

**Highlighting Guide for**

**SC RESIDENTIAL**

**BUSINESS MANAGEMENT AND LAW**

**8th edition**

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# BUSINESS MANAGEMENT AND LAW 8<sup>TH</sup> EDITION

## SC RESIDENTIAL CONTRACTOR'S CONTENT

### EXAM CONTENT:

There are 50 questions in this examination. You will need to answer 35 questions correctly in order to pass. You are allowed 125 minutes to complete this examination. **NOTE:** All Residential Contractor candidates, except Fire Alarm and Burglar Alarm candidates, are required to pass the Business Management and Law for Contractors Examination and the technical of the specific license subcategory that they are applying for.

1. Business Management (2 Items)
2. Licensing Laws and Rules (2 Items)
3. Estimating and Bidding (8 Items)
4. Contracts and Agreements (7 Items)
5. Project Management (7 Items)
6. Insurance and Bonding (5 Items)
7. Safety Recordkeeping and Reporting (1 Item)
8. Labor Laws and Employment Regulations (3Items)
9. Financial Management (4 Items)
10. Tax Laws (5 Items)
11. Liens (3 Items)
12. Environmental Laws and Regulations (3 Items)

### Business Management and Law for Residential Builders Reference Books

***NASCLA Contractors Guide to Business, Law and Project Management- South Carolina Residential Builders, 8<sup>th</sup> Edition***, National Association of State Contractors Licensing Agencies, PO Box 14941, Scottsdale, AZ 85267, (623) 587-9519, [www.nascla.org](http://www.nascla.org).

### Examination and Registration Fees

- ◆ Business Management and Law for Residential Builder (125 minutes)

# CONTRACTORS GUIDE TO BUSINESS, LAW & PROJECT MANAGEMENT

## SOUTH CAROLINA RESIDENTIAL - 8<sup>TH</sup> EDITION

| Keywords                      | Page      | What to know   |
|-------------------------------|-----------|--|
| Elements of a Business Plan   | 1-2 & 1-3 | Which element should be written last?                  |
| Sole Proprietorships          | 2-1       | Which form of business is the simplest to set up?      |
| S Corporations                | 2-4       | Which type of corporation avoids double taxes?         |
|                               | 3-2       | When is a Contractor's License Needed?                 |
| Insurance                     | 4-1       | Insurance supplements what?                            |
|                               | 4-6       | What is a Bond?  |
| Step 1 Determine Labor cost   | 7-3       | Which part of the estimate is most difficult?          |
| Adding Overhead to the Bid    | 7-6       | Example @ the middle of the 2 <sup>nd</sup> column     |
| Other Methods of Estimating   | 7-7       | Quantity take-off is most accurate.                    |
| Required Contract Element     | 8-1       | Four key elements                                      |
| Breach of Contract            | 8-4       | Material & immaterial breaches                         |
| Making Changes to Contract    | 8-8       | Change order, modification & addenda.                  |
|                               | 8-9       | Are Oral Agreements Legally Binding?                   |
| Critical Path Method          | 9-5       | What determines the duration of the project?           |
|                               | 9-6 & 9-7 | Who is a Project Manager?                              |
| New Hire Reporting            | 11-2      | How many days to report new hires in SC?               |
| Fair Labor Std. Act (FLSA)    | 11-4      | Applies to employers who have how many workers?        |
| Immigration & Nationality Act | 11-6      | I-9 forms kept how many years?                         |
| Recordkeeping Requirements    | 11-9      | Names and addresses of employees kept how many years?  |
| Coverage Requirements         | 11-13     | The number of workers (full or part time) for W.Comp.? |
| OSHA Recordkeeping            | 12-3      | OSHA forms 300, 300A, & 301                            |
| Penalty Type & Description    | 12-8      | What would be the fine for Willful Violation?          |

| <b>Keywords</b>                     | <b>Page</b> | <b>What to know</b>  |
|-------------------------------------|-------------|--|
| Working with Subcontractors         | 13-1        | Criteria for choosing a subcontractor would be?              |
| Step 5 Prepare Financial Statements | 14-3        | What gives insight into stability of a company?              |
| Income Statement                    | 14-4        | Over time, what gives a summary of rev, & expenses?          |
| Cash & Accrual Methods              | 14-6        | Compare the two methods.                                     |
| Federal Employment Taxes            | 15-3        | How many years must records be kept?                         |
| Calculating FUTA                    | 15-5        | What % is paid on the 1 <sup>st</sup> \$7,000 paid in wages? |
| Tax Calendar                        | 15-6        | What are the due dates for W-2, 941, & W-5?                  |
| What is a lien?                     | 16-1        | Who is entitled to a lien?                                   |
| Dissolution of Lien failure ...     | 16-2        | A lien dissolves in how many days if not served?             |

## APPENDIX E IN THE 8TH EDITION OF THE S.C. BUSINESS, LAW AND PROJECT MANAGEMENT BOOK.

| Section                    | Page | Information   |
|----------------------------|------|---|
| Sect. 40-591-10 (A)        | E-1  | Board members serve for how many years?   |
| Sect. 40-59-20 Definitions | E-1  |   |
| (6) & (7)                  | E-2  | “Residential builder” & “Specialty contractor”  |
| Sect. 40-59-30 Licensing   | E-4  | What \$ amount requires a license?  |
| Sect. 40-59-90             | E-5  | Hearing before commission; appeal   |
| Sect. 40-59-100            | E-5  | Cease & desist order  |
| Sect. 40-59-105 (A)-(D)    | E-6  | Administrative citations & penalties; appeal  |
| Sect. 40-59-220 (A)-(F)    | E-8  | Licenses & certificates of registration; application Bonds; examinations; reciprocity.  |
| Sect. 40-59-240 (A)-(D)    | E-9  | Residential specialty contractors; classification   |
| Sect. 40-59-269 (A)-(F)    | E-10 | Exception for projects by property owner for Personal use; exemption disclosure statement. Notice filed with register of deeds. |
| Sect. 40-59-279            | E-11 | Applicability of Chapter 11, exemption of mechanical Contractor.  |

| Page  | Topic  |
|-------|--|
| 2-1   | Advantages of sole proprietorship- sell on demand                |
| 4-2   | Types of insurance   |
| 4-4   | Inland Marine, when tools are stolen                             |
| 4-6   | Bonds  |
| 7-4   | Quantity take-off, best way to estimate "labor" for project O.H. |
| 7-6   | Items that would be Project O.H.                                 |
| 8-1   | Elements of a contract   |
| 8-10  | Oral vs. written   |
| 9-1   | Gantt or Bar Chart   |
| 9-10  | Controlling deliveries limits theft loss                         |
| 11-1  | Prohibited hiring questions                                      |
| 11-2  | New hire   |
| 11-4  | Fair labor   |
| 11-6  | I-9 form   |
| 11-7  | ADA more than 15 employees, what is not considered ADA           |
| 12-3  | Emergency action plan  |
| 12-4  | Form 300   |
| 12-9  | Environmental laws   |
| 12-10 | Control Dust by Wetting –avoid fines                             |
| 13-1  | How to choose a sub-contractor                                   |
| 14-2  | Any topic that considered source documents                       |
| 14-4  | Balance sheet, Long Term Liability                               |
| 14-5  | Assets + Liabilities = Owners Equity                             |
| 14-6  | Income statement   |
| 14-8  | Ratios   |
| 14-9  | Accounting Cash vs Accrual                                       |
| 15-1  | Federal taxes, EIN   |
| 15-4  | W-4 form   |
| 15-5  | FUTA   |
| 15-6  | Tax calendar   |
| 15-9  | SUTA rate for unemployment – 3.4%                                |

| Page | Topic            |
|------|------------------|
| 16-1 | Lien entitlement |

# RESIDENTIAL BUSINESS & LAW STUDY GUIDE

1. The single most important thing one can do in starting a business is to do which of the following:
  - a) Write a business plan
  - b) Hire a professional manager
  - c) Obtain required licenses
  - d) Prepare and file articles of Incorporation
2. Which form of business is the easiest to establish and terminate, but has the liability?
  - a) Partnership
  - b) Sole Proprietorship
  - c) S Corporation
  - d) Joint Venture
3. What type of organization should be formed to avoid double taxation on income?
  - a) C Corporation
  - b) S Corporation
  - c) Sole Proprietorship
  - d) LLC
4. Insurance is a Contractor's protection against what?
  - a) Joint Venture
  - b) Partnership
  - c) Risk
  - d) Negotiations
5. What type of insurance does a contractor need for protection against claims for Bodily injury to anyone NOT employed with your company?
  - a) Worker's Compensation
  - b) Property
  - c) Warranties
  - d) Liability
6. A three party agreement that guarantees that the contractor will perform the work in accordance with the contract and pay off all construction costs is what?
  - a) Bid Bond
  - b) Performance Bond
  - c) Payment Bond
  - d) Contract Bond
7. What type bond guarantees to the owner, that the project will be completed according to the plans, specifications, terms, and conditions of the contract?
  - a) Completion Bond
  - b) Payment Bond
  - c) Performance Bond
  - d) Bid Bond
8. What method of estimating is an accurate method that list all the materials and labor needed for a construction project?
  - a) Quantity survey method



- b) Unit price method
  - c) Conceptual estimate
  - d) Cubic foot method
9. The most difficult aspect of the estimating process is?
- a) Material cost    b) Equipment cost    c) Labor cost    d) Security cost
10. If a construction job's hard cost is \$14,000 and the overhead is \$6,000, what would be the estimated cost on a new job if the company has a 2.5% decrease in hard cost and 4.5% in overhead cost?
- a) \$ 15,440    b) \$19,380    c) \$13,560    d) \$14,870
11. All of the following are project cost conditions except?
- a) Job telephone
  - b) Toilets
  - c) Field office/ storage facilities
  - d) Advertising cost
12. Which of the following is not considered as company overhead?
- a) Office salaries
  - b) Accounting and legal fees
  - c) Advertising cost
  - d) Bonds
13. The average profit margin in the construction industry over the past few years has been about what %?
- a) 25    b) 15    c) 10    d) 30
14. The most important reason for an understanding of contracts and their proper use is to what?
- a) Legally bind the agreement
  - b) Obligate both parties
  - c) Prevent disputes
  - d) Prevent contract breaches
15. The needed primary elements to make a contract binding are?
- a) Consideration and acceptance
  - b) Offer and acceptance
  - c) Consideration and offer
  - d) Offer, acceptance, and consideration
16. Which of the following is necessary for a contract to be enforced?
- a) The performance of the work or services must be legal
  - b) The contract must be typewritten

- c) All parties involved must be present at the time the contract is signed
  - d) The contract must be typewritten or printed by some other mechanical or electronic means
17. In contractual language, what does “consideration” mean?
- a) Kindly
  - b) Something of value
  - c) Charitable
  - d) Compassionate treatment
18. The term used to refer to a percentage of progress payments held by the owner until project is completed is called what?
- a) Retainage
  - b) Flow-Down clause
  - c) Alternates
  - d) Addenda
19. A provision in a contract for a certain part of payments to be held back is called what?
- a) General expense
  - b) Direct cost
  - c) Retainage
  - d) Working capital
20. A contract may be written or oral? a) True b) False
21. The project schedule is nothing more than which of the following?
- a) A plan with time applied
  - b) A plan with manpower applied
  - c) A plan to calculate overhead
  - d) A plan to control subcontractors
22. Which of the following identifies the time for which an activity can be delayed without delaying project completion?
- a) Float
  - b) Critical path
  - c) Network
  - d) Duration
23. The interdependent time scale scheduling system, which considers the relationships of the various activities to each other is which of the following?
- a) Gantt charts
  - b) Critical path method
  - c) Bar charts
  - d) Cash flow schedule
24. The project manager is responsible for all of the following except which?
- a) Budget
  - b) Schedule
  - c) Shop drawings
  - d) Daily job log
25. A supervisor is salaried at \$720.00 per week for a specified 40 hours per week. The job requires the supervisor to work 8 hours on Saturday a normal day off, what would be his gross pay?
- a) \$600
  - b) \$720
  - c) \$780
  - d) \$820
26. Employee time-cards records, must be signed and maintained for at least how much time in case of disputes?
- a) One year
  - b) Six months
  - c) Three years
  - d) Seven years
27. The Americans with Disabilities Act (ADA) applies to all of the following except?
- a) Over 15 employees
  - b) 15 or more employees
  - c) 20 or more employees
  - d) 10 or more employees
28. The payment of federal employee rates and fringe benefits on federally financed construction contracts are required by which of the following?

- a) Davis- Bacon Act
  - b) Walsh- Healey Act
  - c) Contract work hours & Safety Standards Act
  - d) Wage Garnishment Law
29. How many workers require a company to complete OSHA form 300 injuries?
- a) one employee
  - b) five full time employees
  - c) 8 part time & 2 full time employees
  - d) ten or more part time employees
30. Should asbestos containing materials be discovered on your project what is the first order of business?
- a) Hire a trained asbestos contractor
  - b) Get one of your labors to properly dispose of it
  - c) Stop work and contact the project owner
  - d) Contact a professional engineer
31. The Balance Sheet is a summary of the existing conditions of the business at?
- a) A given point in time
  - b) End of year
  - c) End of quarter
  - d) Net Worth
32. The balance Sheet will always be in-balance because?
- a) Total Liabilities – Assets = Net Worth
  - b) Assets - Liabilities = Net Worth
  - c) Net Worth
  - d) Accounts Payable
33. Current assets are expected to flow into cash within what amount of time?.
- a) Thirty days
  - b) Sixty days
  - c) Six months
  - d) One year
34. Which of the following is not a reason for depreciation for equipment?
- a) Wear & Tear
  - b) Aging
  - c) Obsolescence
  - d) Safety Additions
35. Which of the following can not be depreciated?
- a) Vehicles
  - b) Land
  - c) Office Equipment
  - d) Buildings
36. A measure of a firm’s ability to meet their commitments for payroll, material purchases, debt repayments, and financial liabilities is called?
- a) Working Capital
  - b) Net income
  - c) Revenues
  - d) Retainage
37. What accounting method is used to record income when money is received and record expenses when payment is made?
- a) Accrual Basis
  - b) Cash Basis
  - c) Completed Contracts
  - d) Percent of Completion
38. Figure the straight-line depreciation of an asset worth \$9,000 with an estimated life of ten years and a salvage value of \$1,400.
- a) \$800
  - b) \$760
  - c) \$1,000
  - d) \$1,400
39. Keeping payroll records is required by law for?

- a) All Companies    b) Manufacturing    c) Construction    d) Retail
40. All employment tax records should be kept for at least how many years?  
a) 3    b) 4    c) 5    d) 10
41. An employer must make advance EIC payments to employees who correctly fill out form?  
a) W-2    b) W-3    c) W-4    d) W-5
42. Form 941 is used how often, to report pay Federal Unemployment Taxes?  
a) Monthly    b) Quarterly    c) Semi-Annually    d) Annually
43. If an employer's accumulated liability is less \$1,000 for a quarter, he may deposit the taxes when?  
a) Monthly    b) Semi-weekly    c) Quarterly 941    d) End of year payment
44. If your total FUTA tax liability is \$100.00 or less at the end of any quarter  
I. No deposit is required  
II. Deposit is due within 15 days after the end of the month  
III. You may carry the taxes over to the following quarter  
a) I and II    b) II and III    c) I and III    d) I, II, and III
45. For deposit purposes, figure Federal Unemployment Taxes?  
a) Monthly    b) Quarterly    c) Semi-Annually    d) Annually
46. "Lienor" includes which of the following?  
a) A laborer    b) A material man who contracts with a sub-contractor  
c) A sub-contractor    d) All of the above
47. Which of the following describes a lien?  
a) A note given as security against the payment of a just debt  
b) To reinforce a structure or object with bracing or forms  
c) Claim on property of another as security against the payment of a just debt  
d) A debt owed but never paid
48. Liens must be filed within how many days after the claimants last furnished of labor or materials at the project?  
a) 180    b) 90    c) 60    d) 30
49. Notice of project commencement shall be posted with the clerk of court within days of the commencement of work to limit the aggregate amount of liens.  
a) 7    b) 15    c) 20    d) 30
50. An award of attorney fees and litigation expenses will be entitled to who in a lien court action?  
a) Contractor    b) Owner    c) Prevailing party    d) Each party

## ANSWER KEY for Residential law 8<sup>th</sup> edition

- 1) a, 1-2
- 2) b, 2-1
- 3) b, 2-4
- 4) c, 4-1
- 5) d, 4-4
- 6) b, 4-7
- 7) c, 4-9
- 8) a, 7-3
- 9) c, 7-3
- 10) b, 7-6
- 11) d, 7-6
- 12) d, 7-6
- 13) b, 7-7
- 14) c, 8-1
- 15) d, 8-1
- 16) a, 8-2
- 17) b, 8-2
- 18) a, 8-3
- 19) c, 8-3
- 20) a, 8-9
- 21) a, 9-1
- 22) a, 9-2
- 23) c, 9-5
- 24) d, 9-6
- 25) b, 11-4
- 26) c, 11-9
- 27) d, 11-7
- 28) a, 11-8
- 29) d, 12-3
- 30) a, 12-11
- 31) a, 14-3
- 32) a, 14-3
- 33) d, 14-3
- 34) d, 14-12
- 35) b, 14-12
- 36) a, 14-3
- 37) b, 14-6
- 38) b, 14-10
- 39) a, 14-15
- 40) b, 15-3
- 41) d, 15-6
- 42) b, 15-6
- 43) c, 15-6
- 44) c, 15-5
- 45) b, 15-5
- 46) d, 16-1
- 47) c, 16-1
- 48) b, 16-2
- 49) b, 16-1
- 50) c, 16-3