architect must certify each pay application before the owner is obligated to make payment.

Reason: Under standard AIA terms, the architect's certification of a pay application is unconditional and waives the owner's right to dispute the amount certified.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

42. Evaluate the assertion and the reason about contingency in bids:

Assertion: An estimator should include a contingency in the bid to cover normal estimating uncertainty and minor unknowns that arise during construction.

Reason: A contingency and a profit margin are the same financial item in a bid and serve identical functions in the contractor's pricing structure.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

43. Evaluate the assertion and the reason about lien waivers:

Assertion: A subcontractor's failure to provide a signed lien waiver with a pay application gives the general contractor grounds to withhold payment for that period.

Reason: Lien waivers protect the GC and owner from unpaid-lien claims attaching to the property, and without the signed waiver the GC has no documentary release of the sub's lien rights for that pay period.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

44. Evaluate the assertion and the reason about bonding off a lien:

Assertion: An owner can "bond off" a recorded mechanic's lien by filing a lien release bond with the clerk of court.

Reason: The release bond substitutes for the property as security for the underlying claim, allowing the property title to be cleared for sale or refinancing while the dispute is litigated against the bond.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

45. Evaluate the assertion and the reason about working capital:

Assertion: A construction firm's working capital is calculated as current assets minus current liabilities.

Reason: A negative working capital position is generally considered acceptable in construction because contractors typically collect from owners before paying subcontractors and suppliers.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion

- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

46. Evaluate the assertion and the reason about weather delay documentation:

Assertion: A project superintendent should document delays caused by weather in the daily report on the same day they occur.

Reason: Construction contracts typically permit time extensions for force majeure delays such as unusually severe weather conditions.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

47. Evaluate the assertion and the reason about payroll tax withholding:

Assertion: A contractor must withhold federal income tax, Social Security, and Medicare from each employee's gross wages.

Reason: Federal payroll tax law requires employers to withhold employees' tax obligations and to remit those withheld amounts together with the employer's matching contributions for Social Security and Medicare.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

48. Evaluate the assertion and the reason about markup vs. margin:

Assertion: A 25 percent markup applied to cost produces a 20 percent gross profit margin on the resulting sale price.

Reason: Markup percentage and margin percentage are mathematically identical and always produce the same numerical result in pricing calculations.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

49. Evaluate the assertion and the reason about OSHA recordkeeping:

Assertion: An employer must record on OSHA Form 300 any work-related injury that requires medical treatment beyond first aid.

Reason: The OSHA recording criteria designate medical treatment beyond first aid as one of several specific thresholds that trigger the Form 300 recording requirement on the injury and illness log.

- A. Both statements are true, and the reason correctly explains the assertion
- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

50. Evaluate the assertion and the reason about substantial completion:

Assertion: Substantial completion occurs only when the owner takes occupancy of the entire project with every punch list item fully finished.

Reason: Substantial completion is the date when the work is sufficiently complete in accordance with the contract documents that the owner can put the project to beneficial use, with minor punch list items remaining.

- A. Both statements are true, and the reason correctly explains the assertion

- B. Both statements are true, but the reason does not correctly explain the assertion
- C. The assertion is true, but the reason is false
- D. The assertion is false, but the reason is true

PRACTICE EXAM 8: ANSWER KEY AND EXPLANATIONS

- 1. B** — Both statements are true, but the reason about overhead components does not explain why quantity takeoff is performed early. Takeoff happens early because pricing cannot proceed until quantities are measured, while overhead composition is a separate cost-accounting topic. The two facts are independently true with no logical link.
- 2. D** — The assertion is false because change orders must be in writing and signed by the parties to be enforceable under standard construction contracts; oral change orders typically fail. The reason is true — contracts within the statute of frauds require a writing. The assertion fails on the writing requirement itself.
- 3. B** — Both statements are true, but the licensing requirement does not explain the 90-day lien filing deadline. The 90-day window is set by SC Code Title 29 Chapter 5 governing mechanic's liens; licensing is governed by SC Code Title 40 Chapter 11. Two unrelated statutory facts.
- 4. D** — The assertion is false because the critical path is the longest continuous path through the network, not the shortest. The reason is true — critical path activities have zero total float and cannot be delayed without delaying project completion. The assertion misstates the defining property of the critical path.
- 5. C** — The assertion is true; the current ratio measures short-term liquidity. The reason is false — the current ratio equals current assets divided by current liabilities, not total liabilities divided by total assets (which is the debt ratio).
- 6. B** — Both statements are true, but the WC requirement does not explain what a performance bond does. Performance bonds protect the owner from contractor default; WC insurance protects injured workers. Two true but logically unrelated facts.
- 7. D** — The assertion is false because SC contractors do not collect sales tax on construction labor; construction labor is not taxable in SC. The reason is true — contractors are treated as end consumers of materials and pay sales tax to the supplier at the point of purchase rather than collecting it from the customer.
- 8. C** — The assertion is true; Form I-9 Section 2 must be completed within three business days. The reason is false — Form I-9 is administered by U.S. Citizenship and Immigration Services (USCIS), part of the Department of Homeland Security, not the IRS.
- 9. C** — The assertion is true; bond, insurance, and license costs must be included in the bid. The reason is false — bond premiums vary based on contract value, contractor financial strength, and bond type; they are not a flat 5 percent rate.

10. A — Both statements are true, and the reason correctly explains the assertion. Liquidated damages must reasonably forecast actual harm precisely because courts strike down the clause as an unenforceable penalty when no reasonable relationship to anticipated damages exists. The reasonableness requirement exists to avoid the penalty designation.

11. B — Both statements are true, but the substantial completion definition does not explain why daily reports document weather, manpower, and work. Daily reports are contemporaneous evidentiary records; substantial completion is a separate contract milestone. Unrelated true facts.

12. A — Both statements are true, and the reason correctly explains the assertion. Markup multiplies cost by a factor while equivalent margin on sale price requires dividing cost by (1 minus the margin percentage); achieving a 20 percent margin therefore requires a 25 percent markup. The mathematical relationship in the reason is precisely why these two pricing methods produce different numbers.

13. B — Both statements are true, but the SC licensing fact does not explain the role of AIA A201. A201 establishes standard contract rights and duties as an industry document; SC licensing is a state regulatory requirement administered by LLR. The two operate independently.

14. D — The assertion is false because NESHAP requires notification 10 working days BEFORE asbestos abatement begins, not within 30 days after. The reason is true — friable RACM must be removed by a licensed asbestos abatement contractor under EPA and state regulations. The deadline stated in the assertion is wrong.

15. B — Both statements are true, but the bonding capacity factors do not explain what a WIP report shows. The WIP report tracks earned versus billed revenue per job; bonding capacity is a separate surety underwriting analysis. Both are true and important but logically distinct.

16. A — Both statements are true, and the reason correctly explains the assertion. The prompt-notice-before-disturbance requirement exists because the owner needs to investigate the unaltered condition; once disturbed, evidence is destroyed and the claim becomes indefensible. The notice requirement preserves the investigation right.

17. B — Both statements are true, but the right-to-work fact does not explain FLSA overtime rules. FLSA overtime is federal wage law; right-to-work concerns union membership conditions. Both apply in SC but operate independently.

18. A — Both statements are true, and the reason correctly explains the assertion. The 90-day filing window is strict and self-executing — missing it permanently extinguishes lien rights regardless of the underlying debt's validity. The strict statutory deadline is exactly why filing must occur within 90 days.

19. C — The assertion is true; PERT uses optimistic, most likely, and pessimistic estimates. The reason is false — the PERT formula is $(\text{Optimistic} + 4 \times \text{Most Likely} + \text{Pessimistic}) \div 6$, weighting the most likely estimate four times, not a simple sum divided by three.

20. C — The assertion is true; unit-price contracts allow flexibility when quantities are uncertain. The reason is false — typical unit-price contracts include quantity-overrun thresholds, equitable-adjustment

provisions, or other clauses that allocate risk based on contract drafting; risk is not automatically all on the owner.

21. D — The assertion is false because a sole proprietorship provides NO personal liability protection; the owner is personally liable for all business debts. The reason is true — an LLC does create a separate legal entity and generally shields personal assets. The two business structures differ exactly on this point.

22. B — Both statements are true, but profit margin determinants do not explain the insurance certificate requirement. Certificates verify coverage in place before site exposure; profit margin involves separate strategic and market considerations. Logically unrelated.

23. C — The assertion is true; aging reports group AR by time outstanding. The reason is false — GAAP does not require automatic write-off at 30 days. Write-offs depend on collectibility assessment; many invoices over 30 days remain fully collectible. Bad debt allowances are estimated through aging analysis, not formulaic age cutoffs.

24. B — Both statements are true, but the AIA incorporation-by-reference rule does not explain the purpose of a pre-bid site visit. Site visits verify physical conditions firsthand; document incorporation is a separate contract drafting concept. Both correct but unrelated.

25. D — The assertion is false because Form 1099-NEC is required only when total payments to an independent contractor reach \$600 or more in a calendar year, not \$400. The reason is true — the \$600 threshold is correct. The assertion misstates the dollar threshold.

26. A — Both statements are true, and the reason correctly explains the assertion. Critical-path additions necessarily extend completion because zero-float activities cannot absorb additional duration without pushing the finish date. The contractor's entitlement to a time extension follows directly from the impact on the critical path.

27. B — Both statements are true, but the CPM definition does not explain why schedules should be regularly updated. Updates reflect actual progress, current forecasts, and corrective-action needs; the CPM definition addresses what the critical path is, not the cadence of schedule maintenance.

28. D — The assertion is false because percentage-of-completion accounting recognizes revenue progressively as costs are incurred relative to estimated total cost — not all at once at substantial completion. The reason is true — POC is the standard method for long-term construction contracts under both GAAP and IRS rules. The recognition timing stated is wrong.

29. A — Both statements are true, and the reason correctly explains the assertion. Escalation language is needed precisely because, without it, the contractor bears the full risk of material price increases between bid and procurement. The financial exposure described in the reason is exactly why such language is included.

30. A — Both statements are true, and the reason correctly explains the assertion. The 6-month enforcement deadline is strict by statute, and missing it dissolves the lien automatically. The strict deadline is the operational reason enforcement must occur within 6 months — exactly the explanatory link required.

- 31. C** — The assertion is true; pay-when-paid clauses typically condition timing of sub payment on the GC's receipt from the owner. The reason is false — pay-when-paid and pay-if-paid have distinct legal effects. Pay-if-paid creates a condition precedent that can permanently bar payment; pay-when-paid generally only delays timing. Many jurisdictions enforce these clauses differently.
- 32. D** — The assertion is false because SC has no minimum employee threshold; E-Verify is mandatory for all SC employers regardless of size. The reason is true — SC's E-Verify mandate applies universally. The assertion incorrectly states an exemption that does not exist in SC law.
- 33. D** — The assertion is false because a 30 percent outlier should be carefully reviewed for missing scope, qualifications, or errors, not automatically used. The reason is true — large bid variances commonly signal scope, qualification, or interpretation issues. The proper response is verification, not automatic acceptance.
- 34. B** — Both statements are true, but the general contract formation principles do not explain why broad-form indemnification is unenforceable in SC. SC Code 32-2-10 specifically prohibits requiring a contractor to indemnify for the owner's own negligence as against public policy; this is a state-specific anti-indemnity statute, not a general contract law principle.
- 35. D** — The assertion is false because builder's risk covers the project itself (materials, work-in-place, equipment) — NOT third-party bodily injury liability, which is covered by CGL. The reason is true — it correctly describes what builder's risk covers. The assertion confuses two distinct coverages.
- 36. C** — The assertion is true; bonding capacity is typically expressed as both single-project and aggregate limits. The reason is false — sureties evaluate net worth, working capital, profitability, character of management, and experience through a comprehensive analysis, not a simple 2× net worth multiplier.
- 37. D** — The assertion is false because the Construction General Permit threshold for stormwater coverage is 1 acre of disturbance, not 5. The reason is true — the federal Clean Water Act NPDES program requires permit coverage at 1 or more acres. The assertion misstates the area threshold.
- 38. C** — The assertion is true; RFIs clarify ambiguous or conflicting document items. The reason is false — RFIs do not change scope or automatically entitle the contractor to a price adjustment. Scope changes require change orders, which are negotiated and signed separately. RFIs only request information.
- 39. D** — The assertion is false because SC use tax applies to out-of-state purchases when SC sales tax was not collected, and the contractor must self-report and remit it. The reason is true — that is exactly how SC use tax operates. The assertion misstates the contractor's obligation.
- 40. A** — Both statements are true, and the reason correctly explains the assertion. A no-damage-for-delay clause shifts risk because, when enforceable, it bars the contractor from recovering delay costs even when the contractor did not cause the delay. The bar on recovery IS the mechanism by which risk is shifted.
- 41. C** — The assertion is true; the architect must certify pay applications before the owner is obligated to pay under AIA A201. The reason is false — the architect's certification is not unconditional and does not waive the owner's right to dispute amounts, withhold for known defects, or assert other contractual defenses. The owner retains specific rights post-certification.

- 42. C** — The assertion is true; contingency covers normal uncertainty and minor unknowns. The reason is false — contingency and profit margin are distinct items. Contingency is set-aside money for unknown risk; profit margin is the firm's earnings. Conflating them produces severe pricing errors and erodes either profit or contingency depending on the direction of the confusion.
- 43. A** — Both statements are true, and the reason correctly explains the assertion. The lien-waiver requirement exists because the waiver is the documentary release protecting against lien claims; without the waiver, the GC has no legal protection for that pay period. The reason explains exactly why the GC can withhold payment in its absence.
- 44. A** — Both statements are true, and the reason correctly explains the assertion. Bonding off works because the bond replaces the property as the source from which any judgment will be paid. This legal substitution is the mechanism that allows title to be cleared while the underlying dispute proceeds against the bond.
- 45. C** — The assertion is true; working capital equals current assets minus current liabilities. The reason is false — negative working capital is generally a serious problem for contractors, not acceptable. Contractors typically pay subs and suppliers before receiving owner payment, especially with retainage held back, making positive working capital essential for cash flow management.
- 46. B** — Both statements are true, but the force majeure principle does not explain why daily documentation should occur on the day of the event. Same-day documentation is required for evidentiary value and contemporaneous accuracy; force majeure entitlement is a separate substantive right. The two facts are independently true.
- 47. A** — Both statements are true, and the reason correctly explains the assertion. The employer must withhold these specific taxes because federal payroll tax law affirmatively requires both withholding from employee wages and remittance with the employer's matching share for Social Security and Medicare. The withholding obligation flows directly from the federal mandate described in the reason.
- 48. C** — The assertion is true; a 25 percent markup yields a 20 percent margin ($25 \div 125 = 20$ percent). The reason is false — markup and margin are mathematically distinct. Markup is $\text{profit} \div \text{cost}$; margin is $\text{profit} \div \text{sale price}$. The two only equal each other at zero. Confusing them is a common contractor pricing error.
- 49. A** — Both statements are true, and the reason correctly explains the assertion. Medical treatment beyond first aid is one of the explicit OSHA recording triggers, alongside death, days away from work, restricted duty, job transfer, loss of consciousness, and significant diagnosed conditions. The trigger criterion IS why recording on Form 300 is required.
- 50. D** — The assertion is false because substantial completion does NOT require every punch list item to be finished — by definition, minor punch list items remain at substantial completion. The reason is true — substantial completion is sufficient completion for beneficial use with minor items remaining. The assertion confuses substantial completion with final completion.