

PRACTICE EXAM 14: ALABAMA BUSINESS & LAW SIMULATION

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

Instructions for this exam: Each item presents a set of four paired items (terms with definitions, statutes with thresholds, forms with purposes, etc.). Select the option in which all four pairings are correctly matched. Any single incorrect pairing within an option eliminates that option.

1. Which option correctly matches each Alabama regulatory body with its primary jurisdiction?

A. Alabama Licensing Board for General Contractors / residential one- and two-family dwellings | Home Builders Licensure Board / commercial work \$50,000+ | PSI / federal procurement | NASCLA / Alabama probate filings

B. Alabama Licensing Board for General Contractors / federal procurement | Home Builders Licensure Board / Alabama tax filings | PSI / residential dwellings | NASCLA / state environmental permits

C. Alabama Licensing Board for General Contractors / state environmental permits | Home Builders Licensure Board / federal contracts | PSI / Alabama tax filings | NASCLA / one- and two-family dwellings

D. Alabama Licensing Board for General Contractors / commercial work \$50,000+ and all public works | Home Builders Licensure Board / residential one- and two-family dwellings | PSI / examination administration | NASCLA / multi-state trade credential

2. Which option correctly matches each examination element with its administering body or function?

A. Trade examination / classification-specific technical knowledge | Business and Law examination / general business management and legal compliance | NASCLA examination / multi-state trade credential for 17 participating jurisdictions | PSI / test administration vendor for Alabama exams

B. Trade examination / general business management | Business and Law examination / multi-state trade credential | NASCLA examination / classification-specific technical knowledge | PSI / state environmental enforcement

C. Trade examination / state tax enforcement | Business and Law examination / classification-specific knowledge | NASCLA examination / payroll tax certification | PSI / multi-state credential issuance

D. Trade examination / multi-state credential | Business and Law examination / payroll certification | NASCLA examination / general business management | PSI / classification-specific knowledge

3. Which option correctly matches each licensing requirement with its standard?

A. Minimum age / 21 years | Minimum experience for QP / 5 years | QP replacement window / 30 days | Maximum civil penalty / \$5,000

B. Minimum age / 25 years | Minimum experience for QP / 1 year | QP replacement window / 90 days | Maximum civil penalty / \$25,000

C. Minimum age / 19 years | Minimum experience for QP / 3 years | QP replacement window / 60 days | Maximum civil penalty / \$10,000

D. Minimum age / 18 years | Minimum experience for QP / 10 years | QP replacement window / 120 days | Maximum civil penalty / \$50,000

4. Which option correctly matches each Alabama Licensing Board composition element with its detail?

A. Total members / 9 | Contractor members / 8 | Public members / 1 | License renewal cycle / annual

B. Total members / 7 | Contractor members / 5 | Public members / 2 | License renewal cycle / biennial

C. Total members / 11 | Contractor members / 9 | Public members / 2 | License renewal cycle / triennial

D. Total members / 5 | Contractor members / 3 | Public members / 2 | License renewal cycle / every 5 years

5. Which option correctly matches each license credential with its function?

A. QP designation / verifies financial position of the licensee | Bid limit / restricts geographic territory | License classification / sets renewal cycle | Reciprocity / authorizes any state license to work in Alabama

B. QP designation / identifies the natural person responsible for technical oversight | Bid limit / caps single-project value based on financial position | License classification / specifies trade scope authorized | Reciprocity / allows limited recognition between specific states with agreements

C. QP designation / sets renewal cycle | Bid limit / authorizes federal work | License classification / specifies tax category | Reciprocity / waives all examination requirements automatically

D. QP designation / waives the Business and Law exam | Bid limit / sets QP minimum experience | License classification / sets liability cap | Reciprocity / authorizes the NASCLA credential as universal

6. Which option correctly matches each disciplinary outcome with its consequence under Alabama law?

A. Suspension / permanent end of licensure | Revocation / temporary halt | Civil penalty / unlimited dollar amount per violation | Probation / immediate license termination

B. Suspension / immediate license termination | Revocation / temporary halt | Civil penalty / capped at \$1,000 | Probation / waiver of all rules for 1 year

C. Suspension / waiver of all rules | Revocation / temporary halt only | Civil penalty / capped at \$100,000 | Probation / permanent end of licensure

D. Suspension / temporary halt for a defined period after which operations may resume | Revocation / permanent termination of licensure requiring reapplication | Civil penalty / up to \$10,000 per violation | Probation / continued licensure under specified Board conditions

7. Which option correctly matches each bond type with its function?

A. Bid bond / guarantees completion of construction | Performance bond / guarantees payment to subs | Payment bond / guarantees bid execution | License bond / guarantees architect approval

B. Bid bond / guarantees payment to subs | Performance bond / guarantees bid execution | Payment bond / guarantees completion | License bond / guarantees insurance coverage

C. Bid bond / guarantees the awarded bidder will execute the contract | Performance bond / guarantees completion of the contract by the principal | Payment bond / guarantees payment to subcontractors and material suppliers | License bond / guarantees compliance with statutory and regulatory obligations

D. Bid bond / guarantees insurance limits | Performance bond / guarantees payroll tax remittance | Payment bond / guarantees Board approval | License bond / guarantees contract execution timeline

8. Which option correctly matches each Alabama license sanction with the procedural requirement?

A. Civil penalty / Board investigation, notice of charges, hearing with due process, written order | License suspension / Board investigation, notice of charges, hearing with due process, written order | License revocation / Board investigation, notice of charges, hearing with due process, written order | Cease and desist / Board investigation, notice of charges, hearing with due process, written order

B. Civil penalty / no hearing required for any amount imposed | License suspension / no hearing required prior to imposition | License revocation / hearing optional at Board discretion alone | Cease and desist / hearing required only after issuance of the order

C. Civil penalty / hearing waived if penalty under \$1,000 imposed | License suspension / hearing waived if voluntary surrender filed | License revocation / hearing waived in mutual surrender by licensee | Cease and desist / hearing waived automatically under all circumstances

D. Civil penalty / circuit court trial required before issuance | License suspension / arbitration required before issuance | License revocation / federal court required before issuance | Cease and desist / probate court required before issuance

9. Which option correctly matches each federal payroll form with its purpose?

A. Form 941 / quarterly report of wages, federal income tax withheld, and FICA | Form 940 / annual report of FUTA | Form W-2 / annual report of wages and withholdings for employees | Form 1099-NEC / annual report of nonemployee compensation

B. Form 941 / annual FUTA report submitted to the IRS | Form 940 / quarterly wage and FICA report submitted | Form W-2 / nonemployee compensation report for contractors | Form 1099-NEC / employee wage report for the year

C. Form 941 / employee wage report only at year-end | Form 940 / quarterly wage report submitted to IRS | Form W-2 / annual FUTA report submitted to IRS | Form 1099-NEC / FICA reconciliation submitted to SSA

D. Form 941 / monthly FICA deposit confirmation form | Form 940 / weekly federal income tax filing form | Form W-2 / quarterly FUTA reconciliation form | Form 1099-NEC / annual reconciliation only

10. Which option correctly matches each federal employment tax with its rate and wage base?

A. Social Security (employee) / 1.45% on all wages with no cap | Social Security (employer) / 6.2% on all wages no cap | Medicare (employee) / 6.2% with indexed cap on wages | Medicare (employer) / 1.45% with indexed cap on wages

B. Social Security (employee) / 6.2% on all wages no cap | Social Security (employer) / 1.45% on all wages capped | Medicare (employee) / 0.9% on all wages no cap | Medicare (employer) / 0.6% indexed annual amount

C. Social Security (employee) / 6.2% up to indexed wage base | Social Security (employer) / 6.2% up to indexed wage base | Medicare (employee) / 1.45% on all wages | Medicare (employer) / 1.45% on all wages

D. Social Security (employee) / 0.6% effective rate annually | Social Security (employer) / 0.9% additional on high wages | Medicare (employee) / 2.9% combined federal rate | Medicare (employer) / 6.2% up to wage base annually

11. Which option correctly matches each federal payroll tax with its wage base?

A. Social Security / indexed annual wage base | Medicare / no wage base limit | Additional Medicare surtax / wages above \$200,000 (employee only) | FUTA / \$7,000 wage base

B. Social Security / no wage base limit on annual wages | Medicare / \$200,000 wage base on annual wages | Additional Medicare surtax / first \$7,000 of annual wages | FUTA / indexed annual base on wages

C. Social Security / \$7,000 wage base on annual wages | Medicare / \$147,000 cap on annual wages | Additional Medicare surtax / employer match required on wages | FUTA / no wage base on annual wages

D. Social Security / \$8,000 wage base on annual wages | Medicare / \$50,000 cap on annual wages | Additional Medicare surtax / \$1,000 indexed on wages | FUTA / \$500,000 wage base on wages

12. Which option correctly matches each federal employment tax with its filing schedule?

A. Income tax withholding / monthly Form 940 filing required | FICA / annual Form 941 filing required | FUTA / quarterly Form 940 filing required | SUTA / federal Form 941 filing required

B. Income tax withholding / quarterly Form 941 | FICA / quarterly Form 941 | FUTA / annual Form 940 | SUTA / state agency quarterly report

C. Income tax withholding / annual Form 940 filing required | FICA / monthly only with no annual filing | FUTA / weekly W-2 filing required | SUTA / federal Form 941 filing required

D. Income tax withholding / federal weekly filing required | FICA / quarterly Form 940 filing required | FUTA / weekly federal filing required | SUTA / annual Form W-3 filing required

13. Which option correctly matches each new-hire compliance form with its deadline?

A. Form I-9 / completed within 3 business days of start | E-Verify / generally by 3 business days of start | Form W-4 / completed at hire | Form A-4 / completed at hire

B. Form I-9 / completed 30 days after start date | E-Verify / annual employer audit completed | Form W-4 / completed at year-end only | Form A-4 / not required in Alabama

C. Form I-9 / completed by 7 calendar days after start | E-Verify / quarterly submission only required | Form W-4 / completed only by full-time employees | Form A-4 / federal form only required

D. Form I-9 / completed at first paycheck issuance | E-Verify / completed 60 days after hire date | Form W-4 / completed at termination of employment | Form A-4 / completed by employer alone

14. Which option correctly matches each Alabama and federal wage threshold with its application?

A. FUTA quarterly threshold / \$7,000 | Alabama SUTA wage base / \$7,000 | FUTA wage base / \$1,500 | Workers' comp threshold / 1 employee

B. FUTA quarterly threshold / \$15,000 | Alabama SUTA wage base / \$15,000 | FUTA wage base / \$15,000 | Workers' comp threshold / 15 employees

C. FUTA quarterly threshold / \$200 | Alabama SUTA wage base / \$147,000 | FUTA wage base / \$250,000 | Workers' comp threshold / 50 employees

D. FUTA quarterly threshold / \$1,500 | Alabama SUTA wage base / \$8,000 | FUTA wage base / \$7,000 | Workers' comp threshold / 5 employees

15. Which option correctly matches each contract pricing structure with its risk allocation?

A. Lump sum / owner bears cost overrun risk | Cost plus fee / contractor bears cost overrun risk | Guaranteed maximum price / no party bears risk | Unit price / both parties share risk equally

B. Lump sum / contractor bears cost overrun risk in exchange for fixed price | Cost plus fee (without GMP) / owner bears cost overrun risk | Guaranteed maximum price / contractor bears risk above the GMP cap | Unit price / risk allocated by actual quantities measured

C. Lump sum / no party bears risk under standard terms | Cost plus fee / risk shared equally between parties | Guaranteed maximum price / contractor bears risk below the GMP cap | Unit price / contractor bears all risk regardless of quantities

D. Lump sum / surety bears risk under bonding rules | Cost plus fee / Board bears risk under licensing law | Guaranteed maximum price / architect bears risk under design | Unit price / supplier bears risk under purchase terms

16. Which option correctly matches each contract termination type with its consequence?

A. Termination for cause / no notice required, no compensation owed | Termination for convenience / requires unanimous shareholder vote first | Mutual termination / requires Board approval before effectiveness | Termination by breach / requires unilateral arbitration filing

B. Termination for cause / requires owner approval only by board | Termination for convenience / requires contractor approval only by manager | Mutual termination / requires Board approval before effectiveness | Termination by breach / requires surety approval before claim

C. Termination for cause / no compensation for work performed at all | Termination for convenience / no compensation owed to contractor | Mutual termination / no compensation owed by either party | Termination by breach / no remedy available to either party

D. Termination for cause / requires material breach, notice, and cure opportunity | Termination for convenience / permits owner to end contract without cause but with payment for work performed plus stated profit on completed work | Mutual termination / by written agreement of both parties | Termination by breach / damages action under contract law remedies

17. Which option correctly matches each change document with its execution requirement?

A. Change order / unilaterally issued by owner alone | Construction Change Directive (CCD) / bilaterally signed by owner and contractor | Field directive / surety executed prior to issuance | Letter of intent / Board approved prior to issuance

B. Change order / surety executed prior to issuance | Construction Change Directive (CCD) / Board approved prior to issuance | Field directive / architect executed only with bilateral agreement | Letter of intent / employee signed prior to project start

C. Change order / bilaterally signed by owner and contractor with cost and time impact agreed | Construction Change Directive (CCD) / unilaterally issued by owner when parties disagree on price or time | Field directive / minor non-cost change issued by architect | Letter of intent / preliminary commitment pending formal contract

D. Change order / federal court order required prior to issuance | Construction Change Directive (CCD) / arbitration order required prior to issuance | Field directive / federal regulator approval required | Letter of intent / probate court filing required

18. Which option correctly matches each contract milestone with its consequence?

A. Substantial completion / final payment due in full immediately | Final completion / warranty begins on the project | Punch list issuance / contract becomes void on issuance | Notice to Proceed / contract terminated immediately

B. Substantial completion / contract voided by issuance | Final completion / bid bond returned to contractor | Punch list issuance / liquidated damages start running | Notice to Proceed / arbitration triggered immediately

C. Substantial completion / warranty period starts, liquidated damages stop, bulk retainage released | Final completion / final payment due, remaining retainage released | Punch list issuance / list of items contractor must complete to reach final completion | Notice to Proceed / authorization for contractor to begin work

D. Substantial completion / contractor's surety released entirely from bond | Final completion / bid bond returned to the contractor | Punch list issuance / federal inspection required before issuance | Notice to Proceed / federal court order required first

19. Which option correctly matches each contract clause with its standard purpose?

A. Liquidated damages / penalize the owner financially | Force majeure / impose liability on the contractor | Indemnification / waive insurance coverage entirely | Termination for cause / pay bonus to contractor

B. Liquidated damages / pre-agreed measure of delay damages when actual damages are difficult to estimate | Force majeure / excuse performance for specified extraordinary events outside party control | Indemnification / one party agrees to hold the other harmless from specified claims | Termination for cause / right to end contract upon material breach with notice and cure

C. Liquidated damages / waive subrogation rights under insurance | Force majeure / require bid bond at signing | Indemnification / require surety bond at signing | Termination for cause / shift profit between parties

D. Liquidated damages / shift profit between parties | Force majeure / cap workers' comp coverage rates | Indemnification / waive lien rights at signing | Termination for cause / require unanimous shareholder approval

20. Which option correctly matches each contract law concept with its requirement?

A. Offer / acceptance by silence is always valid universally | Consideration / only monetary value counts as valid | Capacity / contractors only have full contracting capacity | Statute of Frauds / oral agreements always enforceable under law

B. Offer / definite terms manifesting willingness to enter a bargain | Consideration / bargained-for exchange of value | Capacity / legal ability to enter binding contracts | Statute of Frauds / certain contracts (real property, one-year, etc.) must be in writing and signed

C. Offer / requires Board approval prior to acceptance | Consideration / waived under all Alabama contract law | Capacity / requires citizenship status only for parties | Statute of Frauds / federal preemption only applies to contracts

D. Offer / requires notarization to be enforceable in court | Consideration / always money under Alabama law | Capacity / requires age 25 minimum to enter | Statute of Frauds / applies only to contracts over \$1 million

21. Which option correctly matches each Alabama bidding statute or threshold with its application?

A. Alabama Public Works Law (Title 39) / public construction projects \$50,000+ require advertised competitive bidding | Alabama Competitive Bid Law (Title 41-16) / state and local procurement \$15,000+ requires competitive bidding | Little Miller Act / public works require performance and payment bonds | Bid mistake doctrine / permits withdrawal before acceptance for material clerical or mathematical error with prompt written notice

B. Alabama Public Works Law / state environmental enforcement only | Alabama Competitive Bid Law / OSHA enforcement only | Little Miller Act / federal procurement only with no state effect | Bid mistake doctrine / permits revision after award upward

C. Alabama Public Works Law / \$15,000 threshold on construction | Alabama Competitive Bid Law / \$50,000 threshold on goods | Little Miller Act / federal only with no state effect | Bid mistake doctrine / unavailable after bid submission entirely

D. Alabama Public Works Law / wage and hour enforcement only | Alabama Competitive Bid Law / immigration enforcement only | Little Miller Act / federal income tax enforcement | Bid mistake doctrine / Board approval required before withdrawal

22. Which option correctly matches each estimating cost category with its description?

A. Direct cost / labor, material, equipment, and subcontractor costs tied to specific trade scopes | Job overhead / project-specific items not tied to a specific trade (superintendent, project trailer, project insurance) | General overhead / cost of running the business itself (corporate office, executive salaries) | Profit / final markup applied to cost base to produce the bid total

B. Direct cost / corporate office rent and executive salaries | Job overhead / executive salaries and bonuses | General overhead / on-site superintendent only and trailer | Profit / nothing applied to the bid total

C. Direct cost / business itself only without trades | Job overhead / labor costs only without overhead | General overhead / supplier discounts only | Profit / Board-approved fee schedule

D. Direct cost / accounting fees and audit fees | Job overhead / equipment depreciation only | General overhead / subcontractor markup only | Profit / waived for public projects entirely

23. Which option correctly matches each public bidding security with its standard amount?

A. Bid bond / 50% of bid amount | Performance bond / 5% of contract value | Payment bond / 10% of bid amount | Retainage / 50% of progress payments

B. Bid bond / typically 5% of bid amount | Performance bond / typically 100% of contract value | Payment bond / typically 100% of contract value | Retainage / typically 5-10% of progress payments

C. Bid bond / 100% of bid amount required | Performance bond / 5% of contract required | Payment bond / 5% of contract required | Retainage / 50% of total contract required

D. Bid bond / 1% of bid amount required | Performance bond / 50% of bid value required | Payment bond / 10% of bid amount required | Retainage / 25% of progress payments required

24. Which option correctly matches each pre-bid activity with its purpose?

A. Document review / establish scope and requirements | Site visit / confirm field conditions and verify non-obvious factors | Quantity takeoff / measure quantities of work for pricing | Pricing with markups / produce final bid total

B. Document review / waive site visit requirement | Site visit / waive document review requirement | Quantity takeoff / not required for public bids ever | Pricing with markups / required only for private projects ever

C. Document review / replace site visit always required | Site visit / measure quantities directly without takeoff | Quantity takeoff / not required for any project bid | Pricing with markups / set by Board for all projects

D. Document review / set retainage levels for the project | Site visit / determine the project schedule completely | Quantity takeoff / set the bid bond level alone | Pricing with markups / determine cost only after award

25. Which option correctly matches each bid response category with its protocol?

A. Bid mistake / material clerical or mathematical error permits withdrawal before acceptance with prompt written notice and documentation | Bid revision / not permitted after contract award | Bid clarification / minor wording or apparent ambiguity may be resolved before award | Bid forfeiture / occurs when an awarded bidder refuses to execute the contract, triggering the bid bond

B. Bid mistake / cannot be withdrawn under any circumstances at all | Bid revision / always permitted after contract award by bidder | Bid clarification / requires formal Board approval to proceed | Bid forfeiture / occurs at bid submission automatically by default

C. Bid mistake / can be withdrawn at any time without notice | Bid revision / required after contract award by bidder | Bid clarification / not permitted under Alabama bidding law | Bid forfeiture / triggered by the contractor's site visit always

D. Bid mistake / requires owner refund of all bid bonds | Bid revision / requires surety reissuance of the bid bond | Bid clarification / requires arbitration filing to proceed | Bid forfeiture / triggered by quantity takeoff in the bid

26. Which option correctly matches each accounting method with its characteristic?

A. Percentage-of-completion / recognizes all revenue at project end after substantial completion | Completed-contract / recognizes revenue based on costs incurred to date on the project | Cash basis / recognizes revenue when contract signed by both parties | Accrual basis / recognizes revenue when contract approved by management

B. Percentage-of-completion / records revenue weekly based on payroll timesheets | Completed-contract / records revenue monthly based on billings issued | Cash basis / records revenue at year-end based on receipts only | Accrual basis / records revenue at completion based on final invoice

C. Percentage-of-completion / recognizes revenue based on costs incurred / total estimated costs at completion | Completed-contract / defers all revenue recognition until contract is substantially complete | Cash basis / recognizes revenue when cash is received and expenses when cash is paid | Accrual basis / recognizes revenue when earned and expenses when incurred regardless of cash flow

D. Percentage-of-completion / not permitted under GAAP for any contractors | Completed-contract / recognized only on public contracts above the threshold | Cash basis / required for all contractors regardless of size | Accrual basis / recognized only at year-end for tax purposes

27. Which option correctly matches each financial statement with its content?

A. Balance sheet / revenues and expenses over a defined period | Income statement / assets and liabilities at a point in time | Cash flow statement / equity changes only over a defined period | Statement of equity / cash receipts and disbursements over a period

B. Balance sheet / cash receipts only over a defined period | Income statement / assets and equity at a defined point | Cash flow statement / point-in-time net income summary by month | Statement of equity / revenues over a defined operating period

C. Balance sheet / only inventory at a point in time always | Income statement / only retained earnings at year-end annually | Cash flow statement / contract revenue only by period reported | Statement of equity / cash collections only by period reported

D. Balance sheet / assets, liabilities, and equity at a specific point in time | Income statement / revenues, expenses, and net income over a defined period | Cash flow statement / cash inflows and outflows by category over a period | Statement of equity / changes in equity components over a period

28. Which option correctly matches each balance sheet position with its description?

A. Overbilling / current liability "billings in excess of costs and estimated earnings on uncompleted contracts" | Underbilling / current asset "costs and estimated earnings in excess of billings on uncompleted contracts" | Retainage receivable / current asset for amounts withheld pending project milestones | Working capital / current assets minus current liabilities measuring short-term liquidity

B. Overbilling / equity item only on the balance sheet | Underbilling / long-term liability item on the balance sheet | Retainage receivable / income statement item under revenue | Working capital / cash basis only without accrual adjustments

C. Overbilling / no balance sheet impact under GAAP | Underbilling / equity item only on the balance sheet | Retainage receivable / off-balance-sheet item under GAAP | Working capital / fixed assets only without current items

D. Overbilling / shareholder loan on the balance sheet | Underbilling / deferred tax item on the balance sheet | Retainage receivable / contingent liability on the balance sheet | Working capital / long-term debt minus interest expense

29. Which option correctly matches each financial measure with its formula?

A. Working capital / total assets minus total liabilities of the firm | Net worth / current assets minus current liabilities of the firm | Current ratio / current liabilities \div current assets | Quick ratio / total liabilities \div total assets

B. Working capital / current liabilities minus current assets reported | Net worth / total liabilities minus total assets reported | Current ratio / equal to working capital expressed as a ratio | Quick ratio / equal to current ratio expressed differently

C. Working capital / current assets minus current liabilities | Net worth / total assets minus total liabilities | Current ratio / current assets ÷ current liabilities | Quick ratio / (current assets minus inventory) ÷ current liabilities

D. Working capital / not used in construction accounting at all | Net worth / measured only at year-end on income statement | Current ratio / not applicable to construction firms | Quick ratio / equal to net worth divided by total liabilities

30. Which option correctly matches each lien waiver type with its effect?

A. Conditional progress waiver / effective immediately upon signing regardless of payment | Unconditional progress waiver / effective only upon payment receipt by claimant | Conditional final waiver / fully releases all lien rights through final payment | Unconditional final waiver / preserves all lien rights through final payment

B. Conditional progress waiver / effective only upon actual receipt of the progress payment | Unconditional progress waiver / effective immediately upon signing regardless of payment | Conditional final waiver / effective only upon actual receipt of the final payment | Unconditional final waiver / effective immediately upon signing and releases all lien rights through final payment

C. Conditional progress waiver / requires Board approval to take effect | Unconditional progress waiver / requires surety approval to take effect | Conditional final waiver / requires architect approval to take effect | Unconditional final waiver / requires probate court approval to take effect

D. Conditional progress waiver / only used on public projects under state law | Unconditional progress waiver / only used on private projects under state law | Conditional final waiver / not recognized under Alabama lien law at all | Unconditional final waiver / void in Alabama under state lien law

31. Which option correctly matches each federal employment law with its threshold and protected category?

A. Title VII / 50+ employees / age discrimination | ADEA / 15+ employees / disability discrimination | ADA / 20+ employees / national origin | FMLA / 5+ employees / sex discrimination

B. Title VII / 25+ employees / disability discrimination | ADEA / 50+ employees / sex discrimination | ADA / 10+ employees / age discrimination | FMLA / 100+ employees / race discrimination

C. Title VII / 100+ employees / unlimited categories | ADEA / 1+ employee / age discrimination | ADA / 1+ employee / disability accommodation | FMLA / 1+ employee / family leave entitlement

D. Title VII / 15+ employees / race, color, religion, sex, national origin | ADEA / 20+ employees / age (40 and older) | ADA / 15+ employees / disability | FMLA / 50+ employees within 75-mile radius / family and medical leave

32. Which option correctly matches each Alabama workers' compensation element with its standard?

A. Coverage threshold / 1 employee triggers required coverage | TTD rate / 100% of average weekly wage paid | Maximum benefit / unlimited under Alabama statute | Filing initiator / injured employee files claim only

B. Coverage threshold / 5 or more employees | TTD rate / 66 2/3% of average weekly wage subject to statutory cap | Maximum benefit / capped by Alabama statutory schedule | Filing initiator / employer files First Report of Injury with insurer after report from employee or supervisor

C. Coverage threshold / 50 employees triggers required coverage | TTD rate / 25% of average weekly wage paid | Maximum benefit / fixed at \$100,000 per claim | Filing initiator / Alabama Licensing Board files claim

D. Coverage threshold / 10 employees triggers required coverage | TTD rate / 80% of gross weekly wage paid | Maximum benefit / federal cap applies always | Filing initiator / surety files First Report of Injury

33. Which option correctly matches each FLSA classification with its overtime obligation?

A. Non-exempt employee / no overtime owed under federal law | Exempt employee / overtime at 2x regular rate for hours over 40 | Independent contractor / overtime at 1.5x for hours over 40 | Salaried employee / overtime always owed under federal law

B. Non-exempt employee / overtime owed only over 60 hours per week | Exempt employee / overtime owed over 40 hours per week | Independent contractor / overtime owed if paid hourly only | Salaried employee / overtime owed automatically under federal law

C. Non-exempt employee / overtime at 1.5x regular rate for hours over 40 in a workweek | Exempt employee / no overtime obligation when salary and duties tests are met | Independent contractor / not covered by FLSA overtime rules | Salaried employee / classification depends on whether salary and duties tests are met (salary alone is not determinative)

D. Non-exempt employee / overtime owed only at year-end reconciliation | Exempt employee / always entitled to overtime under federal law | Independent contractor / always entitled to overtime under federal law | Salaried employee / overtime owed regardless of duties test

34. Which option correctly matches each Alabama and federal new-hire verification step with its standard?

A. Form I-9 / completed within 3 business days of start date | E-Verify / required of every Alabama employer under Beason-Hammon Act | New-hire reporting / filed with Alabama Department of Labor within 7 days | Form W-4 and A-4 / completed at hire for federal and Alabama income tax withholding

B. Form I-9 / completed 90 days after start date of work | E-Verify / required only for federal contractors with the government | New-hire reporting / not required in Alabama at all under state law | Form W-4 / completed only at year-end annually under federal law

C. Form I-9 / completed only for full-time employees over 30 hours | E-Verify / required only for employers with 50+ employees under federal | New-hire reporting / filed with the IRS directly under federal law | Form W-4 / completed by the employer alone without employee

D. Form I-9 / completed at termination of employment under federal law | E-Verify / required only for non-citizens under federal law | New-hire reporting / filed with the SSA directly under federal law | Form W-4 / completed before interview under federal hiring rules

35. Which option correctly matches each Alabama employment-related rule with its requirement?

A. At-will employment / requires written contract for any termination | Right-to-work / requires union membership before employment | Beason-Hammon Act / federal preemption only over state law | Alabama Age of Majority / 25 years under state law

B. At-will employment / cannot be terminated for any reason at all | Right-to-work / mandates collective bargaining for all employees | Beason-Hammon Act / waives federal E-Verify requirement entirely | Alabama Age of Majority / 21 years under state law

C. At-will employment / either party may terminate at any time for any lawful reason without notice | Right-to-work / employment cannot be conditioned on union membership | Beason-Hammon Act / requires E-Verify for every Alabama employer | Alabama Age of Majority / 19 years

D. At-will employment / requires Board approval before termination under state law | Right-to-work / requires union dues from all employees | Beason-Hammon Act / waives federal I-9 requirement entirely | Alabama Age of Majority / 18 years under state law

36. Which option correctly matches each insurance type with its coverage scope?

A. CGL / employee injuries on the job site | Workers' compensation / third-party property damage on the job site | Builders' risk / professional design errors and omissions | Professional liability / job site equipment damage and theft

B. CGL / bodily injury and property damage to third parties caused by contractor's operations (excluding contractor's own work in progress) | Workers' compensation / employee work-related injuries as exclusive employer remedy | Builders' risk / physical damage to project under construction including installed materials | Professional liability / errors and omissions by design or other professional services

C. CGL / lost rents and profits during construction | Workers' compensation / third-party slip and fall on job site | Builders' risk / employee back injuries during construction | Professional liability / property damage to subcontractor equipment

D. CGL / equipment breakdown on the job site | Workers' compensation / federal vehicle damage on the road | Builders' risk / inland marine cargo in transit | Professional liability / cyber security breaches in office

37. Which option correctly matches each risk management strategy with its description?

A. Risk avoidance / accept the risk and absorb all losses | Risk reduction / transfer all risk to a third party | Risk transfer / eliminate the risk entirely from the project | Risk retention / refuse to participate in the project entirely

B. Risk avoidance / pass all losses to the project insurer | Risk reduction / increase exposure to the identified risk | Risk transfer / accept all losses from the identified risk | Risk retention / refuse to bid on the project entirely

C. Risk avoidance / reduce frequency through training programs | Risk reduction / eliminate exposure to identified risk entirely | Risk transfer / accept all losses from the identified risk | Risk retention / refuse to participate in the project entirely

D. Risk avoidance / eliminate exposure by declining the activity or scope | Risk reduction / lower frequency or severity through procedures, training, or controls | Risk transfer / shift financial consequences to a third party through insurance or indemnification | Risk retention / accept and absorb any losses that occur from the identified risk

38. Which option correctly matches each insurance contract element with its function?

A. Indemnification / the insurer waives premium owed | Subrogation / the insured releases all claims | Waiver of subrogation / replaces the deductible entirely | Hold harmless / waives policy coverage entirely

B. Indemnification / has no purpose under standard contracts | Subrogation / shifts all risk to the employee | Waiver of subrogation / waives all coverage entirely | Hold harmless / cancels the CGL policy entirely

C. Indemnification / contractual promise by one party to hold another harmless from specified claims | Subrogation / insurer's right to pursue recovery from a third party after paying an insured's claim | Waiver of subrogation / insured's release of the insurer's subrogation right against a specified third party | Hold harmless / contractual provision shielding one party from liability arising from the other party's actions or operations

D. Indemnification / equal to subrogation under all contracts | Subrogation / equal to indemnification under all contracts | Waiver of subrogation / waives premium payments entirely | Hold harmless / waives all premiums under the policy

39. Which option correctly matches each surety bond party with its role?

A. Principal / surety issuing the bond to the owner | Surety / project owner receiving protection from bond | Obligee / general contractor obligated to perform under bond | Indemnitor / regulator overseeing the bond program

B. Principal / contractor obligated to perform | Surety / company issuing the bond guaranteeing the principal's performance | Obligee / party (typically owner) protected by the bond | Indemnitor / party (typically the contractor or its owners) who reimburses the surety for losses

C. Principal / state regulator overseeing the project | Surety / lender to the contractor for the project | Obligee / subcontractor performing trade work on project | Indemnitor / Board chair overseeing the project

D. Principal / insurance carrier providing the bond | Surety / project architect designing the project | Obligee / state inspector inspecting the project | Indemnitor / payment agent administering payments

40. Which option correctly matches each OSHA reporting timeline with its triggering event?

A. Fatality / 30 days after the event occurred | In-patient hospitalization / 7 days after the event | Amputation / 24 hours after the event occurred | Loss of an eye / 7 days after the event occurred

B. Fatality / 24 hours after the event occurred | In-patient hospitalization / 8 hours after the event occurred | Amputation / 8 hours after the event occurred | Loss of an eye / 24 hours after the event occurred

C. Fatality / 72 hours after the event occurred | In-patient hospitalization / 12 hours after the event | Amputation / 48 hours after the event occurred | Loss of an eye / 12 hours after the event

D. Fatality / 8 hours of when employer learns of death | In-patient hospitalization / 24 hours of when employer learns | Amputation / 24 hours of when employer learns | Loss of an eye / 24 hours of when employer learns

41. Which option correctly matches each OSHA form with its function and retention?

A. Form 300 / annual summary posted Feb 1–Apr 30 of following year | Form 300A / running log of recordable incidents during year | Form 301 / EPA stormwater filing under environmental law | Records retention / 1 year following the year covered

B. Form 300 / hazardous waste manifest filed with EPA | Form 300A / detailed incident report per incident | Form 301 / annual summary posted in workplace | Records retention / 30 years following the year covered

C. Form 300 / running Log of Work-Related Injuries and Illnesses maintained during the calendar year | Form 300A / Summary of Work-Related Injuries and Illnesses, posted Feb 1–Apr 30 | Form 301 / Injury and Illness Incident Report completed per recordable incident with witness and root cause information | Records retention / Forms 300, 300A, and 301 retained for 5 years following the year covered

D. Form 300 / federal incident summary only filed | Form 300A / state-only filing under Alabama law | Form 301 / federal payroll record under federal law | Records retention / lifetime retention under federal law

42. Which option correctly matches each environmental compliance element with its requirement?

A. NPDES Construction General Permit / triggered at 5 acres of disturbance only | SWPPP / completed after construction ends on site | NOI / oral notification only to ADEM | Site stabilization / not required under permit

B. NPDES Construction General Permit / triggered at 1 acre or more of land disturbance | SWPPP / on-site plan identifying pollution sources and best management practices developed before NOI | NOI / Notice of Intent filed with ADEM seeking permit coverage | Site stabilization / required at project end before filing the Notice of Termination

C. NPDES Construction General Permit / required only for federal projects under federal law | SWPPP / Board-issued document under licensing law | NOI / federal court order required to file | Site stabilization / required at midpoint only under federal law

D. NPDES Construction General Permit / triggered at 25 acres of land disturbance | SWPPP / not required under federal law at all | NOI / filed with the IRS as a federal form | Site stabilization / waived in Alabama under state law

43. Which option correctly matches each OSHA standard with its content?

A. OSHA General Duty Clause / requires only voluntary compliance by employer | OSHA Focus Four / four union categories under labor law | Hazard Communication Standard / waives chemical labeling under federal law | Confined Space Standard / waives permits under federal law

B. OSHA General Duty Clause / Section 5(a)(1), requires each employer to furnish a workplace free from recognized hazards likely to cause death or serious physical harm | OSHA Focus Four / falls, struck-by, caught-in/between, electrocutions — the leading causes of construction fatalities | Hazard Communication Standard / labeling, SDS access, and employee training on hazardous chemicals | Confined Space Standard / classification of permit-required vs non-permit spaces with entry procedures

C. OSHA General Duty Clause / federal procurement rules only | OSHA Focus Four / payroll categories under federal law | Hazard Communication Standard / payroll obligations under federal law | Confined Space Standard / federal procurement rules only

D. OSHA General Duty Clause / waives all standards under federal law | OSHA Focus Four / federal income tax categories only | Hazard Communication Standard / annual recordkeeping only under federal | Confined Space Standard / state procurement rules only

44. Which option correctly matches each project schedule concept with its description?

A. Critical path / shortest path through the network from start | Total float / time an activity must be delayed by schedule | Free float / time an activity must be accelerated by schedule | Lag / negative time between activities in network

B. Critical path / activity with the most resources assigned to it | Total float / time activity starts before predecessor finishes | Free float / total project duration in calendar days | Lag / replaces a milestone in the network

C. Critical path / activity with most cost assigned to it | Total float / total project budget in dollars | Free float / total project profit in dollars | Lag / project final inspection date

D. Critical path / longest path through the project network determining minimum project duration with zero total float on its activities | Total float / time a non-critical activity can be delayed without delaying overall project completion | Free float / time a non-critical activity can be delayed without delaying any successor activity's early start | Lag / waiting time between activities (positive offset)

45. Which option correctly matches each project closeout document with its purpose?

A. Certificate of Substantial Completion / authorizes the contractor to begin work | Punch list / final acceptance certificate issued by owner | Final Application for Payment / project commencement document | Certificate of Occupancy / pre-bid clearance document issued

B. Certificate of Substantial Completion / cancels the warranty under contract | Punch list / lien waiver document under state law | Final Application for Payment / lien notice under state law | Certificate of Occupancy / loan disbursement document

C. Certificate of Substantial Completion / contract void document under state law | Punch list / arbitration order under state law | Final Application for Payment / employee waiver under state law | Certificate of Occupancy / federal court order under federal law

D. Certificate of Substantial Completion / formal acknowledgment that work is sufficiently complete for owner occupancy with punch list outstanding | Punch list / list of minor items the contractor must complete before final acceptance | Final Application for Payment / contractor's request for final payment with documentation of completed punch list and lien releases | Certificate of Occupancy / building department authorization that the structure may be lawfully occupied

46. Which option correctly matches each project payment document with its sequence and content?

A. Schedule of Values / monthly billing document submitted | Application for Payment / one-time project setup document | Certificate for Payment / final waiver document at closeout | Lien release / contract execution document at signing

B. Schedule of Values / lien waiver document under state law | Application for Payment / bid bond document under bidding | Certificate for Payment / Board order under licensing | Lien release / contract setup document under contract

C. Schedule of Values / one-time document at project start breaking down contract sum into line items | Application for Payment / periodic (typically monthly) billing document referencing SOV line items with percent complete and amount due | Certificate for Payment / architect's certification that the Application is approved and the certified amount is due | Lien release / waiver of lien rights through the payment received, signed by sub or supplier

D. Schedule of Values / federal procurement order under federal law | Application for Payment / Board approval under licensing | Certificate for Payment / surety order under bonding | Lien release / federal income tax under federal law

47. Which option correctly matches each party with its Alabama lien deadline?

A. Original contractor (direct contract with owner) / lien statement within 6 months of last item furnished | Materialman without direct owner contract / written notice to owner before furnishing materials and lien

statement within 4 months of last item furnished | Lien enforcement action / lawsuit within 6 months of lien filing | Lien filing venue / probate court of the county where the property is located

B. Original contractor / lien within 30 days of last item furnished | Materialman / notice given after furnishing materials | Lien enforcement / 90 days from lien filing date | Lien filing venue / federal court of the district

C. Original contractor / lien within 1 year of last item furnished | Materialman / no notice required to owner ever | Lien enforcement / no deadline under state law | Lien filing venue / circuit court of the state capital

D. Original contractor / lien within 12 months of last item | Materialman / 2 years' notice to owner required | Lien enforcement / 2 years from filing under state law | Lien filing venue / Alabama Department of Revenue

48. Which option correctly matches each lien-related concept with its description?

A. Mechanic's lien / requires prior judgment from court | Judgment lien / arises directly from labor or materials | Lis pendens / unrelated to lien actions under state law | Lien waiver / required before any payment is made

B. Mechanic's lien / federal only under federal law | Judgment lien / federal only under federal law | Lis pendens / federal only under federal law | Lien waiver / federal only under federal law

C. Mechanic's lien / statutory security interest arising directly from labor or materials supplied to property, perfected without prior litigation | Judgment lien / lien arising after a court judgment is obtained and recorded against the property owner | Lis pendens / notice of pending action affecting real property filed in the public records to warn future buyers | Lien waiver / written release of lien rights through a specified payment, either conditional (effective upon payment) or unconditional (effective on signing)

D. Mechanic's lien / federal income tax under federal law | Judgment lien / surety bond under bonding law | Lis pendens / employee waiver under labor law | Lien waiver / arbitration order under state law

49. Which option correctly matches each Alabama business entity with its formation document?

A. Sole proprietorship / Certificate of Formation filed with Secretary of State | Partnership / Articles of Incorporation filed with Secretary of State | LLC / Articles of Incorporation filed with Secretary of State | Corporation / Certificate of Formation filed with Secretary of State

B. Sole proprietorship / Articles of Incorporation filed at formation | Partnership / Certificate of Formation filed at formation | LLC / Articles of Incorporation filed at formation | Corporation / Operating Agreement filed at formation

C. Sole proprietorship / Certificate of Limited Partnership filed at formation | Partnership / Certificate of Formation filed at formation | LLC / Articles of Incorporation filed at formation | Corporation / Articles of Organization filed at formation

D. Sole proprietorship / no formal formation document required (assumed name certificate if operating under a trade name) | General partnership / no formal formation document required (partnership agreement recommended) | LLC / Certificate of Formation filed with the Secretary of State | Corporation / Articles of Incorporation (or Certificate of Incorporation) filed with the Secretary of State

50. Which option correctly matches each entity with its default federal tax treatment?

A. Sole proprietorship / partnership for federal tax purposes | Single-member LLC (no election) / C corporation for federal tax | Multi-member LLC (no election) / S corporation for federal tax | C corporation / pass-through entity for federal tax

B. Sole proprietorship / C corporation for federal tax purposes | Single-member LLC (no election) / S corporation for federal tax | Multi-member LLC (no election) / disregarded entity for federal tax | C corporation / partnership for federal tax purposes

C. Sole proprietorship / S corporation for federal tax purposes | Single-member LLC (no election) / partnership for federal tax | Multi-member LLC (no election) / C corporation for federal tax | C corporation / sole proprietorship for federal tax

D. Sole proprietorship / reported on owner's Schedule C as pass-through | Single-member LLC (no election) / disregarded entity reported on owner's Schedule C | Multi-member LLC (no election) / partnership with profits/losses passing through to members on personal returns | C corporation / separate taxable entity at the corporate level with the 21% federal flat rate; distributions to shareholders taxed again as dividends

PRACTICE EXAM 14: ANSWER KEY AND EXPLANATIONS

1. D — The Alabama Licensing Board for General Contractors regulates commercial work at or above \$50,000 and all public works; HBLB regulates residential one- and two-family dwellings; PSI is the testing vendor that administers Alabama licensing examinations; NASCLA is the multi-state credential satisfying the trade portion of licensing in 17 participating jurisdictions. Each pairing reflects the operational structure of contractor regulation in Alabama.
2. A — The Alabama trade examination tests classification-specific technical knowledge; the Business and Law examination tests general business management and legal compliance applicable to all classifications; the NASCLA examination is a multi-state trade credential recognized in 17 participating jurisdictions including Alabama; PSI administers the Alabama examinations. Each pairing reflects the actual examination architecture for Alabama licensure.

3. C — The minimum age for Alabama licensure is 19 (the Alabama age of majority); a QP must have at least 3 years of construction experience; the replacement window after a QP departs is 60 days; the maximum civil penalty per violation imposed by the Board is \$10,000. These four numbers anchor the core licensing parameters under Alabama law.
4. A — The Alabama Licensing Board for General Contractors comprises 9 members total — 8 contractors and 1 public member — and the license renewal cycle is annual. The composition reflects the legislative intent that contractor expertise dominate Board decisions while a public member provides outside perspective on regulation.
5. B — The QP designation identifies the natural person responsible for the licensee's technical oversight; the bid limit caps single-project value based on the contractor's financial position; the license classification specifies the trade scope authorized; reciprocity is limited and arises only through specific interstate agreements rather than any general state-license recognition. Each credential serves a distinct regulatory function in Alabama licensure.
6. D — Suspension is a temporary halt for a defined period after which operations may resume; revocation permanently terminates licensure and requires reapplication; civil penalty is capped at \$10,000 per violation; probation continues licensure subject to specified Board conditions. These four outcomes form the Board's graduated disciplinary toolkit.
7. C — A bid bond guarantees the awarded bidder will execute the contract; a performance bond guarantees completion by the principal contractor; a payment bond guarantees payment to subs and suppliers; a license bond (where applicable) guarantees compliance with statutory and regulatory obligations. Each bond addresses a discrete protective function in the construction surety framework.
8. A — Each Board sanction — civil penalty, suspension, revocation, and cease and desist — is preceded by Board investigation, written notice of charges, a hearing with due process, and a written order. The same procedural framework applies across the range of sanctions, ensuring consistent procedural protection regardless of severity.
9. A — Form 941 is the quarterly report of wages, federal income tax withheld, and FICA; Form 940 is the annual report of FUTA; Form W-2 is the annual report of wages and withholdings issued to employees; Form 1099-NEC is the annual report of nonemployee compensation paid to independent contractors. These four pairings reflect the federal payroll reporting architecture under Subtitle C of the Internal Revenue Code.
10. C — Social Security tax is 6.2% paid by employee and matched by employer up to the indexed wage base; Medicare tax is 1.45% paid by each party on all wages with no wage base limit. The matched structure and the absence of a Medicare wage cap are foundational to federal employment tax compliance.
11. A — Social Security has an indexed annual wage base; Medicare has no wage base limit; the Additional Medicare surtax of 0.9% applies to wages above \$200,000 and is an employee-only obligation; FUTA applies to a \$7,000 wage base per employee per year. These four wage base parameters together govern federal payroll tax calculations.
12. B — Income tax withholding and FICA are reported quarterly on Form 941; FUTA is reported annually on Form 940; SUTA is reported on quarterly state agency reports filed with the Alabama Department of Labor. The filing cadence aligns with each tax's economic flow and remittance schedule.
13. A — Form I-9 must be completed within 3 business days of an employee's start date; E-Verify must generally be submitted by the third business day of the start date under Beason-Hammon;

Form W-4 (federal) and Form A-4 (Alabama) are both completed at hire for income tax withholding. Each step has its own federal or state compliance deadline at the onboarding stage.

14. D — The FUTA quarterly wage threshold triggering employer liability is \$1,500; the Alabama SUTA wage base is \$8,000 per employee per year; the FUTA wage base is \$7,000 per employee per year; the Alabama workers' compensation coverage threshold is 5 or more employees. These four numbers are foundational benchmarks for employment-related compliance.
15. B — A lump sum contract assigns cost overrun risk to the contractor in exchange for a fixed price; cost plus fee without a GMP assigns overrun risk to the owner; a guaranteed maximum price layered onto cost plus places risk above the cap on the contractor; unit price allocates risk by actual quantities measured during construction. Each pricing structure embodies a distinct risk allocation between owner and contractor.
16. D — Termination for cause requires material breach with notice and a cure period; termination for convenience permits the owner to end the contract without cause with payment for work performed plus stated profit on completed work; mutual termination is by written agreement of both parties; termination by breach gives rise to a contract law damages action. These four pathways together cover the principal contract exit mechanisms.
17. C — A change order is bilaterally signed by owner and contractor with cost and time impact agreed; a Construction Change Directive is unilaterally issued by the owner when parties disagree on pricing or time; a field directive addresses minor non-cost changes issued by the architect; a letter of intent is a preliminary commitment pending formal contract. Each document plays a distinct procedural role in modifying or initiating contract performance.
18. C — Substantial completion starts the warranty period, stops liquidated damages, and triggers release of the bulk of retainage; final completion triggers final payment with release of remaining retainage; the punch list is the list of items the contractor must complete to reach final completion; Notice to Proceed authorizes the contractor to begin work. Each milestone moves the project through a defined contractual phase.
19. B — A liquidated damages clause is a pre-agreed measure of delay damages when actual damages are difficult to estimate; force majeure excuses performance for specified extraordinary events outside party control; indemnification involves one party agreeing to hold another harmless from specified claims; termination for cause gives the right to end the contract upon material breach with notice and cure. These four clauses are core risk-allocation devices in construction contracts.
20. B — An offer is a manifestation of willingness to enter a bargain with definite terms; consideration is the bargained-for exchange of value between the parties; capacity is the legal ability to enter binding contracts; the Statute of Frauds requires certain contracts (real property, one-year, etc.) to be in writing and signed by the party to be charged. These four elements form the foundation of common-law contract formation.
21. A — The Alabama Public Works Law (Title 39) requires advertised competitive bidding for public construction projects at or above \$50,000; the Alabama Competitive Bid Law (Title 41-16) requires competitive bidding for state and local procurement at or above \$15,000; the Little Miller Act requires performance and payment bonds on public works; the bid mistake doctrine permits withdrawal before acceptance for material clerical or mathematical errors with prompt written notice. These four pairings frame the Alabama public-procurement legal landscape.
22. A — Direct cost consists of labor, material, equipment, and subcontractor costs tied to specific trade scopes; job overhead consists of project-specific items not tied to a particular trade (superintendent, project trailer, project insurance); general overhead is the cost of running the

- business itself (corporate office, executive salaries); profit is the final markup applied to produce the bid total. These four categories together form the standard estimating cost structure.
23. B — A bid bond is typically 5% of the bid amount; a performance bond is typically 100% of contract value; a payment bond is typically 100% of contract value; retainage is typically 5-10% of progress payments. These percentages anchor the standard public bidding and contracting security framework in Alabama.
 24. A — Document review establishes scope and requirements; site visit confirms field conditions and verifies non-obvious factors; quantity takeoff measures quantities of work for pricing; pricing with markups produces the final bid total. These four pre-bid activities form the standard estimating workflow leading to bid submission.
 25. A — A bid mistake doctrine permits withdrawal before acceptance for material clerical or mathematical error with prompt written notice and documentation; bid revision is not permitted after contract award; bid clarification permits minor wording or apparent ambiguity issues to be resolved before award; bid forfeiture occurs when an awarded bidder refuses to execute the contract, triggering the bid bond. Each protocol addresses a discrete scenario in the post-bid period.
 26. C — Percentage-of-completion recognizes revenue based on costs incurred divided by total estimated costs at completion; completed-contract defers all revenue recognition until contract is substantially complete; cash basis recognizes revenue when cash is received and expenses when cash is paid; accrual basis recognizes revenue when earned and expenses when incurred regardless of cash flow. Each method reflects a distinct accounting approach for matching revenue to performance.
 27. D — The balance sheet reports assets, liabilities, and equity at a specific point in time; the income statement reports revenues, expenses, and net income over a defined period; the cash flow statement reports cash inflows and outflows by category over a period; the statement of equity reports changes in equity components over a period. The four statements together form the standard set of financial reports under GAAP.
 28. A — Overbilling is reported on the balance sheet as a current liability ("billings in excess of costs and estimated earnings on uncompleted contracts"); underbilling is reported as a current asset ("costs and estimated earnings in excess of billings on uncompleted contracts"); retainage receivable is a current asset for amounts withheld pending project milestones; working capital is current assets minus current liabilities, measuring short-term liquidity. Each item maps to a specific balance sheet category that reflects construction-industry accounting practices.
 29. C — Working capital is current assets minus current liabilities; net worth is total assets minus total liabilities; current ratio is current assets ÷ current liabilities; quick ratio is (current assets minus inventory) ÷ current liabilities. These four formulas form the principal liquidity and solvency metrics used by sureties and the Licensing Board.
 30. B — A conditional progress waiver is effective only upon actual receipt of the progress payment; an unconditional progress waiver is effective immediately upon signing regardless of payment; a conditional final waiver is effective only upon actual receipt of the final payment; an unconditional final waiver is effective immediately upon signing and releases all lien rights through final payment. The four waiver types together govern the lien waiver structure used to manage payment risk in construction.
 31. D — 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 ADA applies at 15 or more employees and prohibits disability discrimination; the FMLA applies at 50 or more employees within a 75-mile

radius and provides up to 12 weeks of unpaid leave. Each threshold defines when the contractor falls within the scope of the corresponding federal employment statute.

32. B — Alabama workers' compensation coverage is mandatory at 5 or more employees; the TTD rate is 66 2/3% of average weekly wage subject to the statutory cap; maximum benefits are capped under the Alabama statutory schedule; the employer files the First Report of Injury with its insurer after report from the employee or supervisor. These four pairings frame the Alabama workers' compensation structure for contractor employers.
33. C — Non-exempt employees receive overtime at 1.5x the regular rate for hours over 40 in a workweek; exempt employees with proper salary and duties classification receive no overtime; independent contractors are not covered by FLSA overtime rules; salaried employees may be exempt or non-exempt depending on whether both salary and duties tests are met. The four categories together define overtime treatment under federal law.
34. A — Form I-9 must be completed within 3 business days of start date; E-Verify is required of every Alabama employer under the Beason-Hammon Act; new-hire reporting is filed with the Alabama Department of Labor within 7 days of hire; Form W-4 (federal) and Form A-4 (state) are completed at hire for federal and Alabama income tax withholding. These four steps comprise the standard hiring compliance sequence in Alabama.
35. C — At-will employment allows either party to terminate at any time for any lawful reason without notice; right-to-work means employment cannot be conditioned on union membership; the Beason-Hammon Act requires E-Verify for every Alabama employer; the Alabama Age of Majority is 19 years (which is also the minimum age for licensure as a contractor). These four pairings frame the principal Alabama employment-related legal rules.
36. B — CGL covers bodily injury and property damage to third parties caused by the contractor's operations (excluding the contractor's own work in progress); workers' compensation covers employee work-related injuries as the exclusive employer remedy; builders' risk covers physical damage to the project under construction including installed materials; professional liability covers errors and omissions in design or other professional services. Each policy addresses a distinct insurable exposure in construction.
37. D — Risk avoidance eliminates exposure by declining the activity or scope; risk reduction lowers frequency or severity through procedures, training, or controls; risk transfer shifts financial consequences to a third party through insurance or indemnification; risk retention accepts and absorbs any losses that occur. The four strategies together represent the standard responses available to any identified construction risk.
38. C — Indemnification is a contractual promise by one party to hold another harmless from specified claims; subrogation is the insurer's right to pursue recovery from a third party after paying an insured's claim; waiver of subrogation is the insured's release of the insurer's subrogation right against a specified third party; hold harmless is a contractual provision shielding one party from liability arising from the other's actions or operations. These four elements form the standard risk-shifting framework used in construction contracts and insurance.
39. B — The principal is the contractor obligated to perform; the surety is the company issuing the bond guaranteeing the principal's performance; the obligee is the party (typically owner) protected by the bond; the indemnitor (typically the contractor or its owners) reimburses the surety for losses paid out under the bond. The four-party structure is foundational to construction surety underwriting.
40. D — A fatality must be reported to OSHA within 8 hours of when the employer learns of the death; in-patient hospitalization, amputation, and loss of an eye must each be reported within 24 hours of

when the employer learns. The 8/24-hour structure under 29 CFR 1904.39 is the foundation of OSHA's immediate-reporting framework.

41. C — Form 300 is the running Log of Work-Related Injuries and Illnesses maintained during the calendar year; Form 300A is the Summary posted February 1 through April 30 of the following year; Form 301 is the detailed Injury and Illness Incident Report completed per recordable incident; all three forms must be retained for 5 years following the year covered. These pairings define OSHA's recordkeeping architecture for construction employers.
42. B — The NPDES Construction General Permit applies to construction activities disturbing 1 acre or more of land; the SWPPP is the on-site plan identifying pollution sources and best management practices developed before NOI filing; the NOI is filed with ADEM to obtain permit coverage; site stabilization is required at project end before filing the Notice of Termination. These four elements form the standard stormwater compliance framework for Alabama construction.
43. B — The General Duty Clause is Section 5(a)(1) of the OSH Act requiring each employer to furnish a workplace free from recognized hazards likely to cause death or serious physical harm; the Focus Four are falls, struck-by, caught-in/between, and electrocutions — the leading causes of construction fatalities; the Hazard Communication Standard addresses chemical labeling, SDS access, and employee training; the Confined Space Standard classifies permit-required versus non-permit spaces with entry procedures. These standards form the principal OSHA framework applicable to construction.
44. D — The critical path is the longest path through the project network determining minimum project duration with zero total float on its activities; total float is the time a non-critical activity can be delayed without delaying overall project completion; free float is the time a non-critical activity can be delayed without delaying any successor's early start; lag is the waiting time between activities (a positive offset). These concepts together form the basic vocabulary of CPM scheduling.
45. D — The Certificate of Substantial Completion formally acknowledges that the work is sufficiently complete for owner occupancy with punch list outstanding; the punch list itemizes minor items the contractor must complete before final acceptance; the Final Application for Payment requests final payment with documentation of completed punch list and lien releases; the Certificate of Occupancy is the building department's authorization that the structure may be lawfully occupied. These four documents structure the standard construction closeout process.
46. C — The Schedule of Values is a one-time document at project start breaking down the contract sum into line items; the Application for Payment is a periodic (typically monthly) billing document referencing SOV line items with percent complete and amount due; the Certificate for Payment is the architect's certification that the Application is approved; the lien release is a waiver of lien rights through the payment received, signed by sub or supplier. These four documents structure the standard progress payment cycle.
47. A — An original contractor with a direct contract with the owner files the lien statement within 6 months of last item furnished; a materialman without direct owner contract gives written notice before furnishing materials and files within 4 months; the lien enforcement action must be filed within 6 months of lien filing; lien filing venue is the probate court of the county where the property is located. These four pairings frame the Alabama mechanic's lien procedural deadlines.
48. C — A mechanic's lien is a statutory security interest arising directly from labor or materials supplied to property, perfected without prior litigation; a judgment lien arises after a court judgment is obtained and recorded against the property owner; lis pendens is notice of a pending action affecting real property filed in the public records; a lien waiver is a written release of lien

rights through a specified payment, either conditional or unconditional. These four concepts together define the principal lien-related security interests in real property.

49. D — A sole proprietorship requires no formal formation document (an assumed name certificate may be filed if operating under a trade name); a general partnership requires no formal formation document (though a written partnership agreement is recommended); an LLC requires filing a Certificate of Formation with the Secretary of State; a corporation requires filing Articles of Incorporation with the Secretary of State. These four pairings reflect the Alabama business-entity formation requirements.
50. D — A sole proprietorship reports on the owner's Schedule C as a pass-through; a single-member LLC without election is a disregarded entity reported on the owner's Schedule C; a multi-member LLC without election is taxed as a partnership with profits and losses passing through to members; a C corporation is a separate taxable entity at the corporate level (21% federal flat rate), with shareholder distributions taxed again as dividends. These four pairings frame the default federal tax classification of common business entities.