

PRACTICE EXAM 12: BUSINESS & LAW EXAM SIMULATION (50 QUESTIONS)

Time Allowed: 120 Minutes (2 Hours)

Total Questions: 50

Passing Score: 70% (35 Correct)

DOMAIN 1: LICENSING REQUIREMENTS (Questions 1–8)

1. A contractor in Alabama employs a fulltime estimator who prepares all project bids and a fulltime superintendent who manages all field operations. The company owner, who serves as the qualifying party, suffers a stroke and is hospitalized for an extended period. The estimator and superintendent continue operating the business — bidding new projects and managing existing construction. Under Alabama licensing law, what legal issue has arisen?

A. No issue exists because the estimator and superintendent are authorized to operate the business indefinitely

B. The company may continue normal operations for up to two years without a qualifying party present

C. The qualifying party's incapacitation creates a licensing issue because the qualifying party must exercise supervisory authority over the company's operations — the company must notify the Board, designate a replacement qualifying party within the allowed timeframe, and may face restrictions on entering new contracts until a replacement is approved

D. Only the superintendent needs to be replaced because the estimator can serve as the qualifying party

2. Under Alabama law, a person who provides construction consulting services — such as advising a homeowner on contractor selection, reviewing construction contracts, and monitoring construction progress — charges \$45,000 for these services on a single project. The consultant does not perform any physical construction work. Under Alabama licensing law, does this consultant need a contractor's license?

A. A construction consultant who provides only advisory, monitoring, and review services without performing, contracting for, or supervising actual construction work generally does not need a contractor's license — the licensing requirement targets those who perform or contract for construction work, not those who provide professional consulting services

B. All construction-related services require a contractor's license regardless of the nature of the service

C. A contractor's license is required only if the consulting fee exceeds \$100,000 on any single engagement

D. Construction consulting is illegal in Alabama and no person may provide these services under any license

3. A licensed contractor in Alabama is convicted of driving under the influence (DUI) — a misdemeanor offense unrelated to construction. Under Alabama licensing regulations, must the contractor report this conviction to the Licensing Board?

A. Only felony convictions must be reported and misdemeanor convictions are exempt from all reporting

B. Criminal convictions need not be reported because the Board relies solely on background checks at renewal

C. Only convictions directly involving construction fraud or embezzlement trigger a reporting obligation

D. The contractor should review the Board's reporting requirements — many licensing authorities require licensees to report all criminal convictions (including misdemeanors) within a specified timeframe, and failure to report when required constitutes a separate violation regardless of the conviction's severity

4. Under Alabama law, a contractor who constructs a building that subsequently collapses due to structural deficiencies may face multiple types of legal liability. Beyond breach of contract, what additional legal theory might apply to the contractor?

A. Only breach of contract applies and no other legal theory is available against the contractor

B. The contractor may face tort liability for negligence — if the contractor failed to exercise the degree of care and skill that a reasonably competent contractor would exercise under similar circumstances, the contractor is liable in tort for resulting injuries and property damage, which may include damages beyond those available under the contract

C. Only the architect is liable for structural failures regardless of the contractor's role in the construction

D. Building collapses are classified as "acts of God" and no party bears legal liability under Alabama law

5. A contractor applies for an Alabama license and the application requires disclosure of any prior license denials, suspensions, or revocations in any state. The applicant had a license suspended in Georgia five years ago but does not disclose this on the Alabama application. Under Alabama licensing law, what are the consequences of this omission?

A. Failure to disclose a prior disciplinary action in another state constitutes material misrepresentation on the application — the Board may deny the application, and if the license has already been issued, the Board may revoke it based on the applicant's submission of false information

B. Prior disciplinary actions in other states are never relevant to Alabama license applications

C. The omission has no consequence because only Alabama disciplinary history matters for the application

D. The fiveyear age of the Georgia suspension automatically exempts it from disclosure requirements

6. Under Alabama licensing regulations, the Board has established continuing education requirements for licensed contractors. What is the purpose of mandatory continuing education for contractor license renewal?

A. Continuing education serves only as a revenue source for the Board with no educational benefit

B. Continuing education is voluntary and has no effect on the license renewal process in Alabama

C. Continuing education applies only to contractors who have received disciplinary actions in the past

D. Continuing education ensures that licensed contractors maintain current knowledge of evolving building codes, safety regulations, business practices, and industry standards — requirements vary by Board regulation and help ensure that licensees remain competent throughout their careers

7. A contractor holds an Alabama license and performs work on a project where the building inspector discovers that the contractor installed a structural element in a manner that violates the building code. The contractor argues that the installation follows the architect's design. Under Alabama law, who bears responsibility for the code violation?

A. The architect bears sole responsibility because the contractor simply followed the design as drawn

B. The contractor bears responsibility for ensuring that all installed work complies with applicable building codes, even when following the architect's design — if the contractor knew or should have known that the design violated the code, the contractor has a duty to notify the architect and owner before proceeding with the noncompliant installation

C. The building inspector is solely responsible for all code violations discovered during inspections

D. No one bears responsibility because code compliance is voluntary for commercial construction in Alabama

8. Under Alabama law, a contractor who uses the title "licensed general contractor" in advertising and business correspondence must hold a valid, active license. A contractor whose license is currently suspended uses this title on a project proposal. What violation has occurred?

A. Using the title with a suspended license has no legal consequence as long as the suspension is temporary

B. The contractor may use the title during suspension if the proposal disclaims the suspension in fine print

C. Using the title "licensed general contractor" while the license is suspended constitutes misrepresentation — the contractor is holding out as a licensed professional when the license is not active, which may constitute fraud, unauthorized practice, and a separate violation of licensing law

D. Only the use of the word "licensed" is prohibited during suspension while "general contractor" is permitted

DOMAIN 2: ESTIMATING AND BIDDING (Questions 9–13)

9. A contractor is preparing a bid for a commercial renovation project in a historic building listed on the National Register of Historic Places. The specifications include strict requirements for preservation of historic features, use of periodappropriate materials, and compliance with

the Secretary of the Interior's Standards for Rehabilitation. Under standard estimating practice, how should these historic preservation requirements affect the contractor's estimate?

A. Historic preservation requirements significantly increase costs due to specialized materials, skilled craftspeople trained in restoration techniques, slower production rates for careful preservation work, additional documentation requirements, and potential review and approval cycles with historic preservation authorities — the estimate must reflect these cost premiums

B. Historic buildings are always less expensive to renovate because the existing structure reduces material needs

C. Historic preservation requirements have no cost impact and the estimate should match a standard renovation

D. Only the cost of a bronze plaque identifying the building as historic needs to be added to the estimate

10. A contractor's estimator receives a "scope clarification" from the architect two days before the bid deadline, stating that the specifications require the contractor to provide a twoyear warranty on all work instead of the standard oneyear warranty. Under standard estimating practice, how should the estimator account for this extended warranty?

A. The extended warranty has no cost impact and should not affect the bid price under any circumstance

B. The estimator should add a cost allowance for the extended warranty period — the additional year of warranty coverage increases the contractor's risk exposure for callbacks, repairs, and potential rework, and may require extending the duration of the contractor's insurance coverage, all of which add cost to the project

C. The twoyear warranty reduces costs because fewer callbacks occur when contractors provide longer coverage

D. The estimator should exclude all warranty costs from the bid because warranties are always free of charge

11. A contractor is bidding a public project in Alabama and the instructions to bidders include a "noncollusion affidavit" that must be submitted with the bid. Under Alabama's Competitive Bid Law and anticollusion statutes, what does the noncollusion affidavit certify?

A. The affidavit certifies only that the contractor has read the entire specification without any further statement

B. The affidavit certifies only that the contractor is a licensed Alabama resident with valid state identification

C. The affidavit certifies only that the contractor's bonding company has approved the bid amount in advance

D. The affidavit certifies that the bid was prepared independently without collusion, consultation, communication, or agreement with any other bidder regarding bid prices, methods, or the intent to submit or refrain from submitting a bid — bid rigging and price fixing are federal and state crimes

12. A contractor is preparing a unit price bid for a grading project. The bid form includes 10,000 cubic yards of "common excavation" and 500 cubic yards of "rock excavation." The contractor prices common excavation at \$8 per cubic yard and rock excavation at \$95 per cubic yard. After award, the actual rock quantity turns out to be 3,000 cubic yards instead of 500. Under unit price contracting, what financial impact does this quantity variance create?

A. The contractor receives the original estimated total regardless of actual quantities encountered onsite

B. The contractor is paid for actual quantities at the agreed unit prices — the rock quantity increase from 500 to 3,000 CY at \$95/CY adds \$237,500 in additional revenue ($\$95 \times 2,500$ additional CY), but the common excavation may decrease correspondingly; however, if the contract includes a clause allowing unit price adjustment for significant quantity variances, the rates may be renegotiated

C. The contractor must absorb the additional rock excavation cost with no additional payment from the owner

D. The owner pays only the original estimated total and quantity variances have no effect on compensation

13. A contractor is evaluating a "guaranteed maximum price" (GMP) contract for a commercial project where the design is only 60% complete. The contractor must establish the GMP based on incomplete documents. Under standard GMP contracting practice, what protective measures should the contractor include in the GMP proposal?

A. The contractor should include a detailed list of assumptions and clarifications, identify specific design elements that are not yet defined, carry a design development contingency for the undefined scope, and clearly state the allowances for items that cannot be accurately priced — these measures protect the contractor from absorbing scope that was not contemplated when the GMP was established

- B. The contractor should set the GMP at the lowest possible price to win the project with no contingency
- C. No protective measures are needed because the GMP automatically adjusts as the design develops
- D. The contractor should refuse all GMP contracts because incomplete design always results in financial loss

DOMAIN 3: LIEN LAWS (Questions 14–15)

14. Under Alabama's mechanics' lien law, a contractor who has filed a valid mechanics' lien may negotiate a "lien release" with the property owner in exchange for payment. Under standard construction practice, what should the contractor require before signing the lien release?

- A. The contractor should sign the lien release immediately upon the owner's verbal promise to pay next week
- B. The contractor should sign the release before receiving payment to demonstrate good faith and cooperation
- C. The contractor should require actual receipt of the agreed payment (cleared funds, not just a promise) before signing an unconditional lien release — a conditional release that becomes effective only upon receipt of payment is the safest approach if the contractor must sign before the funds clear
- D. Lien releases are decorative documents with no legal significance and may be signed at any time freely

15. A material supplier delivers \$25,000 worth of roofing materials to a commercial construction project. The supplier delivered the materials to the jobsite and the general contractor's superintendent signed the delivery receipt. The GC fails to pay the supplier. Under Alabama's mechanics' lien law, what evidence does the supplier need to support a lien filing?

- A. No documentation is needed because suppliers automatically have lien rights without proving delivery
- B. The supplier needs only a verbal confirmation from the GC's superintendent that the materials were used

C. The supplier needs only the GC's business card as proof that a business relationship existed at some point

D. The supplier needs documentation proving that the materials were actually delivered to the project site and used in (or intended for use in) the improvement — the signed delivery receipt, purchase orders, invoices, and the preliminary notice (if required for remote claimants) all serve as supporting evidence for the lien claim

DOMAIN 4: FINANCIAL MANAGEMENT (Questions 16–20)

16. A contractor's bank requires monthly "workinprogress" (WIP) reports as a condition of the company's line of credit. The bank uses the WIP to monitor the company's financial health. What specific information does the bank extract from the WIP report?

A. The bank uses the WIP only to verify the contractor's home address and personal contact information

B. The bank evaluates the WIP to assess projectlevel profitability trends, identify overandunder billing positions, detect potential project losses, evaluate the reliability of the company's estimating, and monitor whether the contractor's active projects are collectively generating sufficient margin to cover overhead and service debt

C. The bank uses the WIP only to count the number of active projects with no financial analysis performed

D. The WIP is submitted to the bank only as a filing requirement and is never actually reviewed by bank staff

17. A contractor completes a project and the final job cost report shows a "gross profit" of \$45,000 on a \$600,000 contract. However, after deducting the project's allocated share of home office overhead (\$35,000) and the owner of the company's salary allocation (\$20,000), the project shows a "net loss" of \$10,000. Under construction financial management principles, what does this analysis reveal?

A. The project was highly profitable because the gross profit of \$45,000 exceeded all expectations for revenue

B. The project's gross profit was insufficient to cover its share of overhead — while the project generated \$45,000 above direct costs, it consumed \$55,000 in indirect costs (\$35,000 overhead

+ \$20,000 salary), resulting in a \$10,000 net loss that reduces the company's overall profitability

C. The net loss is irrelevant because only gross profit matters for evaluating construction project performance

D. The project cannot show a net loss if it generated any gross profit above zero on the job cost report

18. A contractor's accountant explains that the company should maintain a minimum "cash reserve" equal to three months of fixed overhead expenses. The company's monthly fixed overhead (office rent, administrative salaries, insurance, equipment payments, utilities) totals \$60,000. Under this guideline, what cash reserve should the company maintain?

A. \$30,000 because the cash reserve should equal only two weeks of fixed overhead for all contractors

B. \$60,000 because the reserve should equal exactly one month of fixed overhead expenses at all times

C. \$600,000 because the reserve should equal ten months of overhead for maximum financial protection

D. \$180,000 (3 months \times \$60,000/month) — this reserve provides a financial cushion to cover overhead during slow periods, delayed owner payments, or unexpected business disruptions without requiring emergency borrowing or depleting the company's operating funds

19. A contractor reviews the company's "billing efficiency" metric and discovers that the average time between completing work and submitting the pay application is 18 days. The contract allows billing on the 25th of each month. Under financial management best practices, what improvement should the contractor implement?

A. The contractor should delay billing further to accumulate larger pay applications for reduced processing

B. Billing frequency should be reduced to quarterly submissions for simplicity and lower administrative cost

C. The 18day billing lag is optimal and no improvement is needed for any construction company's cash flow

D. The contractor should reduce the billing lag by streamlining the pay application preparation process — faster billing means faster payment, and an 18day delay between completing work

and submitting the invoice extends the cash collection cycle unnecessarily; the goal is to submit the pay application as soon as possible after the billing cutoff date

20. A contractor's financial advisor recommends calculating the "overhead rate" as a percentage of direct labor cost. The company's annual home office overhead is \$500,000 and total annual direct labor cost (all projects combined) is \$2,000,000. What is the overhead rate, and how is it used in estimating?

A. The overhead rate is 25% ($\$500,000 \div \$2,000,000$), meaning that for every \$1.00 of direct labor, the contractor must recover \$0.25 in markup to cover home office overhead — this rate is applied to the labor cost in each estimate to ensure that every project carries its proportional share of corporate overhead

B. The overhead rate is 400% calculated by dividing direct labor by overhead as the standard method

C. The overhead rate cannot be calculated as a percentage of labor and must be expressed in dollars only

D. The overhead rate is 0% because home office overhead is always recovered through the profit markup alone

DOMAIN 5: PAYROLL, TAXES, AND INSURANCE (Questions 21–26)

21. Under federal tax law, a contractor must issue Form W2 to each employee by January 31 of the year following the calendar year in which wages were paid. If the contractor fails to issue W2s by the deadline, what penalty does the IRS impose?

A. The IRS imposes a penalty per late W2 that increases based on how late the form is filed — penalties range from \$50 per form if filed within 30 days of the deadline, up to \$280 per form if filed after August 1 or not filed at all, with higher penalties for intentional disregard of the filing requirement

B. No penalty is assessed for late W2 issuance because the January 31 deadline is only a suggestion

C. The IRS imposes a flat \$10 penalty regardless of how many W2s are late or the duration of the delay

D. Only the employee may impose a penalty for late W2 issuance with no IRS involvement of any kind

22. A contractor's workers' compensation insurance carrier assigns different classification codes to different types of work. A project involves both concrete work (classification code 5213) and carpentry (classification code 5403). The contractor assigns all workers to the concrete classification because it has a lower premium rate. Under workers' compensation audit rules, what problem has the contractor created?

A. Assigning all workers to the lowest rate classification is standard practice and produces no audit issue

B. The workers' compensation auditor will reclassify workers based on their actual duties — misclassifying carpentry workers under the concrete code constitutes rate manipulation that results in additional premium charges, penalties for intentional misclassification, and potential cancellation of the policy

C. The contractor may choose any classification code regardless of the actual work being performed

D. Classification codes are optional and have no effect on premium calculations under any policy terms

23. Under Alabama law, an employer who provides a company vehicle to an employee for both business and personal use must address the tax implications of the personal use. Under IRS rules, how is the personal use of a company vehicle treated for tax purposes?

A. Personal use of a company vehicle is always completely taxfree regardless of the amount of personal use

B. Personal use of a company vehicle is never permitted and the employee must return the vehicle each night

C. Personal use is taxable only if the vehicle's value exceeds \$100,000 as a luxury automobile

D. The fair market value of the employee's personal use of the company vehicle must be included as taxable income on the employee's W2 — the employer must calculate the personal use value using an IRS-approved method (such as the cents-per-mile rule, commuting rule, or annual lease value) and report it as compensation

24. A contractor is reviewing the company's "general liability loss history" for the past five years to prepare for the upcoming CGL insurance renewal. The loss history shows three liability claims totaling \$450,000 in the past two years — all related to property damage to adjacent buildings during excavation work. Under standard insurance practice, how will this loss history affect the renewal?

A. The loss history will have no effect on the renewal premium because CGL premiums are based solely on revenue

B. The unfavorable loss history will likely result in a significantly higher CGL premium at renewal — the insurer may also impose higher deductibles, add excavation-related exclusions, require enhanced risk management procedures, or decline to renew the policy; the contractor should implement improved excavation safety practices to improve the loss trend

C. The insurer must reduce the premium because the contractor has already paid for the losses through claims

D. CGL premiums are fixed for the life of the policy and never change based on loss history at renewal

25. Under federal tax law, a contractor who travels overnight for business may deduct certain travel expenses. Under IRS rules, which of the following travel expenses is fully deductible for business travel?

A. Transportation costs (airfare, rental car, mileage), lodging, and 50% of meal expenses are deductible for business travel — the IRS limits the meal deduction to 50% of the actual cost; entertainment expenses are generally no longer deductible under current tax law

B. All travel expenses including 100% of meals, entertainment, and personal shopping are fully deductible

C. Only airfare is deductible and all other travel expenses must be paid from personal after-tax funds

D. Business travel expenses are never deductible for construction contractors under current federal tax law

26. A contractor's insurance broker recommends purchasing "cyber liability" insurance for the construction company. Under what circumstances might a construction contractor need cyber liability coverage?

A. Cyber liability insurance is needed only by technology companies and has no relevance to construction

B. Cyber liability insurance covers only physical damage to the contractor's computer hardware equipment

C. A construction contractor who stores employee personal information (Social Security numbers, bank account data for direct deposit), maintains digital project files, uses electronic billing and payment systems, or stores client financial data faces cyber risk — a data breach

could expose the company to notification costs, regulatory fines, identity theft claims, and business interruption from ransomware attacks

D. Cyber liability is included automatically in every CGL policy and no separate coverage is ever needed

DOMAIN 6: PERSONNEL AND LABOR LAW (Questions 27–31)

27. Under the Fair Labor Standards Act, a contractor classifies a project superintendent as "exempt" from overtime based on the executive exemption. The superintendent earns a salary of \$900 per week, manages three field crews, and has authority to hire and fire workers. However, the superintendent also spends 60% of the workday performing nonexempt manual labor (operating equipment, laying block). Under FLSA, is the exemption valid?

A. The exemption is valid because the superintendent receives a salary regardless of how time is spent

B. The exemption is valid because the superintendent manages three crews and has hiring/firing authority

C. The superintendent's job title alone determines exempt status regardless of actual duties performed daily

D. The exemption may be invalid because the superintendent's primary duty is nonexempt manual labor rather than management — the FLSA executive exemption requires that the employee's "primary duty" be management, and spending 60% of the day on manual labor may disqualify the exemption even if the employee meets the salary and supervisory criteria

28. A contractor employs a worker who requests a religious accommodation — the worker's faith prohibits working on Saturdays, which conflicts with the contractor's standard sixday construction schedule. Under Title VII's religious accommodation provisions, what must the employer do?

A. The employer must provide a reasonable accommodation for the worker's sincerely held religious belief unless doing so would create an undue hardship on the business — potential accommodations include scheduling the worker for Sunday through Friday, allowing shift trades with other workers, or adjusting the worker's schedule

B. The employer may immediately terminate the worker because construction schedules cannot be modified

C. Religious accommodations are never required for construction workers under Title VII of the Civil Rights Act

D. The employer must close the entire project on Saturdays to accommodate the single worker's request

29. Under OSHA's construction safety standards, a contractor must provide "egress" (a means of exit) from all work areas on a construction site. When workers are in a multistory building under construction, what egress requirement applies?

A. No egress is required during construction because the building is not yet occupied by the public

B. At least two means of egress must be provided from each floor of a building under construction when the floor is occupied by workers — stairways, ladders, ramps, or other approved means must provide safe exit paths for workers in case of fire, structural emergency, or other hazardous conditions

C. Only a single rope dangling from the roof satisfies the egress requirement for all construction buildings

D. Egress requirements apply only after the building receives its certificate of occupancy from the inspector

30. A contractor's project manager discovers that a field supervisor has been allowing workers to bypass lockout/tagout procedures on electrical equipment to "save time" during a fasttrack renovation project. Under OSHA regulations and standard safety practice, what is the appropriate management response?

A. The time savings justify the bypass and the supervisor should be commended for efficient operations

B. Bypassing safety procedures to save time is a common and accepted practice on fasttrack construction

C. Only the workers who bypassed the procedure should be disciplined with no management consequences

D. The bypass must be immediately stopped, the supervisor must be disciplined for allowing the unsafe practice, all affected workers must be retrained on proper LOTO procedures, and the incident must be documented — bypassing lockout/tagout creates an imminent danger of electrocution and the supervisor's authorization of the bypass is a serious management failure

31. Under Alabama employment law, a contractor who provides a reference for a former employee to a prospective employer faces potential legal liability. Under what legal theory might the contractor be liable for providing a negative reference?

A. Contractors are never liable for providing any type of reference regardless of accuracy or intent

B. Employers have absolute immunity for all reference information provided to prospective employers

C. The contractor may be liable for defamation if the reference contains false statements of fact made with knowledge of their falsity or reckless disregard for the truth — however, Alabama provides qualified privilege for goodfaith employment references, protecting employers who provide truthful information

D. Liability for negative references applies only to references provided in writing, never to verbal references

DOMAIN 7: PROJECT MANAGEMENT (Questions 32–34)

32. A contractor is managing a commercial project and the architect issues Addendum #3 during construction, modifying the exterior cladding system from a brick veneer to a metal panel system. The addendum was issued without a formal change order or cost adjustment. Under standard contract provisions, what should the contractor do?

A. The contractor should implement the change immediately without any notification about cost implications

B. The contractor should ignore the addendum because addenda issued during construction have no legal effect

C. The contractor should install both the original brick and the new metal panels to satisfy both specifications

D. The contractor should notify the owner and architect in writing that the addendum constitutes a change to the contract scope that affects cost and schedule, submit a change order proposal for the price and time adjustment, and not proceed with the changed work until the change order is processed — specification changes during construction are contract modifications requiring formal documentation

33. A contractor is implementing a "lessons learned" program for the company. After completing each project, the project team conducts a postproject review to document what went

well and what could be improved. Under standard project management practice, what is the primary benefit of a lessons learned program?

A. Lessons learned sessions are social events that serve only to boost team morale with no practical benefit

B. The primary benefit is capturing institutional knowledge that improves future project performance — documented lessons from estimating accuracy, scheduling effectiveness, subcontractor management, safety incidents, and quality issues are shared across the organization to prevent repeating mistakes and to replicate successful practices on future projects

C. Lessons learned apply only to government contracts and have no value for private commercial construction

D. The primary benefit is creating documentation to use against subcontractors in future litigation only

34. A contractor's project schedule shows that the concrete foundation work is on the critical path with zero float. The weather forecast predicts three consecutive days of rain starting tomorrow, which will prevent concrete placement. Under standard project management practice, what proactive steps should the contractor take?

A. The contractor should place the concrete in the rain because weather never affects concrete quality

B. The contractor should wait for the rain to pass with no proactive planning or schedule recovery efforts

C. Weather delays never affect the critical path and no action is required for rain events on any project

D. The contractor should evaluate whether the concrete pour can be advanced to today (before the rain), identify alternative work that can proceed during rain days, develop a recovery plan for the postrain period (additional crews, extended hours), notify the owner of the potential schedule impact, and document the weather event for potential time extension claims

DOMAIN 8: CONTRACT MANAGEMENT (Questions 35–40)

35. Under Alabama contract law, a contractor who is terminated for default (cause) has fewer rights than a contractor terminated for convenience. However, if the contractor believes the termination for default was wrongful, what recourse does the contractor have?

A. The contractor has no recourse because terminations for default are always valid and cannot be challenged

B. The contractor must accept the termination silently and may not dispute it through any legal mechanism

C. The contractor may dispute the termination only by filing a complaint with the Alabama Licensing Board

D. The contractor may challenge the termination through the contract's dispute resolution process or through litigation, arguing that the alleged default did not occur, was not material, was excused, or that the owner failed to follow the contractual termination procedures — if the termination is found to be wrongful, it is converted to a termination for convenience and the contractor is entitled to the corresponding compensation

36. A contractor signs a construction contract that includes a "dispute review board" (DRB) provision. Under standard construction practice, what is a dispute review board and how does it function?

A. A DRB is a standing panel (typically three members — one selected by each party and a neutral chair) that is established at the beginning of the project, stays informed of project progress through regular site visits and reports, and issues recommendations for resolving disputes as they arise during construction — the DRB provides realtime dispute resolution without waiting for project completion

B. A DRB is identical to a court of law and issues binding legal judgments on all construction disputes

C. A DRB is formed only after the project is complete and cannot address disputes during construction

D. A DRB consists only of attorneys who provide legal advice to both parties on all contract questions

37. Under Alabama contract law, what is the difference between "actual damages" and "nominal damages" in a breach of construction contract case?

- A. Actual damages and nominal damages are identical amounts awarded in every construction breach case
- B. Nominal damages are always larger than actual damages in construction contract disputes in Alabama
- C. Actual damages compensate the nonbreaching party for the real, measurable financial losses caused by the breach, while nominal damages are a small symbolic award (often \$1) recognizing that a breach occurred but the nonbreaching party suffered no provable financial loss — nominal damages establish the legal principle that the breach occurred
- D. Only nominal damages are available for construction contract breaches under Alabama law

38. A contractor is reviewing a proposed contract that includes a "consequential damages" provision allowing the owner to recover lost rental income if the project is completed late. The projected rental income is \$50,000 per month. Under standard contract management practice, what risk does this provision create for the contractor?

- A. The provision creates no risk because consequential damages are never awarded in Alabama courts
- B. The consequential damages provision creates potentially unlimited financial exposure — if the project is delayed by six months, the contractor could face \$300,000 in lost rental income damages in addition to any liquidated damages, making the total delay cost substantially higher than the direct cost of the delay itself
- C. Consequential damages are always capped at exactly \$1,000 regardless of the actual loss amount
- D. The provision benefits the contractor by allowing the contractor to collect the owner's rental income

39. Under Alabama contract law, a contractor who discovers that the owner has committed fraud in inducing the contractor to enter the contract (such as concealing known environmental contamination on the site) may exercise specific legal remedies. What remedy is available to the contractor?

- A. The contractor may only continue performing the contract and has no remedy for the owner's fraud
- B. The contractor has no legal rights because fraud is not recognized as a legal claim in construction

C. The contractor may seek only a 5% reduction in the contract price as the maximum fraud remedy

D. The contractor may seek rescission (cancellation) of the contract based on fraudulent inducement, recover damages for costs incurred in reliance on the fraudulent misrepresentation, and may be entitled to punitive damages if the fraud was willful — fraud vitiates the consent that is essential to a valid contract

40. A contractor completes a commercial project and the owner occupies the building. Two years later, cracks appear in the foundation. The owner hires a structural engineer who determines the cracks resulted from the contractor's failure to properly compact the soil beneath the foundation, in violation of the compaction specifications. Under Alabama law, what is the applicable "statute of repose" and how does it differ from the statute of limitations?

A. The statute of repose and the statute of limitations are identical legal concepts with no distinction

B. Alabama has no statute of repose for construction defects and claims may be filed at any time without limit

C. The statute of repose establishes an outer time limit (measured from substantial completion) beyond which no construction defect claim may be filed regardless of when the defect is discovered — unlike the statute of limitations (which runs from the date of discovery or when the defect should have been discovered), the statute of repose provides an absolute cutoff that protects contractors from indefinite liability

D. The statute of repose applies only to residential construction and does not protect commercial contractors

DOMAIN 9: BUSINESS ORGANIZATION (Questions 41–42)

41. A contractor operates as an SCorporation and the single shareholder takes a salary of \$50,000 per year but distributes an additional \$150,000 as SCorporation dividends to avoid selfemployment tax. Under IRS rules, what risk does this compensation strategy create?

A. This strategy is always acceptable because SCorporation shareholders may set their salary at any amount

B. The IRS may challenge the \$50,000 salary as unreasonably low for the services the shareholder provides — if the IRS determines that a reasonable salary for the shareholder's duties would be higher (based on industry standards, hours worked, and qualifications), the IRS may reclassify a portion of the distributions as wages, resulting in back employment taxes, penalties, and interest

C. SCorporation shareholders are completely exempt from selfemployment tax on all income regardless

D. The IRS requires SCorporation shareholders to take a salary of exactly \$0 with all income as distributions

42. A contractor is forming a new LLC and must decide whether to elect "SCorporation tax treatment" for the LLC with the IRS. Under federal tax law, what advantage does SCorporation tax treatment provide for a profitable LLC?

A. SCorporation treatment eliminates all federal income tax obligations for the LLC permanently

B. SCorporation treatment has no advantage over default LLC taxation and is never beneficial for any LLC

C. SCorporation treatment eliminates all state licensing requirements for the construction LLC in Alabama

D. SCorporation tax treatment allows the LLC to split income between salary (subject to employment taxes) and distributions (not subject to selfemployment tax), potentially reducing the total employment tax burden compared to default LLC treatment where all net income is subject to selfemployment tax

DOMAIN 10: RISK MANAGEMENT (Questions 43–46)

43. A contractor is constructing a commercial building and the excavation for the foundation extends to within 5 feet of the adjacent property's existing foundation. Under standard risk management practice, what precautionary measures should the contractor implement to protect the adjacent structure?

A. No precautionary measures are needed because adjacent properties are never affected by nearby excavation

B. The contractor should notify the adjacent property owner after the excavation is complete with no prework action

C. The contractor should conduct a preconstruction condition survey of the adjacent structure, install vibration and movement monitors, design the excavation support system to prevent lateral soil movement, implement a monitoring program to detect any settlement or movement of the adjacent building, and maintain open communication with the adjacent property owner throughout the excavation

D. The contractor should simply purchase a larger CGL insurance policy and take no physical precautions

44. Under Alabama law, a contractor who stores flammable liquids (gasoline, diesel fuel, paint thinners) on a construction site must comply with OSHA and fire code storage requirements. What is the maximum quantity of flammable liquids that may be stored in an approved flammable storage cabinet?

A. A standard flammable storage cabinet may contain a maximum of 60 gallons of Class I or Class II flammable liquids, or 120 gallons of Class III combustible liquids — no more than three cabinets may be located in a single fire area unless additional fire protection is provided

B. There is no quantity limit for flammable liquid storage cabinets on construction sites under any regulation

C. Only 1 gallon of flammable liquid may be stored in a cabinet at any time under all conditions

D. Flammable storage cabinets are prohibited on construction sites and all flammables must be stored outdoors

45. A contractor's risk management plan identifies "design errors" as a significant risk on a designbuild project. The contractor's inhouse architect designed the structural system. During construction, a design error is discovered that requires a \$200,000 correction. Under standard risk allocation for designbuild, who bears the cost of correcting the design error?

A. The owner bears the cost because design errors are always the owner's responsibility under designbuild

B. The building inspector bears the cost because the inspector should have caught the error during review

C. The general contractor's CGL insurance covers all design error costs on designbuild projects automatically

D. The designbuild contractor bears the cost because the contractor assumed both design and construction responsibility under the singlesource designbuild contract — the contractor's professional liability insurance should respond to this design error claim

46. A contractor is evaluating the risk of a "construction defect" claim on a recently completed condominium project. Under Alabama law, what parties might have standing to bring a construction defect claim against the contractor?

A. Only the original property owner who contracted with the contractor may bring a defect claim

B. The original owner, subsequent purchasers, the condominium homeowners' association, and individual unit owners may all potentially have standing to bring construction defect claims — subsequent owners may assert claims based on implied warranties, negligence, or statutory provisions even without privity of contract with the original contractor

C. Only the architect may bring construction defect claims against the contractor under Alabama law

D. Construction defect claims are prohibited in Alabama and no party has standing to bring such a claim

DOMAIN 11: SAFETY, RECORDKEEPING, AND ENVIRONMENTAL (Questions 47–50)

47. Under OSHA's construction safety standards, a contractor must implement specific safety measures when workers are exposed to "engulfment" hazards. In construction, engulfment hazards are most commonly associated with which types of work activities?

A. Engulfment hazards exist only in office environments and do not occur on construction sites

B. Engulfment hazards are associated only with painting operations inside enclosed buildings

C. Engulfment hazards are most commonly associated with office filing cabinets tipping over onto workers

D. Engulfment is most commonly associated with workers in excavations and trenches that may collapse

48. A contractor is performing renovation work in a commercial building that contains PCB-containing fluorescent light ballasts manufactured before 1979. Under EPA's Toxic Substances Control Act (TSCA) regulations, how must the PCB-containing ballasts be handled during renovation?

- A. PCB ballasts may be thrown in the regular construction dumpster with nonhazardous C&D waste materials
- B. PCB ballasts may be incinerated onsite in an open burn pit as the standard disposal method for all PCBs
- C. PCB-containing ballasts must be removed intact (without rupturing the capacitor), placed in leakproof containers, labeled as PCB waste, and disposed of at a facility authorized to handle PCB-contaminated materials — ruptured ballasts that leak PCB fluid require hazardous materials cleanup procedures
- D. PCB regulations were repealed in 2000 and no longer apply to any construction renovation activities

49. Under OSHA's construction safety standards, a contractor must provide adequate illumination for construction work performed during nighttime hours or in areas with insufficient natural light. What minimum illumination level does OSHA require for general construction areas?

- A. No minimum illumination level is required and workers may perform construction in complete darkness
- B. OSHA requires a minimum of 50 footcandles for all construction work areas regardless of the activity
- C. Illumination requirements apply only to underground mining and not to aboveground construction work
- D. OSHA requires a minimum of 5 footcandles for general construction areas — higher levels are required for specific tasks such as first aid stations (30 footcandles) and offices within the construction site (30 footcandles); adequate lighting is essential for worker safety and quality workmanship

50. A contractor is managing a commercial construction project and must comply with the project's "indoor air quality" (IAQ) management plan during construction. Under LEED and ASHRAE guidelines, what specific measures must the contractor implement to protect indoor air quality during the construction phase?

- A. IAQ management during construction is optional and has no effect on building occupant health or comfort

B. The contractor must protect stored and installed absorptive materials (ductwork, insulation, carpet) from moisture and contamination, use MERV 8 or higher filtration on HVAC equipment if operated during construction, control dust and chemical exposure through ventilation and source control, and prohibit smoking inside the building — these measures prevent constructionphase contaminants from affecting the finished building's air quality

C. IAQ management applies only to residential construction and not to commercial building projects

D. The contractor must only open all windows during construction for natural ventilation with no other measures

Practice Exam 12: Answer Key and Explanations

DOMAIN 1: LICENSING REQUIREMENTS (Questions 1–8)

1. C — The qualifying party must exercise active supervisory authority over the company's construction operations. Extended incapacitation means no qualified individual is overseeing the work. The company must notify the Board, designate a replacement within the allowed timeframe, and may face restrictions on new contracts until a replacement is approved.

2. A — Construction consulting that involves only advisory, monitoring, and review services without performing or contracting for actual construction work generally falls outside the licensing requirement. The contractor licensing law targets those who perform, supervise, or contract for construction work — not those who provide professional consulting services.

3. D — Many licensing authorities require disclosure of all criminal convictions within a specified timeframe, including misdemeanors. A DUI may seem unrelated to construction, but failure to report when required constitutes a separate licensing violation. The contractor should review the Board's specific reporting requirements to determine whether disclosure is mandatory.

4. B — Beyond breach of contract, the contractor may face tort liability for negligence. If the contractor failed to meet the standard of care expected of a reasonably competent contractor, tort liability provides additional remedies including potentially broader damages than those available under the contract alone. Negligence and breach of contract are separate legal theories.

5. A — Failure to disclose a prior disciplinary action constitutes material misrepresentation on the license application. The Board may deny the application or revoke an already issued license based on submission of false information. Prior disciplinary history in other states is directly relevant to the Board's evaluation of the applicant's character and fitness.

6. D — Continuing education ensures contractors stay current with evolving building codes, safety regulations, business practices, and industry standards. Construction is a dynamic industry where codes and standards change regularly. Mandatory education helps maintain competence throughout a contractor's career and protects the public.

7. B — The contractor has an independent duty to ensure all installed work complies with applicable building codes. While the contractor may follow the architect's design, the contractor cannot install work the contractor knows or should know violates the code without raising the issue. The contractor must notify the architect and owner of discovered code conflicts before proceeding.

8. C — Using the title "licensed general contractor" while the license is suspended constitutes misrepresentation. The contractor is holding out as an active licensee when the license is not active, which may constitute fraud and unauthorized practice. This misrepresentation is a separate violation independent of the underlying suspension.

DOMAIN 2: ESTIMATING AND BIDDING (Questions 9–13)

9. A — Historic preservation requirements significantly increase construction costs. Specialized materials matching the original period, skilled craftspeople trained in restoration techniques, slower production rates for careful preservation work, extensive documentation, and review cycles with preservation authorities all add substantial cost premiums that must be reflected in the estimate.

10. B — An extended warranty from one year to two years increases the contractor's risk exposure for an additional year. The estimator should add a cost allowance for potential callbacks, repairs, extended insurance coverage, and the administrative burden of the additional warranty year. Ignoring this cost increase results in an underbid.

11. D — The noncollusion affidavit certifies that the bid was prepared independently without any agreement, consultation, or communication with competing bidders regarding prices or bidding strategy. Bid rigging and price fixing are serious federal and state crimes. The affidavit provides a sworn statement of independent bidding that deters and exposes collusion.

12. B — Under unit price contracting, the contractor is paid for actual quantities at the agreed unit prices. The rock increase from 500 to 3,000 CY at \$95/CY adds significant revenue. However, many contracts include provisions for adjusting unit prices when actual quantities vary significantly from the estimated quantities, as extreme variances may affect the unit cost economics.

13. A — When establishing a GMP on incomplete (60%) documents, the contractor must protect against undefined scope. Detailed assumptions, identified design gaps, design development contingency, and clearly stated allowances for unpriced items create a documented baseline that protects the contractor from absorbing scope that was not contemplated when the GMP was set.

DOMAIN 3: LIEN LAWS (Questions 14–15)

14. C — The contractor should require actual receipt of cleared funds before signing an unconditional lien release. A conditional release (effective only upon payment) is the safer

approach if the contractor must sign before funds clear. Signing an unconditional release before receiving payment permanently surrenders lien rights regardless of whether the payment is actually received.

15. D — The supplier needs documentation proving delivery to the project site and intent for use in the improvement. Signed delivery receipts, purchase orders, invoices, and the preliminary notice (if required) all support the lien claim. Without documentation connecting the materials to the specific property improvement, the lien claim may be challenged and potentially defeated.

DOMAIN 4: FINANCIAL MANAGEMENT (Questions 16–20)

16. B — The bank analyzes the WIP to assess project profitability trends, detect overbilling and underbilling positions, identify projects trending toward losses, evaluate estimating reliability, and confirm that the project portfolio generates sufficient margin to service debt. The WIP is the most important financial monitoring tool for construction lenders.

17. A — While the project generated \$45,000 in gross profit above direct costs, it consumed \$55,000 in indirect costs (\$35,000 overhead + \$20,000 salary), producing a \$10,000 net loss. The project failed to carry its proportional share of corporate costs. This analysis reveals that a positive gross profit does not guarantee overall profitability.

18. D — A cash reserve of \$180,000 (3 months × \$60,000) provides a cushion during slow periods, delayed payments, or business disruptions. Without this reserve, any interruption in cash flow forces the company to borrow emergency funds at unfavorable terms or risk missing payroll, rent, and insurance payments.

19. D — An 18day lag between work completion and pay application submission unnecessarily extends the cash collection cycle. Streamlining the billing process — faster quantity surveys, standardized application templates, prepopulated forms — reduces the lag and accelerates payment receipt. Every day saved in billing translates directly to faster cash collection.

20. A — The overhead rate of 25% ($\$500,000 \div \$2,000,000$) means \$0.25 of home office overhead must be recovered for every \$1.00 of direct labor cost. Applying this rate to each estimate ensures every project carries its proportional share of corporate overhead. If the overhead rate is not applied, the company's overhead goes unrecovered and profits erode.

DOMAIN 5: PAYROLL, TAXES, AND INSURANCE (Questions 21–26)

21. A — IRS penalties for late W2 filing are graduated: \$50 per form if filed within 30 days, \$110 per form if filed within August 1, and \$280 per form if filed after August 1 or not filed at all. Intentional disregard of the filing requirement triggers even higher penalties. For a company with many employees, the cumulative penalty can be substantial.

22. B — Workers' compensation classification must reflect the employee's actual duties, not the lowest available rate. The premium auditor will reclassify workers based on observed or documented duties, assess additional premium for the misclassified payroll, and may impose penalties for intentional rate manipulation. Policy cancellation is also possible.

23. D — The fair market value of personal use of a company vehicle must be reported as taxable income on the employee's W2. The IRS provides approved calculation methods (centspermile, commuting rule, annual lease value). The employer must track personal versus business use and include the personal use value as compensation subject to income and employment taxes.

24. B — Three liability claims totaling \$450,000 in two years signals a significantly unfavorable loss trend. The insurer will likely increase the premium substantially, may impose higher deductibles, add exclusions for excavation-related claims, require enhanced risk management, or decline renewal entirely. The contractor must improve excavation practices to reverse the trend.

25. A — Business travel expenses including transportation (airfare, rental car, mileage), lodging, and 50% of meals are deductible. The IRS limits the meal deduction to 50% of actual cost. Entertainment expenses are generally no longer deductible under current tax law following the Tax Cuts and Jobs Act changes.

26. C — Construction contractors store sensitive employee data (SSNs, bank accounts), client financial information, and digital project files. A data breach exposes the company to notification costs, regulatory fines, identity theft claims, and potential ransomware attacks. Cyber liability insurance covers these risks that the standard CGL policy excludes.

DOMAIN 6: PERSONNEL AND LABOR LAW (Questions 27–31)

27. D — The FLSA executive exemption requires that the employee's "primary duty" be management. Spending 60% of the workday on nonexempt manual labor suggests the primary duty is labor, not management. Even though the superintendent meets the salary and supervisory criteria, the primary duty test may disqualify the exemption, making the employee eligible for overtime.

28. A — Title VII requires reasonable accommodation of sincerely held religious beliefs unless it creates undue hardship. Scheduling the worker Sunday through Friday, allowing shift trades, or adjusting the schedule are potential accommodations. The employer must engage in an interactive process to find a workable solution before claiming undue hardship.

29. B — OSHA requires at least two means of egress from each floor occupied by workers in a building under construction. Stairways, ladders, ramps, or other approved means must provide safe exit paths for emergencies. Construction workers face the same fire and emergency risks as building occupants and need reliable escape routes.

30. D — Bypassing lockout/tagout creates imminent danger of electrocution. The unsafe practice must be immediately stopped, the supervisor must be disciplined for authorizing it, all affected workers must be retrained, and the incident must be documented. No amount of schedule pressure justifies compromising worker safety on electrical isolation procedures.

31. C — A contractor may be liable for defamation if a reference contains false statements made with knowledge of their falsity or reckless disregard for truth. However, Alabama provides qualified privilege for goodfaith employment references containing truthful information. The safest approach is to provide factual, documented information and avoid subjective opinions.

DOMAIN 7: PROJECT MANAGEMENT (Questions 32–34)

32. D — An addendum issued during construction that changes the exterior cladding system constitutes a contract modification affecting both cost and schedule. The contractor must notify the owner and architect in writing, submit a change order proposal, and not proceed with the changed work until the change order is formally processed and approved.

33. B — Lessons learned programs capture institutional knowledge that improves future performance. Documenting estimating accuracy, scheduling effectiveness, subcontractor management, safety incidents, and quality issues prevents repeating mistakes and replicates successful practices. The organizational learning compound over time, producing measurable improvements.

34. D — With criticalpath concrete work threatened by rain, the contractor should evaluate advancing the pour to today, identify alternative rainday activities, develop a postrain recovery plan with additional resources, notify the owner of potential impact, and document the weather event. Proactive response minimizes the schedule impact of weather delays.

DOMAIN 8: CONTRACT MANAGEMENT (Questions 35–40)

35. D — A contractor who believes a default termination was wrongful may challenge it through the contract's dispute resolution process or litigation. If the termination is found wrongful (the default didn't occur, wasn't material, was excused, or procedures weren't followed), it converts to a termination for convenience with the corresponding compensation rights.

36. A — A dispute review board is a standing panel established at project inception that stays informed through regular site visits and addresses disputes in real time during construction. The DRB issues recommendations (or decisions, depending on the contract) without waiting for project completion, providing faster resolution than postcompletion arbitration or litigation.

37. C — Actual damages compensate for real, measurable financial losses caused by the breach. Nominal damages are a small symbolic award (often \$1) recognizing that a breach occurred but no provable financial loss resulted. Nominal damages establish the legal principle that the defendant breached the contract, which may be important for precedent or attorney's fees recovery.

38. B — The consequential damages provision creates potentially unlimited exposure. At \$50,000 per month in lost rental income, a sixmonth delay generates \$300,000 in consequential damages on top of any liquidated damages. The contractor should either negotiate a cap on consequential damages or ensure the contract includes a mutual waiver of consequential damages.

39. D — Fraud vitiates the consent essential to a valid contract. The contractor may seek rescission of the contract, recover damages for costs incurred in reliance on the misrepresentation, and may be entitled to punitive damages if the fraud was willful. Concealing known environmental contamination is a clear example of fraudulent inducement.

40. C — The statute of repose establishes an absolute outer time limit (measured from substantial completion) beyond which no construction defect claim may be filed, regardless of

when the defect is discovered. Unlike the statute of limitations (which runs from discovery), the statute of repose provides a definitive cutoff that protects contractors from indefinite liability exposure.

DOMAIN 9: BUSINESS ORGANIZATION (Questions 41–42)

41. B — The IRS may challenge an unreasonably low SCorporation salary. If a shareholder performs substantial services, the salary must be reasonable for the duties performed. An artificially low salary designed to convert wages to distributions to avoid employment taxes may result in IRS reclassification of distributions as wages, triggering back taxes, penalties, and interest.

42. D — SCorporation tax treatment allows the LLC to split income between salary (subject to employment taxes) and distributions (not subject to selfemployment tax). Under default LLC treatment, all net income is subject to selfemployment tax. The savings can be significant for profitable companies, though the salary must be reasonable per IRS requirements.

DOMAIN 10: RISK MANAGEMENT (Questions 43–46)

43. C — Excavating within 5 feet of an adjacent foundation requires comprehensive precautionary measures: preconstruction condition survey, vibration and movement monitoring, properly designed excavation support, ongoing monitoring program, and communication with the adjacent owner. These measures protect both the adjacent structure and the contractor from liability claims.

44. A — A standard flammable storage cabinet may hold a maximum of 60 gallons of Class I or Class II flammable liquids, or 120 gallons of Class III combustible liquids. No more than three cabinets may be in a single fire area without additional protection. These limits are established by OSHA and NFPA 30 to minimize fire risk on construction sites.

45. D — Under designbuild, the contractor assumes singlesource responsibility for both design and construction. A design error by the contractor's inhouse architect is the designbuild contractor's liability. The contractor's professional liability insurance should respond to the \$200,000 correction cost. The CGL policy's professional services exclusion would deny coverage.

46. B — Multiple parties may have standing to bring construction defect claims: the original owner, subsequent purchasers (through implied warranties or negligence), the condominium homeowners' association (for common elements), and individual unit owners (for defects affecting their units). Privity of contract is not always required under Alabama law for certain claim types.

DOMAIN 11: SAFETY, RECORDKEEPING, AND ENVIRONMENTAL (Questions 47–50)

47. D — Engulfment hazards in construction are most commonly associated with excavation and trench work where soil collapse can bury workers. OSHA's excavation standard specifically addresses engulfment as a primary hazard requiring protective systems (sloping, shoring, or shielding) whenever workers enter excavations deeper than 5 feet.

48. C — PCB-containing ballasts must be removed intact without rupturing the capacitor, placed in leakproof containers, labeled as PCB waste, and disposed of at an authorized facility. Ruptured ballasts that leak PCB fluid require hazardous materials cleanup. PCBs are persistent environmental toxins regulated under TSCA with significant penalties for improper handling.

49. D — OSHA requires a minimum of 5 footcandles for general construction areas. First aid stations and offices require 30 footcandles, and detailed work may require higher levels. Adequate illumination prevents accidents caused by poor visibility and ensures workers can identify hazards, read labels, and perform quality work.

50. B — IAQ management during construction protects the finished building's air quality by covering stored absorptive materials, using MERV 8+ filtration on HVAC systems operating during construction, controlling dust through ventilation and source containment, and prohibiting indoor smoking. These measures prevent construction contaminants from being trapped in the finished building.