

PRACTICE EXAM 12: ALABAMA BUSINESS & LAW SIMULATION

Time allowed: 120 minutes | Questions: 50 | Passing score: 70% (35 correct)

Instructions for this exam: Each item presents a sentence with one or two blanks marked by underscores. Select the option that correctly completes the sentence. For multi-blank items, all blanks must be filled correctly by the selected option.

1. The Alabama Licensing Board for General Contractors regulates commercial work at or above _____ and all public works regardless of value, while residential one- and two-family dwellings fall under the jurisdiction of the _____.

- A. \$50,000 / Alabama Home Builders Licensure Board
- B. \$25,000 / Alabama Department of Revenue under business privilege rules
- C. \$10,000 / Alabama Licensing Board for General Contractors for residential
- D. \$100,000 / Alabama Secretary of State business division

2. A contractor must designate a replacement qualifying party within _____ of the original QP's departure or the license is subject to _____.

- A. 30 days / immediate revocation by Board order
- B. 90 days / probationary status of one year
- C. 60 days / suspension
- D. 120 days / a \$1,000 administrative fine

3. The Alabama Licensing Board for General Contractors consists of _____ members, with the maximum civil penalty per violation set at _____.

- A. 7 contractors and 2 public members / \$5,000 per occurrence
- B. 9 public members appointed by the Governor / \$25,000 per occurrence
- C. 5 contractors and 4 public members / \$2,500 per occurrence
- D. 8 contractors and 1 public member / \$10,000 per violation

4. A person must be at least _____ years of age to qualify for licensure under the Alabama General Contractors Board, and license renewal must be completed _____.

- A. 18 / every 2 years on a staggered cycle
- B. 19 / annually
- C. 21 / every 3 years on a cycle set by the Board
- D. 25 / every 5 years for active contractors

5. Performing contracting work without a required Alabama license renders the contract _____ and exposes the unlicensed contractor to penalties under _____ jurisdiction.

- A. voidable at the owner's option / federal antitrust review
- B. fully enforceable in court / Department of Revenue penalty
- C. enforceable subject to a civil penalty / Public Service Commission
- D. unenforceable by the unlicensed contractor / Alabama Licensing Board

6. The NASCLA Accredited Commercial Building Contractor examination satisfies the _____ portion of contractor licensure in 17 participating jurisdictions including Alabama, but it does not satisfy the _____ examination requirement.

- A. trade / Business and Law
- B. Business and Law / experience verification
- C. experience / financial statement review
- D. financial / trade competency

7. A QP under the Alabama General Contractors Board must be a natural person with at least _____ years of construction experience, and the QP relationship is verified at _____.

- A. 3 / each annual renewal
- B. 5 / hire only, with no subsequent verification
- C. 10 / Board disciplinary hearings only
- D. 7 / each project closeout

8. The Alabama Business and Law examination is administered by _____ and requires a passing score of _____ to qualify for license issuance.

- A. NCEES / 75% raw score
- B. ICC / 80% scaled score
- C. NASCLA / 65% raw score
- D. PSI / 70%

9. The federal Social Security tax rate is _____ paid by the employee and matched by the employer, while the Medicare tax rate is _____ paid by each party.

- A. 7.65% / 1.45% with no employer match
- B. 6.2% / 2.9% on all wages without cap
- C. 6.2% / 1.45%
- D. 12.4% / 2.9% on all wages above \$200,000

10. FUTA imposes federal unemployment tax at an effective rate of _____ on the first _____ of each employee's annual wages after the standard state credit.

- A. 0.6% / \$7,000
- B. 6.0% / \$7,000 of annual wages
- C. 1.45% / \$8,000 of annual wages

D. 0.9% / \$200,000 of annual wages

11. Form 941 reports federal income tax withholding and FICA quarterly and is due _____, while Form 940 reports annual FUTA and is due _____.

A. the 15th of the following month / March 15 of the following year

B. the last day of the month following the quarter / January 31

C. the 5th of the following month / February 28 of the following year

D. quarterly on March 31, June 30, September 30, and December 31 / June 30

12. The Alabama SUTA wage base is _____ per employee per year, and the SUTA rate assigned to a specific employer is determined through _____.

A. \$7,000 / a flat statutory rate set by federal law

B. \$14,000 / a contractor lottery managed by the Board

C. \$9,500 / the employer's federal EIN classification only

D. \$8,000 / the experience rating system

13. Form I-9 employment eligibility verification must be completed within _____ business days of an employee's start date, and the form must be retained for the longer of _____ after the employee's separation.

A. 5 / 5 years after hire or 1 year after separation

B. 3 / 3 years after hire or 1 year after separation

C. 7 / 7 years after hire or 2 years after separation

D. 10 / 2 years after hire or 6 months after separation

14. Form W-2 must be furnished to employees and filed with the _____ no later than _____ of the year following the calendar year of wages.

- A. IRS / February 15 of each year
- B. ADOR / March 31 of each year
- C. SSA / January 31
- D. DOL / April 30 of each year

15. For a contract to be enforceable, four essential elements must be present: offer, acceptance, _____, and the _____ of both parties.

- A. consideration / legal capacity
- B. estoppel / advance written approval
- C. mutual mistake / oral confirmation under oath
- D. liquidated damages / Board acknowledgement on file

16. A change order is a _____ executed document modifying the contract, while a Construction Change Directive (CCD) is _____ by the owner when the parties cannot agree on price or time impact.

- A. unilaterally / bilaterally signed by contractor and surety
- B. bilaterally / unilaterally issued
- C. surety-authorized / arbitrator-issued by an industry panel
- D. court-ordered after litigation / privately negotiated with the architect

17. A liquidated damages clause is enforceable under Alabama law when the amount reflects a reasonable estimate of _____ at the time of _____.

- A. recoverable attorney fees / litigation commencement
- B. final contract value adjustments / project closeout review
- C. consequential damages and lost profits / breach
- D. anticipated damages / contract formation

18. Substantial completion is the milestone at which the owner can _____, marking the start of the _____ period under the contract.

- A. occupy the project for its intended use / warranty
- B. release retainage entirely without holdback / bid bond
- C. begin demolition of temporary structures / cure
- D. file suit for delay damages / lien filing

19. A pay-if-paid clause creates a _____ shifting credit risk of owner default to the subcontractor, while a pay-when-paid clause is interpreted as setting only a _____ for payment.

- A. surety obligation under the bond / fixed contractual date
- B. tort duty to mitigate damages / mandatory statutory deadline
- C. condition precedent / reasonable timing expectation
- D. void provision under public policy / regulatory cap on payment

20. Under the Alabama Statute of Frauds, a contract for the sale of real property or any agreement that cannot be performed within _____ must be _____ to be enforceable.

- A. 30 days / notarized by an Alabama notary
- B. 6 months / signed by a disinterested witness
- C. one year / in writing and signed by the party to be charged
- D. five years / approved by the probate court of the county

21. The Alabama Public Works Law (Title 39) requires advertised competitive bidding for public construction projects at or above _____, while the Alabama Competitive Bid Law (Title 41-16) applies to general state procurement at or above _____.

- A. \$25,000 / \$5,000 for goods and services
- B. \$100,000 / \$20,000 for state purchases

C. \$75,000 / \$25,000 for non-construction goods

D. \$50,000 / \$15,000

22. A bid bond is typically issued at _____ of the bid amount and guarantees that the awarded bidder will _____.

A. 100% / complete the project on schedule under the contract

B. 5% / execute the contract and provide required bonds

C. 25% / pay all subcontractors during construction operations

D. 10% / waive lien rights upon project closeout and final acceptance

23. A contractor's total bid price is built up by adding _____ to direct cost, applying general overhead percentage to the subtotal, and then applying _____ as the final layer.

A. profit margin / job overhead and general conditions

B. payroll taxes and labor burden / contingency reserves

C. retainage withholdings / contingency for unknowns

D. job overhead / profit

24. Under the Alabama bid mistake doctrine, a bidder may withdraw its bid before acceptance only when the mistake is _____ and the bidder gives _____ to the awarding authority.

A. discovered after award by the owner / oral notice by phone

B. discretionary in nature / no notice at all

C. minor and discretionary in scope / informal email notice only

D. a material clerical or mathematical error / prompt written notice with documentation

25. Pre-bid activities for a public project follow this sequence: review of documents, _____, quantity takeoff, and pricing with applied markups to produce the _____.

- A. site visit and confirmation of field conditions / final bid total
- B. final inspection of completed work / progress invoice for billing
- C. submission of the lien statement / closeout package for the owner
- D. negotiated change order with the owner / certificate of occupancy

26. The percentage-of-completion method recognizes revenue based on the ratio of _____ to _____, while the completed-contract method defers revenue recognition until substantial completion.

- A. final contract price / billings to date by the contractor
- B. cash received from owner / contract price as adjusted
- C. costs incurred to date / total estimated costs at completion
- D. man-hours used / total labor hours budgeted for the project

27. Working capital is calculated as _____ minus _____ and is a key short-term liquidity measure scrutinized by sureties.

- A. total assets / total liabilities of the business
- B. revenue / cost of goods sold for the period
- C. retainage receivable / accounts payable to subs
- D. current assets / current liabilities

28. An overbilling on a contractor's WIP schedule is recognized on the balance sheet as a _____ titled "_____ on uncompleted contracts."

- A. current liability / billings in excess of costs and estimated earnings
- B. long-term asset / earned but unbilled revenue accrual
- C. shareholder equity item / retained profit on contracts
- D. deferred income account / amortizable goodwill recognition

29. A conditional lien waiver becomes effective only upon _____, while an unconditional lien waiver is effective _____.

- A. notarization by a state notary / one year after signing by the claimant
- B. court approval of the waiver / only after final payment is received
- C. actual receipt of the payment specified / immediately upon signing regardless of payment
- D. owner ratification in writing / only when the project is substantially complete

30. Net worth is computed as _____ minus _____ and represents the equity available to absorb business risk.

- A. revenue / expenses for the period
- B. current assets / long-term liabilities only
- C. retained earnings / dividends declared during the year
- D. total assets / total liabilities

31. Under the Fair Labor Standards Act, non-exempt employees must be paid overtime at _____ times the regular rate for all hours worked in excess of _____ in a workweek.

- A. 1.5 / 40 hours
- B. 1.0 / 35 hours regular schedule
- C. 2.0 / 45 hours regular schedule
- D. 1.25 / 48 hours regular schedule

32. Alabama workers' compensation coverage is mandatory once an employer regularly employs _____ or more employees, and TTD benefits are payable at _____ of the worker's average weekly wage subject to the statutory cap.

- A. 3 / 50% of average weekly wage
- B. 10 / 100% of average weekly wage

C. 1 / 80% of average weekly wage

D. 5 / 66 2/3%

33. Title VII of the Civil Rights Act prohibits employment discrimination based on race, color, religion, sex, or national origin and applies at _____ or more employees, while the ADEA prohibits age-based discrimination against workers _____ and older and applies at 20 or more employees.

A. 50 / age 50 and over

B. 25 / age 55 and over

C. 15 / 40

D. 10 / age 35 and over

34. Federal E-Verify is required for _____ Alabama employer under the _____, supplementing but not replacing Form I-9 verification.

A. every / Beason-Hammon Alabama Taxpayer and Citizen Protection Act

B. only a federal contracting / Davis-Bacon Act prevailing wage rules

C. only an employer with 50+ employees / Family and Medical Leave Act provisions

D. no / Alabama Public Records Act archival rules

35. The Family and Medical Leave Act provides up to _____ weeks of unpaid leave for qualifying family and medical reasons at employers with _____ or more employees within a 75-mile radius.

A. 6 / 25 employees in total workforce

B. 12 / 50

C. 16 / 100 employees in total workforce

D. 4 / 15 employees in total workforce

36. Commercial General Liability insurance covers _____ to third parties caused by the contractor's operations but excludes damage to _____ under the standard "your work" exclusion.

- A. bodily injury and property damage / the contractor's own completed work
- B. employee injuries on the job site / customer assets stored on site
- C. lost profits from business interruption / public works projects only
- D. legal fees and defense costs / subcontractor equipment rented to the prime

37. Builders' risk insurance covers _____ during the course of construction, while it does not cover _____ to non-project third parties.

- A. employee injuries on the job site / professional liability claims
- B. lost rents during construction / wage claims by subcontractors
- C. physical damage to the project under construction including installed materials / bodily injury or property damage
- D. design errors by architects / payroll exposure for contract labor

38. The four primary risk management strategies are: risk _____, risk reduction, risk _____, and risk retention.

- A. acceleration / certification under industry standards
- B. avoidance / transfer
- C. amortization over time / waiver of liability provisions
- D. concealment from the public / reassignment to a subsidiary

39. A waiver of subrogation is an insurance concession in which _____ gives up the right to pursue recovery from _____ after paying its insured's claim.

- A. the policyholder / its own insurer for additional benefits
- B. the insurer / a third party named in the waiver
- C. the contractor / the Department of Labor for back wages
- D. the public adjuster / the surety for bond payouts

40. An employer must report a work-related fatality to OSHA within _____ of learning of the death, and must report an in-patient hospitalization, amputation, or loss of an eye within _____.

- A. 24 hours / 72 hours of the incident occurrence
- B. 24 hours / 8 hours of the incident occurrence
- C. 8 hours / 24 hours
- D. 4 hours / 12 hours of the incident occurrence

41. OSHA Form 300A, the annual summary of work-related injuries and illnesses, must be posted in a conspicuous workplace location from _____ through _____ of each year following the year covered.

- A. January 1 / December 31 of the same calendar year
- B. March 1 / May 31 of the same calendar year
- C. February 1 / April 30
- D. June 1 / August 31 of the same calendar year

42. OSHA recordable injury and illness records (Forms 300, 300A, and 301) must be retained for _____ following the year they cover, and entries must be made within _____ of learning of the recordable incident.

- A. 3 years / 14 calendar days from incident knowledge
- B. 5 years / 7 calendar days
- C. 7 years / 3 business days from incident knowledge
- D. 10 years / 30 calendar days from incident knowledge

43. The NPDES Construction General Permit applies to construction activities disturbing _____ or more of land, and coverage requires development of a _____ on site prior to filing the Notice of Intent.

- A. 5 acres / Federal Environmental Action Plan filed with EPA

- B. 10 acres / Hazardous Waste Manifest filed with ADEM
- C. 1 acre / Stormwater Pollution Prevention Plan (SWPPP)
- D. 0.25 acre / Certificate of Stormwater Compliance with ADEM

44. The critical path on a CPM schedule is the _____ through the project network and has _____ total float on each of its activities.

- A. shortest path / maximum positive total float available
- B. lowest-cost path / negative float requiring crash analysis
- C. longest path / zero
- D. least-resourced path / unlimited float subject to leveling

45. A Schedule of Values breaks down the _____ into line items and is referenced each month on the _____ to bill for percent complete on each line.

- A. project schedule by activity / inspection report from the architect
- B. contract sum / Application for Payment
- C. final completion package / change order log for the project
- D. mechanic's lien filed against the property / arbitration claim before a panel

46. Retainage in Alabama public construction is typically withheld at _____ of progress payments and is generally released in two stages: the bulk at _____ and the remainder after punch list completion and final acceptance.

- A. 5–10% / substantial completion
- B. 25% / mobilization and site setup of the project
- C. 50% / bid award and contract execution
- D. 1–2% / contract execution prior to mobilization

47. Under Alabama mechanic's lien law, an original contractor with a direct contract with the owner must file the verified lien statement within _____ of the last item furnished, and any lawsuit to enforce the lien must be filed within _____ of the lien filing.

- A. 4 months / 4 months from filing of the lien statement
- B. 6 months / 6 months
- C. 1 year / 90 days from filing of the lien statement
- D. 30 days / 60 days from filing of the lien statement

48. A materialman without a direct contract with the owner must give written notice to the owner _____ furnishing materials to preserve full lien rights, and must file the verified lien statement within _____ of the last item furnished.

- A. after / 6 months from the last item furnished
- B. before / 4 months
- C. within 30 days of / 1 year from the last item furnished
- D. upon billing / 90 days from the last item furnished

49. To form an LLC in Alabama, the organizer files a _____ with the Alabama Secretary of State and the LLC is taxed by default as a _____ for federal tax purposes (single-member as disregarded, multi-member as a partnership).

- A. Certificate of Formation / pass-through entity
- B. Articles of Incorporation / C corporation under Subchapter C
- C. Bylaws Filing Statement / municipal entity under state law
- D. Stockholder Agreement / sole proprietorship under federal law

50. An S corporation election is made by filing IRS _____, and the federal C corporation tax rate is a flat _____ under current federal tax law.

- A. Form W-9 (Request for Taxpayer ID) / 15% on the first bracket

- B. Form 8832 (Entity Classification) / 24% on adjusted income
- C. Form SS-4 (Application for EIN) / 28% on net business income
- D. Form 2553 / 21%

PRACTICE EXAM 12: ANSWER KEY AND EXPLANATIONS

1. A — \$50,000 and the Alabama Home Builders Licensure Board. The Alabama Licensing Board for General Contractors holds jurisdiction over commercial work at or above \$50,000 and all public works regardless of value, while residential one- and two-family dwellings fall under HBLB. The split mirrors the legislative division of contractor regulation between commercial and residential markets in Alabama.
2. C — 60 days and suspension. A contractor must designate a replacement qualifying party within 60 days of the original QP's departure, and failure to do so subjects the license to suspension. The 60-day window protects continuity of technical oversight while giving the licensee time to identify and qualify a suitable replacement.
3. D — 8 contractors and 1 public member, with a \$10,000 maximum civil penalty per violation. The Alabama Licensing Board for General Contractors has nine members — eight licensed contractors plus one public member — and is authorized to impose civil penalties of up to \$10,000 per violation. The contractor-dominant composition reflects legislative intent that industry expertise drive Board decisions.
4. B — 19 years of age, with annual renewal. The Alabama age of majority is 19, which is also the minimum age for licensure, and license renewals are completed annually on a cycle established by the Board. Both parameters are foundational eligibility and continuity requirements for active Alabama contractors.
5. D — Unenforceable by the unlicensed contractor, with Board jurisdiction. Contracts performed by an unlicensed contractor for work requiring an Alabama license are unenforceable by the unlicensed party, and the Licensing Board has jurisdiction to impose civil penalties and other sanctions. This dual exposure — loss of payment rights and Board sanctions — is the principal deterrent against unlicensed contracting in Alabama.
6. A — Trade portion and Business and Law examination requirement. The NASCLA Accredited Commercial Building Contractor examination satisfies the trade portion of contractor licensure in 17 participating jurisdictions including Alabama but does not satisfy any state's Business and Law examination. The NASCLA route streamlines multi-state expansion but never replaces the state-specific Business and Law exam.
7. A — 3 years of experience, verified at each annual renewal. A QP must be a natural person with at least 3 years of construction experience, and the QP relationship is verified at each annual license renewal. The minimum experience standard ensures the responsible individual has practical exposure to the trade, and annual verification maintains accountability over time.
8. D — Administered by PSI with a passing score of 70%. The Alabama Business and Law examination is administered by PSI and requires a passing score of 70% to qualify for license issuance. Both parameters anchor the standardized examination process for Alabama contractor licensure.

9. C — 6.2% Social Security and 1.45% Medicare. The federal Social Security tax rate is 6.2% paid by the employee and matched by the employer up to the indexed annual wage base, while Medicare tax is 1.45% paid by each party on all wages without a wage base limit. These two rates together comprise the standard FICA structure.
10. A — 0.6% effective rate on the first \$7,000. FUTA imposes federal unemployment tax at an effective rate of 0.6% (after the standard state credit) on the first \$7,000 of each employee's annual wages. The capped wage base limits the per-employee FUTA exposure to approximately \$42 per year at the standard rate.
11. B — Last day of the month following the quarter, with Form 940 due January 31. Form 941 reports federal income tax withholding and FICA quarterly and is due by the last day of the month following the close of each quarter, while Form 940 reports annual FUTA and is due January 31. Both deadlines drive the federal payroll compliance calendar.
12. D — \$8,000 wage base under the experience rating system. The Alabama SUTA wage base is \$8,000 per employee per year, and the SUTA rate assigned to a specific employer is determined through the experience rating system based on prior unemployment claim activity. The experience rating tailors each employer's rate to its actual unemployment history.
13. B — Within 3 business days, retained for the longer of 3 years after hire or 1 year after separation. Form I-9 must be completed within 3 business days of the employee's start date, and the form must be retained for the longer of 3 years after hire or 1 year after separation. These deadlines are core federal immigration compliance requirements.
14. C — Filed with the SSA by January 31. Form W-2 must be furnished to employees and filed with the Social Security Administration no later than January 31 of the year following the calendar year of wages. Note the SSA — not the IRS — is the agency to which W-2s are filed; this is a common confusion point for contractors handling year-end reporting.
15. A — Consideration and legal capacity. The four essential elements of an enforceable contract are offer, acceptance, consideration (the bargained-for exchange of value), and legal capacity of the parties to enter the contract. These elements together form the common-law foundation of contract formation.
16. B — Bilaterally executed change order and unilaterally issued CCD. A change order is a bilaterally executed document signed by both owner and contractor reflecting agreement on scope, cost, and time impact, while a Construction Change Directive is unilaterally issued by the owner when the parties cannot agree on price or time impact. The CCD enables continued work while pricing is reconciled later, often through audit or a formal change order.
17. D — Anticipated damages at the time of contract formation. A liquidated damages clause is enforceable under Alabama law when the amount reflects a reasonable estimate of anticipated damages at the time of contract formation and actual damages would be difficult to ascertain. This standard distinguishes enforceable liquidated damages from unenforceable penalties.
18. A — Occupy the project for its intended use, with the warranty period beginning. Substantial completion is the contractual milestone at which the owner can occupy the project for its intended purpose, with minor punch list items remaining; it marks the start of the warranty period and triggers other legal consequences including the stopping of liquidated damages and release of bulk retainage.
19. C — Condition precedent and reasonable timing expectation. A pay-if-paid clause creates a true condition precedent shifting the credit risk of owner default to the subcontractor, while a pay-when-paid clause sets only a reasonable timing expectation that does not shift credit risk. The two clauses look similar but allocate risk in dramatically different ways.

20. C — One year, in writing and signed by the party to be charged. Under the Alabama Statute of Frauds, contracts for the sale of real property and agreements that cannot be performed within one year must be in writing and signed by the party to be charged to be enforceable. This written-signed requirement is the core protection of the statute against unverifiable oral claims.
21. D — \$50,000 (Public Works Law) and \$15,000 (Competitive Bid Law). The Alabama Public Works Law (Title 39) requires advertised competitive bidding for public construction projects at or above \$50,000, while the Alabama Competitive Bid Law (Title 41-16) requires competitive bidding for general state procurement at or above \$15,000. The two statutes apply different thresholds to different procurement categories.
22. B — 5% of the bid amount, guaranteeing contract execution and bond provision. A bid bond is typically issued at 5% of the bid amount and guarantees that the awarded bidder will execute the contract and furnish the required performance and payment bonds. If the bidder defaults on these obligations, the bond responds up to the bond amount.
23. D — Job overhead first, then profit last. A contractor's total bid price is built up by adding job overhead to direct cost, applying general overhead percentage to the cost-plus-job-overhead subtotal, and then applying profit as the final layer. This sequential markup chain produces the contract bid price.
24. D — Material clerical or mathematical error, with prompt written notice and documentation. Under the Alabama bid mistake doctrine, a bidder may withdraw a bid before acceptance only when the mistake is a material clerical or mathematical error and the bidder gives prompt written notice with supporting documentation to the awarding authority. The doctrine protects bidders against unconscionable enforcement of clear computational errors.
25. A — Site visit and confirmation of field conditions, producing the final bid total. Pre-bid activities follow the sequence: document review, site visit and confirmation of field conditions, quantity takeoff, and pricing with applied markups to produce the final bid total. Each step builds on the prior step's findings to produce a defensible bid.
26. C — Costs incurred to date over total estimated costs at completion. The percentage-of-completion method recognizes revenue based on the ratio of costs incurred to date over total estimated costs at completion (the cost-to-cost method), while the completed-contract method defers all revenue recognition until substantial completion. Percentage-of-completion is the standard method for long-term contracts under GAAP.
27. D — Current assets minus current liabilities. Working capital is calculated as current assets minus current liabilities and is a key short-term liquidity measure scrutinized by sureties when underwriting bonding capacity. Strong working capital signals the ability to fund ongoing operations and absorb short-term financial stress.
28. A — Current liability, titled "billings in excess of costs and estimated earnings." An overbilling is recognized on the balance sheet as a current liability titled "billings in excess of costs and estimated earnings on uncompleted contracts." This position reflects an obligation to deliver future work for which the contractor has already billed.
29. C — Actual receipt of the payment specified, while unconditional is effective immediately upon signing regardless of payment. A conditional lien waiver becomes effective only upon actual receipt of the payment specified, while an unconditional lien waiver is effective immediately upon signing regardless of whether payment is actually received. The conditional waiver is the safer instrument for the signing party because it protects against waiving rights without being paid.

30. D — Total assets minus total liabilities. Net worth is computed as total assets minus total liabilities and represents the equity available to absorb business risk. Net worth is a primary measure used by sureties, the Licensing Board, and lenders to assess overall financial strength of the contractor.
31. A — 1.5 times the regular rate for hours over 40. Under the Fair Labor Standards Act, non-exempt employees must be paid overtime at 1.5 times the regular rate for all hours worked in excess of 40 in a workweek. The 40-hour workweek threshold and the 1.5x multiplier are foundational federal wage-and-hour rules.
32. D — 5 or more employees, with TTD at 66 2/3% of average weekly wage. Alabama workers' compensation coverage is mandatory once an employer regularly employs 5 or more employees, and TTD benefits are payable at 66 2/3% of the worker's average weekly wage subject to the statutory cap. These two parameters anchor the Alabama workers' compensation framework.
33. C — 15 or more for Title VII, age 40 and older for ADEA. Title VII applies at 15 or more employees and prohibits discrimination based on race, color, religion, sex, or national origin; the ADEA applies at 20 or more employees and prohibits age-based discrimination against workers 40 and older. The different thresholds determine when each statute becomes applicable to a contractor's workforce.
34. A — Every Alabama employer, under the Beason-Hammon Act. Federal E-Verify is required for every Alabama employer under the Beason-Hammon Alabama Taxpayer and Citizen Protection Act, supplementing but not replacing Form I-9 verification. The state law's universal application is broader than the federal default, which mandates E-Verify only for certain federal contractors.
35. B — Up to 12 weeks, at 50 or more employees within a 75-mile radius. The Family and Medical Leave Act provides up to 12 weeks of unpaid leave for qualifying family and medical reasons at employers with 50 or more employees within a 75-mile radius. The 50-employee/75-mile radius threshold determines when the contractor falls within FMLA jurisdiction.
36. A — Bodily injury and property damage to third parties, excluding the contractor's own completed work. Commercial General Liability insurance covers bodily injury and property damage to third parties caused by the contractor's operations but excludes damage to the contractor's own completed work under the standard "your work" exclusion. The exclusion ensures CGL is not used as a warranty of the contractor's workmanship.
37. C — Physical damage to the project under construction (including installed materials) versus bodily injury or property damage to non-project third parties. Builders' risk insurance covers physical damage to the project under construction including materials installed and stored on site, while it does not cover bodily injury or property damage to non-project third parties (which is the province of CGL). The two policies cover non-overlapping exposures.
38. B — Risk avoidance and risk transfer. The four primary risk management strategies are risk avoidance, risk reduction, risk transfer, and risk retention. Each strategy reflects a different response to identified risk based on its probability, severity, and the contractor's risk tolerance.
39. B — The insurer gives up the right to pursue recovery from a third party named in the waiver. A waiver of subrogation is an insurance concession in which the insurer gives up the right to pursue recovery from a third party after paying its insured's claim. This reciprocal risk allocation to insurance carriers is standard in construction contracts to prevent intramural litigation between contracting parties.
40. C — 8 hours for fatality, 24 hours for in-patient hospitalization, amputation, or eye loss. Under 29 CFR 1904.39, employers must report work-related fatalities within 8 hours of learning of the death, and in-patient hospitalizations, amputations, or losses of an eye within 24 hours of learning of the event. The 8/24-hour structure is the foundation of OSHA's immediate-reporting framework.

41. C — February 1 through April 30. OSHA Form 300A (the annual Summary of Work-Related Injuries and Illnesses) must be posted in a conspicuous workplace location from February 1 through April 30 of each year following the year covered. The 3-month posting window ensures employees have visibility into workplace safety performance.
42. B — 5 years retention, with entries within 7 calendar days. OSHA recordable injury and illness records (Forms 300, 300A, and 301) must be retained for 5 years following the year they cover, and entries on the 300 Log must be made within 7 calendar days of learning of the recordable incident. Both deadlines are core recordkeeping compliance requirements.
43. C — 1 acre of disturbance, with development of a SWPPP. The NPDES Construction General Permit applies to construction activities disturbing 1 acre or more of land, and coverage requires development of a Stormwater Pollution Prevention Plan (SWPPP) on site prior to filing the Notice of Intent. The SWPPP-then-NOI sequence is the standard sequence for permit coverage.
44. C — Longest path through the project network, with zero total float on its activities. The critical path on a CPM schedule is the longest path through the project network and has zero total float on each of its activities. Any delay to a critical-path activity delays the project by an equal amount, making critical-path activities the focus of schedule control.
45. B — Contract sum broken down into line items, referenced on the Application for Payment. A Schedule of Values breaks down the contract sum into line items at project start and is referenced each month on the Application for Payment to bill for percent complete on each line. The SOV provides the structure, and each Application populates that structure with current period progress.
46. A — 5–10% retainage, with bulk release at substantial completion. Retainage in Alabama public construction is typically withheld at 5–10% of progress payments and is generally released in two stages: the bulk at substantial completion and the remainder after punch list completion and final acceptance. The two-stage release balances incentive to complete the work against contractor cash flow.
47. B — 6 months for both the lien filing and the lawsuit to enforce. An original contractor with a direct contract with the owner must file the verified lien statement within 6 months of the last item furnished, and the lawsuit to enforce the lien must be filed within 6 months of the lien filing date. Both deadlines are jurisdictional and unforgiving — missing either deadline forfeits the lien.
48. B — Before furnishing materials, with the lien statement filed within 4 months. A materialman without a direct contract with the owner must give written notice to the owner before furnishing materials to preserve full lien rights, and must file the verified lien statement within 4 months of the last item furnished. The pre-furnishing notice is the critical step that distinguishes the full-lien materialman from one with only limited lien rights against unpaid balances.
49. A — Certificate of Formation, taxed by default as a pass-through entity. To form an LLC in Alabama, the organizer files a Certificate of Formation with the Alabama Secretary of State, and the LLC is taxed by default as a pass-through entity (single-member as disregarded, multi-member as a partnership). The pass-through default avoids the double taxation inherent in the C corporation structure.
50. D — Form 2553 with the IRS, with a 21% federal C corporation rate. An S corporation election is made by filing IRS Form 2553 within the statutory window, and the federal C corporation tax rate is a flat 21% under current federal tax law (TCJA). The election shifts federal tax treatment from the corporate-level 21% rate with double taxation on distributions to pass-through treatment under Subchapter S.