



## 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\**

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#### Test Site Policy

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

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#### 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 try to answer the question than to leave the question blank.

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

## 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\**

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## 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](http://www.dgs.ca.gov/bsc)***

**California Contractors License Law & Reference Book.** Matthew Bender & Company, Inc.  
PHONE: (800) 223-1940  
INTERNET: [store.lexisnexis.com](http://store.lexisnexis.com)  
VIEW ONLINE: [www.cslb.ca.gov/About\\_Us/Library/Guides\\_and\\_Publications](http://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](http://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](http://leginfo.legislature.ca.gov/faces/codes.xhtml)

**California Labor Code.** California Department of Industrial Relations.  
INTERNET: [leginfo.legislature.ca.gov/faces/codes.xhtml](http://leginfo.legislature.ca.gov/faces/codes.xhtml)

**Get Licensed to Build.** Contractors State License Board.  
VIEW ONLINE: [cslb.ca.gov/Resources/GuidesAndPublications/GetLicensedToBuild.pdf](http://cslb.ca.gov/Resources/GuidesAndPublications/GetLicensedToBuild.pdf)

**Publication 15, (Circular E), Employer's Tax Guide.** Internal Revenue Service.  
PHONE: (800) 829-1040  
INTERNET: [www.irs.gov/publications/p15](http://www.irs.gov/publications/p15)

**Public Works Manual.** California Department of Industrial Relations.  
PHONE: (844) 522-6734  
INTERNET: [www.dir.ca.gov/dlse/pwmanualcombined.pdf](http://www.dir.ca.gov/dlse/pwmanualcombined.pdf)

**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: [www.mancomm.com](http://www.mancomm.com)  
VIEW ONLINE: [www.dir.ca.gov/dosh/LawsAndRegulations.htm](http://www.dir.ca.gov/dosh/LawsAndRegulations.htm)

*\*Publisher information is current as of 03/23\**