CSLB Law & Business Practice Test

20 original practice questions for the California contractor license exam, with an answer key and explanations.

Format
Multiple choice, 4 options, one best answer

Topics
Grouped by the published CSLB topic areas

Question bank
Last updated: November 2026

How to use this test

1. Answer all 20 questions without notes — the CSLB exam is closed-book.
2. Check the answer key at the end and read the explanation for every miss.
3. Take the same test online for instant explanations and a result by topic: test2pro.com/free-practice-tests/law-and-business

Scan to take it online

Exam topic areas and approximate weights

Business Organization and Licensing	13%
Business Finances	15%
Employment Requirements	20%
Insurance and Liens	12%
Contract Requirements and Execution	21%
Public Works	5%
Safety	14%

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Questions

1 PUBLIC WORKS

Which wage standard generally sets the minimum pay for covered workers on a California public works job?

(A) The contractor's usual private-project wage
(B) Twice each worker's usual hourly wage
(C) The applicable prevailing wage determination
(D) The federal minimum wage alone

2 BUSINESS ORGANIZATION AND LICENSING

What is the normal renewal interval for an active California contractor's license?

(A) Five years
(B) Four years
(C) One year
(D) Two years

3 BUSINESS ORGANIZATION AND LICENSING

Under the Contractors State License Law, which identifying number must a licensed contractor include in all forms of its advertising?

(A) The business's federal employer identification number
(B) The contractor's CSLB license number
(C) The business's seller's permit number
(D) The contractor's insurance policy number

4 BUSINESS ORGANIZATION AND LICENSING

How old must an applicant be to register with CSLB as a home improvement salesperson?

(A) 16 years old
(B) 17 years old
(C) 21 years old
(D) 18 years old

5 EMPLOYMENT REQUIREMENTS

For at least how long after the last entry must an employer keep payroll records required by the FLSA?

(A) One year
(B) Two years
(C) Four years
(D) Three years

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6 EMPLOYMENT REQUIREMENTS

Which change requires an employee to give the employer a new Form W-4 within 10 days?

(A) A Child Tax Credit used on the prior W-4 no longer applies, leaving projected withholding below the current year's income tax liability.

(B) A pay raise changes earnings, but projected withholding still covers the current year's income tax liability.

(C) A move changes the employee's mailing address without changing the employee's tax circumstances.

(D) A birthday changes the employee's age without affecting filing status, deductions, or tax credits.

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7 EMPLOYMENT REQUIREMENTS

Which statement correctly describes termination of an at-will employee in California?

(A) The employer must wait until the employee's current project ends.

(B) The employer must wait until the end of the current pay period.

(C) The employer may end it at any time for any lawful reason or none.

(D) The employer must first complete a performance-improvement plan.

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8 EMPLOYMENT REQUIREMENTS

Who normally pays FICA taxes on an employee's wages?

(A) The employer, with no employee share

(B) Neither, when the employee is part time

(C) The employee, with no employer share

(D) Both the employer and the employee

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9 CONTRACT REQUIREMENTS AND EXECUTION

For approved change-order work on a California home improvement job, what controls when payment becomes due?

(A) The purchase date of the added materials, even before delivery

(B) Completion of the entire job, regardless of the payment terms

(C) The agreed payment terms, within legal limits on advance payments

(D) The point when half the original contract work is complete

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10 CONTRACT REQUIREMENTS AND EXECUTION

A prime contractor hires a licensed subcontractor to perform part of the contract work. How is the relationship between them generally classified?

(A) An ownership relationship

(B) A lender-borrower relationship

(C) A contractual relationship

(D) An employer-employee relationship

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11 CONTRACT REQUIREMENTS AND EXECUTION

Which description fits a patent construction defect?

(A) A flaw apparent during a reasonable inspection
(B) A flaw discoverable only by opening concealed construction
(C) A flaw that cannot be detected until a later system failure
(D) A flaw known only to the person who installed the work

12 CONTRACT REQUIREMENTS AND EXECUTION

Who normally keeps the job-site change-order record current as construction proceeds?

(A) Project architect
(B) Building inspector
(C) Property owner
(D) General contractor

13 BUSINESS FINANCES

Where does a property owner normally make the repayments for Property Assessed Clean Energy (PACE) financing?

(A) On a separate unsecured-loan statement
(B) Through deductions from state income-tax refunds
(C) On the local property tax bill as an assessment
(D) Through monthly charges on the utility bill

14 BUSINESS FINANCES

Which accounting term describes debts and other obligations a business owes to others?

(A) Assets
(B) Liabilities
(C) Revenue
(D) Owner’s equity

15 BUSINESS FINANCES

Which description best identifies a business’s fixed assets?

(A) Materials and equipment purchased for resale to customers
(B) Cash and receivables expected to fund the next operating cycle
(C) Tangible property kept for long-term use in business operations
(D) Costs already paid for insurance and other future services

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16 INSURANCE AND LIENS

A mechanics lien secures an unpaid construction claim against which asset?

(A) The property owner's bank account
(B) The real property that was improved
(C) A construction trust fund
(D) The contractor's tools and equipment

17 INSURANCE AND LIENS

Who must bear the cost of workers' compensation insurance premiums for California employees?

(A) The employer alone
(B) The employees alone
(C) The employer and employees jointly
(D) The state through unemployment-insurance contributions

18 SAFETY

When must an employer require suitable eye protection?

(A) When an employee asks for it
(B) After an eye injury has been reported
(C) When the work exposes the eyes to injury
(D) When a task lasts longer than one hour

19 SAFETY

Which set of basic protections must employers provide for outdoor workers under Cal/OSHA's heat-illness rules?

(A) Drinking water, meals, and sunscreen
(B) Drinking water, meals, and reflective clothing
(C) Drinking water, shade, and cool-down rest
(D) Drinking water, meals, and portable fans

20 SAFETY

A jobsite power tool has an electrical fault and has been removed from service. When may it be used again?

(A) After it is moved to a dry area away from standing water
(B) After it is plugged into a GFCI-protected outlet or cord
(C) After the operator puts on rated insulating rubber gloves
(D) After a qualified person repairs and tests it as safe

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Answer key and explanations

#	ANSWER	WHY
1	**C**	Covered California public works employment generally requires at least the applicable prevailing wage for the worker’s craft or classification and locality.
2	**D**	An active California contractor’s license expires every two years. The four-year interval applies to an inactive license.
3	**B**	Business and Professions Code section 7030.5 requires the contractor's license number in all construction contracts, in subcontracts and calls for bid, and in all forms of advertising. A federal employer identification number, seller's permit number, or insurance policy number does not replace it.
4	**D**	An applicant for California home improvement salesperson registration must be at least 18 years old.
5	**D**	The FLSA requires covered payroll records to be kept for at least three years after the last entry. Other rules can require longer retention; federal employment-tax records generally have a four-year minimum.
6	**A**	IRS Publication 505 requires a new W-4 within 10 days for the specified status changes when withholding will no longer cover the current year’s tax. Losing an expected Child Tax Credit is one such change.
7	**C**	At-will employment can generally be ended by either party at any time (Labor Code 2922), without waiting for a project, pay period or performance process to end. Termination may still violate laws against discrimination or retaliation, and final-pay obligations still apply.
8	**D**	FICA taxes fund Social Security and Medicare. The employer withholds the employee's share from wages and pays a matching employer share; only the Additional Medicare Tax on high wages has no employer match. Part-time employment does not exempt wages from FICA (IRS Publication 15).
9	**C**	The signed change order should state its effect on the payment schedule. The agreed terms control, subject to the law: apart from a lawful down payment or applicable exception, payments cannot exceed the value of work performed or materials delivered.
10	**C**	Their subcontract sets the scope, price and obligations for the subcontracted work. This makes the relationship contractual.
11	**A**	A patent defect is apparent on reasonable inspection. A latent defect is hidden and would not be revealed by that inspection.
12	**D**	AIA A201 assigns the contractor the on-site record of change orders and other modifications. A project manager may maintain it for the company.
13	**C**	PACE financing is generally repaid through an assessment collected with the local property tax bill. The financing creates a repayment obligation; it is not a rebate.
14	**B**	Liabilities are a business’s debts and other obligations to outside parties, such as unpaid supplier invoices and outstanding loans.
15	**C**	Fixed assets are tangible resources kept for long-term business use, such as company trucks, machinery, and buildings. Inventory held for resale and prepaid expenses are different asset categories.
16	**B**	A mechanics lien is a claim against the improved real property for qualifying unpaid labor, services, or materials. It is different from a claim against funds or equipment.

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#	ANSWER	WHY
17	**A**	Workers' compensation premiums are the employer's business expense. California employers cannot require employees to contribute to the premium or deduct it from their wages.
18	**C**	Suitable eye or face protection is required when the work or environment creates an eye-injury hazard (Title 8 §3382(a)). The duty is based on the exposure, not on a request, a previous injury or how long the task lasts.
19	**C**	California's outdoor heat-illness standard requires drinking water, shade, and access to cool-down rest. These are basic protections; the standard also addresses procedures and training.
20	**D**	Faulty electrical equipment must stay out of service until the defect is corrected and the equipment is safe to use (Title 8 §3328(c)). A dry location, GFCI protection or insulating gloves reduce shock risk but do not repair the fault.

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