Practice quiz: NASCLA Commercial General Building

10 questions. The answer key is on page 2.

Name _____ Date _____

1. **A job's estimated cost is $150,000. The contractor marks up cost by 20%. What is the bid price?**
   A. $180,000
   B. $187,500
   C. $172,500
   D. $120,000

2. **A job's estimated cost is $150,000. The contractor wants a 20% margin on the selling price. What is the bid price?**
   A. $187,500
   B. $180,000
   C. $195,000
   D. $125,000

3. **A contractor marks up cost by 25%. What margin on the selling price does that produce?**
   A. 25.0%
   B. 33.3%
   C. 20.0%
   D. 18.8%

4. **An estimator needs a 20% margin on the selling price. What markup on cost gives that margin?**
   A. 16.7%
   B. 20.0%
   C. 24.0%
   D. 25.0%

5. **A contract price is $500,000 and the contractor's margin on it is 12%. What was the contractor's cost?**
   A. $446,429
   B. $560,000
   C. $60,000
   D. $440,000

6. **A contractor bids $690,000 on a job it estimates will cost $600,000. What is the margin on the bid?**
   A. 15.0%
   B. 87.0%
   C. 13.0%
   D. 11.5%

7. **Direct cost is $240,000. Overhead is 10% of direct cost, and profit is 8% of direct cost plus overhead. What is the bid?**
   A. $283,200
   B. $285,120
   C. $264,000
   D. $288,000

8. **An estimator needs a 25% margin on a job costing $360,000 but mistakenly marks up cost by 25%. By how much is the bid too low?**
   A. $30,000
   B. $22,500
   C. $90,000
   D. $120,000

9. **Which statement about markup and margin is correct for a job that makes a profit?**
   A. Margin is measured against cost, so it is larger than markup for the same profit
   B. Margin is measured against price, so it is smaller than markup for the same profit
   C. Markup and margin come out equal whenever overhead is included in the cost
   D. A 20% markup on cost gives the same 20% margin on the selling price

10. **A contractor wants $90,000 of gross profit on a job and prices its work at a 15% margin. What contract price does that require?**
    A. $690,000
    B. $600,000
    C. $510,000
    D. $103,500

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Answer key

NASCLA Commercial General Building. One line of why for each answer.

1. **A** Price = cost x (1 + markup) = 150,000 x 1.20 = $180,000; check: 20% of 150,000 is 30,000, and 150,000 + 30,000 = 180,000. $187,500 is the price for a 20% margin, $172,500 uses 15%, and $120,000 subtracts 20%.
2. **A** Price = cost / (1 - margin) = 150,000 / 0.80 = $187,500; check: 20% of 187,500 is 37,500, and 187,500 - 37,500 = 150,000. $180,000 is a 20% markup, which yields only a 16.7% margin. $195,000 is a 30% markup, and...
3. **C** Margin = 0.25 / 1.25 = 20%; check: cost 100, price 125, profit 25, and 25 / 125 = 20%.
4. **D** Markup = 0.20 / (1 - 0.20) = 0.20 / 0.80 = 25%; check: cost 100 marked up 25% is 125, and 25 / 125 = 20%.
5. **D** Cost = price x (1 - margin) = 500,000 x 0.88 = $440,000; check: 500,000 - 440,000 = 60,000, and 60,000 / 500,000 = 12%. $446,429 divides by 1.12, treating 12% as a markup. $560,000 adds 12%, and $60,000 is the...
6. **C** Profit is 690,000 - 600,000 = 90,000, and the margin is 90,000 / 690,000 = 13.0%; check: 0.15 / 1.15 = 0.1304.
7. **B** With overhead, 240,000 x 1.10 = 264,000; with profit, 264,000 x 1.08 = $285,120; check: 240,000 x 1.188 = 285,120. $283,200 adds the two percentages to 18% instead of applying them in layers, $264,000 leaves out...
8. **A** The right price is 360,000 / 0.75 = 480,000; the bid was 360,000 x 1.25 = 450,000; the shortfall is $30,000; check: 480,000 x 0.25 = 120,000 profit versus 90,000. $22,500 is 25% of 90,000, and $90,000 and $120,000...
9. **B** Margin divides profit by price and markup divides it by cost; price is larger than cost, so the margin percentage is smaller.
10. **B** Price = profit / margin = 90,000 / 0.15 = $600,000; check: 15% of 600,000 is 90,000, leaving a cost of 510,000. $690,000 marks up 600,000 by 15%, $510,000 is the cost rather than the price, and $103,500 adds 15% to...

Full explanations

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