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38	A	B	C	D	E
39	A	B	C	D	E

PRACTICE QUESTIONS

CA CONTRACTORS STATE LICENCE BOARD

PW8VTFZ7

CA Law and Business

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for CA CONTRACTORS STATE LICENCE BOARD PW8VTFZ7, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, PW8VTFZ7
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1

SINGLE CHOICE

Under the California Contractors State License Board (CSLB) rules, a contractor's license is required for work valued at what dollar threshold?

- ☒ **A** \$500 or more, including labor and materials
- ☐ **B** \$1,000 or more, including labor and materials
- ☐ **C** \$2,500 or more, including labor and materials
- ☐ **D** \$5,000 or more, including labor and materials

ANSWER A

WHY California Business and Professions Code Section 7150 (and CSLB rules derived from it) requires a contractor's license for any person who undertakes, offers to undertake, or agrees to perform work as a contractor for compensation, when the aggregate of the contract price, including labor, materials, and all items to be furnished, is \$500 or more. Work below this threshold may be performed without a license, but other CSLB requirements (such as registration of certain handymen) still apply.

QUESTION 2

SINGLE CHOICE

A CSLB Class B license covers which type of work?

- ☐ **A** General building contractor work
- ☒ **B** General engineering contractor work
- ☐ **C** Specialty contractor work in a single trade
- ☐ **D** Residential construction of four or fewer units only

ANSWER B

WHY Under the CSLB classification system, a Class B license is the General Engineering Contractor classification. Class A is General Building, Class B is General Engineering, and Class C designations are specialty contractor classifications. Each classification defines a specific scope of work the licensee is authorized to perform.

QUESTION 3

SINGLE CHOICE

Which of the following is true regarding workers' compensation insurance for a California licensed contractor?

- ☐ A Workers' compensation insurance is optional for sole proprietors with no employees.
- ☒ B A contractor with employees is required by CSLB rules to maintain workers' compensation insurance and to file a certificate of insurance with the CSLB.
- ☐ C Workers' compensation coverage is only required when a project exceeds \$25,000 in value.
- ☐ D Only contractors with five or more employees must carry workers' compensation insurance.

ANSWER B

WHY The CSLB requires any licensed contractor who has employees to maintain workers' compensation insurance and to have a certificate of insurance on file with the Board. A licensed contractor working as a sole proprietor with no employees and no qualifying family situation may request a Certificate of Self-Insurance / exemption, but any contractor who employs workers must carry the insurance and file proof with the CSLB.

QUESTION 4

SINGLE CHOICE

Under California law, before a contractor accepts payment for a home improvement job exceeding \$500, what must generally be provided to the property owner?

- ☐ A An oral estimate only
- ☒ B A written contract containing required disclosures such as start and completion dates, description of work, and the contractor's CSLB license number
- ☐ C A notarized promissory note from the property owner
- ☐ D A bid bond equal to 10% of the contract price

ANSWER B

WHY Business and Professions Code Section 7159 requires that for home improvement contracts of \$500 or more, the contractor must provide a written contract containing statutorily required elements, including the contractor's name, CSLB license number, a description of the work, materials to be used, start and completion dates, total contract price, schedule of progress payments, and required notices regarding mechanics' liens, the right to cancel, and the Contractors State License Bond. An oral estimate or a notarized promissory note is not a substitute.

QUESTION 5

SINGLE CHOICE

What is the purpose of the Contractors State License Bond required by the CSLB?

- ☐ A To guarantee the contractor's payment of federal income tax
- ☐ B To ensure completion of every project the contractor undertakes
- ☒ C To provide a source of recovery for persons damaged by the contractor's fraud, violations of licensing law, or failure to perform under contract, up to the bond's statutory limit
- ☐ D To replace the need for liability insurance on a job site

ANSWER C

WHY The CSLB requires licensed contractors to post a surety bond (the Contractors State License Bond) as a condition of licensure. The bond is not project-specific and does not guarantee project completion. It provides limited monetary recovery (up to a statutory maximum set by the Board and adjusted by statute) for persons who suffer damage as a result of a contractor's fraudulent or dishonest acts, violations of the Contractors' State License Law, or failure to perform obligations under a contract. It does not replace liability insurance or guarantee tax payment.

QUESTION 6

SINGLE CHOICE

Under California Civil Code mechanics' lien law, a subcontractor or material supplier who does not have a direct contract with the property owner generally must take which action to preserve lien rights?

- ☐ A Record a lis pendens at the time work commences
- ☒ B Serve a preliminary 20-day notice on the owner, lender, and other required parties before lien rights can attach
- ☐ C File a small claims action within 10 days of last furnishing labor or materials
- ☐ D Obtain a written acknowledgment of payment from the owner

ANSWER B

WHY Under California Civil Code (Mechanics' Lien Law), persons who do not have a direct contractual relationship with the owner (such as subcontractors and material suppliers) must serve a preliminary notice (commonly called a 20-day notice) on the property owner, construction lender, and the original contractor in order to preserve their right to later record a mechanics' lien if they are not paid. A lis pendens, small claims filing, and acknowledgment of payment do not satisfy this preliminary-notice obligation.

QUESTION 7

SINGLE CHOICE

Which of the following statements about the CSLB's experience requirement to qualify for an original contractor's license is correct?

- ☐ **A** Any applicant with two years of self-employed handyman experience automatically qualifies for a Class A license.
- ☒ **B** An applicant must demonstrate at least four years of journey-level experience within the past 10 years, at a level that would qualify a journeyman in the classification applied for, and the qualifier must either be the applicant or a person the applicant lists as the qualifying individual.
- ☐ **C** Experience gained only as a project owner remodeling one's own home fully satisfies the experience requirement.
- ☐ **D** The CSLB requires 10 years of experience for every contractor classification regardless of trade.

ANSWER B

WHY The CSLB requires applicants to show qualifying experience of at least four years (within the past 10 years) at the level of a journeyman or as a foreman/supervisor/contractor in the classification for which licensure is sought. The applicant must identify a qualifying individual (which may be the applicant or, in some cases, a responsible managing employee or qualifier on behalf of a corporation or other business entity). Self-employed handyman work that does not rise to journeyman level, and personal home remodeling of one's own property, do not generally satisfy the requirement.

QUESTION 8

SINGLE CHOICE

Which of the following is a true statement about contracting as a corporation or limited liability company in California?

- ☐ A A corporation or LLC can contract in California using its CSLB license without any separate business entity registration with the California Secretary of State.
- ☒ B A corporation or LLC must be registered and in good standing with the California Secretary of State (or its home state's authority if applicable), must appoint a qualified individual, and the license must be issued in the name of the entity.
- ☐ C An individual can hold the CSLB license personally and use it to perform work in the name of an LLC the individual owns, without obtaining a license in the LLC's name.
- ☐ D Foreign corporations can ignore California corporate registration rules as long as their individual owner holds a California CSLB license.

ANSWER B

WHY When a contractor operates as a corporation or LLC, the CSLB requires the license to be issued in the name of that business entity. The entity must be properly registered with the California Secretary of State (or the registering authority of its home state, as applicable for foreign entities), must be in good standing, and must designate a responsible managing employee or qualifier who meets the experience and examination requirements. An individual cannot simply lend his personal license to an unlicensed LLC, and foreign entities doing business in California must comply with California's corporate registration laws.

QUESTION 9

SINGLE CHOICE

Which of the following is a grounds for CSLB disciplinary action against a licensed contractor?

- ☐ A Filing a lien that is later dismissed for being filed too early
- ☒ B Failure to comply with provisions of the Contractors' State License Law, including abandonment of a project without justification, fraud, and willful violation of building codes
- ☐ C Working on a project with a written contract that contains a typographical error in the license number
- ☐ D Bidding below the prevailing wage on a private residential remodel

ANSWER B

WHY The CSLB may suspend, revoke, place on probation, or otherwise discipline a licensee for causes enumerated in Business and Professions Code Section 7110 and related sections, which include abandonment of a contract without justification, fraud or misrepresentation, willful violation of state or local building or safety laws, acts of willful misconduct or negligence, and similar violations of the Contractors' State License Law. Bidding below prevailing wage on a private residential remodel and minor typographical errors are not, by themselves, enumerated grounds for discipline.