

# PRACTICE EXAM 18: ALABAMA BUSINESS & LAW SIMULATION

---

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

**Instructions for this exam: Each item presents a complex scenario crossing multiple Business and Law domains. Select the option that identifies the SINGLE MOST CRITICAL action or priority that must be addressed FIRST under Alabama law.**

1. An unlicensed contractor performs a \$75,000 commercial project in Alabama using 4 employees. After completion, the owner refuses to pay, an employee is later diagnosed with a work-related injury from the project, and the IRS issues a notice for unreported nonemployee compensation paid to subs during the project. Given these layered exposures, which action is the SINGLE MOST CRITICAL priority for the contractor?

A. File suit against the owner for breach of contract to preserve the right to payment under state contract law as applied to construction

B. Cease all further unlicensed contracting immediately and consult legal counsel — because the unlicensed-contract claim is unenforceable, the employee injury raises workers' comp exposure independent of license status, and the IRS notice requires response regardless of license — but ongoing unlicensed work compounds Board exposure with each new contract

C. File a counterclaim against the IRS to challenge the nonemployee compensation notice under federal tax law as applied to construction

D. Sue the workers' compensation carrier for denial of coverage on the injured employee claim under state insurance law as applied to construction

2. A licensed Alabama contractor's QP departs on April 1 due to a personal emergency, the contractor has two pending bids that close April 15, and the contractor's annual license renewal is due May 30. Which action is the SINGLE MOST CRITICAL priority?

- A. Submit the two pending bids by April 15 to maintain revenue flow under standard bidding practice for the contractor's pipeline
- B. Begin preparing the annual renewal package early to meet the May 30 deadline under state licensing law as applied to renewals
- C. Begin immediate identification, qualification, and Board designation of a replacement QP within the 60-day statutory window expiring May 31 — without a designated QP within that window, the license itself is jeopardized, rendering both pending bids and the renewal effort moot
- D. Contact the departing QP to seek a 30-day extension of services under standard contracting practice for short-term QP arrangements

3. A NASCLA-credentialed contractor based in Tennessee wishes to bid on a \$1.5 million commercial project in Alabama, has retained Alabama legal counsel, has obtained Alabama workers' compensation coverage in anticipation, and has prepared bid documents. Which action is the SINGLE MOST CRITICAL priority before bid submission?

- A. Apply for and obtain an Alabama General Contractor license meeting all Alabama requirements (application, financial statements, Business and Law examination, fee) — because the NASCLA credential satisfies only the trade portion of Alabama licensure, and the Alabama Business and Law examination must still be passed before any bid above the threshold is valid
- B. File Form 2553 with the IRS to elect S corporation status for the Alabama bid under federal tax law as applied to bidding entities
- C. Obtain Alabama Department of Revenue tax registration before any bid submission under state tax law as applied to out-of-state contractors
- D. Purchase Builders' risk insurance coverage in anticipation of bid award under state insurance law as applied to public construction

4. A licensed Alabama contractor faces simultaneous compliance issues: an OSHA inspector arrived at the job site without notice, a workers' comp claim was filed by an injured employee yesterday, the Alabama Licensing Board has scheduled a disciplinary hearing in 3 weeks for an alleged unlicensed sub on a prior project, and a \$50,000 lien filing deadline against a non-paying owner expires in 5 days. Which action is the SINGLE MOST CRITICAL immediate priority?

- A. Prepare a comprehensive defense package for the Alabama Licensing Board hearing 3 weeks out under state licensing law as applied to disciplinary matters

B. Contact the workers' compensation carrier to verify the injured employee's claim status under state insurance law as applied to workers' comp claims

C. File a response to the OSHA inspector's findings within 15 days under federal occupational safety law as applied to construction inspections

D. File the verified mechanic's lien statement in probate court before the 5-day deadline expires — because the lien filing deadline is jurisdictional and unforgiving, missing it permanently forfeits the lien claim against the property, while the other matters have longer windows for response

5. A licensed Alabama contractor receives a Board notice of charges alleging a violation, faces a potential civil penalty of \$10,000 if the violation is upheld, has a \$400,000 contract bid pending with the same awarding authority that filed the complaint, and the contractor's bid limit is \$500,000. Which action is the SINGLE MOST CRITICAL priority?

A. Retain experienced administrative counsel to prepare a formal response to the notice of charges and request a hearing, exercising due process rights under the Alabama Administrative Procedure Act — because the disciplinary outcome directly affects the contractor's license status, bid eligibility, and ongoing business operations, while penalty payment and bid pursuit are downstream considerations

B. Withdraw the pending \$400,000 bid to avoid the appearance of conflict under state public works law as applied to bidding

C. Pay the \$10,000 penalty immediately to resolve the matter under state licensing law as applied to penalty payment

D. File suit against the awarding authority for retaliation in awarding contracts under state contract law as applied to public bidding

6. A licensed Alabama contractor has been working on multiple projects when the QP suddenly resigns to take a position with a competitor. The contractor has 4 active commercial projects in progress totaling \$1.2 million, 6 employees on the payroll, and 2 pending bid responses due in 21 days. Which action is the SINGLE MOST CRITICAL priority?

A. Notify all current project owners of the QP change under state contract law as applied to QP departures from active construction

B. Begin immediate identification and Board designation of a replacement QP within the 60-day statutory window — because failure to designate within that window jeopardizes the license itself, which would halt all active projects, terminate all bid eligibility, and create exposure on the active contracts

C. File the contractor's quarterly Form 941 for federal payroll tax under federal tax law as applied to active payroll

D. Submit the 2 pending bid responses within 21 days as scheduled under state public bidding law as applied to bid submissions

7. The Alabama Licensing Board has scheduled a hearing for an Alabama contractor alleging two violations: (1) operating with an outdated QP designation, and (2) bidding on a project exceeding the contractor's authorized bid limit. The contractor disputes the QP allegation but acknowledges the bid limit issue. Which action is the SINGLE MOST CRITICAL priority?

A. Prepare a formal hearing response with documentary evidence (proof of QP designation if the allegation is incorrect, financial statements supporting an increased bid limit) and exercise full due process rights — because both alleged violations could each result in penalties up to \$10,000 and potential suspension or revocation, and the hearing is the primary opportunity to present the full factual and legal defense before sanctions issue

B. Pay both potential penalties of \$20,000 in advance to demonstrate good faith under state licensing law as applied to penalty payment

C. File suit in federal court challenging the Board's jurisdiction under federal procurement law as applied to state licensing matters

D. Voluntarily surrender the license to avoid further disciplinary action under state licensing law as applied to voluntary surrender procedures

8. A newly-formed Alabama corporation wishes to begin commercial contracting work, has filed Articles of Incorporation with the Secretary of State, has retained a CPA, has identified a qualified individual to serve as QP, and has obtained workers' compensation coverage in anticipation. Which action is the SINGLE MOST CRITICAL priority before contracting begins?

A. File Form 2553 with the IRS to elect S corporation status under federal tax law as applied to new corporations in construction

B. Obtain an EIN from the IRS for federal tax identification purposes under federal procedure as applied to new corporate entities in construction

C. Submit the Alabama General Contractor license application with the Board, including financial statements and QP designation, and ensure the QP passes both the trade and Business and Law examinations — because without Alabama licensure, no commercial contracting at or above \$50,000 may lawfully occur in Alabama, rendering all preparatory steps moot

D. Apply for the NASCLA Accredited Commercial Building Contractor credential to expand multi-state eligibility under NASCLA reciprocity rules

9. An Alabama contractor's bookkeeper discovers that the company has failed to deposit federal income tax withholding and employee FICA contributions for the past 3 months. The total unpaid amount is \$45,000. The company is preparing to bid on a \$300,000 public project that requires bonding. Which action is the SINGLE MOST CRITICAL priority?

A. Immediately remit the \$45,000 in unpaid trust fund taxes to the IRS and engage tax counsel — because the Trust Fund Recovery Penalty under IRC §6672 may be asserted personally against responsible persons who willfully failed to remit, regardless of the entity's ability to pay; personal liability is a more severe consequence than the bidding or bonding effects

B. Submit the public project bid before the deadline using current financial statements that do not reflect the tax delinquency under state public works law as applied to bidding

C. Apply for an IRS installment agreement under federal procedure as applied to delinquent taxpayer contractors before submitting any bid

D. Issue Forms 1099-NEC to all subcontractors paid during the affected period under federal procedure as applied to contractor reporting

10. An Alabama employer hired 5 new employees in the past week. None of the I-9 Section 2 verifications have been completed, no E-Verify submissions have been initiated, Form W-4s and A-4s have been signed, and federal new-hire reporting has not yet been filed. Two of the new hires have been working for 4 business days. Which action is the SINGLE MOST CRITICAL priority?

A. File the federal new-hire reporting with the Alabama Department of Labor under state employment law as applied to new hires

B. Initiate E-Verify submissions on all 5 hires under the Beason-Hammon Act as applied to Alabama employers

C. Complete federal Form W-4 withholding setup for all 5 hires under federal tax law as applied to new hires

D. Complete I-9 Section 2 for all 5 hires immediately — because the 3-business-day deadline has already lapsed for the 2 employees who started 4 business days ago, exposing the employer to federal immigration civil penalties; immigration verification compliance must be addressed before all other onboarding matters

11. An Alabama employer with 12 employees discovers it has been misclassifying 3 workers as independent contractors when they should be employees under the IRS common law test. The misclassified workers have been with the company for 14 months. The company faces upcoming Form 941 and Form 940 filings, year-end Form W-2 and 1099-NEC reporting, and a pending Department of Labor audit. Which action is the SINGLE MOST CRITICAL priority?

- A. File Form 940 for FUTA on the current quarter under federal payroll tax law as applied to FUTA filings
- B. Wait until the Department of Labor audit concludes before taking any corrective action under federal procedure as applied to misclassification audits
- C. Issue corrected Forms 1099-NEC for the prior periods under federal information reporting law as applied to nonemployee compensation
- D. Begin proper reclassification of the 3 workers as employees, withhold appropriate federal income tax and FICA going forward, and engage tax counsel to evaluate corrective options (including possible IRS Voluntary Classification Settlement Program) — because continued misclassification compounds payroll tax exposure, the Trust Fund Recovery Penalty, and Department of Labor liability with each pay period

12. An Alabama contractor's payroll manager reports that an employee earning \$4,500 per week has crossed the \$200,000 wage threshold in November. The employer has been withholding only the standard 1.45% Medicare. Form 941 for the affected quarter is due January 31. Which action is the SINGLE MOST CRITICAL priority?

- A. Wait until year-end Form W-2 issuance to address the missed surtax under federal procedure as applied to high-wage earners
- B. Refund prior Medicare withholding amounts to the employee under federal procedure as applied to withholding corrections
- C. Begin withholding the additional 0.9% Medicare surtax on the employee's wages above \$200,000 in the current and remaining pay periods, and reconcile the missed prior withholding by year-end — the surtax is an employee-only obligation, and the employer is responsible for proper withholding once the threshold is crossed
- D. File Form 940 to report the additional surtax separately under federal procedure as applied to high-wage earners

13. An Alabama contractor with 6 employees has not yet obtained workers' compensation insurance, has not submitted E-Verify on 2 recent hires, has not filed the most recent quarterly Form 941, and faces a workers' comp claim from an injured employee that occurred yesterday on a job site. Which action is the SINGLE MOST CRITICAL immediate priority?

- A. File the missing quarterly Form 941 immediately under federal procedure as applied to delinquent payroll tax filings
- B. Submit the missing E-Verify entries under the Beason-Hammon Act as applied to Alabama employers
- C. Obtain workers' compensation coverage immediately and address the existing claim through emergency placement with a carrier — because operating with 6 employees without workers' comp violates Alabama law, the injured employee has no statutory benefit fund available, and the employer faces personal tort exposure for the injury given the absence of the exclusive-remedy protection
- D. Pay the injured employee directly from company funds to settle the claim under state contract law as applied to injury settlements

14. An Alabama contractor receives a notice from the IRS proposing assessment of the Trust Fund Recovery Penalty against the contractor personally, in the amount of \$80,000 for trust fund taxes the corporation failed to remit. The contractor is one of two officers of the corporation and was responsible for tax decisions. Which action is the SINGLE MOST CRITICAL priority?

- A. Engage tax counsel to respond to the proposed TFRP assessment within the deadline, contest the assessment if there are factual or legal grounds (such as lack of willfulness or non-responsible status), and resolve through the IRS Appeals process if necessary — because the TFRP is a personal assessment that bypasses the corporate entity, and the response window is short with significant consequences for missing it
- B. Resign as corporate officer to avoid personal liability under federal corporate law as applied to corporate officers
- C. Transfer personal assets to family members to protect from collection under state property law as applied to asset transfers
- D. Pay the \$80,000 immediately to avoid escalation under federal tax procedure as applied to TFRP assessments

15. An Alabama contractor's general manager has just been informed that the contractor materially breached a \$500,000 contract by failing to install code-compliant fire-rated assemblies, the owner has sent written notice with a 14-day cure period, the architect has refused to certify the latest Application for Payment (\$75,000) pending cure, the contractor has 28 subs on the project, and the contractor's surety has been notified by the owner. Which action is the SINGLE MOST CRITICAL priority?

- A. File a payment request with the architect demanding immediate certification of the \$75,000 Application under state contract law as applied to pay applications

B. Mobilize resources immediately to cure the material breach within the 14-day cure period — installing code-compliant fire-rated assemblies — because failure to cure triggers the owner's right to terminate for cause, engage a replacement contractor, draw on the performance bond, and pursue the contractor for excess completion costs and damages, far exceeding the cost of cure

C. Submit a claim against the architect for refusing to certify the Application under state contract law as applied to architect duties

D. Initiate arbitration against the owner challenging the breach allegation under standard contract dispute resolution as applied to construction contracts

16. An Alabama owner has terminated a \$1.2 million construction contract for convenience, the contractor has performed work valued at \$400,000, demobilization costs total \$35,000, the contractor's anticipated profit on remaining work was 8%, and 12 subs have ongoing claims for their work. Which action is the SINGLE MOST CRITICAL priority?

A. File suit against the owner for breach of contract to recover full contract value under state contract law as applied to terminated contracts

B. Wait for the owner's payment offer before pursuing any compensation under standard contract practice as applied to termination

C. Continue performance on the project despite the termination order under state contract law as applied to disputed terminations

D. Submit a comprehensive termination settlement claim including (1) full payment for the \$400,000 of completed work, (2) the agreed percentage of unperformed profit on the remaining \$800,000 of unbuilt work, (3) reasonable demobilization and termination costs (\$35,000), and (4) settlement of the 12 sub claims — because the standard termination-for-convenience clause provides each of these compensation components and must be claimed promptly

17. An Alabama contractor's project is 60 days behind schedule, the contract includes a \$1,500/day liquidated damages clause, the owner has begun deducting LD from the most recent progress payment, the contractor disputes 30 of the 60 delay days as owner-caused, and final completion is projected another 45 days out. Which action is the SINGLE MOST CRITICAL priority?

A. Stop work on the project until the dispute is resolved under state contract law as applied to disputed delays

B. Submit a formal time extension request with documentary support (RFIs, weather records, change orders, owner-caused delays) for the 30 owner-caused days — because reducing the LD-eligible delay

from 60 days to 30 days saves \$45,000 ( $\$1,500 \times 30$ ) in LD assessments, while continuing performance preserves the contractor's right to final payment and retainage

C. File suit in federal court to enjoin the LD deduction under federal contract law as applied to construction contracts

D. Accept the full LD deduction and continue performance under standard contract practice as applied to delay claims

18. An Alabama contractor is asked to perform \$50,000 of additional work outside the original contract scope. The owner directs the work to proceed but refuses to agree on price or schedule impact. The contractor estimates the work will require 14 days, \$35,000 in direct cost, and adjustments to the critical path. Which action is the SINGLE MOST CRITICAL priority?

A. Refuse to perform the additional work until a signed change order is in place under standard contract practice as applied to changes

B. Request that the owner issue a written Construction Change Directive (CCD), proceed with the work, document all costs and time impacts contemporaneously, and reconcile pricing later through audit or formal change order — because the CCD mechanism permits work to continue without delaying the project while preserving the contractor's right to fair compensation for the changed scope

C. File a claim with the surety for compensation under the performance bond under bonding rules as applied to additional work

D. Perform the work without documentation, billing it at year-end with no contemporaneous records under standard contract practice as applied to additional work

19. An Alabama contractor enters into an oral agreement for a \$200,000 commercial renovation expected to take 18 months. The owner makes initial payments totaling \$40,000 but later refuses to pay further amounts and disputes the existence of any agreement. The contractor has performed work valued at \$80,000. Which action is the SINGLE MOST CRITICAL priority?

A. Reduce the agreement to writing if possible, secure all documentary evidence of performance and partial payments, and consult counsel to evaluate enforceability and potential equitable remedies (quantum meruit, promissory estoppel, part-performance exception to Statute of Frauds) — because the Alabama Statute of Frauds requires writing for agreements not performable within one year, and an oral contract for 18-month work is presumptively unenforceable absent a recognized exception

B. File the mechanic's lien in probate court without further action under state lien law as applied to construction liens

C. File suit in federal court under federal preemption of state contract law as applied to construction contracts

D. Continue performance on the project without further documentation under standard contract practice as applied to oral agreements

20. An Alabama contractor's subcontract with a \$150,000 sub contains an enforceable pay-if-paid clause. The owner has filed for bankruptcy protection, the prime has not been paid for the most recent \$200,000 pay application that included \$80,000 in sub work, the sub is demanding immediate payment, and the sub is threatening to file a mechanic's lien against the project. Which action is the **SINGLE MOST CRITICAL** priority?

A. Pay the sub immediately from the prime's own funds to maintain the relationship under standard contract practice as applied to subcontractor payment

B. File suit against the bankrupt owner under federal bankruptcy law as applied to construction contracts

C. Promptly communicate with the sub about the pay-if-paid clause and the owner's insolvency, evaluate whether the prime has any factual or legal grounds to dispute the condition (such as ambiguity in the clause language), assess the sub's separate lien rights against the property, and consult counsel on prime exposure — because the clause has shifted credit risk to the sub but the prime still has documentation, communication, and good-faith obligations that affect the relationship and any litigation

D. File a claim with the prime's surety on the payment bond under bonding rules as applied to sub claims

21. An Alabama contractor's \$480,000 bid on a public Alabama construction project is opened publicly and identified as the apparent low bid. After the bid opening, the contractor's estimator discovers a \$35,000 mathematical error in the steel takeoff. The awarding authority is reviewing the bid for award. The contractor has not yet executed the contract or furnished performance and payment bonds. Which action is the **SINGLE MOST CRITICAL** priority?

A. Execute the contract at the bid amount and absorb the \$35,000 loss under state public works law as applied to bid mistakes

B. Promptly notify the awarding authority in writing of the material clerical or mathematical error, provide documentation supporting the error (estimator's worksheets, takeoff records), and request withdrawal under the Alabama bid mistake doctrine — because the doctrine is available only before acceptance and requires prompt written notice with documentation, both of which must be done immediately

C. Demand contract execution at the corrected (higher) bid price of \$515,000 under state law as applied to bid mistakes

D. Refuse to execute the contract without further notification under standard public bidding practice as applied to bid mistakes

22. An Alabama state agency is procuring goods, services, and construction work in the same fiscal year: \$20,000 in office equipment, \$40,000 in IT services, and \$75,000 in renovation construction. The agency wishes to consolidate procurement under a single solicitation to streamline administration. Which action is the SINGLE MOST CRITICAL priority for the agency's procurement officer?

A. Combine all three procurements under a single Title 41-16 solicitation under state procurement law as applied to general purchases

B. Combine all three procurements under a single Title 39 procedure under state public works law as applied to combined procurement

C. Use sole-source procurement for all three categories to save administrative time under state procurement law as applied to small procurement

D. Procure the office equipment and IT services under Title 41-16 (Competitive Bid Law, threshold \$15,000) using its competitive bidding procedures, and procure the construction renovation under Title 39 (Public Works Law, threshold \$50,000) using its advertised competitive bidding procedures — because the two statutes govern different procurement categories and cannot be consolidated into a single solicitation procedure

23. An Alabama contractor wins a \$750,000 public construction project, signs the contract, but discovers within 7 days that the contractor's surety has been downgraded by AM Best and cannot issue performance and payment bonds. The contractor has 14 days to deliver bonds to the awarding authority and Notice to Proceed is scheduled for 21 days from contract execution. Which action is the SINGLE MOST CRITICAL priority?

A. Inform the awarding authority that the bonds will be late under standard public bidding practice as applied to bond delivery

B. Withdraw from the contract entirely and forfeit the bid bond under state public works law as applied to contractor withdrawal

C. Immediately engage a qualified replacement surety to issue the required performance and payment bonds at 100% of contract value before the 14-day deadline — because failure to deliver the required bonds will result in forfeiture of the bid bond (typically  $5\% \times \$750,000 = \$37,500$ ), award to the next lowest bidder, and possible disciplinary action by the Board

D. Ask the awarding authority for a 90-day extension of the bond delivery deadline under state public works law as applied to delays

24. An Alabama contractor's \$1.2 million bid on a public project is built up from \$850,000 direct cost, \$80,000 job overhead, \$130,000 general overhead applied as a percentage, and \$140,000 profit applied last. After award, the contractor incurs \$920,000 in actual direct cost due to subcontractor pricing increases. The contractor's gross profit margin is compressed to 4% from the projected 11.7%. Which action is the SINGLE MOST CRITICAL priority?

- A. Accept the cost overrun on the lump sum contract — because the lump sum pricing structure assigns cost overrun risk to the contractor in exchange for the fixed contract price — and focus on improving project execution and cost controls on the remaining work to mitigate further erosion of profit
- B. File a change order request for the \$70,000 overrun under state contract law as applied to lump sum overruns
- C. Stop work until the owner agrees to absorb the overrun under state contract law as applied to cost overruns in lump sum work
- D. File a claim with the surety for the overrun under bonding rules as applied to cost overruns in lump sum contracts

25. A general contractor solicits sub bids on a \$300,000 mechanical scope for a public Alabama construction project. Six subs submit bids ranging from \$250,000 to \$315,000 with response deadlines varying by 24 hours. The prime bid is due in 48 hours. The lowest sub bid contains exclusions that materially affect scope coverage. Which action is the SINGLE MOST CRITICAL priority?

- A. Use the lowest sub bid (\$250,000) in the prime bid without further inquiry under standard prime contracting practice as applied to sub bid evaluation
- B. Re-solicit all sub bids with a new deadline under standard prime contracting practice as applied to sub bid timing
- C. Promptly evaluate the lowest sub bid against the prime bid documents to confirm whether the scope exclusions can be covered by other subs or self-performance, and either obtain confirmation from the sub on full scope coverage or carry the next-lowest fully responsive sub bid in the prime bid total — because using a scope-deficient sub bid creates exposure for the prime if awarded
- D. Submit the prime bid without sub bid pricing and adjust after award under standard public bidding practice as applied to bid submission

26. An Alabama contractor's CPA prepares year-end financial statements showing \$2,500,000 in revenue, \$2,100,000 in costs, \$400,000 in current assets, \$300,000 in current liabilities, \$1,200,000 in total assets, and \$800,000 in total liabilities. The contractor uses the completed-contract method for tax purposes but reports under percentage-of-completion for GAAP financial statements (resulting in different revenue

figures). The Alabama Licensing Board is reviewing the contractor's renewal package, and the surety is reviewing for increased bonding. Which action is the SINGLE MOST CRITICAL priority?

- A. File the contractor's federal income tax return based on the completed-contract figures under federal tax law as applied to construction contractors
- B. Ensure that the GAAP percentage-of-completion financial statements (showing working capital of \$100,000 and net worth of \$400,000) are submitted to both the Board and the surety with a clear reconciliation explaining the difference between book and tax methods — because both reviewers rely on the GAAP statements for bid limit and bonding capacity determination, and inconsistencies or unexplained differences could delay or reduce both
- C. Choose either the completed-contract or percentage-of-completion method for both tax and GAAP to eliminate the difference under standard accounting practice
- D. File the Alabama Licensing Board renewal without financial statements under state licensing law as applied to renewal

27. An Alabama contractor has billed \$850,000 on a project where costs incurred to date total \$620,000 and total estimated costs at completion are \$800,000. The contract price is \$1,000,000. Year-end financial statements are due in 30 days. The contractor must report position to the Alabama Licensing Board and to the surety. Which action is the SINGLE MOST CRITICAL priority?

- A. Bill the full contract price immediately under standard contract practice as applied to year-end billing
- B. Defer all revenue recognition to project completion under construction accounting as applied to year-end reporting
- C. Report the project as 85% complete based on billings as a percentage of contract price under construction accounting as applied to year-end reporting
- D. Apply the percentage-of-completion method using the cost-to-cost ratio (costs incurred \$620,000 ÷ total estimated costs \$800,000 = 77.5%), recognize earned revenue of \$775,000 (77.5% × \$1,000,000), and report the \$75,000 difference (\$850,000 billed minus \$775,000 earned) as a current liability titled "billings in excess of costs and estimated earnings on uncompleted contracts" — because the overbilling position must be properly reported on the year-end balance sheet to comply with construction-industry accounting standards

28. An Alabama contractor's subcontractor has signed a conditional progress waiver upon receipt of a \$50,000 progress payment. The prime contractor's payment check is dishonored due to insufficient funds. The sub has continued working on the project and has additional unpaid amounts of \$30,000 from work

performed since the dishonored check. The sub is considering its lien rights. Which action is the SINGLE MOST CRITICAL priority for the sub?

A. Immediately confirm in writing to the prime that the conditional waiver has not taken effect because payment was not received, document the dishonor with bank records, preserve all lien rights for the full \$80,000 (\$50,000 dishonored plus \$30,000 subsequent work), and prepare to file the lien statement within the statutory window if payment is not received — because the conditional waiver's effectiveness was contingent on actual payment receipt, and prompt documentation preserves the sub's lien position

B. Continue working on the project and trust that the prime will eventually pay under standard subcontractor practice as applied to payment disputes

C. File suit in federal court for breach of contract under federal contract law as applied to construction subcontracts

D. Sign an unconditional waiver to demonstrate good faith under standard subcontractor practice as applied to lien waivers

29. An Alabama contractor's financial statements show working capital of \$300,000 and net worth of \$750,000. The surety has set bonding capacity at \$1,500,000 single project and \$3,000,000 aggregate. The contractor wishes to bid on a \$1,800,000 single project. The Alabama Licensing Board's authorized bid limit for the contractor is \$2,000,000. Which action is the SINGLE MOST CRITICAL priority?

A. Submit the bid because the Board's \$2,000,000 bid limit authorizes the \$1,800,000 project under state licensing law

B. Submit the bid because the contractor's net worth of \$750,000 exceeds the typical surety underwriting standard under bonding industry practice

C. Apply to the surety for an increased single-project bonding capacity from \$1,500,000 to at least \$1,800,000 before submitting the bid — because the surety's single-project bonding cap is binding regardless of the Board's bid limit, and submitting a bid above the bonding capacity would render the bidder unable to furnish required performance and payment bonds upon award

D. Submit the bid under the existing \$1,500,000 single-project cap and address the bonding gap after award under bonding industry practice as applied to bonding increases

30. An Alabama contractor's WIP schedule at year-end shows: Project A with \$200,000 overbilling, Project B with \$150,000 underbilling, Project C with \$300,000 retainage receivable, total accounts receivable of \$850,000, total accounts payable of \$620,000. The contractor must calculate working capital for the Board's annual renewal and for surety review. Which action is the SINGLE MOST CRITICAL priority?

- A. Net the overbilling and underbilling to a single \$50,000 position on the balance sheet under standard accounting practice as applied to WIP positions
- B. Exclude the retainage receivable from current assets under construction accounting as applied to retainage
- C. Exclude both overbilling and underbilling from current asset/liability presentation under construction accounting as applied to year-end reporting
- D. Properly report each WIP position separately on the balance sheet: \$200,000 overbilling as a current liability ("billings in excess of costs and estimated earnings"), \$150,000 underbilling as a current asset ("costs and estimated earnings in excess of billings"), and \$300,000 retainage receivable as a current asset — and compute working capital as the resulting current assets minus current liabilities so the Board and surety see an accurate liquidity position

31. An Alabama contractor with 16 employees has a non-exempt employee earning \$25/hour who worked 55 hours in the past workweek. The same employee filed an internal complaint alleging a racially discriminatory comment by a supervisor. The employer must process the weekly payroll today. Which action is the SINGLE MOST CRITICAL priority for the payroll and HR functions?

- A. Process payroll at the regular hourly rate without overtime under federal employment law as applied to non-exempt workers
- B. Suspend the employee pending investigation of the discrimination complaint under standard HR practice as applied to complaints
- C. Process payroll correctly with overtime premium ( $40 \text{ hours} \times \$25 = \$1,000$  plus  $15 \text{ hours} \times \$37.50 = \$562.50$ , totaling \$1,562.50) and SEPARATELY initiate a prompt, confidential Title VII-compliant investigation of the discrimination complaint with anti-retaliation protections, because both obligations are independent and both must be addressed timely
- D. Delay payroll until the discrimination investigation concludes under standard HR practice as applied to investigation procedures

32. An Alabama contractor reaches the 5-employee workers' comp threshold on the same day the contractor crosses 15 employees (triggering Title VII), and an employee files a workplace injury claim the same week. The contractor has not yet obtained workers' compensation coverage. Which action is the SINGLE MOST CRITICAL priority?

A. Defer obtaining workers' compensation coverage until next quarter to assess workforce stability under standard insurance practice as applied to coverage decisions

B. Obtain workers' compensation coverage immediately to comply with the 5-employee threshold AND assess Title VII employment policies (anti-discrimination policy, complaint procedures, manager training) — because the injured employee has no statutory workers' comp benefit fund available without coverage, the employer faces personal tort exposure for the injury, and the Title VII obligations attach at the 15-employee headcount with significant litigation exposure

C. File the injury claim with the IRS under federal procedure as applied to workplace injuries

D. Pay the injured employee directly from company funds without workers' comp involvement under standard contract practice as applied to injury settlements

33. An Alabama contractor with 52 employees within a 75-mile radius receives an FMLA leave request from an employee who has worked 1,400 hours over the past 12 months. The same employee is the only certified welder on the contractor's most critical project, which is due to be completed in 30 days. Which action is the SINGLE MOST CRITICAL priority?

A. Deny the FMLA request to maintain project schedule under standard contract law as applied to FMLA requests

B. Grant the FMLA request and stop work on the project under standard contract law as applied to FMLA leave

C. Approve the FMLA leave request because the employee meets all eligibility requirements (12 months employment, 1,250+ hours worked, 50+ employees within 75-mile radius), and SEPARATELY implement project staffing contingency plans (hiring temporary welder, rescheduling welding scope, requesting time extension from owner) — because FMLA denial would create federal employment law exposure, while project schedule risks can be managed through normal contractor operations

D. Reduce the workforce below 50 to terminate FMLA coverage under federal employment law as applied to FMLA eligibility

34. An Alabama contractor with 22 employees discovers it has been failing to complete I-9 Section 2 for new hires within the 3-business-day deadline for the past 6 months. Two recent hires have already been working 10 business days without I-9 Section 2 completion. The contractor faces a federal audit possibility. Which action is the SINGLE MOST CRITICAL priority?

A. Continue current onboarding practice and address I-9 issues at the next audit under federal immigration law as applied to audit response

B. Terminate the 2 employees with incomplete I-9s to avoid further exposure under federal immigration law as applied to noncompliant hires

C. Complete I-9 Section 2 immediately for the 2 employees with overdue verification, conduct a retroactive I-9 audit of all hires in the past 6 months to correct deficiencies, ensure E-Verify is initiated for any missing entries, and update onboarding procedures to prevent future violations — because federal civil penalties for I-9 violations apply per violation and continue to accrue with ongoing noncompliance, and proactive correction may mitigate penalty exposure

D. File a voluntary disclosure with the IRS under federal tax law as applied to I-9 violations

35. An Alabama contractor with 30 employees has 5 employees over age 40, 3 employees with disabilities under the ADA, and a non-exempt employee earning \$18/hour who worked 60 hours last week. The contractor has not yet completed mandatory anti-discrimination training under Title VII, has no documented reasonable accommodation interactive process under the ADA, and processes payroll today. Which action is the SINGLE MOST CRITICAL priority?

A. Process payroll correctly with overtime premium ( $40 \times \$18 = \$720$  plus  $20 \times \$27 = \$540 = \$1,260$ ) AND develop a comprehensive employment compliance plan addressing Title VII training, ADA accommodation procedures, ADEA non-discrimination policies, and FLSA classification audit — because the contractor's 30-employee headcount triggers Title VII (15+), ADEA (20+), and ADA (15+) all simultaneously, and each statute carries significant litigation exposure for noncompliance

B. Process payroll at straight time only to control cost under federal employment law as applied to overtime

C. Wait for an EEOC complaint before implementing anti-discrimination procedures under federal employment law as applied to compliance timing

D. Reduce the workforce below 15 to avoid Title VII coverage under federal employment law as applied to coverage thresholds

36. An Alabama contractor's CGL policy renews next month, the builders' risk policy on the current project expires in 30 days, the workers' compensation policy renews in 60 days, and a recently completed project has an open warranty claim from the owner alleging \$40,000 in defective work. Which action is the SINGLE MOST CRITICAL priority?

A. Defer the CGL renewal to combine with the workers' compensation renewal under standard insurance practice as applied to consolidated renewals

B. Coordinate with the broker on CGL renewal (next month) and builders' risk renewal (30 days) immediately to avoid coverage gaps, while separately notifying CGL carrier of the \$40,000 warranty claim

per policy claim-reporting requirements — because coverage continuity is critical (any gap exposes the contractor to uninsured loss), and prompt claim notification preserves CGL coverage for the warranty matter

C. File the warranty claim with the workers' compensation carrier under state insurance law as applied to warranty claims

D. Cancel all policies and self-insure the projects under standard insurance practice as applied to construction risk

37. An Alabama contractor is bidding on a \$3 million federal construction project that requires CGL coverage at \$2 million per occurrence, professional liability of \$1 million, and builders' risk during construction. The contractor's current CGL limit is \$1 million, the contractor has never carried professional liability, and the builders' risk would be purchased upon award. The bid is due in 7 days. Which action is the SINGLE MOST CRITICAL priority?

A. Submit the bid with the existing \$1 million CGL coverage and increase upon award under standard public bidding practice as applied to insurance gaps

B. Withdraw from the bid because the insurance requirements cannot be met under bonding industry practice as applied to public bids

C. Request a federal procurement waiver of the insurance requirements under federal contracting law as applied to insurance waivers

D. Coordinate with the insurance broker immediately to (1) increase the CGL limit to \$2 million per occurrence, (2) obtain professional liability coverage at \$1 million, and (3) confirm the builders' risk availability upon award — because the federal procurement insurance requirements are conditions precedent to award, and the 7-day bid window requires immediate broker engagement to obtain quotes and binders before bid submission

38. An Alabama contractor's project has experienced three near-miss safety events in the past 30 days, a worker was injured in the most recent event (filed a workers' comp claim), the OSHA experience modification factor will increase if patterns continue, and the contractor's surety has requested a safety program review as a condition of bonding renewal. Which action is the SINGLE MOST CRITICAL priority?

A. Implement a comprehensive risk reduction response immediately: investigate the three near-miss events and the injury, identify root causes, update job hazard analyses and safety procedures, conduct targeted training, and document all corrective actions — because high-frequency safety events suggest systemic issues that affect workers' comp claims (and the experience modifier), OSHA exposure, project

safety, surety bonding, and overall risk profile, and risk reduction through controls addresses the root causes affecting all these dimensions

B. Cancel the workers' compensation coverage to reduce premium expense under standard insurance practice as applied to claim frequency

C. Wait for OSHA to issue citations before changing safety practices under federal occupational safety law as applied to citation response

D. Self-insure the next workers' compensation cycle to avoid premium increases under standard insurance practice as applied to experience modification

39. An Alabama contractor's construction project has an enforceable mutual waiver of subrogation in the contract, supported by both the owner's property insurance and the contractor's CGL and builders' risk policies. A fire damages \$500,000 of materials, with potential third-party fault by a subcontractor. The contractor's insurer wants to subrogate against the sub. Which action is the SINGLE MOST CRITICAL priority?

A. Permit the insurer to subrogate freely against the sub under standard insurance practice as applied to subrogation rights

B. Verify the scope of the mutual waiver of subrogation between the parties to the contract, confirm whether the sub is within the waiver's scope (subs are often included via flow-down provisions), and inform the insurer of the contractual waiver — because if the sub is within the waiver scope, the insurer is bound to honor the waiver and cannot subrogate against the sub

C. File suit against the sub directly without involving the insurer under state contract law as applied to subrogation

D. Cancel the contractor's CGL policy to terminate the insurer's subrogation rights under standard insurance practice as applied to subrogation

40. An Alabama construction site experiences a fall fatality at 10:00 AM Tuesday. The employer is notified at 11:00 AM the same day. The employer's safety manager is on vacation, the project superintendent is at lunch, the contractor's safety policies are stored at the central office. Three witnesses are on site, the OSHA 300 Log is current. Which action is the SINGLE MOST CRITICAL immediate priority?

A. Report the fatality to OSHA within 8 hours of the 11:00 AM employer knowledge (by 7:00 PM Tuesday) under 29 CFR 1904.39 — because the 8-hour fatality reporting deadline is jurisdictional and unforgiving, and missing it triggers separate citations independent of the underlying incident; all other

priorities (witness statements, scene preservation, family notification) can occur in parallel with OSHA reporting

B. Wait for the safety manager to return from vacation before contacting OSHA under standard safety practice as applied to fatality reporting

C. Address the OSHA 300 Log entry within 7 calendar days under OSHA recordkeeping rules as applied to fatalities

D. Contact the workers' compensation carrier first under standard insurance practice as applied to fatality reporting

41. An Alabama construction site experiences an in-patient hospitalization at 3:00 PM Friday. The employer learns of the event at 5:00 PM Friday. The injured worker is alive but in serious condition. The OSHA 300 Log entry deadline runs separately. The contractor is concerned about OSHA investigation, workers' comp coverage, and the employee's family. Which action is the SINGLE MOST CRITICAL priority?

A. Wait until Monday to contact OSHA under federal occupational safety law as applied to non-fatal events

B. File the OSHA 300 Log entry within 24 hours of the event under OSHA recordkeeping rules as applied to non-fatal events

C. Contact the workers' compensation carrier within 30 days of the event under state insurance law as applied to workplace injuries

D. Report the in-patient hospitalization to OSHA within 24 hours of the 5:00 PM Friday employer knowledge (by 5:00 PM Saturday) under 29 CFR 1904.39 — because the 24-hour reporting deadline is jurisdictional, and the deadline runs from when the employer learned of the event regardless of when the event occurred

42. An Alabama construction project has the following compliance obligations: an OSHA recordable injury occurred 7 calendar days ago that has not yet been entered on the 300 Log, the Form 300A annual summary must be posted from February 1 through April 30 starting next week, the project disturbs 2 acres of land triggering NPDES coverage, and the SWPPP has not yet been developed. Which action is the SINGLE MOST CRITICAL priority?

A. Post the Form 300A annual summary in the workplace from February 1 through April 30 starting next week under OSHA recordkeeping rules as applied to the summary

B. Submit the NPDES Notice of Intent to ADEM under federal water law as applied to construction permit coverage

C. Continue construction operations without addressing the compliance issues until each deadline arrives under federal procedure as applied to compliance timing

D. Address all three compliance deadlines in parallel with appropriate prioritization: (1) enter the OSHA recordable injury on the 300 Log immediately (within the 7-day window that is now expiring), (2) develop the SWPPP before filing the NPDES NOI (which then permits site work to proceed under permit coverage), and (3) prepare the 300A annual summary for posting next week — because each deadline carries separate enforcement exposure and missing any one creates compliance violations

43. An Alabama contractor's project is in its final month. The contractor must (1) complete the OSHA 300A annual summary by January 31 for next year's posting, (2) reach substantial completion in 14 days, (3) submit the final NPDES Notice of Termination after site stabilization, (4) close out federal payroll filings for the year. All deadlines fall within the next 6 weeks. Which action is the SINGLE MOST CRITICAL priority sequence?

A. Address each deadline as it arrives, prioritizing those with statutory consequences for non-compliance: complete site stabilization to permit NPDES NOT filing (before water-quality enforcement exposure), reach substantial completion (triggering owner occupancy and other consequences), file the OSHA 300A summary by January 31 (regulatory deadline), and complete federal payroll year-end filings (Form W-2, Form 1099-NEC, Form 940) on their respective deadlines

B. Address only the most urgent deadline and let others slip under standard contract practice as applied to closeout

C. Stop work until all closeout deadlines are met under federal procedure as applied to closeout

D. Defer all closeout deadlines until next quarter under standard contract practice as applied to project closeout

44. An Alabama public construction project is 14 days from the contract substantial completion date. The contractor's critical path has slipped by 4 days due to subcontractor delays, the LD clause assesses \$2,000/day for late delivery, the punch list is being prepared, and the owner has signaled willingness to grant a 7-day time extension if formally requested with documentation. The contractor must prioritize action. Which is the SINGLE MOST CRITICAL priority?

A. Continue work without seeking time extension under standard contract practice as applied to delay management

B. Stop work to negotiate the time extension under standard contract practice as applied to schedule disputes

C. Submit a formal time extension request with documentary support (subcontractor delay records, owner communications, weather records if applicable) for the 4-day delay (and any additional extension justified by remaining work risk) — because granting of the 7-day extension converts 4 days of LD exposure (\$8,000) into a no-LD scenario, while continued work preserves the contractor's right to final payment, retainage release, and warranty start

D. Accept the 4-day LD (\$8,000) and continue work without extension under standard contract practice as applied to delay management

45. An Alabama contractor reaches substantial completion on June 30 on a \$2 million public project. The contract retainage is 10% (\$200,000), the punch list contains 28 items, the warranty period begins, liquidated damages stop accruing, and the owner has not yet released any portion of the retainage. The contractor has \$80,000 in subcontractor retainages owed. Which action is the **SINGLE MOST CRITICAL** priority?

A. Wait for final completion before requesting any retainage release under standard contract practice as applied to retainage timing

B. Promptly request release of the bulk of the \$200,000 retainage at substantial completion (typically \$180,000 of \$200,000, retaining \$20,000 to secure punch list completion based on a 1% of contract retention rate), use the released funds to address the \$80,000 of subcontractor retainage owed, and continue punch list completion to release the remaining retainage at final completion — because retainage release at substantial completion is standard contract practice, addresses the cash flow squeeze affecting subs, and is the contractor's right under the contract

C. File suit against the owner for full retainage release under state contract law as applied to retainage disputes

D. Refuse to address punch list items until retainage is released under standard contract practice as applied to closeout

46. An Alabama contractor's CPM schedule shows the critical path running through 8 activities. An owner-directed change adds 12 days of work to an activity that currently has 5 days of total float (a non-critical activity). The change order has been issued with cost and time impact reconciliation pending. Which action is the **SINGLE MOST CRITICAL** priority?

A. Continue the schedule as currently sequenced under standard scheduling practice as applied to non-critical activities

B. Update the CPM schedule to reflect the 12-day addition to the non-critical activity, recalculate the network logic, and identify whether the activity becomes critical (which would occur if 12 days exceeds the activity's total float of 5 days by enough to push it onto the critical path), and submit a time extension request with the schedule analysis to support the change order time impact — because the schedule update is essential to manage the resulting effect, capture the time impact in the change order, and support any time extension claim

C. Reject the change order until the time impact is settled under standard contract practice as applied to change orders

D. Add 12 days to the project completion date arbitrarily without schedule analysis under standard contract practice as applied to time extensions

47. An Alabama original contractor (direct contract with owner) last furnished labor and materials on January 15. The project owner has not paid the final \$120,000 invoice, has refused to communicate, and a downstream materialman has indicated intent to file its own lien. The current date is May 15. The contractor must decide on priority action. Which action is the SINGLE MOST CRITICAL priority?

A. Prepare and file the verified mechanic's lien statement in the probate court of the county where the property is located before July 15 (the 6-month deadline from January 15 last item furnished), and prepare to file the lawsuit to enforce the lien within 6 months of lien filing — because the lien filing deadline is jurisdictional and unforgiving; missing it permanently forfeits the lien claim against the property, leaving only an unsecured contract claim against the non-paying owner

B. Wait for the materialman to file first before filing the contractor's lien under state lien law as applied to lien priorities

C. Continue communication efforts with the owner without filing under standard contract practice as applied to payment disputes

D. File suit in federal court under federal property law as applied to lien actions in construction

48. An Alabama materialman (no direct contract with owner) supplied \$80,000 in materials to a project, gave proper pre-furnishing written notice to the owner, last furnished on March 1, and the prime contractor has not paid. The current date is June 1. The materialman is considering its lien options against the property. Which action is the SINGLE MOST CRITICAL priority?

A. Wait for the original contractor's lien to be filed first under state lien law as applied to lien priorities

B. File suit against the prime contractor under state contract law as applied to subcontractor disputes

C. Continue providing materials to the project to preserve the relationship under standard supplier practice as applied to payment disputes

D. Prepare and file the verified mechanic's lien statement in the probate court before July 1 (the 4-month deadline from March 1 last item furnished, which is the materialman's filing window), and prepare to file the lawsuit to enforce within 6 months of lien filing — because the materialman's 4-month filing deadline is shorter than the original contractor's 6-month deadline, and missing it permanently forfeits the lien

49. An Alabama sole proprietor contractor has grown to 8 employees, has been profitable for 3 years, faces increasing personal liability exposure on construction projects, and has been advised by counsel to consider entity formation. The contractor is uncertain whether to form an LLC, S corporation, or C corporation. Which action is the SINGLE MOST CRITICAL priority?

A. Continue operating as a sole proprietor for tax simplicity under federal tax law as applied to small contractors

B. Form a C corporation to obtain the 21% federal corporate tax rate under federal tax law as applied to closely held corporations

C. Form an S corporation to obtain pass-through treatment without considering other entity options under federal tax law as applied to closely held corporations

D. Engage tax counsel and a CPA to evaluate the relative merits of LLC (pass-through with personal liability protection and operational flexibility), S corporation (pass-through with potential payroll tax savings on owner-employee compensation), and C corporation (21% flat rate with double taxation on distributions) in the context of the contractor's actual financial profile, growth plans, and ownership structure — because entity choice has significant tax, liability, and operational consequences that vary by individual circumstances and require professional analysis before forming

50. An Alabama contractor has just formed a multi-member LLC with 4 members, has filed the Certificate of Formation with the Secretary of State, has obtained an EIN from the IRS, but has not yet drafted an Operating Agreement, made any tax classification election, or registered for state tax accounts. The LLC plans to begin contracting work in 30 days. Which action is the SINGLE MOST CRITICAL priority?

A. Begin contracting work immediately and address the LLC's internal governance later under standard contracting practice as applied to new entities

B. File Form 2553 to elect S corporation status without drafting an Operating Agreement under federal tax law as applied to LLCs

C. Draft and execute the Operating Agreement defining member rights, capital contributions, profit/loss allocations, management structure, and dissolution provisions, BEFORE making any tax classification

election or beginning operations — because the Operating Agreement is the foundational governance document, the LLC defaults to partnership taxation for federal purposes without any election (so partnership treatment is the starting point), and the agreement must be in place to govern internal relationships before contracting work creates the disputes the agreement is designed to manage

D. Wait until year-end to address Operating Agreement matters under federal corporate law as applied to LLCs

## PRACTICE EXAM 18: ANSWER KEY AND EXPLANATIONS

1. B — Cessation of unlicensed contracting is the critical priority because every additional unlicensed contract compounds Board exposure and creates new unenforceable contract claims. The unenforceable-payment outcome, workers' comp exposure, and IRS notice are downstream consequences of the underlying licensing violation, which must be stopped immediately before any of the remedial issues can be effectively addressed.
2. C — The 60-day statutory window for designating a replacement QP is jurisdictional, and failure to designate within that window jeopardizes the license itself. License loss would render both pending bids and the renewal effort moot, making QP replacement the threshold priority that protects all downstream business operations.
3. A — NASCLA satisfies only the trade portion of Alabama licensure in the 17 participating jurisdictions and never substitutes for any state's Business and Law examination. Without Alabama licensure achieved through passage of the Business and Law exam, no bid above the threshold is valid, regardless of how thoroughly other preparations have been made.
4. D — The 5-day lien filing deadline is jurisdictional and unforgiving, and missing it permanently forfeits the \$50,000 lien claim against the property. The other matters (OSHA inspection response, workers' comp claim verification, Board hearing 3 weeks out) all have longer response windows and can be addressed in parallel without the same permanent-loss consequence.
5. A — Engagement of administrative counsel and a formal hearing response under the Alabama Administrative Procedure Act protects the contractor's due process rights and addresses the disciplinary matter at its source. The hearing outcome directly affects license status, bid eligibility, and ongoing operations — far more consequential than the \$10,000 penalty or the pending bid pursuit.
6. B — The 60-day statutory window for replacement QP designation is the threshold license-protection step, and failure to designate within that window jeopardizes the license itself. License loss would halt all 4 active commercial projects, terminate bid eligibility, and create exposure on the active contracts — far exceeding the consequence of any other listed priority.
7. A — A formal hearing response with documentary evidence is the contractor's primary opportunity to present the full factual and legal defense before sanctions issue, exercising due process rights under the Alabama Administrative Procedure Act. Each alleged violation could result in penalties up to \$10,000 and possible suspension or revocation, making the hearing the critical priority over premature payment or surrender.
8. C — Without Alabama General Contractor licensure, no commercial contracting at or above the threshold may lawfully occur in Alabama, rendering all other preparatory steps moot. License application with financial statements, QP designation, and QP passage of both the trade and Business and Law examinations are conditions precedent to any contracting work in Alabama.

9. A — The Trust Fund Recovery Penalty under IRC §6672 may be asserted personally against responsible persons who willfully failed to remit trust fund taxes, bypassing the corporate entity. Personal liability is a more severe and immediate consequence than the bidding or bonding effects, making prompt remittance and tax counsel engagement the priority over any other action.
10. D — The 3-business-day I-9 Section 2 deadline has already lapsed for the 2 employees who started 4 business days ago, exposing the employer to federal immigration civil penalties that apply per violation. Immigration verification compliance must be addressed immediately because the violation is continuous and accruing, while other onboarding matters have longer compliance windows.
11. D — Reclassification of the 3 misclassified workers as employees with proper withholding going forward, plus tax counsel engagement for corrective options, is the critical priority because continued misclassification compounds payroll tax exposure, the Trust Fund Recovery Penalty, and Department of Labor liability with each pay period. Delay multiplies the underlying liability across all enforcement fronts.
12. C — The 0.9% Medicare surtax applies to wages above \$200,000 as an employee-only obligation, and the employer is responsible for proper withholding once the threshold is crossed. Beginning correct withholding in the current and remaining pay periods, then reconciling the missed prior withholding by year-end, addresses the compliance obligation timely under federal payroll tax rules.
13. C — Operating with 6 employees without workers' compensation coverage violates Alabama law (5-employee threshold) and exposes the employer to personal tort liability for the existing injury because the exclusive-remedy protection is unavailable without coverage. Coverage placement and claim handling are the immediate priority over Form 941 and E-Verify, which are serious but less catastrophic than the uncovered injury exposure.
14. A — The Trust Fund Recovery Penalty is a personal assessment that bypasses the corporate entity, and the response window is short with significant consequences for missing it. Tax counsel engagement to evaluate factual and legal grounds (willfulness, responsible-person status) and resolve through IRS Appeals is the critical path; payment without contesting may be unnecessary and asset transfers to family could be fraudulent transfers.
15. B — Curing the material breach within the 14-day cure period is the only path that preserves the contract because failure to cure triggers the owner's right to terminate for cause, engage a replacement contractor, draw on the performance bond, and pursue excess completion costs. The cost of cure is virtually always far less than the cumulative consequences of termination for cause.
16. D — A comprehensive termination settlement claim including completed-work payment, agreed unperformed-profit percentage, reasonable demobilization and termination costs, and sub claims settlement is the standard compensation package under a termination-for-convenience clause. Each component must be claimed promptly to recover the full consideration the contractor is entitled to in exchange for accepting the owner's at-will exit right.
17. B — A formal time extension request with documentary support for the 30 owner-caused days reduces LD-eligible delay from 60 to 30 days, saving \$45,000 in LD assessments while continuing performance preserves the right to final payment and retainage. The owner-caused days are presumptively non-compensable to the owner if properly documented and timely claimed.
18. B — The Construction Change Directive (CCD) mechanism permits work to continue without delaying the project while preserving the contractor's right to fair compensation for the changed scope. Contemporaneous cost and time impact documentation supports the reconciliation that

follows through audit or formal change order, balancing project progress against fair compensation — the core purpose of the CCD device.

19. A — The Alabama Statute of Frauds requires a writing for agreements not performable within one year, and an oral contract for 18-month work is presumptively unenforceable absent a recognized exception. Reducing the agreement to writing if possible, preserving documentary evidence of performance and partial payments, and counsel consultation on equitable remedies (quantum meruit, promissory estoppel, part-performance) preserves all available recovery avenues.
20. C — The pay-if-paid clause has shifted credit risk to the sub but the prime still has documentation, communication, and good-faith obligations that affect the relationship and any litigation. Prompt communication with the sub, evaluation of the clause's enforceability and any factual grounds to dispute the condition, assessment of the sub's separate lien rights, and counsel consultation on prime exposure is the comprehensive approach the multi-pronged situation requires.
21. B — The Alabama bid mistake doctrine is available only before acceptance and requires prompt written notice with documentation of material clerical or mathematical errors. Both elements (promptness and documentation) must be satisfied immediately because waiting compromises the doctrine's availability, and the bid remains binding if neither condition is met.
22. D — Title 41-16 (Competitive Bid Law, \$15,000 threshold) governs general state purchases while Title 39 (Public Works Law, \$50,000 threshold) governs public construction; the two statutes cannot be consolidated into a single solicitation. The office equipment and IT services proceed under Title 41-16 procedures while the construction renovation proceeds under Title 39 advertised competitive bidding.
23. C — Immediate engagement of a qualified replacement surety is the critical priority because failure to deliver the required performance and payment bonds at 100% of contract value within the 14-day deadline will forfeit the bid bond (typically  $5\% \times \$750,000 = \$37,500$ ), result in award to the next lowest bidder, and possibly trigger Board disciplinary action. Bond delivery is a condition precedent to executing the awarded contract.
24. A — The lump sum pricing structure assigns cost overrun risk to the contractor in exchange for the fixed contract price, so the \$70,000 overrun is the contractor's burden. The critical priority is accepting the overrun on this contract and focusing on improving execution and cost controls on the remaining work to mitigate further profit erosion, because no change order, work stoppage, or surety claim is available for ordinary cost overruns under a lump sum contract.
25. C — Using a scope-deficient lowest sub bid creates exposure for the prime if awarded, because the scope gap must be filled at the prime's cost. The critical priority is evaluating whether the exclusions can be covered by other subs or self-performance, then either obtaining sub confirmation on full scope coverage or carrying the next-lowest fully responsive sub bid in the prime bid total.
26. B — Both the Board and the surety rely on GAAP percentage-of-completion financial statements for bid limit and bonding capacity determination, and inconsistencies or unexplained differences could delay or reduce both. Submission with a clear reconciliation between book (GAAP) and tax (completed-contract) methods is the critical priority because reviewers must be able to interpret the statements without confusion or distrust.
27. D — The percentage-of-completion method using cost-to-cost ratio ( $620,000 \div 800,000 = 77.5\%$ ) yields earned revenue of \$775,000 ( $77.5\% \times \$1,000,000$ ), and the \$75,000 difference between \$850,000 billed and \$775,000 earned is reported as a current liability ("billings in excess of costs and estimated earnings"). This conservative treatment prevents overstating earned revenue and is the construction-industry standard for long-term contracts.

28. A — The conditional waiver's effectiveness was contingent on actual receipt of the \$50,000 payment, and dishonor of the check means the condition has not been satisfied — preserving the sub's lien rights for the full \$80,000. Prompt documentation in writing to the prime, bank records of dishonor, and preparation to file the lien statement within the statutory window protects the sub's secured position against the property.
29. C — The surety's \$1,500,000 single-project bonding cap is binding regardless of the Board's \$2,000,000 bid limit, and submitting a bid above bonding capacity would render the bidder unable to furnish required performance and payment bonds upon award. Application to the surety for an increased single-project capacity to at least \$1,800,000 is the threshold step before bid submission.
30. D — Construction-industry GAAP requires separate reporting of each WIP position on the balance sheet: overbilling as current liability ("billings in excess of costs and estimated earnings"), underbilling as current asset ("costs and estimated earnings in excess of billings"), and retainage receivable as current asset. Netting or excluding these items distorts the working capital calculation the Board and surety rely on for bid limit and bonding capacity decisions.
31. C — Both payroll and the discrimination complaint are independent obligations and both must be addressed timely. FLSA overtime calculation yields \$1,562.50 (\$1,000 regular plus \$562.50 at 1.5× premium for 15 hours), and the Title VII investigation must be prompt, confidential, and protected by anti-retaliation safeguards — no obligation may be deferred to the other.
32. B — Immediate workers' compensation coverage placement satisfies the 5-employee threshold and prevents personal tort exposure for the injured employee (who has no statutory benefit fund without coverage), while parallel assessment of Title VII employment policies addresses the 15-employee threshold trigger. Both compliance obligations attach simultaneously and require parallel action.
33. C — FMLA eligibility is satisfied (12 months employment, 1,250+ hours worked, 50+ employees within 75-mile radius), so denial would create federal employment law exposure. Project staffing contingency plans (temporary welder, scope rescheduling, owner time extension request) address the schedule risk through normal contractor operations — never through FMLA denial.
34. C — Federal civil penalties for I-9 violations apply per violation and continue to accrue with ongoing noncompliance, so immediate I-9 Section 2 completion for the 2 overdue employees, retroactive 6-month audit, E-Verify completion, and updated onboarding procedures are required. Proactive correction may mitigate penalty exposure, while continued noncompliance multiplies it.
35. A — The 30-employee headcount triggers Title VII (15+), ADEA (20+), and ADA (15+) simultaneously, each with significant litigation exposure for noncompliance. Correct overtime payroll processing (\$720 regular plus \$540 at 1.5× premium for 20 hours = \$1,260) and a comprehensive employment compliance plan addressing all federal anti-discrimination statutes is the critical multi-front priority.
36. B — Immediate broker coordination on CGL renewal (next month) and builders' risk renewal (30 days) prevents coverage gaps that would expose the contractor to uninsured loss. Separate prompt CGL claim notification of the \$40,000 warranty claim per policy claim-reporting requirements preserves coverage — late notice can defeat coverage even on otherwise covered claims.
37. D — Federal procurement insurance requirements are conditions precedent to award, and the 7-day bid window requires immediate broker engagement to obtain quotes and binders before bid submission. CGL increase to \$2 million per occurrence, new professional liability at \$1 million, and builders' risk confirmation upon award are all necessary to make the bid responsive.
38. A — High-frequency safety events suggest systemic issues affecting workers' comp claims (and the experience modifier), OSHA exposure, project safety, surety bonding, and overall risk profile,

all of which trace back to root causes addressable through risk reduction controls. Investigation, root cause analysis, JHA updates, targeted training, and corrective action documentation address the underlying problem across all affected dimensions.

39. B — A mutual waiver of subrogation supported by policy endorsements binds the insurer to honor the contractual waiver, and subs are often included via flow-down provisions in the prime contract. Verification of the waiver's scope and notification to the insurer prevents subrogation action that would breach the contractual arrangement between the parties.
40. A — The 8-hour fatality reporting deadline under 29 CFR 1904.39 is jurisdictional and unforgiving, with the 8-hour clock running from time of employer knowledge (11:00 AM Tuesday), making the deadline 7:00 PM Tuesday. Missing the deadline triggers separate citations independent of the underlying incident; all other priorities can occur in parallel with the OSHA report.
41. D — The 24-hour reporting deadline under 29 CFR 1904.39 for in-patient hospitalization is jurisdictional, with the clock running from when the employer learned of the event (5:00 PM Friday), making the deadline 5:00 PM Saturday. The reporting deadline runs from employer knowledge regardless of when the event occurred, paralleling the 8-hour fatality reporting structure.
42. D — Each compliance deadline carries separate enforcement exposure and missing any one creates compliance violations. The OSHA 7-day 300 Log entry window is now expiring, the NPDES NOI requires a developed SWPPP, and the 300A annual summary must be posted next week — all three must be addressed in parallel with prioritization based on imminence and statutory consequence.
43. A — Closeout deadlines must be addressed in sequence of imminence and statutory consequence: site stabilization permits NPDES NOT filing (water-quality enforcement exposure), substantial completion triggers owner occupancy and warranty start, OSHA 300A summary is due January 31, and federal payroll year-end filings on their respective deadlines. Each closeout deadline preserves a distinct compliance interest and must be met to avoid sanction exposure.
44. C — A formal time extension request with documentary support converts 4 days of LD exposure (\$8,000 at \$2,000/day) into a no-LD scenario if granted, while continued work preserves the contractor's right to final payment, retainage release, and warranty start. The owner's signaled willingness to grant the extension is a strong indicator that timely formal request will succeed.
45. B — Prompt request for release of the bulk of the \$200,000 retainage at substantial completion (typically \$180,000, retaining \$20,000 to secure punch list completion) addresses the cash flow squeeze affecting the \$80,000 in subcontractor retainage owed, while continued punch list completion releases the remaining retainage at final completion. Retainage release at substantial completion is standard contract practice and the contractor's right.
46. B — Schedule update is essential to determine whether the 12-day addition (against 5 days of float) pushes the activity onto the critical path, because total float consumption beyond available float propagates onto the critical path. The CPM analysis supports the time extension request and the change order time impact reconciliation — neither can be properly negotiated without it.
47. A — The 6-month original-contractor lien filing deadline from last item furnished (January 15 → July 15) is jurisdictional and unforgiving, and missing it permanently forfeits the lien claim against the property, leaving only an unsecured contract claim against the non-paying owner. Filing the verified lien statement in the probate court of the county where the property is located is the critical priority.

48. D — The 4-month materialman lien filing deadline from last item furnished (March 1 → July 1) is shorter than the original contractor's 6-month deadline, and missing it permanently forfeits the lien interest. Pre-furnishing notice alone preserves lien rights but the materialman must still meet the filing and enforcement deadlines (lawsuit within 6 months of lien filing) to perfect and enforce the lien.
49. D — Entity choice has significant tax, liability, and operational consequences that vary by individual circumstances and require professional analysis before forming. Tax counsel and CPA evaluation of LLC (pass-through with personal liability protection and operational flexibility), S corporation (pass-through with potential payroll tax savings on owner-employee compensation), and C corporation (21% flat rate with double taxation on distributions) in the context of the contractor's profile and growth plans is the critical priority over any single default choice.
50. C — The Operating Agreement is the foundational governance document defining member rights, capital contributions, profit/loss allocations, management structure, and dissolution provisions, and must be in place before contracting work creates the disputes the agreement is designed to manage. The LLC defaults to partnership taxation for federal purposes without any election, so partnership treatment is the starting point and tax classification decisions can follow Operating Agreement execution.