

PRACTICE TEST
Utah Contractor
Business and Law Exam

BUSINESS ORGANIZATIONS

1. An Employer Identification Number (EIN) is required for all entity types EXCEPT:
 - A. C Corporations
 - B. Limited Liability Companies
 - C. S Corporations
 - D. Sole Proprietorships
2. The profits from which type of business are NOT "passed through" to the owners and taxed as ordinary income?
 - A. C Corporation
 - B. Limited Liability Company
 - C. S Corporation
 - D. Sole Proprietorship
3. Corporate minutes must be maintained annually for which of the following entity types?
 - A. Limited Liability Company
 - B. Partnership
 - C. S Corporation
 - D. Sole Proprietorship
4. Which of the following is true of a limited partner?
 - A. A limited partner must be listed as an officer
 - B. A limited partner does not pay taxes
 - C. A limited partner can transfer their ownership through sale of stocks
 - D. A limited partner's financial responsibility is limited to business liabilities
5. Which of the following entity types is not subject to self-employment tax?
 - A. General Partnership
 - B. Limited Partnership
 - C. S Corporation
 - D. Sole Proprietorship

RISK MANAGEMENT

6. What is the name of the surety law adopted by most states and local governments?
 - A. The Little Act
 - B. The Miller Act
 - C. The Little Miller Act
 - D. The Miller Bond Act
7. If a general contractor hires a subcontractor who has no workers compensation policy for part of a project, and an employee of the subcontractor is injured, who is responsible for the injured employee?
 - A. The subcontractor
 - B. The state workers compensation program
 - C. The employee's health insurance
 - D. The general contractor
8. If you are remodeling a house that was built before 1978, you must
 - A. Notify the EPA before beginning work
 - B. Provide a lead information sheet to the inhabitant
 - C. Provide an asbestos information sheet the inhabitant
 - D. Test for asbestos
9. What is the minimum required level of general liability insurance coverage for a Utah contractor?
 - A. \$100,000 per incident / \$300,000 total
 - B. \$300,000 per incident / \$500,000 total
 - C. \$500,000 per incident / \$1,000,000 total
 - D. \$1,000,000 per incident / \$3,000,000 total
10. If a contractor finds asbestos on a remodeling project, they should:
 - A. Contact the EPA
 - B. Contact OSHA
 - C. Have a certified asbestos contractor remove the asbestos
 - D. Equip their employees with appropriate safety gear before having their employees work with asbestos

11. There is an accident on a job site.
- The company's general liability insurance deductible is \$2,500
 - The employee's medical bills are \$5,000
 - Damage to the company's equipment is \$2,000
 - A passerby is injured and incurs medical bills of \$1,500

How much will the company's general liability insurance policy pay for the incident?

- A. \$0
- B. \$1,500
- C. \$2,500
- D. \$8,500

LIEN LAWS

12. If a person fails to file a timely preliminary notice, they may not claim a construction lien for construction work the person provides to the project before how many days after the preliminary notice is filed?
- A. 1
 - B. 5
 - C. 10
 - D. 20
13. A lien claimant shall file an action to enforce a lien within how many days of filing a written notice to hold and claim a lien?
- A. 30
 - B. 60
 - C. 90
 - D. 180
14. Before providing a final lien release to a project owner, the contractor should request which of the following documents from the subcontractors and suppliers?
- A. Final lien releases
 - B. Certificates of insurance
 - C. Partial lien releases
 - D. Certificates of completion

15. If there are multiple liens claimed on the same property, which of the following groups is on equal footing for satisfaction of the lien?
- A. Original contractor and subcontractors
 - B. Original contractor and materialmen
 - C. Laborers and materialmen
 - D. Laborers and project owners

FINANCIAL MANAGEMENT

16. Which of the following best defines the "cost principle" in accounting?
- A. The finances of a business will not be intermixed with another business or person
 - B. All transactions are recorded at cost rather than value
 - C. Transactions must be objectively established
 - D. The dollar will be used as a stable unit of measure
17. Using the Accrual Basis of accounting, what is the net income for March if:
- \$6,000 in income is invoiced in March
 - \$5,000 in income is received in March
 - \$2,500 in expenses are incurred in March
 - \$2,000 in expenses are paid in March
- A. \$4,000
 - B. \$3,500
 - C. \$3,000
 - D. \$2,500
18. If a company has:
- Current assets \$80,000
 - Fixed assets \$75,000
 - Current liabilities \$40,000
 - Long term liabilities \$60,000
- What is their working capital?
- A. \$40,000
 - B. \$55,000
 - C. \$95,000
 - D. \$115,000

19. What is a Long-Term or Noncurrent Liability?

- A. Any debt
- B. A debt that extends longer than 90 days
- C. A debt that extends longer than 1 year
- D. A debt that extends longer than 2 years

20. The percentage of completion method of accounting recognizes revenue and expense during a project based on estimates of the project's percentage of completion. What is an advantage of this accounting method?

- A. It more clearly illustrates a company's overhead expenses.
- B. It helps a company understand their cash flow.
- C. It maximizes deferral of taxes.
- D. It allows a company to show income over the life of the project.

21. Cash basis accounting records income:

- A. When a project begins
- B. When a job is completed
- C. When all the project expenses have been paid
- D. When cash is received

22. If a company has:

- Current assets \$50,000
- Inventory \$10,000
- Fixed assets \$30,000
- Current liabilities \$25,000
- Long term liabilities \$20,000

What is the company's quick ratio?

- A. .4
- B. .5
- C. 1.6
- D. 2.4

23. The income statement does not include:

- A. Cash
- B. Expenses
- C. Income
- D. Gross Profit

ESTIMATING AND BIDDING

24. A unit price contract has the following terms:

Product #1 = \$60 each

Product #2 = \$100 each

Product #3 = \$200 each

Markup for overhead and profit = 35%

How much should the contractor charge for providing 20 of product #1, 40 of product #2, and 30 of product #3?

- A. \$11,200
- B. \$15,120
- C. \$15,680
- D. \$16,470

25. A cost-plus contract has the following terms:

- The project owner pays for direct labor and materials costs plus a markup of 30% on those direct costs.
- The contractor receives a bonus of \$300 per day for each day the project is completed early.
- The contractor receives a bonus of 20% of the savings if the total cost including markup is under \$80,000.

What total amount is due to the contractor if the results of the project are as follows?

- Final costs for direct labor and materials are \$50,000.
 - The project is completed 10 days early.
- A. \$59,000
 - B. \$67,000
 - C. \$71,000
 - D. \$75,000

26. A project has a total contract price of \$120,000.

Retainage has been held back at 5%. The contractor previously completed and received payment for 80% of the work. Now the project is complete. What is the amount of the final payment the contractor should request?

- A. \$18,400
- B. \$24,000
- C. \$28,800
- D. \$30,000

27. Who is responsible for making sure that all the project details are included in the scope of work?

- A. Architect
- B. Estimator
- C. General contractor
- D. Project owner

28. One of the most accurate methods of estimating a job is:

- A. The conceptual estimate method
- B. The quantity take-off method
- C. The square foot method
- D. The unit price method

29. How much additional money should a change order request in the following situation?

- The change costs the contractor an additional \$3,500 in labor and materials and overhead.
 - The change reduces other labor and overhead costs by \$1,000.
 - The contract allows the contractor to markup all costs on a change order 20%.
- A. \$2,500
 - B. \$3,000
 - C. \$3,500
 - D. \$4,200

30. A contractor estimates a project as follows:

- Equipment cost = \$500
- Direct labor = \$4,000
- Material = \$5,000
- Project overhead = 30% of direct labor
- General overhead = 15% of direct labor and materials

The project owner offers to pay \$13,000. What is the contractor's profit or loss?

- A. Profit of \$650
- B. Profit of \$950
- C. Loss of \$650
- D. Loss of \$950

31. When a contractor gets a project owner to reveal the lowest bid they received, it is referred to as:

- A. Bid fixing
- B. Bid peddling
- C. Bid rigging
- D. Bid shopping

32. A contractor's best source for estimating the number of hours required for a task, waste factor, and other job costs is:

- A. Bid sheets
- B. Estimating software
- C. Job cost reports from previous jobs
- D. Published costs

PROJECT MANAGEMENT

33. The person who typically certifies to the owner of a construction project that a percentage of work is complete so the contractor can receive a progress payment is:

- A. The architect
- B. The general contractor
- C. The lender
- D. The project manager

34. The superintendent is typically responsible for which of the following?

- A. Setting quality standards
- B. Establishing budgets and schedules
- C. Coordinating tasks and reviewing punch lists
- D. Overseeing individual tasks

35. Calculate float days for the following project:

- Contract signed Friday June 2nd
 - Materials delivered June 7th
 - Labor begins Monday June 12th
 - Scheduled completion date June 30th
 - Estimated 8 labor days are needed
 - No overtime or weekend labor is available
- A. 5 float days
 - B. 6 float days
 - C. 7 float days
 - D. 8 float days

36. In the Critical Path scheduling method, the amount of time needed for an individual task is called:
- Duration
 - Lead Time
 - Float Time
 - Major activity
37. The best method for keeping inventory low is:
- Cash Accounting
 - Critical Path Method (CPM)
 - Just In Time (JIT) delivery
 - Unit Price Method
38. Which of the following is true of the Gantt scheduling method?
- It shows the dependence of activities to each other
 - It is based on a bar chart
 - It is the least technical scheduling method
 - It tracks working capital
41. An acceptance which is vague or conditional or changes some of the terms of the original offer is considered:
- An acceptance
 - A counteroffer
 - A negotiation
 - A change order
42. The required elements of a contract are:
- Consideration, competent parties, and legal purpose
 - Offer and acceptance, competent parties, and legal purpose
 - Offer and acceptance, consideration, and competent parties
 - Offer and acceptance, consideration, competent parties, and legal purpose
43. The contract document that specifies requirements for site management, material handling, and project management is called:
- The agreement
 - The general conditions
 - The supplementary conditions
 - The bid package

CONTRACT MANAGEMENT

39. A contract includes a liquidated damages clause that awards the project owner \$500 per day for each day the job exceeds 120 days. The contractor finishes 10 days late and pays out \$5,000. How much more can the project owner sue for in actual damages?
- \$0
 - \$5,000
 - The total cost of the project
 - Unlimited
40. Which of the following statements is accurate regarding a warranty item at job completion?
- An improperly completed item should be treated as a warranty item
 - A project owner should not hold out money from the contract for a warranty item
 - Punch list items that are not completed become warranty items
 - Incomplete items are considered warranty items at time of job closeout
44. Which type of bond ensures the owner that a contractor will enter into a contract according to their bid?
- Bid bond
 - Maintenance bond
 - Payment bond
 - Performance bond
45. Once a contractor has been paid by a project owner, how long do they have to pay their subcontractors before Utah law will require them to pay interest on the amount due?
- 10 days
 - 20 days
 - 30 days
 - 60 days

46. A contract includes a liquidated damages clause that awards the project owner \$1,000 per day for each day the job exceeds 90 days. It also awards the contractor a bonus of \$1,000 per day for each day the job is completed before 90 days. The job is delayed 7 days by weather and is completed on day 94. No extension of time was requested or granted. Which of the following is true?
- A. The contractor owes \$4,000 in liquidated damages
 - B. The contractor should receive a \$3,000 bonus
 - C. The contractor owes \$7,000 in liquidated damages
 - D. The contractor should receive a \$7,000 bonus
50. The penalty if an employer does not carry workers compensation insurance is:
- A. \$1,000 per occurrence
 - B. \$1,000 or 3 times the premium amount
 - C. \$5,000 per occurrence
 - D. \$5,000 or 3 times the premium amount
51. A laborer employee earns \$10 per hour. During a 2-week period, the employee works 35 hours in week 1 and 45 hours in week 2. What will their gross pay be for the 2 weeks?
- A. \$750
 - B. \$800
 - C. \$825
 - D. \$850
52. The main purpose of the Fair Labor Standards Act is:
- A. To establish health insurance and workers compensation coverage standards
 - B. To establish minimum wage and overtime standards
 - C. To establish overtime and required time off standards
 - D. To establish minimum wage and required time off standards

LABOR LAWS

47. How much time does an employer have to complete a form I-9 when a new employee is hired?
- A. Section 1 on the first day of employment; entire form within 3 days
 - B. Section 1 on the first day of employment; entire form within 7 days
 - C. Section 1 within 3 days; entire form within 7 days
 - D. Section 1 within 3 days; entire form within 30 days
48. Title VII of the Civil Rights Act of 1963 applies to employers with what number of employees?
- A. 1 or more
 - B. 4 or more
 - C. 15 or more
 - D. 20 or more
49. How long does the Fair Labor Standards Act require employers to keep copies of employee wage statements?
- A. 1 year
 - B. 2 years
 - C. 3 years
 - D. 4 years
53. A Utah employer must report new hires and rehires to the Department of Workforce Services within how many days of hire or rehire?
- A. 5
 - B. 10
 - C. 15
 - D. 20

TAX LAWS

54. Federal form 941 taxes may be deposited monthly if for the previous 4 quarters a company's total tax liability for 941 taxes was:
- A. \$50,000 or less
 - B. \$100,000 or less
 - C. Over \$50,000
 - D. Over \$100,000

55. Utah businesses must pay sales tax on a monthly basis via electronic funds transfer if their liability is over:

- A. \$1,000
- B. \$5,000
- C. \$50,000
- D. \$96,000

56. A C Corporation has gross revenue of \$120,000 and deductible expenses of \$70,000. The corporate tax rate is a flat 21%. What is the corporation's after-tax profit?

- A. \$35,300
- B. \$39,500
- C. \$50,000
- D. \$94,800

57. The withholding rate for social security is:

- A. .6%
- B. 1.45%
- C. 6.2%
- D. 15.3%

58. Not making federal payroll tax deposits in a timely manner can result in penalties of:

- A. 1% to 50% of the amount due
- B. 1% to 100% of the amount due
- C. 2% to 50% of the amount due
- D. 2% to 100% of the amount due

59. The due date for a federal tax return falls on Sunday, April 30. The return must be filed by:

- A. Friday, April 28
- B. Saturday, April 29
- C. Sunday, April 30
- D. Monday, May 1

SAFETY

60. When must employers with more than 10 employees post OSHA Form 300A?

- A. January 1 – March 31
- B. February 1 – April 30
- C. March 1 – May 31
- D. April 1 – June 30

61. If there is a fatality or serious injury to a worker, when must the employer notify OSHA?

- A. Within 8 hours
- B. Within 24 hours
- C. Within 3 days
- D. Within 7 days

62. When portable ladders are used to access an upper landing surface, how far must the ladder side rails extend above the upper landing surface if the ladder is not secured?

- A. 1 foot
- B. 2 feet
- C. 3 feet
- D. 4 feet

63. How much time does an employee have to report a workplace injury?

- A. 7 days
- B. 30 days
- C. 90 days
- D. 180 days

64. If an employer does not correct a violation cited by UOSH in the time provided, what penalty may be assessed?

- A. Up to \$1,000 per day
- B. Up to \$5,000 per day
- C. Up to \$7,000 per day
- D. Up to \$70,000 per day

LICENSING

65. How many licensees may a qualifier act as the qualifier for without written approval?

- A. 1
- B. 2
- C. 3
- D. 4

66. How long does a licensed contractor have to notify the division of a mailing address change?

- A. 10 days
- B. 30 days
- C. 60 days
- D. 90 days

67. Failure to establish, maintain, or demonstrate financial responsibility while licensed as a contractor in Utah is classified as:
- A. Irresponsible conduct
 - B. Unlawful conduct
 - C. Unlicensed conduct
 - D. Unprofessional conduct
68. How long may a license be placed on inactive status?
- A. 1 year
 - B. 3 years
 - C. 5 years
 - D. Indefinitely
69. A residential and small commercial contractor may build commercial structures not more than:
- A. One story above ground and 10,000 square feet
 - B. Two stories above ground and 20,000 square feet
 - C. Three stories above ground and 20,000 square feet
 - D. Three stories above ground and 30,000 square feet
70. How long will the Division of Occupational and Professional Licensing hold a person responsible for a violation?
- A. 1 year
 - B. 3 years
 - C. 5 years
 - D. 7 years
71. To evaluate an applicant's financial responsibility, the Utah contractor license application will ask if any judgments, liens, taxes, or child support delinquencies have been levied against the applicant, qualifier, owner, or previously owned entities in what timeframe?
- A. The last 5 years
 - B. The last 6 years
 - C. The last 7 years
 - D. The last 8 years
72. If a person does not have a license, but represents themselves as a licensed contractor, the fine for the first offense is:
- A. \$250
 - B. \$500
 - C. \$1,000
 - D. \$5,000
73. Which of the following is included in the definition of a contractor in Utah?
- A. An alarm company
 - B. A material supplier
 - C. A construction consultant
 - D. All of the above
74. When may a licensed B100 contractor self-perform residential electrical work?
- A. If the work is performed by a journeyman electrician who is a W-2 employee
 - B. If the work is performed by the qualifier for the B100
 - C. If the work has a value of under \$10,000
 - D. If the work is on a residential project of under 10,000 square feet
75. To act as a qualifier, a person must exercise material authority AND either have ownership of at least 20% or be paid as an employee for how many hours?
- A. 8 hours per week or 20% of the total hours worked by all owners and employees
 - B. 10 hours per week or 15% of the total hours worked by all owners and employees
 - C. 12 hours per week or 20% of the total hours worked by all owners and employees
 - D. 15 hours per week or 15% of the total hours worked by all owners and employees