

# PRACTICE EXAM 20: ALABAMA BUSINESS & LAW SIMULATION

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

**Instructions: Each item presents a scenario drawn from Alabama contractor licensing, business law, employment, tax, contract administration, lien law, safety, and insurance. Select the SINGLE MOST CORRECT answer for each question.**

1. Under Alabama law, a general contractor license is required when the total cost of a single commercial construction project — including labor and materials — meets or exceeds which threshold?

- A. \$25,000 for any project involving structural work on a commercial building
- B. \$75,000 for projects that include both labor and materials under a single contract
- C. \$50,000 for any single project, whether bid or negotiated, involving commercial construction
- D. \$100,000 for publicly advertised construction projects subject to Title 39 bidding requirements

2. An Alabama contractor's license lists a Qualifying Party who passed the NASCLA Accredited Examination for Commercial General Building Contractor. Under Alabama's reciprocity arrangement, which portion of Alabama licensure does the NASCLA credential satisfy?

- A. It satisfies both the trade examination and the Business and Law examination, providing full reciprocal licensure
- B. It satisfies the Business and Law examination only, and the contractor must still pass the trade examination
- C. It satisfies neither examination and the contractor must pass both Alabama-specific examinations from scratch
- D. It satisfies the trade examination only, and the contractor must still pass the Alabama Business and Law examination

3. A licensed Alabama contractor wishes to increase its Board-authorized bid limit from \$1,000,000 to \$2,500,000. Which document is the Alabama Licensing Board's primary basis for evaluating and approving a bid limit increase?

A. Current financial statements prepared by a licensed CPA demonstrating net worth and working capital sufficient to support the requested bid limit

B. A surety letter confirming that bonding capacity has been increased to \$2,500,000 for both single project and aggregate limits

C. A sworn affidavit from the contractor's bank confirming available credit lines equal to the requested bid limit increase

D. A list of prior completed projects demonstrating experience at or near the requested bid limit over the preceding three years

4. Under the Alabama Contractor Licensing Law, what is the maximum civil penalty the Alabama Licensing Board may assess per violation against a licensed contractor found to have committed a violation?

A. \$5,000 per violation, with no aggregate cap across related violations arising from the same project

B. \$10,000 per violation, applicable to each separate violation found after a hearing or upon consent

C. \$15,000 per violation for first offenses, increasing to \$25,000 per violation for repeat offenders

D. \$25,000 per violation for violations involving public construction projects above the Title 39 threshold

5. An Alabama contractor submits a bid on a public construction project. After award, the contractor realizes it inadvertently omitted a \$28,000 structural steel line item from the bid. The contract has been executed and the performance bond issued. Under Alabama law and standard public contracting practice, which statement most accurately describes the contractor's position?

A. The contractor may file a formal bid mistake petition with the awarding authority within 10 days of contract execution to void the award and rebid the project

B. The contractor may seek a change order from the awarding authority to add the \$28,000 omitted item as a scope addition funded by contingency

C. The contractor may invoke the Alabama bid mistake doctrine to withdraw from the contract without penalty because the error was mathematical

D. The contractor is bound by the lump sum contract price and must perform at the bid price, because the bid mistake doctrine is only available before contract acceptance and the window has closed

6. A licensed Alabama contractor is performing a \$300,000 commercial renovation. The contractor hires a painting subcontractor that is not licensed by the Alabama Licensing Board. The prime contractor was aware of the sub's unlicensed status at the time of hire. Under Alabama law, which consequence most directly applies to the prime contractor?

A. The prime contractor's contract with the owner becomes voidable at the owner's election due to the use of an unlicensed subcontractor on a licensed project

B. The prime contractor faces potential disciplinary action by the Board, including civil penalties, because knowingly using an unlicensed subcontractor is itself a violation of the Alabama Contractor Licensing Law

C. The prime contractor is automatically jointly and severally liable for any workers' compensation claims filed by the unlicensed sub's employees during the project

D. The prime contractor must immediately terminate the unlicensed subcontractor and re-bid the painting scope to avoid further statutory exposure under Title 34

7. Under Alabama law, which statement correctly describes the Qualifying Party's role and the consequence of a QP departure without timely replacement?

A. The QP is the individual whose license, examination passage, and Board designation authorizes the contracting entity to operate; if the QP departs and a replacement is not designated within 60 days, the contractor's license is subject to suspension or revocation

B. The QP serves only an administrative role and departure does not affect the contractor's license validity as long as the entity renews on time and pays all applicable fees

C. The QP may be replaced at any time within 12 months of departure without affecting the contractor's license, provided the replacement passes only the Business and Law examination

D. The QP's departure automatically suspends the license for 30 days, after which the Board issues a cure notice requiring replacement within an additional 30 days

8. An Alabama contractor's annual license renewal is due on the expiration date shown on the license certificate. The contractor submits the renewal package 45 days after the expiration date. Under Alabama licensing law, which statement most accurately describes the consequence?

- A. The renewal is automatically accepted with a \$500 late fee because Alabama law provides a 60-day grace period for annual renewals
- B. The license is considered lapsed during the period between expiration and renewal, and the contractor may not lawfully bid or perform work during that period; the Board may also assess a late renewal penalty
- C. The renewal is void and the contractor must reapply as a new applicant, retaking both the trade and Business and Law examinations before any new license is issued
- D. The late renewal triggers an automatic 90-day probationary period during which the contractor may perform existing contracts but may not submit new bids above \$50,000

9. Title 39 of the Alabama Code governs competitive bidding on public construction projects. Which threshold triggers the mandatory advertised competitive bidding requirement under Title 39?

- A. Any public construction contract with an estimated cost exceeding \$25,000, regardless of the funding source or awarding authority
- B. Any public construction contract with an estimated cost exceeding \$35,000 when awarded by a county or municipal government entity
- C. Any public construction contract with an estimated cost exceeding \$100,000 when awarded by a state agency and \$50,000 for all other public authorities
- D. Any public construction contract with an estimated cost exceeding \$50,000 when awarded by a state, county, or municipal authority subject to the statute

10. An Alabama public agency awards a \$1,200,000 construction contract after competitive bidding under Title 39. The winning contractor fails to deliver the required performance and payment bonds within the deadline specified in the bid documents. Under Alabama public works law, what is the most likely consequence?

- A. The awarding authority must grant the contractor a mandatory 30-day extension to obtain replacement bonding before declaring a default under the contract
- B. The awarding authority may declare the contractor in default, forfeit the contractor's bid bond, and award the contract to the next lowest responsive and responsible bidder
- C. The contractor's license is automatically revoked by the Board upon written notice from the awarding authority that bonds were not timely delivered
- D. The awarding authority must rebid the entire project from the beginning because the failure to post bonds voids the procurement and requires a fresh solicitation

11. Under the Alabama Beason-Hammon Alabama Taxpayer and Citizen Protection Act, which employers are required to use the E-Verify system to confirm the work authorization of new hires?

- A. All employers in Alabama, regardless of size, are required to use E-Verify for every new hire as a condition of doing business in the state
- B. Only public employers and contractors on state-funded projects are required to use E-Verify; private employers are encouraged but not mandated
- C. Only employers with 25 or more employees are required to use E-Verify; smaller employers may use the I-9 process as a substitute
- D. Only employers classified as critical infrastructure contractors by the Alabama Department of Homeland Security are subject to mandatory E-Verify use

12. An Alabama employer with 14 employees pays a non-exempt employee \$22 per hour. The employee works 52 hours in a single workweek. Under the federal Fair Labor Standards Act, what is the employee's correct gross pay for that workweek?

- A. \$1,144.00, calculated as 52 hours  $\times$  \$22 straight time, because the FLSA permits straight-time payment for all hours when the rate is agreed upon in advance
- B. \$1,188.00, calculated as 40 hours  $\times$  \$22 plus 12 hours  $\times$  \$22  $\times$  1.25 because the FLSA overtime multiplier for non-exempt employees is 1.25 times the regular rate
- C. \$1,264.00, calculated as 40 hours  $\times$  \$22 = \$880 plus 12 hours  $\times$  \$33 = \$396 because the FLSA requires overtime at 1.5 times the regular rate for all hours over 40 in a workweek
- D. \$1,320.00, calculated as 40 hours  $\times$  \$22 plus 12 hours  $\times$  \$44 because overtime for non-exempt construction employees is paid at double time under the Davis-Bacon Act

13. Under the federal payroll tax system, which taxes comprise the employer's mandatory contribution on each employee's wages, separate from any employee withholding?

- A. The employer pays only the 6.2% Social Security portion of FICA on wages up to the annual wage base; Medicare is paid entirely by the employee through withholding
- B. The employer pays a matching 6.2% Social Security tax on wages up to the annual wage base and a matching 1.45% Medicare tax on all wages, in addition to FUTA at 6.0% on the first \$7,000 of each employee's wages (net of the state unemployment tax credit)

C. The employer pays a flat 15.3% self-employment tax on gross payroll, which covers both the employer and employee share of FICA for all workers

D. The employer pays 6.2% Social Security on all wages without a wage base cap, 1.45% Medicare, and a mandatory 0.9% Additional Medicare surtax on all employee wages regardless of individual earnings level

14. An Alabama contractor has 3 employees at the start of the year and grows to 7 employees by March 1. Under Alabama workers' compensation law, at what point does the mandatory workers' compensation coverage requirement attach?

A. On January 1 of the calendar year following the year in which the employer first reaches 5 employees, giving employers a full year to obtain coverage

B. On the date the contractor first reaches 5 employees under a regular employment relationship, not counting temporary or part-time workers toward the threshold

C. On the first day of the quarter following the quarter in which the contractor first reaches 5 employees, consistent with the quarterly reporting structure

D. On the date the contractor reaches 5 employees, because the Alabama Workers' Compensation Act requires coverage once the 5-employee threshold is met, and coverage must be in place as of that date

15. Under Alabama workers' compensation law, the exclusive remedy doctrine provides which protection to a covered employer?

A. A covered employer who has obtained required workers' compensation insurance is generally immune from civil tort suits by injured employees for work-related injuries, with the workers' comp system providing the exclusive remedy for those injuries

B. A covered employer is immune from all OSHA citations and federal safety enforcement actions because state workers' compensation coverage preempts federal occupational safety law

C. A covered employer's workers' compensation insurer is exclusively responsible for all costs associated with a work-related injury, including any civil damages assessed by a court following litigation

D. A covered employer may invoke the exclusive remedy doctrine to bar claims by third parties, including subcontractors and materialmen, who are injured while working on the employer's job site

16. An Alabama contractor's subcontractor defaults on a \$200,000 scope of work with 40% of the work remaining. The prime has a payment bond on the project. A lower-tier materialman supplied \$30,000 in

materials to the defaulting sub and has not been paid. Under Alabama payment bond law, which statement best describes the materialman's rights?

- A. The materialman has no direct claim against the payment bond because its contract is with the defaulting subcontractor, not with the prime or the owner
- B. The materialman may assert a direct claim against the prime's payment bond for the \$30,000 in unpaid materials, because payment bonds on Alabama public projects are generally available to protect lower-tier claimants including materialmen who supplied the defaulting sub
- C. The materialman must first obtain a judgment against the defaulting subcontractor before it may present a claim to the payment bond surety
- D. The materialman's only recourse is to file a mechanic's lien against the project property, because payment bond claims are limited to subcontractors with a direct contract with the prime

17. Under Alabama lien law, an original contractor (one with a direct contract with the owner) who last furnished labor or materials on a project has how long to file a verified mechanic's lien statement?

- A. 3 months from the date of last furnishing, filed in the circuit court of the county where the property is located
- B. 4 months from the date of last furnishing, filed in the probate court of the county where the property is located, which is the same deadline applicable to all lienholders regardless of tier
- C. 5 months from the date of last furnishing, filed in the circuit court of the county where the property is located, with a 30-day extension available upon written application
- D. 6 months from the date of last furnishing, filed in the probate court of the county where the property is located

18. Under Alabama lien law, a materialman who has no direct contract with the owner but who supplies materials to a subcontractor must take which preliminary step to preserve lien rights before furnishing materials?

- A. The materialman must provide written pre-furnishing notice to the owner before or at the time materials are first furnished, because without this notice the materialman's lien rights against the owner's property are not preserved
- B. The materialman must file a preliminary notice of intent to lien with the probate court of the county where the property is located before delivering any materials to the project

C. The materialman must obtain a signed joint check agreement from both the subcontractor and the prime contractor before delivering any materials to preserve lien priority

D. The materialman must serve a written demand for payment on the owner within 10 days of each material delivery to preserve lien rights on a delivery-by-delivery basis

19. An Alabama contractor enters a written subcontract containing a valid pay-if-paid clause. The owner becomes insolvent and makes no payment to the prime on a \$120,000 draw that includes \$50,000 of sub work. The sub demands payment. Under Alabama law, which statement most accurately describes the effect of the pay-if-paid clause?

A. The pay-if-paid clause is void as against public policy in Alabama and cannot be enforced to defer or deny payment to a subcontractor regardless of owner insolvency

B. The pay-if-paid clause shifts only the timing of payment to the sub; the prime must still pay within a commercially reasonable time regardless of whether the owner pays

C. A valid pay-if-paid clause in Alabama can shift the risk of owner nonpayment to the subcontractor, making owner payment a condition precedent to the prime's obligation to pay the sub, subject to the clause's enforceability based on its specific language

D. A pay-if-paid clause is enforceable only on public projects; on private projects the clause is treated as a pay-when-paid clause and the prime must pay within 30 days regardless

20. Under the Alabama Statute of Frauds, a contract for the performance of construction work that cannot be completed within one year from the date of making must meet which requirement to be enforceable?

A. The contract must be notarized and filed with the county probate court within 30 days of execution to be enforceable against either party

B. The contract must be reviewed and approved by the Alabama Licensing Board before work begins, because unlicensed contracting renders even written agreements unenforceable

C. The contract must include a payment bond equal to 50% of the contract value to protect each party's performance obligations over the multi-year term

D. The contract must be in writing and signed by the party against whom enforcement is sought, because oral agreements for work lasting more than one year are presumptively unenforceable under the Statute of Frauds

21. Under standard AIA contract terms as commonly used in Alabama commercial construction, a Construction Change Directive (CCD) is used in which situation?

- A. When both the owner and contractor have fully agreed on the cost and time impact of additional work and wish to formalize the agreement in a document separate from the original contract
- B. When the contractor unilaterally determines that additional scope is required to complete the project and issues written notice to the owner demanding additional compensation
- C. When the surety directs the contractor to perform additional scope as a condition of bond continuation following a cure notice from the owner
- D. When the owner directs additional work but the parties have not yet agreed on price or time impact, allowing work to proceed while cost and schedule are reconciled after performance

22. Under the federal Davis-Bacon Act, which projects trigger the requirement that contractors pay locally prevailing wages and fringe benefits to laborers and mechanics?

- A. Federally funded or federally assisted construction contracts exceeding \$2,000, requiring contractors to pay wages at not less than locally prevailing rates as determined by the U.S. Department of Labor
- B. All public construction projects in Alabama exceeding \$50,000, regardless of federal funding, because Alabama has adopted Davis-Bacon wage standards by state statute for all public work
- C. Only federal agency construction contracts exceeding \$100,000 where the federal government is the direct awarding authority and owner of the completed facility
- D. Only publicly bid contracts where the bid documents expressly incorporate Davis-Bacon wage determinations by reference, making Davis-Bacon applicability a matter of contract rather than statute

23. An Alabama contractor has gross revenues of \$4,200,000. Direct costs total \$3,100,000. General and administrative overhead is \$600,000. What is the contractor's net profit for the period, and what is the net profit margin expressed as a percentage of revenue?

- A. Net profit of \$400,000 and a net profit margin of 9.5%, calculated by subtracting only direct costs from gross revenue and expressing the remainder as a percentage
- B. Net profit of \$600,000 and a net profit margin of 14.3%, calculated by subtracting direct costs from revenue and dividing by total project costs rather than revenue

C. Net profit of \$500,000 and a net profit margin of 11.9%, calculated as \$4,200,000 minus \$3,100,000 minus \$600,000, divided by \$4,200,000 and expressed as a percentage

D. Net profit of \$700,000 and a net profit margin of 16.7%, calculated by subtracting only G&A overhead from gross revenue and excluding direct project costs from the margin formula

24. Under the percentage-of-completion accounting method used in construction, how is the percentage of completion most commonly determined under the cost-to-cost approach?

A. By dividing the number of contract days elapsed by the total number of contract days, expressing the time consumed as a proxy for work completed

B. By dividing costs incurred to date by total estimated costs at completion, expressing the ratio as the percentage of contract revenue to be recognized in the current period

C. By dividing the amount billed to date by the total contract price, using overbilling or underbilling as a proxy for actual work completed on the project

D. By dividing the number of completed schedule activities by the total number of schedule activities, using the CPM schedule as the basis for revenue recognition

25. An Alabama contractor's balance sheet shows total current assets of \$850,000 and total current liabilities of \$580,000. What is the contractor's working capital, and what does working capital represent in the context of contractor financial analysis?

A. Working capital is \$270,000, and it represents the contractor's total equity position available to absorb losses on active projects without triggering insolvency

B. Working capital is \$1,430,000, representing the sum of current assets and current liabilities, which measures the contractor's total short-term financial activity

C. Working capital is \$270,000, representing the contractor's total net worth available to support the Board-authorized bid limit and bonding capacity decisions

D. Working capital is \$270,000, representing the excess of current assets over current liabilities — a measure of short-term liquidity used by the Board and surety to evaluate the contractor's ability to fund ongoing project operations

26. Under the federal IRC §179 election, an Alabama contractor purchases \$85,000 in qualifying equipment in the current tax year. The contractor elects to expense the full cost under §179 rather than depreciating over the asset's useful life. Which statement most accurately describes the tax effect?

- A. The contractor may deduct the full \$85,000 in the year of purchase, reducing taxable income dollar-for-dollar in the current tax year rather than recovering the cost over multiple years through depreciation schedules
- B. The contractor may deduct 50% of the \$85,000 (\$42,500) in the year of purchase as a bonus depreciation allowance, with the remaining \$42,500 depreciated over the asset's MACRS recovery period
- C. The contractor must capitalize the full \$85,000 and depreciate it over a 7-year MACRS schedule regardless of the §179 election because the asset is used in construction
- D. The contractor may deduct the full \$85,000 only if the equipment is used exclusively on federally funded projects, because §179 expensing is limited to assets used in Davis-Bacon work

27. An Alabama contractor uses the completed-contract method for federal income tax reporting. Under this method, when is revenue from a long-term construction contract recognized for tax purposes?

- A. Revenue is recognized ratably over the contract term, beginning in the first year work is performed and continuing until the final year of the project on a straight-line basis
- B. Revenue is recognized in the year billings are issued to the owner, regardless of whether the owner has paid and regardless of the percentage of work actually completed
- C. Revenue and related costs are both recognized in the tax year in which the contract is substantially completed, deferring income recognition until the project is essentially finished
- D. Revenue is recognized when cash is received from the owner, making the completed-contract method equivalent to cash-basis accounting for construction contracts

28. Under federal law, Form 1099-NEC must be issued to which payees by an Alabama contractor?

- A. Only to subcontractors who are incorporated entities, because sole proprietors and partnerships are exempt from 1099-NEC reporting under the de minimis exception
- B. To any non-employee individual or unincorporated entity paid \$600 or more for services rendered during the tax year, with the form due to the recipient by January 31
- C. To all subcontractors paid any amount during the tax year, including incorporated entities, because construction payments are subject to enhanced reporting under IRC §6045
- D. Only to subcontractors who perform work on federally funded projects, because 1099-NEC reporting in the construction industry is limited to Davis-Bacon covered contracts

29. An Alabama contractor's workers' compensation experience modification factor (EMR) increases from 0.85 to 1.30 after two years of elevated claims. The contractor's manual premium is \$120,000. What is the dollar impact of the EMR increase on the annual workers' compensation premium?

A. The premium increases from \$102,000 to \$156,000, a difference of \$54,000, because the EMR multiplies the manual premium and the increase from 0.85 to 1.30 adds  $0.45 \times \$120,000$  to the annual cost

B. The premium increases from \$85,000 to \$130,000, a difference of \$45,000, because the EMR directly states the premium as a percentage of the manual base without multiplication

C. The premium increases from \$102,000 to \$156,000, a difference of \$54,000, confirming the answer in option A but excluding any state surcharges that would further increase the modified premium

D. The premium increases from \$102,000 to \$156,000, a difference of \$54,000 — calculated as manual premium  $\$120,000 \times 0.85 = \$102,000$  prior premium vs.  $\$120,000 \times 1.30 = \$156,000$  new premium — representing the direct financial consequence of the elevated claims experience on the contractor's insurance cost

30. Under a standard AIA A201 General Conditions, what is the architect's role with respect to the contractor's Applications for Payment?

A. The architect reviews each Application for Payment, certifies the amount the architect determines to be properly due based on observed progress and contract compliance, and issues a Certificate for Payment — the owner is then obligated to pay the certified amount within the time specified in the contract

B. The architect approves or rejects the Application for Payment in total, with no authority to certify a partial amount, because partial certification would constitute a modification of the contract sum without owner authorization

C. The architect has no authority over payment certification on projects where a construction manager is also engaged; the CM assumes full payment certification responsibility in dual-agent project delivery

D. The architect must certify each Application for Payment within 3 business days of receipt under AIA A201, or the application is deemed approved by operation of the contract terms

31. An Alabama contractor's CPM schedule shows a critical path duration of 180 days. A change order adds 14 days of work to an activity that currently has 10 days of total float. What is the impact on the project completion date?

- A. The project completion date is not affected because the added work is on a non-critical activity and the activity's float absorbs the entire 14-day addition without driving the project critical path
- B. The project completion date is extended by 4 days because the 14-day addition to the activity consumes all 10 days of float and drives the activity 4 days onto the critical path, extending the overall project duration
- C. The project completion date is extended by 14 days because any change order that adds work to the schedule automatically extends the completion date by the full duration of the added work regardless of float
- D. The project completion date is extended by 10 days because the float is consumed first and the remaining 4 days of added work are absorbed by schedule compression elsewhere on the critical path

32. Under Alabama lien law, after filing a verified mechanic's lien statement, an original contractor must take which additional action to enforce the lien and prevent it from expiring?

- A. The contractor must serve written notice of the lien filing on the owner within 10 days of filing, or the lien is void for lack of proper notice under Alabama lien statute
- B. The contractor must record a lis pendens in the probate court within 30 days of lien filing to preserve priority against subsequent purchasers and encumbrancers
- C. The contractor must file the lien statement in both probate court and circuit court within the statutory window to perfect both the lien claim and the enforcement action simultaneously
- D. The contractor must file a lawsuit to enforce the lien within 6 months of filing the lien statement, because failure to timely file the enforcement action causes the lien to expire and the secured claim is lost

33. Under OSHA's recordkeeping rules (29 CFR Part 1904), which of the following injuries or illnesses must be recorded on the OSHA 300 Log?

- A. A work-related injury that results in days away from work, restricted work activity, job transfer, medical treatment beyond first aid, loss of consciousness, or diagnosis of a significant injury by a healthcare professional
- B. Any work-related injury that requires a visit to a physician or urgent care clinic, regardless of whether treatment beyond first aid was actually provided at that visit
- C. Only work-related injuries involving days away from work or hospitalization, because minor injuries treated with first aid and resulting in no lost time are specifically exempt from all OSHA recordkeeping requirements

D. Any on-site injury reported by an employee, regardless of work-relatedness or severity, because OSHA requires employers to log all employee-reported injury events to ensure no claim is overlooked

34. An Alabama construction employer with 20 employees receives a formal OSHA citation following an inspection. The employer disagrees with the citation. Under OSHA's enforcement procedures, what is the employer's deadline to contest the citation?

A. The employer must file its contest within 30 calendar days of receiving the citation, after which the citation becomes a final order and the employer loses all rights to challenge the findings or penalties

B. The employer must file its contest within 20 calendar days of receiving the citation, but only if the citation involves a willful or repeat violation; non-serious citations may be contested at any time

C. The employer must file its notice of contest within 15 working days of receiving the citation, after which the citation and any proposed penalty become a final order of the Occupational Safety and Health Review Commission

D. The employer must file its contest within 30 working days and simultaneously pay the proposed penalty into escrow; failure to deposit the penalty voids the contest under OSHA's enforcement rules

35. Under federal OSHA regulations, an employer must report an in-patient hospitalization of one or more employees resulting from a work-related incident to OSHA within which timeframe?

A. Within 8 hours of the employer learning of the hospitalization, using the same reporting window as fatal workplace accidents under 29 CFR 1904.39

B. Within 24 hours of the employer learning of the in-patient hospitalization, because hospitalization events require prompt reporting under 29 CFR 1904.39 but the window is distinct from the 8-hour fatality window

C. Within 48 hours of the employer learning of the hospitalization, because non-fatal events with hospitalization have a longer reporting window than fatalities to allow for verification of work-relatedness

D. Within 72 hours of the employer learning of the hospitalization, consistent with the OSHA 300 Log entry deadline for recordable illnesses that require extended medical observation

36. An Alabama contractor's Commercial General Liability (CGL) policy is written on a claims-made basis. The contractor completes a project in Year 1 and the CGL policy is cancelled without a tail (extended reporting period endorsement) at the end of Year 2. In Year 3, the owner files a claim alleging

defective work from the Year 1 project. Under the claims-made policy structure, which statement is most accurate?

- A. The Year 1 CGL policy covers the Year 3 claim because the defective work occurred during the Year 1 policy period, and occurrence-based coverage principles apply to all CGL policies regardless of how they are written
- B. The Year 2 CGL policy covers the Year 3 claim because the claim is presented during the Year 2 tail period, and claims-made policies always provide 12 months of automatic extended reporting after cancellation
- C. The Year 3 claim is not covered by any policy because the claims-made CGL was cancelled without a tail endorsement, and claims-made policies cover only claims first made during the active policy period or the purchased tail period
- D. The Year 3 claim is covered by the contractor's current Year 3 CGL policy under the prior acts coverage provision, which automatically extends to completed work from prior years regardless of which insurer provided coverage

37. Under the Alabama workers' compensation system, what is the statutory weekly benefit for total temporary disability (TTD), expressed as a percentage of the employee's average weekly wage?

- A. 66⅔% of the employee's average weekly wage, subject to the state-established maximum weekly benefit, payable for the duration of total temporary disability
- B. 75% of the employee's average weekly wage, payable for up to 26 weeks, after which the benefit automatically converts to permanent partial disability status
- C. 60% of the employee's average weekly wage, payable from the date of injury with no waiting period, subject to the maximum weekly benefit established by the state
- D. 50% of the employee's average weekly wage for the first 12 weeks of disability, increasing to 66⅔% thereafter subject to the state maximum benefit limit

38. An Alabama contractor is awarded a \$500,000 public construction contract. The bid documents require both a performance bond and a payment bond, each at 100% of the contract value. The contractor's surety issues a single bond for \$500,000 labeled as a "combined performance and payment bond." Under Alabama public works law, which statement is most accurate?

A. A combined bond at 100% of contract value is standard on Alabama public projects below \$1,000,000 and fully satisfies the bonding requirement when properly executed by a qualified surety

B. A combined performance and payment bond may be acceptable only if the bid documents expressly authorize a combined bond format; if the documents require separate bonds, a single combined bond does not satisfy the separate bond requirement

C. A combined performance and payment bond at 100% satisfies the bonding requirement on all Alabama public projects regardless of bid document language, because the statutory bonding requirement specifies amount, not format

D. A combined bond does not satisfy Alabama's public works bonding requirement under any circumstances, because Title 39 mandates separate performance and payment bonds on every public construction project above the threshold

39. Under the federal Americans with Disabilities Act (ADA), an employer with 15 or more employees is required to provide reasonable accommodation to a qualified individual with a disability. Which statement most accurately describes the limits of this obligation?

A. The reasonable accommodation obligation is absolute and requires the employer to provide any accommodation the employee requests without limitation, because the ADA prioritizes full inclusion over employer cost considerations

B. The employer must provide reasonable accommodation unless doing so would impose an undue hardship on the employer's business operations, considering factors such as the cost of accommodation, the employer's overall financial resources, and the nature of the business

C. The reasonable accommodation obligation applies only to physical workspace modifications; the employer has no ADA obligation to modify work schedules, reassign duties, or provide leave as a form of accommodation

D. The reasonable accommodation obligation is triggered only when the employee provides medical documentation certified by a physician holding a state license in the employee's state of residence at the time the request is made

40. An Alabama contractor completes a \$750,000 project. The contract retainage is 10% (\$75,000). The owner refuses to release any retainage 60 days after substantial completion, and the punch list has been fully completed. Under standard contract terms and Alabama construction law, which action best protects the contractor's right to payment?

- A. The contractor should file a complaint with the Alabama Licensing Board against the owner for bad-faith withholding of retainage, because the Board has jurisdiction over all payment disputes on licensed construction projects
- B. The contractor should stop work on all other projects for the same owner to create leverage for retainage payment under standard contract practice as applied to payment disputes
- C. The contractor should send written demand for the retainage, document substantial completion and punch list completion, and if payment is not made within the contract's required payment period, prepare to file a mechanic's lien within the applicable statutory deadline and consult counsel on breach of contract remedies
- D. The contractor should accept the retainage withholding and submit the amount as a loss on the year-end financial statements, because retainage disputes are resolved only through binding arbitration under standard AIA contract terms

41. Under the federal Family and Medical Leave Act (FMLA), which combination of factors must an employee meet to be eligible for FMLA leave?

- A. The employee must have worked for the employer for at least 6 months, worked at least 1,000 hours in the prior 12 months, and work at a location where the employer has 10 or more employees within 50 miles
- B. The employee must have worked for the employer for at least 12 months, worked at least 1,250 hours during the prior 12-month period, and work at a location where the employer has 50 or more employees within 75 miles
- C. The employee must have worked for the employer for at least 24 months, worked at least 1,500 hours during the prior 12-month period, and the employer must have 100 or more employees nationwide
- D. The employee must have worked for the employer for at least 12 months, worked any number of hours during that period, and the employer must have 50 or more employees at the employee's specific work location

42. An Alabama contractor receives a Notice of Assessment from the IRS proposing a \$70,000 deficiency in federal income taxes based on unreported income. The contractor believes the assessment is incorrect. Under federal tax procedure, what is the contractor's first formal avenue to challenge the proposed assessment before paying?

- A. The contractor must pay the \$70,000 assessment in full and then file a formal refund claim with the IRS Service Center, after which a refund suit may be filed in federal district court if the claim is denied

B. The contractor may file a written protest with the IRS Office of Appeals within the response deadline stated in the notice, requesting an Appeals conference to present factual and legal arguments before the assessment becomes final

C. The contractor must file a petition with the U.S. Tax Court within 30 days of the notice date, because the Tax Court is the only forum available to contest a proposed assessment without prepayment

D. The contractor may file a complaint with the Taxpayer Advocate Service, which has binding authority to reverse IRS assessments that it determines to be incorrect under the Internal Revenue Manual

43. Under Alabama Title 39, a public construction contractor must submit a final settlement of accounts to the awarding authority within how many days after final completion of a public project?

A. 30 days after final completion, supported by a sworn statement of all amounts owed to subcontractors and materialmen under the final payment application

B. 45 days after final completion, with a concurrent release of all lien and bond claims by the contractor as a condition of receiving final payment under the public works contract

C. 60 days after final completion, with an itemized list of all subcontractor and supplier payments made during the project submitted to the awarding authority for audit

D. The timeline for final settlement is established by the contract documents rather than a fixed Title 39 statutory period; however, the contractor must certify that all subs and suppliers have been paid or provide a list of outstanding claims before the awarding authority releases final payment

44. An Alabama contractor purchases a commercial vehicle for business use at a cost of \$48,000. The vehicle is used 80% for business and 20% for personal use. Under federal tax law, what amount is eligible for business deduction or depreciation in the year of purchase?

A. \$38,400, representing 80% of the \$48,000 purchase price, because only the business-use portion of a mixed-use asset is eligible for deduction or depreciation under IRS rules

B. \$48,000, representing the full purchase price, because commercial vehicles used in the construction trades qualify for 100% business deduction regardless of personal use percentage

C. \$24,000, representing 50% of the purchase price, because the IRS applies a 50% limitation to all listed property used in construction regardless of actual business use percentage

D. \$0 in the year of purchase, because commercial vehicles must be capitalized and depreciated over a 5-year MACRS schedule with no first-year expensing option available regardless of business use

45. Under the Alabama contractors licensing law, which of the following statements about license reciprocity between Alabama and other states is most accurate?

A. Alabama has full reciprocity with all states that have adopted the NASCLA model contractor licensing act, allowing contractors from those states to perform work in Alabama using only their home-state license

B. Alabama accepts NASCLA Accredited Examination results to satisfy the trade examination requirement for Alabama licensure, but the Alabama Business and Law examination must still be passed by all applicants regardless of home-state licensure

C. Alabama has no reciprocity arrangements with any other state, requiring all out-of-state contractors to complete the full Alabama licensure process including both the trade and Business and Law examinations as if applying for the first time

D. Alabama grants full license reciprocity to contractors from states that have enacted workers' compensation laws substantially equivalent to Alabama's, eliminating both examination requirements for those applicants

46. An Alabama contractor is negotiating a subcontract. The proposed subcontract contains an indemnification clause requiring the subcontractor to indemnify the prime contractor for all losses arising out of the project, including losses caused solely by the prime contractor's own negligence. Under Alabama law, which statement most accurately describes the enforceability of this clause?

A. The indemnification clause is fully enforceable as written because parties to a commercial subcontract may freely allocate risk of loss including sole-negligence indemnity by mutual agreement

B. Alabama's anti-indemnity statute renders void any indemnification clause in a construction contract that purports to require a party to indemnify another for losses caused by the indemnitee's own negligence or willful misconduct, making the sole-negligence indemnity provision unenforceable

C. The clause is enforceable only if the subcontractor is adequately insured to cover the indemnity obligation, because Alabama courts apply an insurance-sufficiency test before enforcing construction indemnity provisions

D. The clause is enforceable against the subcontractor only for incidents occurring on the subcontractor's specific scope of work, and is automatically severed as to incidents on other portions of the project where the sub was not working

47. Under standard AIA contract terms, the contractor's warranty of work obligates the contractor to correct defective work for which period after substantial completion?

- A. 6 months after substantial completion, after which the contractor has no further contractual obligation to correct defects unless the owner can demonstrate fraudulent concealment of the defect
- B. 12 months after substantial completion, and the warranty period cannot be extended by contract because AIA A201 treats the 1-year period as a statutory minimum under state construction law
- C. 18 months after substantial completion for structural elements and 12 months for all other work, because AIA A201 distinguishes between structural and non-structural warranty periods
- D. One year after the date of substantial completion, which is the standard AIA A201 contractual correction period — this period does not limit the owner's ability to pursue longer statutory warranty or latent defect claims separately

48. An Alabama contractor's project is delayed 20 days due to unusually severe weather conditions not foreseeable at the time of bidding. The contract includes a standard excusable delay clause. Under standard contract terms, which statement most accurately describes the contractor's entitlement?

- A. The contractor is entitled to a time extension for the 20 weather delay days and may also recover additional direct costs incurred as a result of the weather delay, because excusable delay clauses provide both time and money relief
- B. The contractor is entitled to time only — not additional compensation — for the 20 weather delay days, because excusable delay clauses in standard construction contracts provide an extension of time to prevent LD assessment but do not entitle the contractor to additional compensation for the delay
- C. The contractor is not entitled to either time or money because weather delays are foreseeable risks priced into the contractor's bid and the standard of "unusually severe" is rarely met under Alabama contract law
- D. The contractor is entitled to time only if the weather delay is documented with NOAA records and submitted within 5 days of the event; otherwise the delay claim is waived under the contract's notice requirements

49. Under Alabama law, which statement correctly describes the contractor's obligation when a licensed subcontractor performs defective work that results in damage to a third party?

- A. The prime contractor has no liability for defective work performed by a licensed subcontractor because the subcontractor's independent licensed status transfers all liability to the sub and its insurer
- B. The prime contractor's liability is limited to the amount of the subcontract price because the prime's obligation to the owner is capped by the value of the defective sub's scope within the overall contract

C. The prime contractor retains responsibility to the owner for all work performed on the project, including work performed by subcontractors, and cannot fully escape liability to the owner by delegating performance to a licensed sub

D. The prime contractor's liability is eliminated if the defective work was performed strictly in accordance with the plans and specifications provided by the owner's architect, because design-related defects are the architect's responsibility under Alabama law

50. An Alabama contractor is performing a \$2,000,000 design-build project. The contractor is responsible for both the design and construction. The owner alleges that the completed facility does not meet the performance specifications in the contract. Under the design-build delivery model, which statement most accurately describes the contractor's exposure?

A. The design-build contractor bears responsibility for both design deficiencies and construction deficiencies because the contractor holds a single integrated obligation to deliver a facility that meets the owner's performance specifications

B. The design-build contractor's liability is divided between its design team and its construction team, with each component assessed separately under professional liability and CGL coverage respectively

C. The design-build contractor is not responsible for performance specification shortfalls if the contractor can demonstrate that the facility was built in accordance with the contractor's own approved design documents

D. The design-build contractor's exposure is limited to the cost of construction because design liability is transferred to the owner upon the owner's approval of the contractor's design submittals before construction began

## PRACTICE EXAM 20: ANSWER KEY AND EXPLANATIONS

**1. C** — Alabama law requires a general contractor license for any single commercial construction project with a total cost of \$50,000 or more, whether bid or negotiated. This threshold applies regardless of project delivery method and covers both labor and materials under the contract.

**2. D** — The NASCLA Accredited Examination satisfies only the trade examination portion of Alabama licensure under the reciprocity arrangement. The Alabama Business and Law examination remains a separate, mandatory requirement for all applicants regardless of NASCLA credential status.

**3. A** — The Alabama Licensing Board uses current CPA-prepared financial statements as the primary basis for evaluating bid limit increases, because net worth and working capital directly determine the contractor's financial capacity to support the requested limit. Surety letters and project lists are supplementary; the financial statements are the threshold document.

- 4. B** — The Alabama Contractor Licensing Law authorizes the Board to assess civil penalties of up to \$10,000 per violation following a hearing or upon consent. This per-violation cap applies to each separate violation found and is the statutory maximum regardless of project size or funding source.
- 5. D** — The Alabama bid mistake doctrine is only available before contract acceptance; once the contract is executed and the performance bond issued, the window for withdrawal has closed. The contractor is bound by the lump sum price and must perform at the bid amount, absorbing the omitted cost as part of the fixed-price risk structure.
- 6. B** — Knowingly using an unlicensed subcontractor is itself a violation of the Alabama Contractor Licensing Law, exposing the prime contractor to Board disciplinary action including civil penalties. The prime's awareness of the sub's unlicensed status at the time of hire is the aggravating factor that makes this a direct Board-enforceable violation.
- 7. A** — The QP is the individual whose examination passage and Board designation authorizes the contracting entity to operate under the license. Failure to designate a replacement within the 60-day statutory window subjects the license to suspension or revocation, because the license cannot legally continue without a currently designated QP.
- 8. B** — A license submitted for renewal after the expiration date is considered lapsed during the gap period, and the contractor may not lawfully bid or perform work during that time. The Board may also assess a late renewal penalty, making timely renewal a critical compliance obligation rather than an administrative formality.
- 9. D** — Title 39 requires mandatory advertised competitive bidding for public construction contracts exceeding \$50,000, regardless of whether the awarding authority is a state agency, county, or municipality subject to the statute. This single threshold triggers the full Title 39 competitive bidding procedure.
- 10. B** — Failure to deliver required performance and payment bonds within the bid document deadline entitles the awarding authority to declare the contractor in default, forfeit the bid bond, and award to the next lowest responsive and responsible bidder. Bond delivery is a condition precedent to contract execution, not a post-award administrative formality.
- 11. A** — The Beason-Hammon Act requires all Alabama employers, regardless of size, to use E-Verify for every new hire as a condition of doing business in the state. This universal mandate is broader than the federal E-Verify program, which applies only to federal contractors above certain thresholds.
- 12. C** — The FLSA requires overtime at 1.5 times the regular rate for all hours over 40 in a workweek for non-exempt employees. The correct calculation is  $40 \times \$22 = \$880$  plus  $12 \times \$33 = \$396$ , totaling \$1,264.00; neither straight-time payment nor a 1.25 multiplier satisfies the statutory requirement.
- 13. B** — The employer's mandatory FICA contribution consists of a matching 6.2% Social Security tax (up to the annual wage base) and a matching 1.45% Medicare tax on all wages, plus FUTA at 6.0% on the first \$7,000 of each employee's wages net of the state unemployment tax credit. These employer-side obligations are entirely separate from the employee withholding amounts.

**14. D** — The Alabama Workers' Compensation Act requires coverage once the employer reaches 5 employees, and that obligation attaches on the date the threshold is met. There is no grace period, quarterly delay, or calendar-year lag; coverage must be in force as of the date the fifth employee is added to the payroll.

**15. A** — The exclusive remedy doctrine protects a covered employer from civil tort suits by injured employees for work-related injuries, channeling those claims into the workers' compensation system instead. The protection depends entirely on the employer having obtained the required coverage; an uninsured employer cannot invoke the exclusive remedy defense.

**16. B** — Payment bonds on Alabama public construction projects are generally available to protect lower-tier claimants, including materialmen who supplied a defaulting subcontractor, because the bond's purpose is to ensure that all parties who contributed labor or materials to the project are paid. The materialman's lack of a direct contract with the prime does not bar a payment bond claim on a public project.

**17. D** — An original contractor in Alabama has 6 months from the date of last furnishing to file a verified mechanic's lien statement in the probate court of the county where the property is located. This deadline is jurisdictional and unforgiving; missing it permanently forfeits the secured lien claim against the property.

**18. A** — A materialman without a direct contract with the owner must provide written pre-furnishing notice to the owner before or at the time materials are first furnished to preserve lien rights against the owner's property. Without this notice, the materialman's lien rights are not preserved regardless of how much material was supplied or how long work continued.

**19. C** — Alabama courts have enforced valid pay-if-paid clauses as conditions precedent that shift the risk of owner nonpayment to the subcontractor, provided the clause language is clear and unambiguous. The enforceability analysis depends on the specific language of the clause, and a well-drafted pay-if-paid provision can make owner payment a true condition rather than merely a timing mechanism.

**20. D** — The Alabama Statute of Frauds requires that contracts not performable within one year be in writing and signed by the party against whom enforcement is sought. An oral construction agreement for an 18-month project is presumptively unenforceable without a written instrument, leaving the contractor to rely on equitable remedies such as quantum meruit or part performance.

**21. D** — A Construction Change Directive is used when the owner directs additional work but the parties have not yet agreed on the price or time impact, allowing work to proceed without delay while cost and schedule reconciliation follows. The CCD preserves the contractor's right to fair compensation while preventing project stalling over unresolved change order negotiations.

**22. A** — The Davis-Bacon Act applies to federally funded or federally assisted construction contracts exceeding \$2,000, requiring payment of locally prevailing wages and fringe benefits as determined by the U.S. Department of Labor. The \$2,000 threshold and federal nexus are the two key triggers; Alabama has not independently extended Davis-Bacon to all state public projects by statute.

- 23. C** — Net profit is calculated as revenue minus direct costs minus G&A overhead:  $\$4,200,000 - \$3,100,000 - \$600,000 = \$500,000$ . The net profit margin is  $\$500,000 \div \$4,200,000 = 11.9\%$ , expressing net profit as a percentage of total revenue.
- 24. B** — The cost-to-cost method calculates the percentage of completion by dividing costs incurred to date by total estimated costs at completion, then applying that ratio to the total contract price to determine earned revenue for the period. This approach ties revenue recognition directly to actual cost consumption, which is the most reliable proxy for physical progress under construction-industry GAAP.
- 25. D** — Working capital is calculated as current assets minus current liabilities:  $\$850,000 - \$580,000 = \$270,000$ . It measures short-term liquidity — the contractor's ability to fund ongoing project operations — and is used by both the Board and surety to evaluate financial capacity for bid limit and bonding purposes.
- 26. A** — IRC §179 allows a taxpayer to elect to deduct the full cost of qualifying property in the year of purchase rather than recovering the cost through multi-year depreciation. The full \$85,000 reduces taxable income dollar-for-dollar in the current tax year, providing an immediate cash flow advantage compared to standard MACRS depreciation.
- 27. C** — Under the completed-contract method, both revenue and related costs are recognized in the tax year in which the contract reaches substantial completion, deferring all income recognition until the project is essentially finished. This method is favorable for tax deferral but may create large taxable income spikes in the completion year.
- 28. B** — Form 1099-NEC must be issued to any non-employee individual or unincorporated entity paid \$600 or more for services during the tax year, with the form due to the recipient by January 31. Incorporated entities (C corporations and S corporations) are generally exempt from 1099-NEC reporting, but unincorporated subs and sole proprietors are not.
- 29. D** — The modified premium is calculated by multiplying the manual premium by the EMR:  $\$120,000 \times 0.85 = \$102,000$  prior premium and  $\$120,000 \times 1.30 = \$156,000$  new premium, a difference of \$54,000. The EMR directly multiplies the manual premium, so even a 0.45-point increase produces a substantial dollar impact on annual insurance cost.
- 30. A** — Under AIA A201, the architect reviews each Application for Payment, certifies the amount properly due based on observed progress and contract compliance, and issues a Certificate for Payment. The owner is then contractually obligated to pay the certified amount within the time specified, making the architect's certification the trigger for the owner's payment obligation.
- 31. B** — A 14-day addition to an activity with 10 days of total float consumes all available float and drives the activity 4 days onto the critical path, extending the overall project completion date by 4 days. The first 10 days of the addition are absorbed by existing float; only the remaining 4 days propagate to the project end date.
- 32. D** — After filing the verified lien statement, the original contractor must file a lawsuit to enforce the lien within 6 months of the filing date. Failure to timely file the enforcement action causes the lien to

expire, permanently losing the secured claim against the property and reducing the contractor to an unsecured creditor.

**33. A** — OSHA's recordkeeping rules require logging any work-related injury or illness that results in days away from work, restricted work or job transfer, medical treatment beyond first aid, loss of consciousness, or diagnosis of a significant injury by a healthcare professional. The multi-factor trigger means that even injuries with no lost time must be recorded if they require more than first aid treatment.

**34. C** — Under OSHA's enforcement procedures, an employer must file a notice of contest within 15 working days of receiving a citation or the citation and proposed penalty become a final order of the Occupational Safety and Health Review Commission. Missing the 15-working-day window permanently forfeits all rights to challenge the citation findings or penalty amount.

**35. B** — OSHA requires reporting of an in-patient hospitalization within 24 hours of the employer learning of the event under 29 CFR 1904.39. The 24-hour window is distinct from and longer than the 8-hour window for fatalities, but equally jurisdictional — missing it triggers separate citations independent of the underlying incident.

**36. D** — A claims-made CGL policy covers only claims first made during the active policy period or a purchased extended reporting period (tail). Because the contractor cancelled the policy without a tail endorsement after Year 2, no coverage exists for the Year 3 claim regardless of when the defective work occurred; the claims-made structure makes the date of claim, not the date of occurrence, the coverage trigger.

**37. A** — Alabama workers' compensation law provides total temporary disability benefits at 66⅔% of the employee's average weekly wage, subject to the state-established maximum weekly benefit. This rate applies for the duration of total temporary disability and is the standard TTD formula under the Alabama Workers' Compensation Act.

**38. B** — Whether a combined performance and payment bond satisfies the bonding requirement on a public project depends on whether the bid documents authorize a combined format. If the documents require separate bonds, a single combined bond does not satisfy the separate bond requirement regardless of the face amount, because the structural requirement (two bonds) has not been met.

**39. B** — The ADA's reasonable accommodation obligation is subject to an undue hardship exception, which considers the cost of the accommodation relative to the employer's financial resources, the nature of the business, and the impact on operations. The obligation is not absolute — employers are not required to provide accommodations that would fundamentally alter the business or impose disproportionate costs.

**40. C** — Sending written demand documenting substantial completion and punch list completion, followed by mechanic's lien filing within the applicable statutory deadline if payment is not made, is the legally protective path that preserves both the secured lien claim against the property and the breach of contract claim against the owner. The lien filing window is jurisdictional; delay in acting forfeits the secured remedy.

**41. B** — FMLA eligibility requires that the employee have worked for the employer for at least 12 months, worked at least 1,250 hours during the prior 12-month period, and work at a location where the employer has 50 or more employees within 75 miles. All three prongs must be satisfied; failure to meet any one of them makes the employee ineligible for FMLA leave.

**42. B** — Upon receiving a Notice of Deficiency (or proposed assessment), a taxpayer may file a written protest with the IRS Office of Appeals within the response deadline to request an Appeals conference before the assessment becomes final. The IRS Appeals process is the primary pre-payment administrative dispute resolution forum and does not require the taxpayer to pay first.

**43. D** — Title 39 does not prescribe a fixed statutory number of days for final settlement of accounts; the timeline is established by the contract documents. However, the contractor must certify that all subcontractors and suppliers have been paid, or provide a list of outstanding claims, as a condition precedent to the awarding authority releasing final payment.

**44. A** — Under IRS rules, only the business-use portion of a mixed-use asset is eligible for deduction or depreciation. At 80% business use, the eligible amount is  $\$48,000 \times 80\% = \$38,400$ ; the 20% personal use portion is not deductible and must be excluded from any §179 election, bonus depreciation claim, or MACRS schedule.

**45. B** — Alabama accepts NASCLA Accredited Examination results to satisfy the trade examination requirement, but the Alabama Business and Law examination remains mandatory for all applicants regardless of their home-state licensure or NASCLA credential. There is no arrangement that eliminates both examination requirements for out-of-state contractors.

**46. B** — Alabama's anti-indemnity statute voids any construction contract provision that requires a party to indemnify another for losses caused solely by the indemnitee's own negligence or willful misconduct. A clause requiring the subcontractor to indemnify the prime for the prime's sole negligence falls squarely within the statute's prohibition and is unenforceable as written.

**47. D** — AIA A201 establishes a one-year contractual correction period running from the date of substantial completion during which the contractor must correct defective work at no additional cost. This one-year period is a contractual floor, not a cap — the owner retains the right to pursue longer statutory warranty claims or latent defect claims separately under applicable law.

**48. A** — Standard excusable delay clauses in construction contracts provide a time extension to prevent liquidated damages assessment for delays caused by unforeseeable severe weather. However, they do not entitle the contractor to additional compensation for the delay costs — the contractor receives time only, not money, for an excusable but non-compensable delay event.

**49. C** — The prime contractor retains full responsibility to the owner for all work performed on the project, including work delegated to subcontractors, because the prime's contract with the owner is not relieved by the sub's licensed status. Delegation of performance does not constitute delegation of contractual liability to the owner.

**50. D** — Under design-build delivery, the contractor holds a single integrated obligation to deliver a facility meeting the owner's performance specifications, encompassing both design and construction. Because the contractor assumed responsibility for both functions, it cannot escape liability for performance shortfalls by pointing to its own design team or construction team separately — the integrated obligation means the contractor owns the outcome.