

# Construction and Industry Contractor-LawB

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# Latest Version: 6.0

## Question: 1

When an owner agrees to pay contractors for all costs on a project plus an agreed-upon markup for overhead and profit, the contractor will submit a \_\_\_\_\_ bid.

- A. cost-plus
- B. fixed-price
- C. unit-price
- D. time and materials

**Answer: A**

Explanation:

A cost-plus bid is one in which the owner pays all costs and then adds an agreed-upon markup for the contractor's overhead and profit. This type of contract is typically reserved for contractors that have a history of working well with the owner. The owner trusts that the contractor will keep costs in line, and the contractor has less risk because the owner has agreed to cover all project costs.

## Question: 2

OSHA defines asbestos-containing material as any material containing more than asbestos.

- A. 0.5%
- B. 1%
- C. 1.5%
- D. 2%

**Answer: B**

Explanation:

OSHA defines asbestos-containing material as any material containing more than 1% asbestos. At that threshold, many rules kick in for the safe handling, removal, and containment of the asbestos-containing materials.

## Question: 3

The IRS says that a worker is considered a(n) \_\_\_\_\_ if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done.

- A. salaried employee

- B. hourly employee
- C. independent contractor
- D. managed contractor

**Answer: C**

Explanation:

The IRS definition of an independent contractor is that his or her work must not be controlled directly by the payer: only the result of the work can be controlled. An independent contractor is subject to paying the self-employment tax. This tax consists of the standard FICA tax, which includes paying the employer's contribution as well.

### Question: 4

A worker gets an unknown chemical in both eyes but quickly heads to a washing station to wash the chemicals off. How long should the employee flush his or her eyes with water?

- A. Five minutes minimum
- B. 10 minutes minimum
- C. 15 minutes minimum
- D. 20 minutes minimum

**Answer: C**

Explanation:

OSHA recommends that workers wash their eyes for a minimum of 15 minutes if they are exposed to chemicals. If there is still irritation or pain after the eyes have been flushed, the worker should seek medical care immediately.

### Question: 5

There are three parties involved in a construction bond. They are the obligee, the principal, and the surety. Which party is considered the principal?

- A. The project architect
- B. The project owner
- C. The bonding company
- D. The contractor

**Answer: D**

Explanation:

The contractor is considered the principal in the construction bond agreement. The obligee is the project owner, and the surety is the bonding company.

## Question: 6

Which type of company structure must pay income tax?

- A. Sole proprietorship
- B. General partnership
- C. C corporation
- D. LLC

**Answer: C**

Explanation:

Of the company structures listed, only the C corporation pays taxes itself. In all the other company structures, the profits from the business flow to the owners, which is then taxed as personal income.

## Question: 7

Which of the following is NOT discussed or included in a corporation's articles of incorporation?

- A. Defining the corporation's services
- B. A list of corporate officers
- C. How much stock will be issued
- D. How corporate officers are appointed or elected

**Answer: D**

Explanation:

A corporation's articles of incorporation typically include the following:

- Establishing a corporate name
- Defining what the company does or provides
- Naming a registered agent
- A list of corporate directors, including their addresses
- A list of corporate officers, including their addresses
- The number of shares of company stock that will be issued

How the corporate officers are appointed or elected is typically outlined in the corporate bylaws, not the articles of incorporation.

## Question: 8

The OSHA 300 log is used to report serious injuries or deaths that occur on a construction site. Any contractor with employees or more must fill out this form annually, and this log must be kept for years.

- A. five, seven

- B. five, five
- C. 10, five
- D. 10, seven

**Answer: C**

Explanation:

The OSHA 300 log is required for companies with at least 10 employees, and this log must be kept on file for at least five years.

### Question: 9

A contractor's bid that does not conform to the project's plans and specifications is considered a(n) bid.

- A. irresponsible
- B. responsive
- C. unresponsive
- D. nonqualified

**Answer: C**

Explanation:

A bid that does not conform with the project's plans and specifications is called an unresponsive bid. Examples would be bids that leave out important scope items shown on the plans or bids turned in after the bid deadline.

### Question: 10

When a construction loan is used to finance a project, who must typically provide approval for progress payments to the contractor?

- A. The architect and building inspector
- B. The architect and owner
- C. The owner and lender
- D. The lender and architect

**Answer: C**

Explanation:

The lending institution providing the financing will typically require one of its inspectors to check the construction work to make sure it is complete before authorizing payment. The lender's money is on the line, so it does not want to pay if the work has not been completed satisfactorily. Additionally, the lender wants the owner to be happy with the work as well, so it requires the owner to sign off and accept the work as complete.

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