



CONTRACTORS STATE LICENSE BOARD LICENSE EXAMINATION STUDY GUIDE



LAW AND BUSINESS

Content of the Examination

The Law and Business Examination is divided into seven major sections:

1. Business Organization and Licensing (13%)

- Company organization
- Licensing requirements
- Advertising and subcontracting

2. Business Finances (15%)

- Cash management
- Budget and planning
- Taxes
- Financial reporting

3. Employment Requirements (20%)

- Hiring employees
- Supervising and training employees
- Evaluation and record-keeping
- Payroll

4. Insurance and Liens (12%)

- Workers' compensation insurance
- Business insurance
- Liens and other remedies

5. Contract Requirements and Execution (21%)

- Bidding
- Cost control
- Project organization
- Contracts
- Payments

6. Public Works (5%)

- Prevailing wage requirements
- Bonding requirements
- Insurance requirements

7. Safety (14%)

- Training and reporting requirements
- General safety
- Hazardous/unknown materials

Percentages are approximate

Test Policy

This is a closed-book examination. No reference materials may be used during the examination.

Test Strategy

This is a multiple-choice examination with four choices per question. Examination questions are written to provide only one BEST answer. Some questions require mathematical computation. A calculator will be provided.

There is no penalty for guessing. If you are unsure about a particular question, it is better to answer the question than to leave the question blank.

Plenty of time is provided to answer all examination questions. Read each question and its four choices completely and carefully before selecting the BEST possible answer.

Sample Questions

Below are three typical examination questions.
The correct answer is marked with an asterisk (*).

1. What determines how often an employer's payroll deposits are made to the IRS?
 - a. The amount of payroll liability*
 - b. The number of employees on the payroll
 - c. How long the company has been in business
 - d. The ratio of salaried employees to hourly employees

2. Within how many days must an "agreement to arbitrate" be returned by the participants after being mailed by CSLB's Registrar?
 - a. Within 7 calendar days
 - b. Within 10 calendar days
 - c. Within 14 calendar days
 - d. Within 30 calendar days*

3. If a construction company buys a new car for general use by the sales staff, to which of the following accounts would the depreciation of the car be charged?
 - a. Project management expenses
 - b. General and administrative costs*
 - c. Direct job costs
 - d. Company profits

All questions are written and reviewed by licensed contractors who are actively working in the trade

Resources

Publisher information for reference books and code is provided below. Other sources for reference books may be found online.

California code books can be viewed online:
www.dgs.ca.gov/bsc

California Contractors License Law & Reference Book. Matthew Bender & Company, Inc.

PHONE: (800) 223-1940

INTERNET: store.lexisnexis.com

VIEW ONLINE: www.cslb.ca.gov/About_Us/Library/Guides_and_Publications

California Employer's Guide (DE 44).

California Employment Development Department.

PHONE: (888) 745-3886

INTERNET: forms.edd.ca.gov/forms

California Financial Code (regarding the PACE program). California Department of Financial Protection and Innovation.

INTERNET: leginfo.legislature.ca.gov/faces/codes.xhtml

California Labor Code. California Department of Industrial Relations.

INTERNET: leginfo.legislature.ca.gov/faces/codes.xhtml

Get Licensed to Build. Contractors State License Board.

VIEW ONLINE: cslb.ca.gov/Resources/GuidesAndPublications/GetLicensedToBuild.pdf

Maintain and Change Your License.

Contractors State License Board.

VIEW ONLINE:

cslb.ca.gov/contractors/maintain_license

***NASCLA Contractors Guide to Business,
Law and Project Management, 13th Edition.***

National Association of State Contractors
Licensing Agencies.

INTERNET: [www.nascla.org/store/
viewproduct.aspx?id=16780479](http://www.nascla.org/store/viewproduct.aspx?id=16780479)

***Publication 15, (Circular E), Employer's Tax
Guide.*** Internal Revenue Service.

PHONE: (800) 829-1040

INTERNET: www.irs.gov/publications/p15

Public Works Manual. Internal Revenue
Service.

INTERNET: www.irs.gov/publications/p15

***Operating Guidelines for Certifying Solar
Water Heating Systems (OG-300).*** The Solar

Rating & Certification Corporation.

PHONE: (888) 422-7233

INTERNET: solar-rating.org

***State of California General Industry &
Electrical Safety Orders (Cal/OSHA) and
State of California Construction & Electrical
Safety Orders (Cal/OSHA). 2023.*** California

Code of Regulations, Title 8. Mancomm.

PHONE: (877) 626-2666

INTERNET: mancomm.com

VIEW ONLINE:

www.dir.ca.gov/dosh/LawsAndRegulations.htm
and

[www.dir.ca.gov/dosh/construction-guide-
summary.html](http://www.dir.ca.gov/dosh/construction-guide-summary.html)

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