

PRACTICE EXAM 9 — QUESTIONS 1–50

Format: Two-Blank Cloze Completion Questions — each statement contains two blanks marked (1) and (2). Select the option that correctly fills BOTH blanks.

1. A markup of __ (1) __ on cost yields a gross profit margin of __ (2) __ on sale price.

- A. (1) 20% | (2) 25%
- B. (1) 25% | (2) 33%
- C. (1) 33% | (2) 20%
- D. (1) 25% | (2) 20%

2. A South Carolina mechanic's lien must be filed within __ (1) __ of last work or material delivery and enforced by suit within __ (2) __ of the filing date.

- A. (1) 60 days | (2) 12 months
- B. (1) 90 days | (2) 6 months
- C. (1) 120 days | (2) 6 months
- D. (1) 90 days | (2) 12 months

3. Under AIA A201, substantial completion is the stage when the work is sufficiently complete for the __ (1) __ to occupy or use the project for its intended purpose, with __ (2) __ items remaining.

- A. (1) contractor | (2) no
- B. (1) architect | (2) major
- C. (1) owner | (2) minor punch list

D. (1) surety | (2) outstanding pay app

4. The PERT expected duration formula is calculated as (1) where the most likely estimate carries a (2) in the weighted average.

A. (1) $(O + M + P) / 3$ | (2) 1× weighting

B. (1) $(O + 2M + P) / 4$ | (2) 2× weighting

C. (1) $(O + 4M + P) / 6$ | (2) 4× weighting

D. (1) $(O + 6M + P) / 8$ | (2) 6× weighting

5. South Carolina contractors are treated as (1) of construction materials and therefore pay sales tax (2) .

A. (1) resellers | (2) collected from the customer

B. (1) end consumers | (2) to the supplier at purchase

C. (1) wholesale buyers | (2) quarterly to the SCDOR

D. (1) exempt purchasers | (2) on construction labor only

6. Under the Fair Labor Standards Act, nonexempt employees must be paid (1) for hours worked over (2) in a single workweek.

A. (1) 1.5 times the regular rate | (2) 40

B. (1) double time | (2) 40

C. (1) 1.5 times the regular rate | (2) 35

D. (1) straight time | (2) 50

7. A (1) bond protects the owner from financial loss if the contractor fails to complete the work, while a (2) bond protects subcontractors and suppliers from nonpayment.

A. (1) bid | (2) labor and material

- B. (1) performance | (2) payment
- C. (1) surety | (2) maintenance
- D. (1) completion | (2) supply

8. NESHAP requires asbestos abatement notification to be submitted __ (1) __ before regulated work begins, while the Construction General Permit threshold for stormwater coverage is __ (2) __ of disturbed land.

- A. (1) 30 calendar days | (2) 5 acres
- B. (1) 10 calendar days | (2) 5 acres
- C. (1) 30 working days | (2) 1 acre
- D. (1) 10 working days | (2) 1 acre

9. A construction firm's working capital is calculated as __ (1) __, and its current ratio is calculated as __ (2) __.

- A. (1) total assets minus total liabilities | (2) total assets ÷ total liabilities
- B. (1) cash on hand only | (2) cash ÷ current liabilities
- C. (1) current assets minus current liabilities | (2) current assets ÷ current liabilities
- D. (1) fixed assets minus long-term debt | (2) fixed assets ÷ current liabilities

10. A change order requires __ (1) __ to be enforceable, and the contractor is entitled to a time extension when the changed work affects the __ (2) __.

- A. (1) only an email confirmation | (2) project budget
- B. (1) only a verbal directive | (2) total float
- C. (1) a written agreement signed by both parties | (2) critical path
- D. (1) an architect's certification | (2) contingency reserve

11. __ (1) __ is computed as cost multiplied by a markup factor, while __ (2) __ is computed as profit divided by sale price.

- A. (1) Margin | (2) markup
- B. (1) Markup | (2) margin
- C. (1) Overhead | (2) contingency
- D. (1) Contingency | (2) markup

12. An owner can clear title from a recorded mechanic's lien by filing a __ (1) __ with the clerk of court; the lien then __ (2) __.

- A. (1) discharge motion | (2) is automatically vacated by the court
- B. (1) quiet-title action | (2) is litigated against the owner directly
- C. (1) notice of contest | (2) requires the lienor to refile within 30 days
- D. (1) lien release bond | (2) transfers from the property to the bond

13. Form I-9 Section 1 must be completed by the employee __ (1) __, and Section 2 must be completed by the employer within __ (2) __ of the start date.

- A. (1) within 3 business days | (2) 7 calendar days
- B. (1) on or before the first day | (2) 7 business days
- C. (1) on or before the first day | (2) 3 business days
- D. (1) within 1 week | (2) 1 business day

14. The critical path of a project schedule is the __ (1) __ continuous path through the network, and activities on it have __ (2) __.

- A. (1) shortest | (2) maximum float
- B. (1) longest | (2) zero total float
- C. (1) most-traveled | (2) negative slack

D. (1) milestone-bounded | (2) unconstrained durations

15. Under __ (1) __ accounting, revenue is recognized as costs are incurred relative to total estimated costs, and earned revenue is computed as __ (2) __.

A. (1) cash-basis | (2) cash received ÷ contract value

B. (1) completed-contract | (2) total contract value × billing percentage

C. (1) percentage-of-completion | (2) billings × percent complete

D. (1) percentage-of-completion | (2) contract value × percent complete

16. A __ (1) __ clause shifts the financial risk of owner-caused delay damages back to the contractor, while a __ (2) __ clause caps the contractor's exposure for late completion at a stipulated daily rate.

A. (1) force majeure | (2) time extension

B. (1) no-damage-for-delay | (2) liquidated damages

C. (1) mutual indemnification | (2) penalty

D. (1) waiver of subrogation | (2) arbitration

17. OSHA requires the Form 300A annual summary to be posted from __ (1) __ through __ (2) __ of the following year.

A. (1) January 1 | (2) March 1

B. (1) February 1 | (2) February 28

C. (1) January 1 | (2) April 30

D. (1) February 1 | (2) April 30

18. A unit-price contract is typically used when __ (1) __ are uncertain at bid time, and the bidder prices each item using __ (2) __ multiplied by estimated quantities.

A. (1) design specifications | (2) total contract value

B. (1) quantities | (2) unit cost per measure of work

C. (1) site conditions | (2) lump-sum totals

D. (1) material prices | (2) Davis-Bacon rates

19. Form 1099-NEC must be filed when total payments to an independent contractor reach __(1)__ in a calendar year, by the deadline of __(2)__.

A. (1) \$600 | (2) January 31

B. (1) \$400 | (2) January 31

C. (1) \$600 | (2) March 15

D. (1) \$1,000 | (2) April 15

20. A subcontractor's __(1)__ is signed at the end of each pay period to release lien rights for amounts received, while a __(2)__ releases all rights upon final payment.

A. (1) partial lien waiver | (2) final lien waiver

B. (1) payment certification | (2) retainage release

C. (1) progress release | (2) change order

D. (1) milestone waiver | (2) closeout waiver

21. A general contractor's __(1)__ generally include salaries, office rent, and utilities, while __(2)__ are job-specific costs such as on-site labor and materials.

A. (1) direct costs | (2) indirect costs

B. (1) fixed costs | (2) variable costs

C. (1) overhead | (2) direct costs

D. (1) operating expenses | (2) capital costs

22. An indemnification clause that requires the contractor to indemnify the owner for the owner's own negligence is __(1)__ in South Carolina under __(2)__.

- A. (1) enforceable | (2) SC Code Title 40
- B. (1) unenforceable | (2) SC Code 32-2-10
- C. (1) enforceable | (2) SC Code 32-2-10
- D. (1) permissible | (2) SC common law

23. A Request for Information (RFI) is used to __ (1) __, while a change order is used to __ (2) __.

- A. (1) dispute scope | (2) extend the schedule
- B. (1) document delays | (2) claim damages
- C. (1) clarify ambiguous document items | (2) modify contract scope, price, or time
- D. (1) notify the architect | (2) request payment

24. A contractor's bid submitted to the owner is legally __ (1) __, becoming a binding contract obligation upon __ (2) __ by the owner.

- A. (1) an offer | (2) acceptance
- B. (1) an invitation to treat | (2) receipt
- C. (1) a counteroffer | (2) signature
- D. (1) a quotation | (2) negotiation

25. A subcontractor's lien rights attach to __ (1) __ where labor or materials were incorporated, and the lien must be enforced by __ (2) __ within the statutory deadline.

- A. (1) the contractor's bond | (2) arbitration demand
- B. (1) the project bank account | (2) lien petition
- C. (1) the real property | (2) filing suit
- D. (1) the owner's other assets | (2) collection action

26. A WIP report identifies overbilling when __ (1) __, and underbilling when __ (2) __.

- A. (1) cost-to-date exceeds earned revenue | (2) billed amount exceeds cost-to-date
- B. (1) retainage exceeds billings | (2) progress payments exceed retainage
- C. (1) billed amount exceeds earned revenue | (2) earned revenue exceeds billed amount
- D. (1) earned revenue exceeds billed amount | (2) billed amount exceeds earned revenue

27. An AIA A201 termination for cause requires the owner to first provide __ (1) __ and to allow the contractor __ (2) __ before terminating.

- A. (1) written notice of default | (2) a seven-day cure period
- B. (1) an oral warning | (2) immediate possession
- C. (1) a default declaration to the surety | (2) a fourteen-day notice
- D. (1) notice of intent to terminate | (2) a thirty-day cure

28. A limited liability company is formed in South Carolina by filing __ (1) __ with the SC Secretary of State, and the LLC's federal tax identification number is obtained from the __ (2) __.

- A. (1) Articles of Organization | (2) IRS
- B. (1) Articles of Incorporation | (2) SCDOR
- C. (1) Operating Agreement | (2) IRS
- D. (1) Certificate of Authority | (2) SCDOR

29. The forward pass through a schedule network calculates __ (1) __, and the backward pass calculates __ (2) __.

- A. (1) activity floats | (2) the critical path itself
- B. (1) earliest start and finish dates | (2) latest start and finish dates
- C. (1) resource demand profile | (2) cost projections per period
- D. (1) milestone targets | (2) completion probabilities

30. A 30 percent outlier in subcontractor bids most likely reflects __ (1) __, and the GC's proper response is __ (2) __.

- A. (1) missing scope or an unqualified bidder | (2) verification before acceptance
- B. (1) fair market pricing | (2) immediate award
- C. (1) a competitive advantage | (2) leverage against other subs
- D. (1) a clerical error | (2) automatic rejection

31. South Carolina mandates participation in the __ (1) __ program for all employers regardless of size, and workers compensation coverage is required at __ (2) __.

- A. (1) E-Verify | (2) four or more employees
- B. (1) WOTC | (2) one or more employees
- C. (1) EEOC reporting | (2) 50 or more employees
- D. (1) E-Verify | (2) ten or more employees

32. A "pay-if-paid" clause is generally interpreted as creating __ (1) __, while a "pay-when-paid" clause is generally interpreted as creating __ (2) __.

- A. (1) a timing delay | (2) a condition precedent
- B. (1) an absolute defense | (2) a notice requirement
- C. (1) a payment guarantee | (2) a billing schedule
- D. (1) a condition precedent | (2) a timing delay

33. __ (1) __ insurance covers the project itself — materials and work-in-place — against physical loss, while __ (2) __ insurance covers third-party bodily injury and property damage.

- A. (1) CGL | (2) builder's risk
- B. (1) Property | (2) professional liability
- C. (1) Surety | (2) umbrella

D. (1) Builder's risk | (2) commercial general liability

34. Form 941 reports __ (1) __ to the IRS and must be filed by __ (2) __ following the close of each quarter.

A. (1) quarterly federal payroll tax | (2) the last day of the month

B. (1) annual income tax withholding | (2) January 31

C. (1) self-employment tax | (2) April 15

D. (1) unemployment insurance contributions | (2) 30 days

35. SC contractors must self-report and remit __ (1) __ on out-of-state purchases through the __ (2) __ portal.

A. (1) sales tax | (2) IRS e-file

B. (1) excise tax | (2) SCSOS

C. (1) property tax | (2) DHEC online

D. (1) use tax | (2) SCDOR MyDORWAY

36. A markup of 20 percent on cost yields a __ (1) __ margin on sale price, while a 20 percent margin on sale price requires a __ (2) __ markup on cost.

A. (1) 25.00% | (2) 16.67%

B. (1) 20.00% | (2) 20.00%

C. (1) 16.67% | (2) 16.67%

D. (1) 16.67% | (2) 25.00%

37. A differing site conditions claim requires the contractor to give __ (1) __ before the condition is __ (2) __.

A. (1) notice of default | (2) inspected

- B. (1) oral notice | (2) measured
- C. (1) prompt written notice | (2) disturbed or altered
- D. (1) an RFI submission | (2) encountered

38. A contractor's __ (1) __ measures financial leverage by comparing debt to equity, while the __ (2) __ measures short-term solvency by comparing current assets to current liabilities.

- A. (1) quick ratio | (2) debt-to-equity ratio
- B. (1) acid-test ratio | (2) current ratio
- C. (1) debt-to-equity ratio | (2) current ratio
- D. (1) working capital ratio | (2) liquidity ratio

39. A South Carolina mechanic's lien filing must include the __ (1) __ owed and a description of the __ (2) __ subject to the lien.

- A. (1) amount | (2) real property
- B. (1) retainage | (2) personal property
- C. (1) damages | (2) project equipment
- D. (1) attorney fees | (2) contractor's tools

40. A daily report should document __ (1) __ on the day they occur, and submission to the project manager constitutes __ (2) __.

- A. (1) only major delays | (2) an informal record
- B. (1) only safety incidents | (2) a change order basis
- C. (1) weather, manpower, work performed, and incidents | (2) a permanent project record
- D. (1) financial summaries | (2) billing certification

41. Under South Carolina law, a written contract carries a __ (1) __ statute of limitations, and an oral contract carries a __ (2) __ statute of limitations.

- A. (1) 6-year | (2) 3-year
- B. (1) 4-year | (2) 2-year
- C. (1) 10-year | (2) 5-year
- D. (1) 3-year | (2) 3-year

42. A bid bond commits the bidder to enter into the contract if awarded; on default, the surety pays __ (1) __ up to the bond amount, typically __ (2) __ of the bid price.

- A. (1) lost profits | (2) 100%
- B. (1) the difference between bid and next-lowest bid | (2) 5–10%
- C. (1) liquidated damages | (2) 25%
- D. (1) the full contract value | (2) 50%

43. FICA tax rates total __ (1) __ withheld from each employee and __ (2) __ paid by the employer for Social Security and Medicare combined.

- A. (1) 6.20% | (2) 6.20%
- B. (1) 1.45% | (2) 7.65%
- C. (1) 7.65% | (2) 7.65%
- D. (1) 15.30% | (2) 0%

44. A "no damage for delay" clause prevents the contractor from recovering __ (1) __, but most jurisdictions recognize exceptions for delays caused by __ (2) __.

- A. (1) all costs | (2) weather alone
- B. (1) delay damages | (2) owner bad faith or active interference
- C. (1) material costs | (2) subcontractor issues
- D. (1) profit only | (2) labor disputes

45. A "fast-track" project compresses the schedule by __ (1) __, while "crashing" the schedule shortens duration by __ (2) __.

- A. (1) removing scope | (2) reducing quality
- B. (1) delaying procurement | (2) extending shifts
- C. (1) expanding the team | (2) improving productivity
- D. (1) overlapping design and construction phases | (2) adding labor or resources to critical activities

46. In South Carolina, the priority of competing mechanic's liens generally follows __ (1) __, with all liens taking effect as of __ (2) __.

- A. (1) filing date | (2) the contract execution date
- B. (1) equal priority | (2) commencement of labor or first delivery
- C. (1) dollar amount | (2) the project mobilization date
- D. (1) license tier | (2) the certificate of occupancy date

47. A construction project that disturbs __ (1) __ acres or more requires coverage under the __ (2) __ in South Carolina.

- A. (1) 1 | (2) Construction General Permit
- B. (1) 5 | (2) NPDES Individual Permit
- C. (1) 10 | (2) RCRA Subtitle D
- D. (1) 3 | (2) Coastal Zone Permit

48. SC contractors report federal unemployment tax via __ (1) __, with a net effective rate of __ (2) __ on the first \$7,000 of each employee's wages.

- A. (1) Form 941 | (2) 6.0%
- B. (1) Form 940 | (2) 0.6%
- C. (1) Form W-3 | (2) 3.0%

D. (1) Form 1099 | (2) 0.8%

49. Surety underwriting of a contractor's bonding capacity rests on the __ (1) __, with experience evaluated as part of the contractor's __ (2) __.

A. (1) Five M's | (2) methods

B. (1) Two-Multiplier Rule | (2) market position

C. (1) Four Factors | (2) management

D. (1) Three C's of Capital, Capacity, and Character | (2) capacity

50. Under AIA A201, a claim must be initiated within __ (1) __ of the event giving rise to the claim, and the architect's Initial Decision must be issued before the parties proceed to __ (2) __.

A. (1) 21 days | (2) mediation

B. (1) 30 days | (2) arbitration

C. (1) 60 days | (2) litigation

D. (1) 14 days | (2) certification

PRACTICE EXAM 9: ANSWER KEY AND EXPLANATIONS

1. D — (1) 25% | (2) 20%. A markup is profit divided by cost; a margin is profit divided by sale price. A 25 percent markup on \$100 cost produces a \$125 sale price and \$25 profit, giving $\$25 \div \$125 = 20$ percent margin. Confusing the two systematically under-recovers profit when the contractor intends to earn a target margin on sales.

2. B — (1) 90 days | (2) 6 months. SC Code Title 29 Chapter 5 imposes both deadlines independently: the lien must be filed within 90 days of last work or material delivery and enforcement suit must commence within 6 months of filing. Both are strict statutory limits; missing either permanently extinguishes the lien.

3. C — (1) owner | (2) minor punch list. Substantial completion is the AIA A201 milestone when work is sufficiently complete for the owner's beneficial use, with minor punch list items remaining. It triggers warranty start, retainage release timing, and shift of risk of loss to the owner.

- 4. C** — (1) $(O + 4M + P) / 6$ | (2) 4× weighting. PERT applies a weighted average that gives the most likely estimate four times the weight of the optimistic and pessimistic estimates. The formula incorporates uncertainty in activity durations and is preferred over arithmetic average for risk-aware scheduling.
- 5. B** — (1) end consumers | (2) to the supplier at purchase. SC treats contractors as end consumers of materials installed into real property. The contractor pays sales tax to the supplier at the point of purchase rather than collecting tax from the customer on installed work or construction labor.
- 6. A** — (1) 1.5 times the regular rate | (2) 40. The Fair Labor Standards Act requires overtime for nonexempt employees at 1.5 times the regular rate for hours worked over 40 in a single workweek. Misclassifying nonexempt workers as exempt is the most common FLSA violation and triggers back-pay liability.
- 7. B** — (1) performance | (2) payment. Performance bonds protect the owner against contractor failure to complete the work; payment bonds protect subs and suppliers against non-payment by the contractor. The two bonds typically run together at 100 percent of contract value to cover different default scenarios.
- 8. D** — (1) 10 working days | (2) 1 acre. NESHAP requires written notification at least 10 working days before regulated asbestos abatement begins. The Construction General Permit threshold under the federal NPDES program covers construction sites disturbing 1 acre or more, including portions of larger common plans.
- 9. C** — (1) current assets minus current liabilities | (2) $\text{current assets} \div \text{current liabilities}$. Working capital is calculated as a difference and reports an absolute dollar liquidity cushion; the current ratio is calculated as a quotient and reports relative liquidity. Construction lenders typically prefer a current ratio of 1.5 to 2.0.
- 10. C** — (1) a written agreement signed by both parties | (2) critical path. Change orders must be written and signed by both parties to be enforceable under standard construction contracts. Time extensions accompany change orders only when the changed work affects the critical path; impacts on non-critical activities do not extend the contract time.
- 11. B** — (1) Markup | (2) margin. Markup is computed by multiplying cost by a factor (cost-based percentage); margin is computed by dividing profit by sale price (sale-price-based percentage). The two pricing metrics are mathematically distinct and the labels are not interchangeable.
- 12. D** — (1) lien release bond | (2) transfers from the property to the bond. Bonding off is the legal mechanism that substitutes the bond for the property as security for the underlying claim. The lien transfers from the real property to the bond, allowing title to be cleared for sale or refinancing while the dispute is litigated against the bond.
- 13. C** — (1) on or before the first day | (2) 3 business days. Form I-9 Section 1 must be completed by the employee on or before the first day of work; Section 2 must be completed by the employer within 3 business days of the start date. Each section has a strict federal deadline subject to per-form penalties.

14. B — (1) longest | (2) zero total float. The critical path is the longest continuous sequence of dependent activities through the network and defines the minimum project duration. Activities on the critical path have zero total float, meaning any delay to a critical activity directly delays project completion.

15. D — (1) percentage-of-completion | (2) contract value \times percent complete. POC accounting recognizes revenue progressively as costs are incurred relative to estimated total costs. Earned revenue equals contract value multiplied by percent complete (typically calculated as cost-to-date \div estimated total cost), the standard method for long-term construction contracts.

16. B — (1) no-damage-for-delay | (2) liquidated damages. A no-damage-for-delay clause limits the contractor's monetary recovery for delays, even owner-caused ones. A liquidated damages clause caps the owner's recovery for late completion at a pre-stipulated daily rate. Both shift risk but in opposite directions.

17. D — (1) February 1 | (2) April 30. The OSHA Form 300A annual summary of work-related injuries and illnesses must be posted at the establishment from February 1 through April 30 of the year following the reporting year. The summary is signed by a company executive and displayed in a conspicuous location.

18. B — (1) quantities | (2) unit cost per measure of work. Unit-price contracts are used when actual quantities are uncertain at bid time; bidders price each item using a unit rate multiplied by estimated quantities, and the contract adjusts as actual quantities are measured. The risk allocation shifts quantity uncertainty to the owner.

19. A — (1) \$600 | (2) January 31. Form 1099-NEC must be filed for nonemployee compensation of \$600 or more paid to an unincorporated payee in the course of trade or business. The filing deadline is January 31 of the year following the payment year, applicable to both the IRS copy and the contractor copy.

20. A — (1) partial lien waiver | (2) final lien waiver. A partial lien waiver releases lien rights only for amounts received in that pay period; a final lien waiver releases all lien rights upon final payment. Owners typically require waivers as a condition of each pay application to prevent unpaid-lien claims attaching to the property.

21. C — (1) overhead | (2) direct costs. Overhead (indirect costs) includes salaries, office rent, utilities, and other general firm expenses allocated across projects. Direct costs are job-specific items such as on-site labor, materials, and equipment. Each category is recovered through distinct mechanisms in the bid pricing structure.

22. B — (1) unenforceable | (2) SC Code 32-2-10. SC Code 32-2-10 limits the enforceability of broad-form indemnification in construction contracts, treating provisions that require a contractor to indemnify the owner for the owner's own negligence as against public policy. Limiting indemnification to the contractor's own negligence is generally enforceable.

23. C — (1) clarify ambiguous document items | (2) modify contract scope, price, or time. An RFI is a request for information used to clarify ambiguous or conflicting items in the contract documents. A change order is a bilateral signed amendment that modifies contract scope, price, or time. Each document serves a distinct contractual function.

24. A — (1) an offer | (2) acceptance. A contractor's bid is legally an offer that becomes a binding contract upon acceptance by the owner. Standard offer-and-acceptance principles apply, and the contractor is bound by the bid terms unless properly withdrawn before acceptance under the rules of bid mistake or withdrawal.

25. C — (1) the real property | (2) filing suit. A subcontractor's mechanic's lien attaches to the real property where labor or materials were incorporated. Enforcement requires commencing suit (filing a complaint in court) within the statutory 6-month window from the lien filing date, not arbitration or administrative remedies.

26. C — (1) billed amount exceeds earned revenue | (2) earned revenue exceeds billed amount. Overbilling on a WIP report represents a future liability to perform work for amounts already collected. Underbilling represents earned but uncollected revenue that strains working capital because the firm is funding completed work from its own resources.

27. A — (1) written notice of default | (2) a seven-day cure period. AIA A201 termination for cause requires the owner to provide written notice of default to the contractor and allow a seven-day cure period before terminating. Skipping the cure period converts the termination into a wrongful termination, exposing the owner to damages.

28. A — (1) Articles of Organization | (2) IRS. An SC LLC is formed by filing Articles of Organization with the SC Secretary of State. The federal Employer Identification Number (EIN) is obtained from the IRS, not from any SC agency. Both filings are typically required before opening a business bank account.

29. B — (1) earliest start and finish dates | (2) latest start and finish dates. The forward pass moves through the network in dependency order to establish how early each activity can begin and end. The backward pass works in reverse to establish the latest acceptable dates. Total float and the critical path emerge from comparing the two passes.

30. A — (1) missing scope or an unqualified bidder | (2) verification before acceptance. A 30 percent outlier in sub bids nearly always signals missing scope, an unqualified bidder, or a misread of the bid documents. The GC's proper response is verification of scope and capability before accepting the quote; unverified outliers commonly produce buyout failures.

31. A — (1) E-Verify | (2) four or more employees. SC mandates E-Verify for all employers regardless of firm size, distinguishing SC from many other states. Workers compensation coverage is separately required when the employer has four or more regular employees. The two thresholds operate independently under different SC statutes.

32. D — (1) a condition precedent | (2) a timing delay. A pay-if-paid clause creates a condition precedent to the GC's payment obligation, shifting owner insolvency risk to the sub. A pay-when-paid clause only delays the timing of payment. Many jurisdictions enforce these clauses differently despite similar wording.

33. D — (1) Builder's risk | (2) commercial general liability. Builder's risk insurance is project property insurance covering materials and work-in-place against physical loss during construction. CGL insurance

covers third-party bodily injury and property damage arising from operations. The two coverages address distinct risk categories and are not interchangeable.

34. A — (1) quarterly federal payroll tax | (2) the last day of the month. Form 941 reports quarterly federal income tax withholding plus employee and employer FICA contributions. The filing deadline is the last day of the month following the close of each quarter (Q1 = April 30, Q2 = July 31, Q3 = October 31, Q4 = January 31).

35. D — (1) use tax | (2) SCDOR MyDORWAY. SC use tax applies to out-of-state purchases when SC sales tax was not collected at the source. Contractors as end consumers must self-report and remit use tax through the SCDOR MyDORWAY portal. The rate matches the sales tax rate that would have applied to an in-state purchase.

36. D — (1) 16.67% | (2) 25.00%. A 20 percent markup on cost: $\$100 \text{ cost} \times 1.20 = \120 sale ; $\$20 \text{ profit} \div \$120 \text{ sale} = 16.67\% \text{ margin}$. A 20 percent margin on sale: $\$100 \text{ sale} \times 0.80 = \80 cost ; $\$20 \text{ profit} \div \$80 \text{ cost} = 25.00\% \text{ markup}$. Markup and margin produce different percentages from the same dollar profit.

37. C — (1) prompt written notice | (2) disturbed or altered. A differing site conditions claim requires the contractor to give prompt written notice before the condition is disturbed or altered. The notice requirement preserves the owner's right to investigate the unaltered condition; once disturbed, evidence is destroyed and the claim becomes indefensible.

38. C — (1) debt-to-equity ratio | (2) current ratio. The debt-to-equity ratio measures financial leverage by comparing total debt to total equity. The current ratio measures short-term solvency by comparing current assets to current liabilities. Each ratio addresses a distinct dimension of financial health used in surety and lender underwriting.

39. A — (1) amount | (2) real property. The SC mechanic's lien Statement of Account must include the amount owed (with supporting basis) and a description of the real property subject to the lien. Defects in either element can invalidate the lien on procedural grounds, even if the underlying debt is valid.

40. C — (1) weather, manpower, work performed, and incidents | (2) a permanent project record. Daily reports document weather, manpower count, equipment on site, work performed, deliveries, visitors, and any incidents on the day they occur. Submission to the PM creates a permanent project record that becomes primary evidence in delay claims, change order disputes, and litigation.

41. D — (1) 3-year | (2) 3-year. Under SC law, both written and oral contracts carry a 3-year statute of limitations running from accrual of the cause of action. The same SOL applies regardless of whether the contract is documented in writing or proved through evidence of an oral agreement. Other jurisdictions distinguish between the two; SC does not.

42. B — (1) the difference between bid and next-lowest bid | (2) 5–10%. A bid bond indemnifies the owner against the increased cost of awarding to the next bidder when the original bidder defaults pre-contract. The bond face value is typically 5 to 10 percent of the bid price, and the surety pays the difference between bids up to the bond amount.

43. C — (1) 7.65% | (2) 7.65%. FICA totals 7.65 percent withheld from each employee (6.2% Social Security + 1.45% Medicare) and 7.65 percent paid by the employer as the matching share, for a combined 15.3 percent on covered wages. The employer is legally responsible for remitting both halves through Form 941.

44. B — (1) delay damages | (2) owner bad faith or active interference. A no-damage-for-delay clause prevents the contractor from recovering delay damages even when the contractor is not responsible for the delay. Most jurisdictions recognize exceptions for delays caused by owner bad faith, active interference, fundamental breach, or unreasonably long delays, depending on the jurisdiction.

45. D — (1) overlapping design and construction phases | (2) adding labor or resources to critical activities. Fast-tracking compresses the schedule by overlapping sequential phases (such as starting construction before design is complete), which can introduce rework if downstream design changes. Crashing shortens duration by adding labor or resources to critical activities, which directly increases project cost.

46. B — (1) equal priority | (2) commencement of labor or first delivery. In SC, competing mechanic's liens generally have equal priority among themselves, sharing pro-rata in any recovery. All liens take effect as of the commencement of labor or first delivery of materials, not the recording date, so latecomers do not disadvantage earlier providers.

47. A — (1) 1 | (2) Construction General Permit. Construction projects disturbing 1 acre or more (including portions of larger common plans of development) require coverage under the NPDES Construction General Permit, administered in SC by DHEC. Coverage requires a SWPPP and submission of a Notice of Intent before earth disturbance begins.

48. B — (1) Form 940 | (2) 0.6%. Federal unemployment tax (FUTA) is reported annually on Form 940. The gross FUTA rate is 6.0 percent on the first \$7,000 of each employee's wages, but the standard state credit reduces the net effective rate to 0.6 percent in states (including SC) with compliant unemployment insurance programs.

49. D — (1) Three C's of Capital, Capacity, and Character | (2) capacity. Surety underwriting of bonding capacity rests on the Three C's framework: Capital (financial strength), Capacity (ability to perform the work technically and operationally), and Character (integrity and track record). Experience is evaluated as a key component of the contractor's capacity to perform.

50. A — (1) 21 days | (2) mediation. Under AIA A201, a claim must be initiated by written notice within 21 days of the event giving rise to the claim or the contractor's first recognition of it. The architect's Initial Decision must be issued before the parties proceed to mediation, which is the next step in the AIA dispute resolution sequence.