

PRACTICE EXAM 14: 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 operating as an LLC in Alabama has three members. One member, who also serves as the qualifying party, files for personal bankruptcy. The LLC itself remains financially solvent with adequate net worth and working capital. Under Alabama licensing regulations, how does the qualifying party's personal bankruptcy affect the company's license?

A. The LLC's license is automatically revoked because any member's personal bankruptcy disqualifies the entity

B. The qualifying party's personal bankruptcy may trigger a Board review of the company's license — while the LLC is a separate legal entity, the qualifying party's financial difficulties may raise questions about the individual's fitness to serve as qualifying party; the Board may require additional financial documentation or a replacement qualifying party

C. Personal bankruptcy of a member has no effect on the LLC's license under any Alabama regulation

D. The LLC must immediately dissolve and reincorporate as a new entity with a different business name

2. Under Alabama law, a property owner decides to act as the "ownerbuilder" and personally manage the construction of a \$300,000 commercial retail building without hiring a licensed general contractor. The owner will hire licensed subcontractors for all trade work. Under Alabama licensing law, is this arrangement legal?

- A. Yes, because property owners are always exempt from licensing regardless of building type or project value
- B. Yes, because using licensed subcontractors eliminates all licensing requirements for the overall project
- C. No, because only licensed general contractors may manage any construction project in Alabama
- D. The legality depends on Alabama's specific ownerbuilder provisions — while some states allow property owners to act as their own general contractor for certain projects, Alabama licensing law may require a licensed general contractor for commercial construction above the threshold; the owner should verify the specific exemptions before proceeding

3. A contractor holds an Alabama license and completes a project. Two years after completion, a former subcontractor files a complaint with the Licensing Board alleging that the contractor failed to pay \$35,000 for completed work. Under Alabama licensing regulations, does the Board have jurisdiction over this payment dispute?

- A. The Board may have jurisdiction because failure to pay subcontractors for completed work may constitute a violation of licensing law — the Board investigates complaints involving the conduct of licensees, and nonpayment to subcontractors may reflect on the contractor's fitness to hold a license, even though the underlying payment dispute is also a civil matter
- B. The Board has no jurisdiction over any financial disputes between contractors and subcontractors
- C. The Board's jurisdiction expired six months after project completion for all complaint types
- D. Only disputes exceeding \$100,000 fall within the Board's jurisdiction for investigation purposes

4. Under Alabama licensing law, the Board has established a schedule of penalties for various violations. A contractor who performs work exceeding the monetary limitation of the license faces specific consequences. Beyond the standard disciplinary penalties, what practical business consequence does this violation create?

- A. The only consequence is a \$50 administrative fee added to the next annual renewal invoice
- B. No practical business consequences exist beyond a notation in the contractor's Board file
- C. The contract for the overlimit project may be deemed unenforceable, meaning the contractor cannot use the courts to collect payment — combined with potential license suspension, the

contractor risks both losing the ability to collect for completed work and losing the ability to perform future work

D. The violation results only in a mandatory onehour continuing education class at the Board's office

5. A licensed contractor in Alabama is hired for a \$180,000 residential addition. During construction, the homeowner asks the contractor to also install a swimming pool valued at \$45,000. The contractor has never installed a pool and holds no specialty pool contractor license. Under Alabama licensing law, what should the contractor do?

A. Install the pool because the contractor's general license covers all types of residential construction work

B. The contractor should determine whether pool installation requires a separate specialty license in Alabama and, if so, subcontract the pool work to a properly licensed pool contractor rather than selfperforming work outside the contractor's area of licensure and expertise

C. Install the pool because the \$45,000 value is below the \$50,000 licensing threshold for all work types

D. Refuse the pool work entirely because licensed contractors may never add scope to existing contracts

6. Under Alabama law, a contractor's license application includes a sworn statement that all information provided is true and accurate. If the Board later discovers that the applicant understated outstanding debts on the financial statement by \$200,000, making the company appear more financially stable than it actually is, what additional legal exposure does the contractor face beyond Board disciplinary action?

A. No additional legal exposure exists beyond the Board's administrative authority over the license

B. The understatement is a minor bookkeeping error that carries no legal consequence outside the Board

C. The contractor faces additional exposure only if the debt understatement exceeds \$500,000 in total

D. The contractor may face criminal prosecution for making false statements on a sworn government application — submitting materially false financial information on a state licensing application constitutes fraud that may be prosecuted independently of the Board's administrative proceedings

7. A contractor's license renewal application is due on September 30. The contractor mails the renewal application and fee on September 25 via standard firstclass mail. The Board does not receive the application until October 4 — four days after the deadline. Under Alabama licensing regulations, what is the status of the license?

A. The license may have lapsed on October 1 because the Board measures timeliness by the date of receipt, not the date of mailing — the contractor should have submitted the renewal early enough to ensure receipt before the deadline or used a delivery method that provides proof of timely receipt

B. Mailing the application five days before the deadline guarantees timely renewal regardless of delivery

C. The Board automatically extends all deadlines by 30 days for applications sent by standard mail

D. The postmark date always controls and the renewal is considered timely if mailed before the deadline

8. Under Alabama licensing law, a corporation that holds a contractor's license undergoes a change in majority ownership — the original shareholders sell their shares to new investors. The qualifying party remains the same. Under Alabama licensing regulations, must this ownership change be reported to the Board?

A. Ownership changes do not need to be reported as long as the qualifying party remains unchanged

B. Only changes involving foreign (nonU.S.) investors trigger a reporting obligation to the Board

C. A change in majority ownership must be reported to the Board because it constitutes a material change to the licensed entity — the Board may review the new owners' qualifications, financial standing, and fitness; failure to report the ownership change may constitute a licensing violation

D. Ownership changes are relevant only if the corporation's name also changes simultaneously

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

9. A contractor is preparing a bid for a commercial project and the specifications include a "cash allowance" of \$75,000 for specialty lighting fixtures to be selected by the interior

designer during construction. Under standard bidding practice, the contractor includes the \$75,000 allowance in the bid. However, the contractor is uncertain how to handle the installation labor for the fixtures that are not yet selected. Under standard estimating practice, what should the contractor do?

A. Exclude all installation labor from the bid because the fixtures are not yet selected and cannot be priced

B. Include the \$75,000 cash allowance for the fixtures plus zero installation labor since the allowance covers everything

C. Include the \$75,000 cash allowance for materials only and double it for an assumed installation labor cost

D. Include the \$75,000 cash allowance for the fixtures and separately estimate the installation labor based on reasonable assumptions about the type and complexity of specialty lighting typical for this project type — the installation labor is the contractor's responsibility and should be priced in the bid even though the specific fixtures are not yet selected

10. A contractor's estimator is reviewing the bid documents and notices that the geotechnical report included in the bid package contains soil boring data from only three locations on a 5-acre commercial site. The estimator believes additional borings are needed to accurately assess subsurface conditions. Under standard bidding practice, what risk does limited geotechnical data create for the contractor?

A. Limited boring data always guarantees that the soil conditions are uniform across the entire site

B. Limited geotechnical data increases the risk of encountering unforeseen subsurface conditions (rock, groundwater, contaminated soil, poor bearing capacity) that were not identified by the sparse boring program — the contractor should increase the earthwork contingency, note the limited data as a bid assumption, and consider submitting a prebid RFI requesting additional borings

C. Geotechnical data has no relevance to the contractor's bid and should never be reviewed by the estimator

D. The contractor should reduce the earthwork estimate to account for the limited data since fewer borings mean less soil to manage

11. A contractor is evaluating a "cost-plus-percentage-fee" contract structure for a commercial project. Under this arrangement, the contractor's fee is calculated as a fixed percentage of the

actual construction cost. Under standard construction practice, what inherent problem does this fee structure create?

- A. The cost-plus-percentage-fee structure creates the most favorable alignment of interests between parties
- B. The fee structure is ideal because it guarantees the contractor will minimize costs on every project
- C. The structure has no inherent problems and is the preferred contract type for all commercial construction
- D. The cost-plus-percentage-fee creates a perverse incentive — the contractor's fee increases as costs increase, meaning the contractor financially benefits from higher costs rather than lower costs; this misalignment of interests discourages cost control and is prohibited on federal government projects

12. A contractor is preparing a bid for a public project in Alabama and must include "sales tax" on materials. Under Alabama's tax structure, what is the general approach to sales tax on construction materials purchased for a commercial project?

- A. All construction materials are exempt from sales tax in Alabama on both public and private projects
- B. Sales tax is paid only on materials exceeding \$10,000 per individual purchase order in Alabama
- C. Alabama generally requires sales tax on construction materials purchased by the contractor, and the contractor must include this cost in the bid — the tax rate includes state, county, and municipal components that vary by location; some public projects or specific entities may qualify for exemptions, but the contractor must verify exemption eligibility before excluding tax from the estimate
- D. Sales tax applies only to residential construction materials and never to commercial project materials

13. A contractor submits a bid on a negotiated commercial project and the owner requests a "value engineering" (VE) workshop after receiving the bid. During the workshop, the contractor identifies \$150,000 in potential savings by substituting the specified curtain wall system with a storefront system that meets the performance requirements. Under standard VE practice, how should this savings be documented and shared?

- A. The contractor keeps the full \$150,000 savings as a bonus for identifying the cost reduction opportunity

B. The savings are donated to a construction industry scholarship fund as required by Alabama regulations

C. The VE savings cannot be shared because curtain wall and storefront systems are never interchangeable

D. The VE proposal should be formally documented with a cost comparison, performance verification, and any design implications, then presented to the owner and architect for approval — the savings are typically shared between the owner and contractor per the contract's VE sharing provision, incentivizing the contractor to identify savings while benefiting the owner

DOMAIN 3: LIEN LAWS (Questions 14–15)

14. Under Alabama's mechanics' lien law, a contractor must file the lien statement with the specific government office designated by statute. Where must a mechanics' lien be filed in Alabama?

A. Mechanics' liens are filed with the Alabama Licensing Board for General Contractors as the designated office

B. Mechanics' liens must be filed in the office of the judge of probate in the county where the property is located — the probate court maintains the public land records, and filing in the correct county ensures the lien appears in title searches and provides public notice of the claim against the property

C. Mechanics' liens are filed with the Alabama Secretary of State's office in Montgomery for all counties

D. Mechanics' liens are filed only with the project architect's office as the designated recording authority

15. A general contractor on a commercial project wants to protect the property owner from subcontractor mechanics' lien claims. The contractor offers to provide the owner with a "payment bond" even though the project is privately funded and no bond is legally required. Under standard construction practice, how does a voluntary payment bond benefit the property owner?

A. The payment bond provides a source of payment for subcontractors and suppliers, directing their payment claims to the bond rather than to the property through mechanics' liens — with a payment bond in place, subcontractors who are not paid by the GC may make claims against the bond surety rather than filing liens against the owner's property, protecting the owner's clear title

- B. Payment bonds provide no benefit to property owners and serve only as contractor marketing tools
- C. Payment bonds eliminate all construction risks for the owner including schedule delays and cost overruns
- D. Payment bonds replace the need for any construction contract between the owner and the contractor

DOMAIN 4: FINANCIAL MANAGEMENT (Questions 16–20)

16. A contractor's financial advisor explains the concept of "working capital turnover" — the ratio of annual revenue to average working capital. The company has annual revenue of \$6,000,000 and average working capital of \$400,000, producing a working capital turnover of 15.0. Under financial management principles, what does a high working capital turnover ratio indicate?

- A. A high turnover ratio always indicates the company is extremely profitable with no financial concerns
- B. A high turnover ratio indicates the company has excessive working capital that should be immediately spent
- C. Working capital turnover has no financial significance and should not be monitored by company management
- D. A working capital turnover of 15.0 indicates the company is generating \$15 of revenue for every \$1 of working capital — while this shows efficient use of working capital, an excessively high ratio may indicate the company is undercapitalized and vulnerable to cash flow disruptions if payments are delayed or unexpected costs arise

17. A contractor is reviewing the company's "job cost detail report" for an active project and notices that the "committed costs" (subcontracts and purchase orders) total \$850,000, while the original budget for those items was \$800,000. No change orders have been approved. Under standard cost management practice, what does this \$50,000 gap indicate?

- A. The committed cost overage has no significance because only actual paid costs matter for cost management
- B. The \$50,000 gap indicates that the contractor has committed to spending \$50,000 more than budgeted for subcontracts and materials — even though the money has not yet been spent, the

contractual obligation exists and will likely result in a cost overrun unless savings are found elsewhere in the budget

C. The committed costs should always exceed the budget by at least 10% as a standard industry practice

D. Only costs that have been invoiced and paid affect the projected cost — commitments are not considered

18. A contractor completes a project and the owner withholds \$30,000 of the final retainage, claiming the contractor has not completed the closeout documentation (asbuilt drawings, O&M manuals, training). Under standard construction accounting, how should the contractor record this withheld amount?

A. The \$30,000 should be recorded as an account receivable (retainage receivable) with a notation that the amount is being withheld pending completion of closeout documentation — the contractor should prioritize completing the documentation to trigger the payment, and if the amount is at risk of noncollection, the contractor should consider an allowance for doubtful accounts

B. The \$30,000 should be written off immediately as an uncollectible loss on the income statement

C. The withheld amount should be recorded as revenue already earned with no further action required

D. Retainage withheld for incomplete closeout is never recorded on the contractor's financial statements

19. A contractor's accountant explains that the company should track the "contract backlog trend" over time. Over the past 12 months, the company's backlog has declined from \$4,500,000 to \$1,800,000. Under financial management principles, what concern does this declining backlog trend raise?

A. A declining backlog is always a positive sign indicating the company is completing projects efficiently

B. Backlog trends have no relevance to the company's future revenue or financial planning activities

C. The declining backlog from \$4.5M to \$1.8M is a significant concern because it indicates the company's future revenue pipeline is shrinking — if the trend continues without new contract

awards, the company will face revenue shortfalls, underutilized workforce, inability to cover fixed overhead costs, and potential financial distress within the next few months

D. Backlog declines are relevant only for companies with annual revenue exceeding \$20 million

20. A contractor's financial statement shows "prepaid expenses" of \$45,000 on the balance sheet. The prepaid expenses include insurance premiums paid in advance, bond premiums, and equipment rental deposits. Under standard accounting principles, why are prepaid expenses classified as current assets?

A. Prepaid expenses are classified as liabilities because they represent money the company owes to others

B. Prepaid expenses are not recorded on the balance sheet and appear only on the income statement

C. Prepaid expenses are classified as fixed assets because they relate to longterm insurance contracts

D. Prepaid expenses are classified as current assets because they represent payments made in advance for services or benefits that will be consumed within the next 12 months — the company has already paid for these items and will receive their economic benefit in the current fiscal year

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

21. Under federal tax law, a contractor must determine the proper tax treatment for "mobilization costs" incurred at the beginning of a construction project. Mobilization includes moving equipment to the site, setting up temporary facilities, and establishing site access. Under IRS rules, how should mobilization costs be treated for tax purposes?

A. Mobilization costs must be capitalized and depreciated over 39 years as a building improvement cost

B. Mobilization costs are never deductible and must be permanently excluded from the tax return

C. Mobilization costs are generally treated as contract costs and recognized as expense proportionally over the life of the contract under the contractor's method of accounting — they are not immediately deductible in full when incurred but are allocated to the contract period

D. Mobilization costs are always fully deductible in the year incurred regardless of the contract duration

22. A contractor is reviewing the company's workers' compensation insurance policy and notices a "voluntary compensation endorsement." Under standard workers' compensation insurance practice, what does this endorsement provide?

A. The voluntary compensation endorsement eliminates all workers' compensation coverage for the company

B. The voluntary compensation endorsement extends workers' compensationtype benefits to employees who are not covered by the mandatory workers' compensation law — such as corporate officers who have elected exclusion or employees in states where the employer falls below the employee threshold; it provides coverage voluntarily beyond the statutory minimum

C. The endorsement requires the employer to pay double benefits for all claims during the policy period

D. The endorsement applies only to retired employees who return to work on a parttime consulting basis

23. Under Alabama law, a contractor who pays employees in cash without proper documentation or payroll tax withholding faces multiple legal consequences. Which of the following is a consequence of paying employees "under the table" in cash without proper recordkeeping?

A. Paying cash without withholding is legal as long as the employer maintains a personal handwritten log

B. Cash payments without proper documentation carry no legal consequences in the construction industry

C. Paying cash without records affects only the employee's tax obligation with no employer consequences

D. The contractor faces liability for unpaid payroll taxes (FICA, FUTA, SUTA, income tax withholding), penalties and interest from the IRS and Alabama Department of Revenue, potential workers' compensation premium fraud charges, and possible criminal prosecution for tax evasion — the employees are also deprived of Social Security credits and unemployment insurance eligibility

24. A contractor's CGL insurance policy contains a "subcontractor exception to the yourwork exclusion." Under standard CGL policy terms, what does this exception provide?

A. The subcontractor exception restores coverage for property damage to the contractor's completed work when the damage is caused by a subcontractor's defective work — the standard CGL policy excludes damage to the contractor's own work, but this exception carves back coverage when the damage to the overall project was caused by a subcontractor's portion rather than the contractor's own forces

B. The exception eliminates all subcontractorrelated coverage from the CGL policy entirely

C. The exception requires subcontractors to purchase the GC's CGL policy rather than their own

D. The exception applies only to subcontractors performing work valued at less than \$5,000

25. Under federal tax law, a contractor who provides vehicles to employees must determine whether the vehicle is a "qualified nonpersonal use vehicle" exempt from personal use taxation. Which of the following vehicles would typically qualify as a nonpersonal use vehicle?

A. A luxury sedan provided to the company's CEO for commuting and personal errands on weekends

B. A standard pickup truck without modifications used by the project superintendent for mixed business and personal use

C. A clearly marked, permanently modified construction vehicle (such as a dump truck, concrete mixer, or crane truck) that is unsuitable for personal use due to its specialized construction — these vehicles are exempt from personal use taxation because their design makes personal use impractical

D. A companyprovided sports car used exclusively for entertaining clients at sporting events

26. A contractor is reviewing the company's "loss control" program recommended by the workers' compensation insurance carrier. The carrier offers a 5% premium credit for implementing the recommended program. Under standard insurance practice, what does a loss control program include?

A. A loss control program includes workplace safety inspections, hazard identification and correction, employee training programs, accident investigation procedures, returntowork programs for injured workers, and management commitment to safety — the program reduces claim frequency and severity, which in turn reduces the EMR and future premiums

- B. Loss control programs include only the purchase of additional insurance policies with no safety components
- C. Loss control programs apply only to manufacturing companies and have no construction application
- D. Loss control programs consist solely of monthly premium payments with no operational changes required

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

27. Under the Occupational Safety and Health Act, an employer has the right to contest an OSHA citation and proposed penalty. After receiving a citation, the employer has a specific number of days to file a notice of contest. What is the deadline for contesting an OSHA citation?

- A. The employer has 60 calendar days from receipt of the citation to file a notice of contest with OSHA
- B. The employer has one calendar year from the date of the inspection to contest the citation
- C. OSHA citations cannot be contested and the employer must accept all penalties as issued
- D. The employer must file a written notice of contest within 15 working days after receipt of the citation — if the employer does not contest within this period, the citation and proposed penalty become a final order of the Occupational Safety and Health Review Commission and are not subject to further review

28. A contractor employs both exempt (salaried) and nonexempt (hourly) employees. A nonexempt employee works the following schedule during one workweek: Monday 10 hours, Tuesday 10 hours, Wednesday 10 hours, Thursday 10 hours, Friday 8 hours. The employee's regular hourly rate is \$25.00. Under FLSA, what is the employee's total gross pay for this workweek?

- A. \$1,200.00 calculated as 48 hours \times \$25.00 with no overtime premium applied to any hours
- B. The employee earns \$1,300.00 — 40 hours at \$25.00/hour (\$1,000.00) plus 8 overtime hours at \$37.50/hour ($1.5 \times \$25.00 = \$37.50 \times 8 = \300.00) for a total of \$1,300.00; overtime under FLSA is calculated weekly, not daily
- C. \$1,800.00 calculated as 48 hours \times \$37.50 with the overtime rate applied to all hours worked

D. \$1,500.00 calculated as 40 hours × \$37.50 with overtime applied only to the first 40 hours worked

29. Under Alabama employment law, a contractor's employee handbook includes an "atwill employment" disclaimer. The handbook also includes a detailed progressive discipline policy with specific steps (verbal warning, written warning, suspension, termination). A terminated employee argues that the progressive discipline policy created an implied contract requiring the employer to follow all steps before termination. Under Alabama law, how might a court view this argument?

A. The court may consider whether the detailed progressive discipline policy, combined with the employee's reliance on it, created an implied contract modifying the atwill relationship — Alabama courts have recognized that sufficiently detailed handbook policies may create enforceable obligations, even with an atwill disclaimer, depending on the specific language and the employee's reasonable expectations

B. An atwill disclaimer always overrides every other provision in the handbook without any exception

C. Handbook policies can never create implied contracts under Alabama law regardless of the language used

D. Only union employees may argue that handbook policies create implied contracts in Alabama

30. A contractor operates in an area with a high Spanishspeaking worker population. The contractor's toolbox talks and safety meetings are conducted entirely in English. Several Spanishspeaking workers cannot understand the safety instructions. Under OSHA regulations, what violation exists?

A. No violation exists because OSHA requires safety communication only in English on all construction sites

B. No violation exists because workers are responsible for learning English before starting construction work

C. OSHA requires that safety training and hazard communication be provided in a language that workers can understand — conducting safety meetings only in English when workers speak only Spanish fails to effectively communicate hazard information, violating the intent of OSHA's training and Hazard Communication standards

D. Language requirements apply only to workers employed for more than one year by the same contractor

31. Under the Employee Polygraph Protection Act (EPPA), employers are generally prohibited from requiring employees to take lie detector tests as a condition of employment. In the construction context, under what limited circumstances might a polygraph test be permitted?

A. Polygraph tests are permitted for all job applicants in the construction industry without any restriction

B. Polygraph tests are prohibited under all circumstances with absolutely no exceptions for any employer

C. Polygraph tests are permitted only for employees earning above \$100,000 per year in salaried positions

D. The EPPA allows limited use of polygraph testing during investigations of specific incidents involving economic loss (such as theft or embezzlement) where the employer has reasonable suspicion that a specific employee was involved — the test must follow strict procedural requirements including advance notice and the employee's right to refuse

DOMAIN 7: PROJECT MANAGEMENT (Questions 32–34)

32. A contractor is managing a commercial project and must prepare a "baseline schedule" for the owner's approval before construction begins. Under standard CPM scheduling practice, what characteristics must the baseline schedule exhibit to be accepted as a valid project control tool?

A. The baseline schedule must include all contractrequired activities with logical relationships (predecessors and successors), realistic durations based on the planned resources, identification of the critical path, milestone dates matching the contract requirements, and sufficient detail to monitor progress — the schedule must be achievable and reflect the contractor's actual plan for executing the work

B. The baseline schedule requires only a list of start and finish dates with no logical connections between tasks

C. The baseline schedule needs only three activities: mobilization, construction, and demobilization for approval

D. The baseline schedule may be submitted as a blank template to be filled in after construction begins

33. A contractor is tracking a project's "submittal log" and discovers that 15 submittals have been "rejected" by the architect over the past two months. The resubmission cycle adds approximately 3 weeks per submittal. Under standard project management practice, what schedule impact do rejected submittals create?

A. Rejected submittals have no schedule impact because submittal review occurs independently of construction

B. Rejected submittals always result in automatic time extensions regardless of whether they affect the critical path

C. Each rejected submittal adds approximately 3 weeks to the procurement timeline for that product, potentially delaying the associated installation activity — if the delayed product is on or near the critical path, the cumulative effect of 15 rejections can significantly extend the project completion date; the contractor should investigate why submittals are being rejected (wrong product, incomplete data, noncompliant materials) and correct the root cause

D. Submittal rejections affect only the architect's workload and have no impact on the construction schedule

34. A contractor's project manager is evaluating whether to use a "timeandmaterials" (T&M) or "lump sum" pricing approach for a 500squarefoot tenant improvement project within an existing occupied building. The existing conditions are largely unknown because the owner could not provide asbuilt drawings. Under standard project management practice, which pricing approach is more appropriate and why?

A. Lump sum is always more appropriate because it provides the owner with a guaranteed maximum price

B. Both approaches are identical and the choice makes no difference for this type of undefined scope work

C. T&M pricing is prohibited for all tenant improvement projects under Alabama construction regulations

D. T&M pricing is more appropriate for this project because the unknown existing conditions make it impossible to accurately estimate the scope — a lump sum price would require significant contingency that the owner pays whether the risk materializes or not, while T&M allows the owner to pay for actual conditions encountered; a nottoexceed cap can limit the owner's maximum exposure

DOMAIN 8: CONTRACT MANAGEMENT (Questions 35–40)

35. Under Alabama contract law, a contractor signs a subcontract that includes a "conditional payment" clause tying subcontractor payment to the general contractor's receipt of payment from the owner for the subcontractor's work. The owner subsequently files for bankruptcy and

never pays the GC for the subcontractor's completed work. Under this clause, is the GC obligated to pay the subcontractor?

A. The GC must always pay the subcontractor regardless of the conditional payment clause language

B. The outcome depends on whether the clause is interpreted as "paywhenpaid" (a timing mechanism) or "payifpaid" (an absolute condition precedent) — Alabama courts examine the specific contract language to determine the parties' intent; if the clause is a true payifpaid provision, the GC may not be obligated to pay when the owner's bankruptcy makes payment impossible

C. The GC automatically receives a full refund from the owner's bankruptcy estate for all subcontractor costs

D. Conditional payment clauses are void in Alabama and the GC must always pay within 24 hours

36. A contractor is reviewing a proposed contract that includes a "waiver of claims" provision stating that the contractor's acceptance of final payment constitutes a waiver of all claims against the owner except those previously submitted in writing. Under Alabama contract law, what practical effect does this provision have?

A. The waiver of claims provision means the contractor must identify and submit all claims in writing before accepting final payment — any claims not previously documented in writing are waived upon accepting the final check; this provision incentivizes contractors to submit claims promptly during the project rather than accumulating them for a final settlement

B. The waiver provision has no legal effect and the contractor may submit new claims at any time after final payment

C. The waiver applies only to claims under \$10,000 and does not affect larger disputed amounts

D. Waiver of claims provisions are prohibited in all Alabama construction contracts by state statute

37. Under Alabama law, a contractor discovers during construction that compliance with the contract specifications will violate the local building code. The contractor notifies the architect, who insists that the contractor follow the specifications as written. Under standard contract provisions and Alabama law, what is the contractor's obligation?

- A. The contractor must follow the architect's instruction because the architect has absolute authority over design
- B. The contractor must follow whichever document was issued first — the specifications or the building code
- C. The contractor must comply with the building code even if it conflicts with the specifications — if the two conflict, the contractor should refuse to install the noncompliant work and insist on a resolution
- D. The contractor must comply with the building code, not the conflicting specification — the contractor has an independent obligation to comply with applicable laws and building codes, and constructing work that violates the code creates liability for the contractor regardless of the architect's instruction; the contractor should document the conflict and seek a change order for any cost impact

38. A construction contract includes a "retention of title" clause for materials stored on the construction site. The clause states that the contractor retains ownership of all stored materials until they are incorporated into the work and the contractor has been paid for them. Under Alabama law, what practical effect does this clause have?

- A. The clause has no practical effect because all materials on the construction site automatically belong to the owner
- B. The clause means the owner has no insurable interest in stored materials until they are incorporated into the work
- C. The retention of title clause protects the contractor's ownership interest in stored materials — if the owner fails to pay or the contract is terminated, the contractor may remove the unincorporated materials from the site because ownership has not transferred; however, this clause must be balanced against the owner's builder's risk insurance coverage and any security interest the owner may have under the contract
- D. Retention of title clauses apply only to materials valued at more than \$50,000 per individual delivery

39. A contractor is negotiating a change order with the owner for additional structural steel work required by a design revision. The contractor proposes a cost of \$85,000 but the owner's estimate is \$60,000. Under standard contract provisions, what mechanism exists when the parties cannot agree on the change order price?

- A. The project is automatically terminated when the parties cannot agree on any change order amount
- B. The architect or the contract's dispute resolution process may determine the fair price — under many contracts (including AIA A201), if the parties cannot agree on the cost of changed work, the architect makes a determination based on the contractor's documented costs, and either party may challenge that determination through the dispute resolution process
- C. The contractor may refuse to perform the changed work until a price is agreed upon by both parties
- D. The owner's estimate always governs when the parties disagree on any change order amount

40. A contractor completes a project and the owner's facility manager reports that the HVAC system is not performing as designed — interior temperatures are consistently 5°F above the setpoint during peak cooling conditions. The contractor's mechanical subcontractor tests the system and determines that all equipment was installed per the specifications. Under standard contract provisions, who is responsible for the HVAC performance gap?

- A. If the equipment was installed per the specifications and the performance gap results from a design deficiency (undersized equipment, inadequate ductwork, incorrect load calculations), the responsibility falls on the design professional (architect/engineer) who specified the system — the contractor's obligation is to install the system as designed, not to guarantee the design's performance; however, the contractor must cooperate in troubleshooting and may need to perform corrective work under a change order
- B. The contractor is automatically liable for all HVAC performance issues regardless of the design adequacy
- C. The owner bears sole responsibility because the HVAC system was operating when the owner took occupancy
- D. No one is responsible for performance gaps in HVAC systems because temperature variations are expected

DOMAIN 9: BUSINESS ORGANIZATION (Questions 41–42)

41. A contractor operates as an LLC and wants to create a separate LLC to hold the company's real estate (office building, equipment yard) while the construction business operates in the original LLC. Under Alabama law and standard business planning, what advantage does this "asset protection" structure provide?

- A. This structure provides no advantage because Alabama LLCs are not permitted to own real estate
- B. Separating the real estate into a distinct LLC protects those assets from the liabilities of the construction operations — if the construction LLC faces a lawsuit or financial difficulty, the real estate held in the separate LLC is shielded from the construction company's creditors; this structure isolates highvalue assets from the higherrisk construction business
- C. Separating assets into multiple LLCs is prohibited by Alabama law for all construction companies
- D. The separation provides only a tax benefit with no liability protection for the real estate assets

42. A contractor is considering converting from a CCorporation to an LLC taxed as an SCorporation. Under federal tax law and Alabama business law, what key limitation of SCorporation taxation should the contractor consider before making this conversion?

- A. SCorporation taxation allows unlimited shareholders of any type including foreign corporations and partnerships
- B. The contractor should consider that SCorporations are limited to 100 shareholders who must be U.S. citizens or resident individuals (no corporate shareholders), only one class of stock is permitted, and certain builtin gains from the CCorporation conversion may be taxable — these restrictions may limit future ownership transfers and investment options
- C. SCorporation taxation eliminates all state income tax obligations for the LLC permanently
- D. No limitations exist when converting from CCorporation to SCorporation taxation under any law

DOMAIN 10: RISK MANAGEMENT (Questions 43–46)

43. A contractor is performing foundation excavation for a commercial building and the excavation will extend below the water table. The dewatering plan includes pumping groundwater from the excavation. Under Alabama environmental law, what regulatory requirement applies to the discharge of pumped groundwater?

- A. Pumped groundwater may be discharged anywhere without permits because it is naturally occurring water

B. Pumped groundwater may be discharged directly into any storm drain or waterway without treatment

C. The contractor must comply with NPDES discharge permit requirements — pumped groundwater may contain sediment, petroleum, or other contaminants and cannot be discharged into waterways or storm drains without appropriate treatment and authorization; the SWPPP must address dewatering discharge management

D. Dewatering discharge is regulated only when the excavation exceeds 50 feet in depth below grade

44. Under Alabama law, a contractor who stores diesel fuel in an aboveground storage tank (AST) exceeding 1,320 gallons aggregate capacity on a construction site must comply with EPA's Spill Prevention, Control, and Countermeasure (SPCC) requirements. What does the SPCC plan require?

A. The SPCC plan is required only for underground storage tanks and does not apply to aboveground tanks

B. The SPCC plan requires no written documentation and consists only of a verbal commitment to prevent spills

C. The SPCC plan applies only to fuel storage at the contractor's permanent office, not at construction sites

D. The SPCC plan must include secondary containment (such as a dike or berm) capable of holding 110% of the tank's capacity, inspection and maintenance procedures, spill response equipment and procedures, employee training, and a written plan certified by a professional engineer — the plan prevents oil from reaching navigable waters

45. A contractor's risk management plan identifies "subcontractor insolvency" as a high-priority risk on a \$5,000,000 commercial project. The largest subcontract (mechanical) is valued at \$1,200,000. Under standard risk management practice, what proactive measures should the contractor implement to manage this risk?

A. No proactive measures exist for subcontractor insolvency risk in the construction industry

B. The contractor should require a performance bond from the mechanical subcontractor, verify the subcontractor's financial statements and bonding capacity before award, monitor the subcontractor's payment of lower-tier subs and suppliers, maintain a list of qualified backup mechanical contractors, include robust default provisions in the subcontract, and make timely payments to reduce financial stress

C. The contractor should simply self-perform the \$1,200,000 mechanical scope to eliminate all subcontractor risk

D. The contractor should require the mechanical subcontractor to deposit \$1,200,000 in escrow before starting

46. A contractor is evaluating the company's overall "risk appetite" — the level of risk the company is willing to accept in pursuing business opportunities. Under standard business risk management principles, what factors should determine the contractor's risk appetite?

A. The risk appetite should be determined by the contractor's financial capacity (bonding limits, working capital, insurance coverage), management expertise, project experience with similar work types, the current economic environment, the company's existing backlog, and the potential consequences of a loss — companies with strong finances and deep experience can accept higher risk than thinly capitalized companies

B. All construction companies should have identical risk appetites regardless of size, experience, or finances

C. Risk appetite applies only to insurance purchasing decisions and not to project selection or bidding

D. The company's risk appetite should be the maximum possible level regardless of financial capacity

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

47. Under OSHA's construction safety standards, a contractor must implement "crane safety" procedures when operating mobile cranes on the construction site. Before each crane lift, the crane operator must verify the load weight against the crane's load chart. Under OSHA's crane and derrick standard (29 CFR 1926 Subpart CC), what is the maximum percentage of the crane's rated capacity at which lifts should generally be performed?

A. Lifts should generally not exceed 75% to 85% of the crane's rated capacity at the working radius — operating at or near 100% capacity significantly increases the risk of tipping, structural failure, or loss of load; maintaining a safety margin accounts for dynamic loading, wind, and ground conditions

B. All lifts must be performed at exactly 100% of the crane's rated capacity for maximum efficiency

- C. The crane's rated capacity is irrelevant and the operator may lift any weight regardless of the chart
- D. Lifts should never exceed 25% of the rated capacity, limiting the crane to onequarter of its capability

48. A contractor is performing renovation work in a commercial building and discovers that the existing ceiling tiles contain chrysotile asbestos at 3% concentration. Under OSHA's asbestos construction standard (29 CFR 1926.1101), what "class" of asbestos work does the removal of these ceiling tiles represent?

- A. Any removal of asbestoscontaining ceiling tiles is classified as Class IV asbestos work (maintenance only)
- B. Removal of nonfriable ceiling tiles is classified as Class III asbestos work (repair and maintenance operations)
- C. All asbestos work is classified as Class I regardless of the material type, friability, or removal method
- D. Removal of asbestoscontaining ceiling tiles is typically classified as Class II asbestos work — Class II covers the removal of nonthermal system insulation ACM, including ceiling tiles, floor tiles, roofing materials, and similar materials; the classification determines the specific exposure controls, work practices, and worker protection requirements

49. Under OSHA's construction safety standards, a contractor must conduct a "job safety analysis" (JSA) before workers begin a highhazard activity such as steel erection. The JSA must be communicated to all workers performing the activity. Under standard safety practice, when must the JSA communication occur?

- A. The JSA must be communicated to workers only after the activity is complete as a postactivity review
- B. The JSA must be communicated to all workers before they begin the highhazard activity — typically during a pretask safety briefing at the start of the work shift, ensuring every worker understands the specific hazards, control measures, emergency procedures, and their individual responsibilities for that day's activities
- C. The JSA is communicated only to the project superintendent and never shared with the field workers
- D. JSA communication is optional and may be omitted on projects with fewer than 10 workers onsite

50. A contractor is constructing a commercial building on a site where the environmental assessment identified a "brownfield" condition — previous industrial contamination exists in the soil. Under EPA's brownfield program and Alabama environmental regulations, what additional requirements apply to construction on a brownfield site?

A. Brownfield sites require no additional environmental considerations beyond standard construction practices

B. Brownfield sites are permanently prohibited from any construction or development activity under EPA regulations

C. Only residential construction is restricted on brownfield sites and commercial construction is fully exempt

D. Construction on a brownfield site must comply with any remediation plan, institutional controls, and engineering controls established as part of the environmental cleanup — the contractor must manage contaminated soil properly, protect workers from exposure to contaminants, implement vapor barriers or other engineering controls as required, and comply with all ADEM and EPA conditions for the site's reuse

Practice Exam 14: Answer Key and Explanations

DOMAIN 1: LICENSING REQUIREMENTS (Questions 1–8)

1. B — While the LLC is a separate legal entity that remains solvent, the qualifying party's personal bankruptcy may raise concerns about the individual's fitness to serve in that role. The Board may review the situation, request additional financial documentation from the company, or require designation of a replacement qualifying party whose personal financial standing is not compromised.

2. D — Whether a property owner may act as an ownerbuilder on a commercial project depends on Alabama's specific exemption provisions. Some states allow ownerbuilders for personal residences but not commercial properties. The owner should verify Alabama's specific ownerbuilder exemptions before proceeding without a licensed general contractor, as commercial construction may not qualify.

3. A — The Board may have jurisdiction because nonpayment to subcontractors for completed work may constitute conduct unbecoming a licensee and reflect on the contractor's fitness to hold a license. While the payment dispute is also a civil matter that may be pursued in court, the Board's authority extends to investigating licensee conduct that violates professional standards.

4. C — Performing work beyond the monetary limitation is equivalent to unlicensed contracting. The contract may be deemed unenforceable, meaning the contractor cannot use the courts to collect payment for completed work. Combined with potential license suspension, the contractor faces the devastating double consequence of losing both the ability to collect and the ability to work.

5. B — The contractor should determine whether pool installation requires a separate specialty license in Alabama. If so, the pool work must be subcontracted to a properly licensed pool contractor. Selfperforming unfamiliar work outside the contractor's area of expertise and licensure creates regulatory, quality, and liability risks.

6. D — Understating debts by \$200,000 on a sworn application constitutes material false statements on a government document. Beyond Board disciplinary action, the contractor may face criminal prosecution for fraud. Making false statements on sworn applications is a crime independent of the administrative licensing consequences.

7. A — The Board typically measures timeliness by the date of receipt, not the date of mailing. A renewal mailed five days before the deadline via standard mail may not arrive in time. The contractor should submit renewals well in advance or use a delivery method that provides proof of timely receipt, such as certified mail or hand delivery.

8. C — A change in majority ownership constitutes a material change to the licensed entity that must be reported to the Board. The Board may review the new owners' qualifications, financial standing, and fitness to hold a contractor's license. Failure to report ownership changes may constitute a separate licensing violation.

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

9. D — The cash allowance covers the fixture cost only. The contractor must separately estimate the installation labor based on reasonable assumptions about specialty lighting typical for the project type. Even though the specific fixtures are unknown, the contractor can estimate labor for installation, wiring connections, and coordination based on the project's scope and complexity.

10. B — Only three borings on a 5-acre site provide sparse subsurface data. The contractor faces increased risk of encountering unexpected conditions between boring locations. The estimator should increase the earthwork contingency, note the limited data as a bid assumption, and consider requesting additional borings through a prebid RFI.

11. D — The cost-plus-percentage-fee structure creates a perverse incentive: the contractor's fee grows as costs increase, financially rewarding higher costs rather than efficiency. This misalignment discourages cost control. Federal law prohibits this structure on government projects, and most industry professionals consider it the least desirable contract type.

12. C — Alabama generally requires sales tax on construction materials purchased by the contractor. The total rate includes state, county, and municipal components that vary by location. The contractor must include the applicable tax in the estimate, verify any exemption eligibility for specific project types, and apply the correct combined rate for the project's location.

13. D — The VE proposal must be formally documented with cost analysis, performance verification, and design impact assessment. After owner and architect approval, the savings are shared per the contract's VE provision (typically 50/50). Formal documentation protects all parties and ensures the substitute meets the project's functional requirements.

DOMAIN 3: LIEN LAWS (Questions 14–15)

14. B — Mechanics' liens in Alabama must be filed in the office of the judge of probate in the county where the property is located. The probate court maintains public land records, and proper filing ensures the lien appears in title searches. Filing in the wrong county or wrong office may render the lien invalid against the property.

15. A — A voluntary payment bond directs subcontractor payment claims to the bond surety rather than to the owner's property through mechanics' liens. With a payment bond in place, subcontractors who are not paid have a claim against the bond rather than the property, protecting the owner's clear title and reducing the risk of lien filings.

DOMAIN 4: FINANCIAL MANAGEMENT (Questions 16–20)

16. D — A working capital turnover of 15.0 shows the company generates \$15 of revenue per \$1 of working capital. While this demonstrates efficient capital use, an excessively high ratio may indicate undercapitalization. If payments are delayed or unexpected costs arise, the thin working capital cushion may be insufficient to maintain operations.

17. B — The \$50,000 committed cost overage represents a contractual obligation to spend more than budgeted. Even though the money hasn't been paid yet, the signed subcontracts and purchase orders create a binding financial commitment. The overrun will materialize unless savings are found elsewhere or the commitments are renegotiated.

18. A — The withheld retainage should be recorded as an account receivable with a notation about the documentation contingency. The contractor should prioritize completing the closeout deliverables to trigger payment. If collection risk increases, an allowance for doubtful accounts may be appropriate to reflect the uncertainty.

19. C — A backlog decline from \$4.5M to \$1.8M signals a shrinking revenue pipeline. Without new contract awards, the company faces revenue shortfalls, underutilized workforce, inability to cover fixed overhead, and potential financial distress. The contractor must intensify business development efforts to rebuild the backlog.

20. D — Prepaid expenses (insurance premiums, bond premiums, rental deposits) are current assets because the economic benefit will be consumed within the next 12 months. The company has already paid for these services and will receive their benefit during the current fiscal year, making them a form of prepaid value on the balance sheet.

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

21. C — Mobilization costs are contract costs recognized as expense proportionally over the contract's life under the contractor's accounting method. They are not immediately deductible when incurred because they relate to the entire contract period. The cost is allocated across the project timeline, matching the expense with the revenue it helps generate.

22. B — The voluntary compensation endorsement extends workers' compensation-type benefits to employees not covered by the mandatory law — such as excluded corporate officers or employees in situations below the statutory threshold. It provides voluntary coverage beyond what the law requires, protecting both the employer and the otherwise-uncovered workers.

23. D — Paying employees under the table creates multiple legal consequences: liability for unpaid payroll taxes, IRS and state penalties and interest, potential workers' compensation premium fraud charges, possible criminal prosecution for tax evasion, and deprivation of employees' Social Security credits and unemployment insurance eligibility.

24. A — The subcontractor exception restores CGL coverage for damage to the contractor's completed work when the damage was caused by a subcontractor's defective portion. Without this exception, the "your work" exclusion would deny coverage for all damage to the completed project, even when a subcontractor's defective work caused the damage.

25. C — Clearly marked, permanently modified construction vehicles (dump trucks, concrete mixers, crane trucks) are qualified nonpersonal use vehicles because their specialized design makes personal use impractical. These vehicles are exempt from personal use taxation, unlike standard pickups or sedans that employees can reasonably use for personal purposes.

26. A — A loss control program includes safety inspections, hazard identification, employee training, accident investigation, return-to-work programs, and management safety commitment. These measures reduce claim frequency and severity, which directly improves the EMR and lowers future workers' compensation premiums — creating a virtuous cycle of safety and cost savings.

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

27. D — The employer must file a written notice of contest within 15 working days after receiving the OSHA citation. Missing this deadline makes the citation and penalty a final, unappealable order. The notice of contest must be filed with the OSHA area director and initiates a formal hearing process before the Occupational Safety and Health Review Commission.

28. B — The employee worked 48 hours total: 40 regular hours at \$25.00 (\$1,000.00) plus 8 overtime hours at \$37.50 ($1.5 \times \$25.00 = \$37.50 \times 8 = \300.00) for a total of \$1,300.00. FLSA overtime is calculated on a workweek basis (hours over 40), not on a daily basis. Federal law does not require daily overtime.

29. A — Alabama courts may consider whether a detailed progressive discipline policy created an implied contract modifying the at-will relationship. If the handbook language is sufficiently specific and the employee reasonably relied on it, the policy may create enforceable obligations despite the at-will disclaimer. Clear, consistent disclaimer language is critical.

30. C — OSHA requires safety communication in a language workers can understand. Conducting meetings entirely in English when workers speak only Spanish fails to communicate hazard information effectively. The contractor must provide bilingual trainers, translated materials, or other methods that ensure all workers comprehend the safety instructions.

31. D — The EPPA allows limited polygraph use during investigations of specific economic loss incidents where the employer has reasonable suspicion about a specific employee. Strict procedural requirements apply including advance written notice, the employee's right to legal counsel, the right to refuse, and limitations on how the results may be used.

DOMAIN 7: PROJECT MANAGEMENT (Questions 32–34)

32. A — A valid baseline schedule must include all activities with logical relationships, realistic durations, critical path identification, milestone dates matching the contract, and sufficient detail for progress monitoring. The schedule must be achievable and reflect the contractor's actual execution plan. A schedule without logic, unrealistic durations, or missing activities is not a valid control tool.

33. C — Each rejected submittal adds approximately 3 weeks to the procurement timeline. Fifteen rejections can cumulatively delay multiple installation activities and potentially extend the project. The contractor must investigate the root causes of rejection — wrong products, incomplete data, noncompliant materials — and correct them to prevent continued delays.

34. D — T&M pricing is more appropriate for undefined scope because the owner pays for actual conditions encountered rather than a contingency-loaded lump sum. Unknown existing conditions make accurate lump sum pricing impossible. A nottoexceed cap provides the owner with maximum exposure protection while maintaining the flexibility to address unforeseen conditions.

DOMAIN 8: CONTRACT MANAGEMENT (Questions 35–40)

35. B — The outcome depends on whether the clause is interpreted as paywhenpaid (timing) or payifpaid (condition precedent). Alabama courts examine the specific language to determine intent. A true payifpaid provision may relieve the GC of the obligation when the owner's bankruptcy makes payment impossible, while paywhenpaid requires payment within a reasonable time regardless.

36. A — The waiver of claims provision requires the contractor to identify and submit all claims in writing before accepting final payment. Any undocumented claims are permanently waived upon accepting the final check. This incentivizes prompt claim submission during the project and creates finality at project closeout.

37. D — The contractor must comply with the building code even when it conflicts with the specifications. The contractor has an independent legal obligation to deliver code-compliant work. Constructing work that violates the code creates liability for the contractor regardless of the architect's instruction. The contractor should document the conflict and seek a change order.

38. C — The retention of title clause protects the contractor's ownership of stored materials until they are incorporated into the work and paid for. If the owner defaults or the contract is terminated, the contractor may remove unincorporated materials because ownership has not transferred. This is particularly important for expensive specialty materials.

39. B — When parties cannot agree on a change order price, the architect or the contract's dispute resolution process determines the fair price. Under AIA A201, the architect may make a determination based on documented costs. Either party may challenge that determination through the dispute resolution process if they disagree with the architect's valuation.

40. A — If the equipment was installed per the specifications and the performance gap results from inadequate design, the design professional bears responsibility for the undersized or improperly specified system. The contractor's obligation is to install the system as designed, not to guarantee the design's performance. Corrective work by the contractor would be performed under a change order.

DOMAIN 9: BUSINESS ORGANIZATION (Questions 41–42)

41. B — Separating real estate into a distinct LLC isolates highvalue assets from the construction company's liabilities. If the construction LLC faces a lawsuit or financial difficulty, the real estate LLC's assets are protected from the construction company's creditors. This structure is a common asset protection strategy for construction business owners.

42. B — SCorporation taxation limits the company to 100 shareholders who must be U.S. citizens or residents, permits only one class of stock, and may trigger builtin gains tax from CCorporation conversion. These restrictions may limit future ownership transfers, investor options, and equity structuring. The contractor should evaluate these limitations against the tax savings benefits.

DOMAIN 10: RISK MANAGEMENT (Questions 43–46)

43. C — Pumped groundwater may contain sediment, petroleum, or other contaminants and cannot be discharged without appropriate treatment and NPDES permit authorization. The SWPPP must address dewatering management, including settlement basins, filtration, and discharge monitoring. Discharging contaminated groundwater directly into waterways violates the Clean Water Act.

44. D — The SPCC plan requires secondary containment holding 110% of tank capacity, inspection and maintenance procedures, spill response equipment and procedures, employee training, and professional engineer certification of the written plan. The plan prevents oil from reaching navigable waters and applies to aboveground storage exceeding 1,320 gallons aggregate capacity.

45. B — Comprehensive subcontractor insolvency management includes requiring performance bonds, verifying financial statements before award, monitoring payment flows to lowertier subs, maintaining backup contractor lists, including robust default provisions, and making timely payments. Multiple protective layers reduce the impact if the subcontractor becomes insolvent.

46. A — Risk appetite should be calibrated to the company's financial capacity, management depth, relevant experience, current backlog, insurance coverage, and the consequences of potential losses. Wellcapitalized companies with deep experience can accept higher risk than thinly capitalized firms. Risk appetite is not static — it should be reassessed as conditions change.

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

47. A — Lifts should generally not exceed 75% to 85% of the crane's rated capacity at the working radius. Operating near 100% capacity significantly increases the risk of tipping, structural failure, or load loss. The safety margin accounts for dynamic loading effects, wind gusts, uneven ground conditions, and load weight uncertainty.

48. D — Removal of asbestoscontaining ceiling tiles is typically classified as Class II asbestos work under OSHA's standard. Class II covers removal of nonthermal system insulation ACM including ceiling tiles, floor tiles, and roofing. The classification determines specific exposure controls, containment requirements, work practices, and worker protection levels.

49. B — The JSA must be communicated to all workers before they begin the highhazard activity, typically during a pretask safety briefing. Every worker must understand the specific hazards, control measures, emergency procedures, and individual responsibilities. Communicating the JSA after the work is complete defeats its purpose of preventing injuries.

50. D — Brownfield construction must comply with all remediation plans, institutional controls, and engineering controls from the environmental cleanup. The contractor must properly manage contaminated soil, protect workers from contaminant exposure, install required engineering controls (vapor barriers, cap systems), and comply with all ADEM and EPA conditions governing the site's reuse.