

ARE 5.0

# Practice Management

Study Guide



**Brightwood**  
ARCHITECTURE EDUCATION

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PRACTICE MANAGEMENT STUDY GUIDE 5.0

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# INTRODUCTION

## WELCOME

Thank you for choosing Brightwood Architecture Education for your ARE study needs. We wish you the best of luck in your pursuit of licensure.

## ARE OVERVIEW

Since the State of Illinois first pioneered the practice of licensing architects in 1897, architectural licensing has been increasingly adopted as a means to protect the public health, safety, and welfare. Today, the United States and Canadian provinces require licensing for individuals practicing architecture. Licensing requirements vary by jurisdiction; however, the minimum requirements are uniform and in all cases include passing the Architect Registration Exam (ARE). This makes the ARE a required rite of passage for all those entering the profession, and you should be congratulated on undertaking this challenging endeavor.

Developed by the National Council of Architectural Registration Boards (NCARB), the ARE is the only exam by which architecture candidates can become registered in the United States or Canada. The ARE assesses candidates' knowledge, skills, and abilities in six different areas of professional practice, including a candidate's competency in decision making and knowledge of various areas of the profession. The exam also tests competence in fulfilling an architect's responsibilities and in coordinating the activities of others while working with a team of design and construction specialists. In all jurisdictions, candidates must pass the six divisions of the exam to become registered.

The ARE is designed and prepared by architects, making it a practice-based exam. It is generally not a test of academic knowledge, but rather a means to test decision-making ability as it relates to the responsibilities of the architectural profession. For example, the exam does not expect candidates to memorize specific details of the building code, but it requires them to understand a model code's general requirements, scope, and purpose and to know the architect's responsibilities related to that code. As such, there is no substitute for a well-rounded internship to help prepare for the ARE.

## Exam Format

The six ARE 5.0 divisions are outlined in the table below.

ARE 5.0 DIVISIONS	
Division	Items
Practice Management	80
Project Management	95
Programming & Analysis	95
Project Planning & Design	120
Project Development & Documentation	120
Construction & Evaluation	95

The exam presents multiple-choice questions, new hotspots, and drag-and-place, as well as incorporating case studies. Candidates may answer questions, skip questions, or mark questions for further review. Candidates may also move backward or forward within the exam using simple on-screen icons.

Appointment times for taking the exam are slightly longer than the actual exam time, allowing candidates to check in and out of the testing center. All ARE candidates are encouraged to review NCARB's *ARE 5.0 Guidelines*

for further detail about the exam format. These guidelines are available via free download at NCARB's website ([www.ncarb.org](http://www.ncarb.org)).

## EXAM PREPARATION

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### Overview

There is little argument that preparation is key to passing the ARE. With this in mind, Brightwood has developed a learning system for each exam division, including study guides, QBanks, and flashcards. The study guides offer a condensed course of study and will best prepare you for the exam when utilized along with the other tools in the learning system. The system is designed to provide you with the general background needed to pass the exam and to provide an indication of specific content areas that demand additional attention.

In addition to the Brightwood learning system, materials from industry-standard documents may prove useful for the various divisions.

### Preparation Basics

The first step in preparation should be a review of the exam specifications and reference materials published by NCARB. The ARE 5.0 Handbook is available for download at [www.ncarb.org](http://www.ncarb.org).

Though no two people will have exactly the same ARE experience, the following are recommended best practices to adopt in your studies and should serve as a guide.

*Set aside scheduled study time.*

Establish a routine and adopt study strategies that reflect your strengths and mirror your approach in other successful academic pursuits.

Most importantly, set aside a definite amount of study time each week, just as if you were taking a lecture course, and carefully read all of the material.

*Take—and retake—quizzes.*

After studying each lesson in the study guide, take the quiz found at its conclusion. The quiz questions are intended to be straightforward and objective. Answers and explanations can be found at the back of the book. If you answer a question incorrectly, see if you can determine why the correct answer is correct before reading the explanation. Retake the quiz until you answer every question correctly and understand why the correct answers are correct.

*Identify areas for improvement.*

The quizzes allow you the opportunity to pinpoint areas where you need improvement. Reread and take note of the sections that cover these areas and seek additional information from other sources. Use the question-and-answer handbook and online test bank as a final tune-up for the exam.

*Take the final exam.*

A final exam designed to simulate the ARE follows the last lesson of each study guide. Answers and explanations can be found on the pages following the exam. As with the lesson quizzes, retake the final exam until you answer every question correctly and understand why the correct answers are correct.

*Use the flashcards.*

If you've purchased the flashcards, go through them once and set aside any terms you know at first glance. Carry the rest with you throughout the day, reviewing them on the train, over lunch, or before bed. Remove cards as you

become familiar with their terms until you know all the terms. Review all the cards a final time before taking the exam.

## Supplementary Study Materials

In addition to the Brightwood learning system, materials from industry-standard sources may prove useful in your studies. Candidates should consult the list of exam references in the NCARB guidelines for the council’s recommendations and pay particular attention to the following publications, which are essential to successfully completing this exam:

International Code Council (ICC)

*International Building Code*

National Fire Protection Association

*Life Safety Code (NFPA 101)*

## Test-Taking Advice

Preparation for the exam should include a review of successful test-taking procedures—especially for those who have been out of the classroom for some time. Following is advice to aid in your success.

### *Pace yourself.*

Each division allows candidates at least one minute per question. You should be able to comfortably read and reread each question and fully understand what is being asked before answering. Each vignette allows candidates ample time to complete a solution within the time allotted.

### *Read carefully.*

Begin each question by reading it carefully and fully reviewing the choices, eliminating those that are obviously incorrect. Interpret language literally, and keep an eye out for negatively worded questions.

### *Guess.*

All unanswered questions are considered incorrect, so answer every question. If you are unsure of the correct answer, select your best guess or mark the question for later review. If you continue to be unsure of the answer after returning the question a second time, it is usually best to stick with your first guess.

### *Review difficult questions.*

The exam allows candidates to review and change answers within the time limit. Use this feature to mark troubling questions for review upon completing the rest of the exam.

### *Choose the best answer.*

Many candidates fall victim to questions seeking the “best” answer. In these cases, it may appear at first glance as though several choices are correct. Remember the importance of reviewing the question carefully and interpreting the language literally. Consider the following example.

1. Which of these cities is located on the east coast of the United States?
  - A. Boston
  - B. Philadelphia
  - C. Washington, D.C.
  - D. Atlanta

At first glance, it may appear that all of the cities could be correct answers. However, if you interpret the question literally, you’ll identify the critical phrase as “on the east coast.” Although each of the cities listed is arguably an “eastern” city, only Boston sits on the Atlantic coast. All the other choices are located in the eastern part of the country but are not coastal cities.

## **ABOUT BRIGHTWOOD**

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Thank you for choosing Brightwood Architecture Education as your source for ARE preparation materials. Brightwood brings its experience and history to the world of architectural education, pairing unparalleled resources with acknowledged experts in ARE content areas to bring you the very best in licensure study materials.

Only Brightwood Architecture offers a complete catalog of individual products and integrated learning systems to help you pass all six divisions of the ARE. Brightwood's ARE materials include study guides, QBanks, and flashcards. Products may be purchased individually or in division-specific learning systems to suit your needs. These systems are designed to help you better focus on essential information for each division, provide flexibility in how you study, and save you money.

To order, please visit  
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or call 1-877-523-8208.

# PROFESSIONAL PRACTICE

**Introduction****Business Structure****The Work Environment****Ethics**

AIA Code of Ethics

**Professional Standards****Summary**

## INTRODUCTION

The realities of having to run an architecture firm as a business, as compared to the freedom of simply solving conceptual design problems in an academic environment, may take a while for recent graduates to get accustomed to. During the years of studying to be an architect, it is easier to imagine solving the world's problems through better design than to think about such distractions as operating an office, designing within a restrictive project budget, and meeting payroll obligations. But the impact of a revolutionary, cutting-edge building is only possible if it actually gets built. And that means knowing how to practice architecture in the business world.

This division focuses on the issues related to Practice Management. What is involved in running a firm and practicing architecture? What are the legal and ethical responsibilities of

being an architect? How are firms structured? What are the levels of professionalism and competence required in order to be a successful architect?

These questions, and more like them, will be answered in this book.

## BUSINESS STRUCTURE

An architecture firm can range in size from one architect who manages all of the tasks of running the business to a practice that employs hundreds of people with varying job descriptions and support functions. The legal structure can be a sole proprietorship, a partnership, a corporation, or a limited liability company (LLC).

A sole proprietorship, as the name implies, is a single architect who provides architectural services. It is an unincorporated business entity and is the easiest type of business to create. It also does not provide any legal protection for the sole proprietor in case of business debt or financial obligations. All business profits or losses are reported on the sole proprietor's personal tax returns.

A partnership is when two or more people join together to share ownership of a business organization. Partnerships are relatively easy

to form, enable sharing of individual partner resources, and can take advantage of each partner's professional talents. The disadvantages of partnerships include limited liability protection, the exposure to liability caused by another partner, and potentially lower profits, as any profits must be shared among the partners. Partnerships can be divided into three subcategories: general partnerships, limited partnerships, and joint ventures. General partnerships must either share all profits equally between the partners or have the specific percentages defined in the partnership agreement. Limited partnerships can provide individual partners with limited liability, but this in turn comes with limited decision-making powers. The limits are based on the percentage of the partner's investment. Joint ventures have the characteristics of a general partnership, but they are formed only for a single project or a specific period of time. Business profits or losses are passed through to the individual partners, who must report them on their personal tax returns.

A corporation (C corporation or C corp) is a wholly independent business entity. Although it is owned by shareholders, it is legally a fully separate, unique entity. The shareholders are protected from any liability or debt incurred by the corporation. Capital is raised by selling shares in the company, and this in essence becomes the limit to the financial exposure of a shareholder. Another advantage is that corporations pay taxes separately from the owners of the corporation. Owners only pay taxes on stock dividends and the salary or bonuses paid to them from the corporation. The corporate profits are then taxed at corporate rates, which are usually lower than personal tax rates. Disadvantages of the corporate structure include initial start-up costs, increased paperwork requirements, and having to pay taxes on corporate profits as well as, in some cases, the dividends distributed to shareholders. A subchapter S corporation (S corp) is a variation of

the corporate structure. One of its advantages is that only the wages paid to the shareholder employee are subject to employment taxes. Other income paid to the owner is considered a distribution, which is taxed at a lower rate, if at all. Disadvantages of S corps include mandatory director/shareholder meetings, recordkeeping requirements, and reasonable compensation-to-distribution ratios.

A limited liability company (LLC) is a business structure that provides some liability protection, similar to a corporation, but also offers the tax simplicity of a partnership. Depending on the state in which the LLC is formed, the owners (also known as LLC members) can range from a single person to multiple people, and from other LLCs to corporations. Business profits or losses are reported on the individual LLC member's personal tax returns. In an LLC, a member's personal assets gain some limited protection from business liabilities, and there are fewer restrictions on how the profits can be distributed among the members. Disadvantages include usually having to dissolve the entity if any member leaves the LLC; in addition, members are considered self-employed, which means they must pay self-employment Medicare and Social Security taxes on the net income of the LLC.

Whatever the size or the legal organization of a firm, successful practices take advantage of the skills and capabilities of the employees. Each type of firm structure has particular advantages and disadvantages. Small firms may have fewer financial overhead requirements that must be met from month to month, but large firms may be better positioned to take on large-scale projects that require more manpower and a broader range of expertise.

The identity of a firm can fall into one of six general archetypes: innovators, project-type specialists, client partners, community

contributors, project management experts, or cost and quality leaders.<sup>1</sup> Each type of firm approaches procuring projects, executing the work, and structuring itself in different ways. The type of architect-client relationship can also vary between the archetypes. Clients that are predominantly interested in image and attention may steer themselves to an innovator firm. Clients that are more concerned with project cost containment and delivery issues will gravitate toward a cost and quality leader. It's best when the personality of the firm matches the client's expectations for design services.

## THE WORK ENVIRONMENT

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When it comes to practicing architecture as a business, there are numerous rules and regulations that govern the work environment. A sole proprietor may have more leeway on certain matters, since that person is both the boss and the employee; nevertheless, there are federal and state statutes that can impact daily business operations. These regulations define which actions are permissible in a work environment and which are not. Some regulations must be posted in writing and displayed in the workplace so employees can read them.

During the hiring process, there are regulations that direct how potential employees' personal information can be obtained and used. These include the Fair Credit Reporting Act, the Drug-Free Workplace Act, the Employee Polygraph Protection Act, and the Immigration Reform and Control Act.

Minimum hourly wages, overtime requirements, and salaried employee qualifications for overtime are detailed in the Fair Labor

Standards Act. Retirement and benefit plans are covered in the Employee Retirement Income Securities Act, and the Health Insurance Portability and Privacy Act specifies the privacy of employee health data. For firms with 50 or more employees, the Family Medical Leave Act mandates that employees are entitled to 12 weeks of unpaid leave in the case of serious health problems of the employee or spouse or the addition of a child through birth, adoption, or foster care.

Employment taxes and payroll tax withholding requirements are governed by the Internal Revenue Code, the Social Security Act, and mandatory unemployment insurance. Employers must withhold a certain amount of pay from an employee's paycheck for income taxes, Social Security taxes, and Medicare taxes. Employers must also make their own contribution for these taxes along with an additional amount for unemployment insurance. These funds are then deposited by the employer into the appropriate federal or state government agency account.

There are laws to prohibit discrimination in the workplace. The categories covered are gender, age, handicapped status, race, religion, or national origin. Some laws apply to firms with a minimum of 15 or 20 employees; others are applicable to all firms, regardless of size. These laws include the Civil Rights Act of 1866, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination and Employment Act, and the Equal Pay Act.

The Uniformed Service Employment and Reemployment Rights Act details veterans' employment rights, and the right to unionize is protected by the National Labor Relations Act. Employers must carry workers' compensation insurance (workers' comp) to cover employee work-related injuries, and the Occupational Safety and Health Act (OSHA) is intended to

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1. The American Institute of Architects, *The Architect's Handbook of Professional Practice*. 14th ed. (Hoboken, NJ: John Wiley & Sons, 2008), 116.

protect employees from unsafe working conditions. Other regulations include the Sarbanes-Oxley Act, which helps to protect employee whistle-blowers, and the Jury Service and Selection Act, which mandates that employees be given time off for jury duty and prohibits the termination of an employee because of serving on a jury.

Regulations regarding the termination of employment include the Workers' Adjustment and Retraining Notification Act, which covers certain notification restrictions, and the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), which addresses health benefits. Issues pertaining to employment records—including how long an employer must keep such records and how they can be accessed—are also covered in various statutes.

## ETHICS

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*Ethics* refers to a person's adherence to a set of rules or values, based on moral principles of what is considered right or wrong. It is important that architects practice good ethical behavior. High ethical standards reflect positively on the profession's reputation as a whole. It is one of the intangible ways that the general public and clients alike form an overall impression of architects. Ethical behavior is also necessary when working with consultants and other architects. It shows basic respect for all members of the design team.

*Duty* is defined as a moral or legal obligation. It is the responsibility of persons or legal entities to abide by the terms of an agreement. The types of duty include *stated duty* and *implied duty*. Stated duty is the type codified in contracts, building codes, building regulations, and zoning documents. Implied duty is manifested by following a code of ethics.

The AIA takes the concept of ethical behavior very seriously. It is imperative that architects meet the goal of being “dedicated to the highest standards of professionalism, integrity, and competence.” Refer to the AIA Code of Ethics and Professional Conduct.<sup>2</sup> It provides guidelines and rules for fulfilling an architect's obligations to the public, clients, users of architecture, the profession, and professional colleagues in the building industry. The obligations under the AIA Code of Ethics exist in addition to those required by the rules of professional conduct developed by individual states and other jurisdictions that regulate architectural practice.

Common violations of ethics include the following: taking credit for someone else's work, inaccurate representation of personal qualifications, claiming achievements for something not actually done, and exhibiting a lack of basic honesty.

## AIA Code of Ethics

The AIA Code of Ethics is arranged in three tiers. The following descriptions are quoted from the Code:

- **Canons** are broad principles of conduct.
- **Ethical Standards (E.S.)** are more specific goals toward which Members should aspire in professional performance and behavior.
- **Rules of Conduct (Rule)** are mandatory; violation of a Rule is grounds for disciplinary action by the Institute. Rules of Conduct, in some instances, implement more than one Canon or Ethical Standard.

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2. American Institute of Architects, *2012 Code of Ethics and Professional Conduct*, [http://aiad8.prod.acquia-sites.com/sites/default/files/2016-04/AIA-Ethics-Code-of-Ethics-2012\\_0.pdf](http://aiad8.prod.acquia-sites.com/sites/default/files/2016-04/AIA-Ethics-Code-of-Ethics-2012_0.pdf).

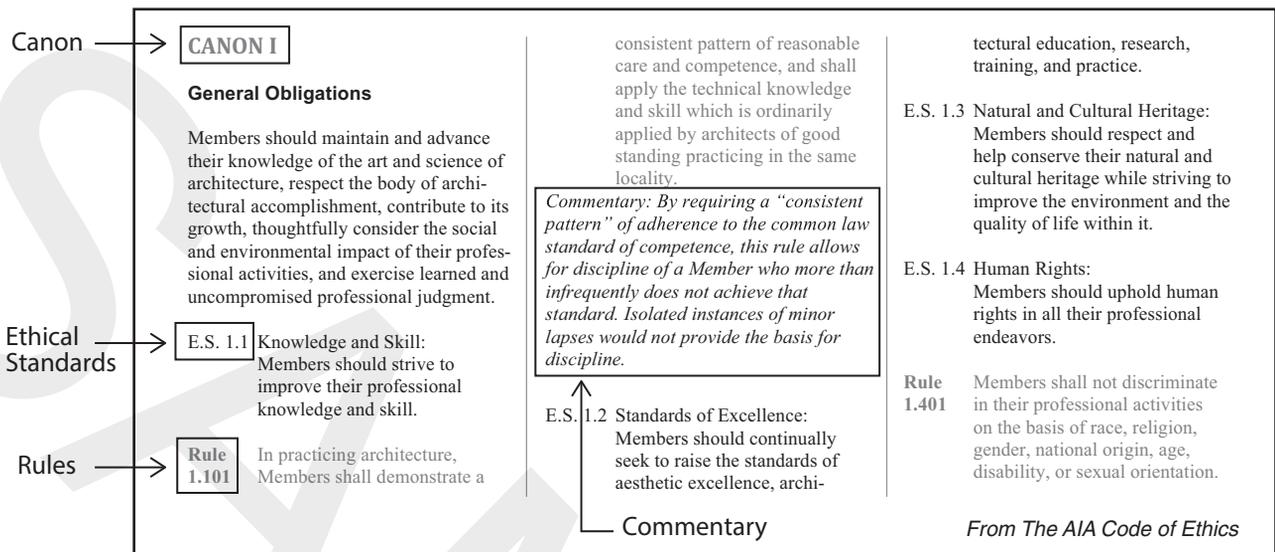


Figure 1.1

See Figure 1.1 for a sample of how the AIA Code of Ethics is structured in terms of canons, ethical standards (E.S.), and rules. There were originally five canons. The sixth canon was added to address environmental considerations. The following summary lists the canons, the headings of their associated ethical standards, and the specified procedures for their enforcement. The quoted text is taken from the Code of Ethics.

#### *AIA Code of Ethics, Canons:*

- Canon I: General Obligations
- Canon II: Obligations to the Public
- Canon III: Obligations to the Client
- Canon IV: Obligations to the Profession
- Canon V: Obligations to Colleagues
- Canon VI: Obligations to the Environment

#### *Canon I: General Obligations*

“Members should maintain and advance their knowledge of the art and science of architecture, respect the body of architectural accomplishment, contribute to its growth, thoughtfully consider the social and

environmental impact of their professional activities, and exercise learned and uncompromised professional judgment.”

- E.S. 1.1: Knowledge and Skill
- E.S. 1.2: Standards of Excellence
- E.S. 1.3: Natural and Cultural Heritage
- E.S. 1.4: Human Rights
- E.S. 1.5: Allied Arts & Industries

#### *Canon II: Obligations to the Public*

“Members should embrace the spirit and letter of the law governing their professional affairs and should promote and serve the public interest in their personal and professional activities.”

- E.S. 2.1: Conduct
- E.S. 2.2: Public Interest Services
- E.S. 2.3: Civic Responsibility

#### *Canon III: Obligations to the Client*

“Members should serve their clients competently and in a professional manner, and should exercise unprejudiced and unbiased judgment when performing all professional services.”

- E.S. 3.1: Competence

- E.S. 3.2: Conflict of Interest
- E.S. 3.3: Candor and Truthfulness
- E.S. 3.4: Confidentiality

#### *Canon IV: Obligations to the Profession*

“Members should uphold the integrity and dignity of the profession.”

- E.S. 4.1: Honesty and Fairness
- E.S. 4.2: Dignity and Integrity

#### *Canon V: Obligations to Colleagues*

“Members should respect the rights and acknowledge the professional aspirations and contributions of their colleagues.”

- E.S. 5.1: Professional Environment
- E.S. 5.2: Intern and Professional Development
- E.S. 5.3: Professional Recognition

#### *Canon VI: Obligations to the Environment*

“Members should promote sustainable design and development principles in their professional activities.”

- E.S. 6.1: Sustainable Design
- E.S. 6.2: Sustainable Development
- E.S. 6.3: Sustainable Practice

#### *Rules of Application, Enforcement, and Amendment*

“The Code of Ethics and Professional Conduct applies to the professional activities of all members of the AIA.”

AIA bylaws outline the procedures for enforcing the code. These include the following:

1. Enforcement is administered through an appointed council.
2. Formal charges are filed with the council.
3. Possible penalties for infractions include
  - a. admonition,

- b. censure,
- c. suspension of membership, and
- d. termination of membership.

4. The decision of the council may be appealed.
5. All procedures and admonishments are confidential, but other penalties must be made public.

There are some issues to note regarding the Code of Ethics. It does not prohibit campaign contributions (E.S. 2.1); members should not undertake projects that are beyond their professional capacity (E.S. 3.1); members cannot claim or imply credit for work they did not do (E.S. 4.2); and members may impose reasonable copying costs for reproducing work taken by departing personnel (E.S. 5.3).

## **PROFESSIONAL STANDARDS**

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The law does not require perfection in meeting a client’s expectations. The law grants architects the same latitude it provides lawyers, doctors, and other professionals—the freedom to exercise their judgment and skill reasonably and prudently. An architect must do what any reasonably prudent architect would do in the same community, in the same time frame, given the same facts and circumstances.

This standard of reasonable care establishes the law’s underlying minimum expectations for professional performance, and it can be modified by contract or conduct. Simply meeting the relevant standard of care may not protect an architect from litigation, however. An architect may consciously or inadvertently raise the standard of care above the minimum levels. Examples of this include the following: an architect agreeing in a contract to warrant that the building will be constructed as designed;

an architect signing a financial institution's document certifying that the project has met all codes and standards; and an architect visiting a construction site and instructing the contractor on the means and methods of forming a complicated concrete wall.

An architect who fails to meet the standard of reasonable care may be held negligent in the performance of professional duties if any injuries or damages result from their failure. Negligence may lead to liability, which is the legal responsibility for injury or damage to another person or property. Architects can protect against liability through an overall strategy to minimize risk. Risk management will be further discussed in Lesson 3.

## SUMMARY

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In this lesson we have covered business structure, the work environment, ethical behavior, and appropriate standards of professional care. These non-design aspects of practicing architecture are just as important to creating a successful practice as award-winning projects and name recognition. Traditionally, architecture has been viewed as an honorable profession. Architects are generally motivated to make the world a better place, improve the lives of building occupants, and provide worthwhile services to clients. The topics covered in this lesson provide a foundation that enables architects to achieve those goals.

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## LESSON 1 QUIZ

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1. Which one of the following types of business entities is the easiest to form?
  - A. C corp
  - B. LLC
  - C. Sole proprietorship
  - D. S corp
  - E. Partnership
2. Which of the following is NOT considered a disadvantage of a partnership business structure?
  - A. Exposure to liability caused by another partner
  - B. Any profits must be shared among partners
  - C. Limited liability protection
  - D. Initial start-up costs
3. Minimum hourly wages, overtime requirements, and salaried employee qualifications for overtime are detailed in which regulation?
  - A. Social Security Act
  - B. Fair Credit Reporting Act
  - C. American with Disabilities Act
  - D. Civil Rights Act
  - E. Fair Labor Standards Act
4. Which of the following are associated with implied duty?
  - A. Building codes
  - B. Building regulations
  - C. Contracts
  - D. Code of ethics
  - E. Zoning documents
  - F. All of the above
  - G. None of the above
5. The following description applies to which canon from the AIA Code of Ethics and Professional Conduct? “Members should maintain and advance their knowledge of the art and science of architecture, respect the body of architectural accomplishment, contribute to its growth, thoughtfully consider the social and environmental impact of their professional activities, and exercise learned and uncompromised professional judgment.”
  - A. Canon I: General Obligations
  - B. Canon II: Obligations to the Public
  - C. Canon III: Obligations to the Client
  - D. Canon IV: Obligations to the Profession
  - E. Canon V: Obligations to Colleagues
  - F. Canon VI: Obligations to the Environment