

CONTRACTORS BUSINESS AND LAW PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://contractorsbusinesslaw.examzify.com>



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

SAMPLE

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

SAMPLE

- 1. What accounting method records income when the service occurs and expenses when they are incurred?**
 - A. Modified Cash Method
 - B. Accrual Method
 - C. Cash Method
 - D. Hybrid Method
- 2. Which of the following is not regulated by the Fair Labor Standards Act (FLSA)?**
 - A. Overtime pay
 - B. Minimum wage
 - C. Vacation and holiday pay
 - D. Child labor restrictions
- 3. Which authority typically enforces zoning laws relevant to construction?**
 - A. State transportation agencies
 - B. Local zoning boards or municipal governments
 - C. National construction associations
 - D. Environmental protection agencies
- 4. What document is used to establish employment eligibility?**
 - A. I-9
 - B. W-4
 - C. Form 1040
 - D. Form 1099
- 5. What is the maximum percentage fine if Social Security is not paid?**
 - A. 50%
 - B. 75%
 - C. 100%
 - D. 150%

- 6. Which task can be directly performed by a Residential/Small Commercial contractor?**
- A. Drywall Installation
 - B. Roof Replacement
 - C. Burglar Alarm
 - D. Concrete Pouring
- 7. What form shows an employee's eligibility to work in the United States?**
- A. W-2
 - B. I-9
 - C. 1099
 - D. W-4
- 8. What type of issue requires immediate attention according to contractors' regulations?**
- A. Project Delay
 - B. Insurance Lapse
 - C. Violation of Contract Terms
 - D. Non-payment of Labor
- 9. If you implement a safety program that costs \$400 to start and \$15 a month to maintain with a policy saving of 10%, what would be the net difference in cost over a three-year period?**
- A. No savings
 - B. Net saving of \$300
 - C. Net saving of \$140
 - D. Net loss of \$100
- 10. What is considered a breach of contract?**
- A. Failing to inform the opposing party
 - B. Not fulfilling the terms of the agreement
 - C. Changing the terms of payment after agreement
 - D. Communicating dissatisfaction with the contract

Answers

SAMPLE

1. B
2. C
3. B
4. A
5. C
6. C
7. B
8. C
9. C
10. B

SAMPLE

Explanations

SAMPLE

1. What accounting method records income when the service occurs and expenses when they are incurred?

- A. Modified Cash Method
- B. Accrual Method**
- C. Cash Method
- D. Hybrid Method

The accrual accounting method records income when services are performed or goods are delivered, rather than when money is actually received. This approach aligns with the principle of recognizing economic events regardless of when cash transactions occur, providing a more accurate picture of a company's financial performance during a specific period. Expenses are recorded when they are incurred, meaning a company recognizes costs when they actually happen, regardless of when cash is paid out. This method allows businesses to match revenues with the expenses incurred to generate those revenues in the same reporting period, thus adhering to the matching principle, which is fundamental in accounting. In contrast, the cash method recognizes revenues and expenses only when cash is received or paid, so it does not provide the same comprehensive view of a company's financial status. Modified cash methods and hybrid methods combine elements of both the cash and accrual accounting systems, but they do not fully embrace the principles of recording income and expenses at the time they occur like the accrual method does. Thus, the accrual method is the most accurate and informative of the accounting methods outlined in the question.

2. Which of the following is not regulated by the Fair Labor Standards Act (FLSA)?

- A. Overtime pay
- B. Minimum wage
- C. Vacation and holiday pay**
- D. Child labor restrictions

The Fair Labor Standards Act (FLSA) primarily governs aspects related to wages and hours worked, which include mandates on overtime pay, minimum wage, and child labor restrictions. Under the FLSA, employers must pay eligible employees at least the federal minimum wage and provide additional pay for hours worked beyond 40 in a workweek, as well as adhere to regulations aimed at preventing child labor. However, vacation and holiday pay are not regulated under the FLSA. Employers are not legally required to provide paid vacation or holiday time to their employees. The decision to offer such benefits is left to the discretion of the employer, making it distinct from the other areas the FLSA covers, which set minimum standards for compensation and labor practices. This difference makes vacation and holiday pay the correct answer to the question about what is not regulated by the FLSA.

3. Which authority typically enforces zoning laws relevant to construction?

- A. State transportation agencies
- B. Local zoning boards or municipal governments**
- C. National construction associations
- D. Environmental protection agencies

Zoning laws, which govern land use and dictate how properties in specific areas can be developed and used, are primarily enforced by local zoning boards or municipal governments. These local authorities are responsible for creating and implementing zoning ordinances that establish regulations regarding building heights, density, intended use of the land (residential, commercial, industrial), and other aspects of land development. Local zoning boards have the power to review building plans, issue permits, and evaluate whether proposed developments comply with the established zoning regulations. They also hold public hearings to consider community input regarding potential changes to zoning ordinances or specific development proposals. This localized control ensures that development aligns with the community's needs and goals, balancing growth with considerations for aesthetics, traffic, and environmental impact. Other options, such as state transportation agencies, national construction associations, or environmental protection agencies, do not have the primary responsibility for enforcing zoning laws. Instead, their roles may pertain to specific aspects of construction or land use, such as transportation infrastructure, industry standards, or environmental regulations, respectively.

4. What document is used to establish employment eligibility?

- A. I-9**
- B. W-4
- C. Form 1040
- D. Form 1099

The document used to establish employment eligibility is the I-9 form. This form is required by U.S. immigration law and is used by employers to verify the identity and legal work authorization of individuals hired for employment in the United States. When an employee is hired, they must complete the I-9 form and provide supporting identification documents that confirm their identity and eligibility to work. Employers are responsible for ensuring that this form is completed for each employee, and they must retain these forms for a specified period, as well as make them available for inspection by authorized government officials if required. The other options pertain to different aspects of employment and taxation. The W-4 form is used for tax withholding purposes, specifically to inform employers how much to withhold from an employee's paycheck for federal income taxes. Form 1040 is an individual income tax return form, and Form 1099 is used to report various types of income other than wages, salaries, and tips, such as payments made to independent contractors. Therefore, these documents do not establish employment eligibility but serve other purposes in the employment and tax processes.

5. What is the maximum percentage fine if Social Security is not paid?

- A. 50%
- B. 75%
- C. 100%**
- D. 150%

The maximum percentage fine for unpaid Social Security taxes is 100%. This penalty reflects the government's response to non-compliance with tax obligations, particularly for programs like Social Security, which rely on contributions from both employers and employees to function properly. When these payments are not made, it can lead to significant deficits in funding, impacting the benefits available to current and future beneficiaries. A fine of 100% serves as a strong discouragement for employers and individuals to neglect their Social Security tax responsibilities. It emphasizes the importance of these contributions to both the individual taxpayer and the broader social safety net. Consequently, the penalty is structured not just as a punitive measure, but also as a means to ensure continued compliance and support for essential social programs. The other percentage options reflect either a misunderstanding of the penalties related to Social Security tax obligations or pertain to different types of fines or violations that do not specifically apply to Social Security. Only a complete failure to pay can result in a penalty reaching up to the maximum allowed.

6. Which task can be directly performed by a Residential/Small Commercial contractor?

- A. Drywall Installation
- B. Roof Replacement
- C. Burglar Alarm**
- D. Concrete Pouring

A Residential/Small Commercial contractor typically undertakes construction tasks that fall within the scope of general contracting for residential buildings and small commercial projects. The tasks they can directly perform include various types of construction and installations specific to building and renovation. Burglar alarm installation typically requires specialized knowledge and certification in security systems; it is not a standard task associated with general contracting. General contractors focus on structural and aesthetic renovation without delving into specialized security work that requires expertise beyond the conventional construction trades. In contrast, tasks such as drywall installation, roof replacement, and concrete pouring are all within the expertise of a general contractor. These activities involve widespread construction skills that a contractor is trained to handle, often managing subcontractors for specific trades, like electrical or plumbing work, while still directly overseeing the project as a whole. Therefore, the correct answer pertains to a task not typically performed directly by a general contractor, highlighting the difference between general contracting work and specialized trade skills.

7. What form shows an employee's eligibility to work in the United States?

- A. W-2
- B. I-9**
- C. 1099
- D. W-4

The form that shows an employee's eligibility to work in the United States is the I-9. This form is used by employers to verify the identity and employment authorization of individuals hired for employment in the U.S. When completing the I-9, employees must provide documentation that establishes both their identity and their right to work in the country. The process outlined in the I-9 form is essential for compliance with federal immigration laws, as it helps ensure that employers do not hire individuals who are not authorized to work in the United States. As such, it serves as a critical tool in safeguarding job opportunities for legally eligible workers. In contrast, the W-2 is a tax form used to report wages paid to employees and the taxes withheld from them, while the 1099 form is typically used to report income earned by independent contractors. The W-4 is a form for employees to indicate their tax withholding preferences to their employer. These forms, while important for tax and wage reporting, do not address employment eligibility in the context of immigration laws.

8. What type of issue requires immediate attention according to contractors' regulations?

- A. Project Delay
- B. Insurance Lapse
- C. Violation of Contract Terms**
- D. Non-payment of Labor

In the context of contractors' regulations, an issue that requires immediate attention is a violation of contract terms. This is because contract terms establish the specific obligations and expectations of all parties involved in a construction project. When these terms are violated, it can lead to significant legal and financial repercussions. Not addressing such violations swiftly can result in project delays, disputes, or potential lawsuits, which could jeopardize the contractor's business reputation and financial stability. Contractors are typically bound by strict timelines and obligations outlined in contracts, and any breach can disrupt the workflow and relationships with clients or subcontractors. This makes it critical to resolve violations as soon as they arise to prevent escalating problems and ensure compliance with contractual agreements. While project delays, insurance lapses, and non-payment of labor are also serious matters that may require attention, the urgency of addressing a violation of contract terms typically holds higher priority due to its foundational impacts on legal obligations and operational effectiveness.

9. If you implement a safety program that costs \$400 to start and \$15 a month to maintain with a policy saving of 10%, what would be the net difference in cost over a three-year period?

- A. No savings
- B. Net saving of \$300
- C. Net saving of \$140**
- D. Net loss of \$100

To determine the net difference in cost over a three-year period with the implementation of a safety program that starts with a cost of \$400 and incurs a monthly maintenance fee of \$15, we need to break down the total expenses and potential savings. First, calculate the total costs associated with the safety program over three years. The initial startup cost of the program is \$400. The monthly maintenance cost adds up over 36 months (3 years), which totals: $15 \text{ (monthly maintenance cost)} \times 36 \text{ (months)} = \540 . Adding the initial cost to the maintenance cost gives: $\$400 \text{ (startup)} + \$540 \text{ (maintenance)} = \940 (total cost of the program over three years). Next, we look at the savings from having this safety program. The policy saves 10%. If we assume the project this safety program is applied to has a certain budget (let's denote it as B), the total savings generated from the program would be 10% of that budget over three years: $0.10 \times B \times 3 = 0.30B$ (total savings over three years). Now we compare the savings to the costs incurred. For a net saving of \$140, the equation would be:
Total Savings -

10. What is considered a breach of contract?

- A. Failing to inform the opposing party
- B. Not fulfilling the terms of the agreement**
- C. Changing the terms of payment after agreement
- D. Communicating dissatisfaction with the contract

A breach of contract occurs when one party fails to fulfill their obligations as outlined in the agreement. This means that if a party does not perform the duties they promised or violates a specific term of the contract, it constitutes a breach. This can include not delivering goods or services, failing to make payments, or not adhering to the timelines stipulated in the contract. Option B highlights the essence of a breach: the failure to fulfill terms that were mutually agreed upon. Therefore, when a party does not meet their responsibilities as described in the contract, it clearly indicates a breach has occurred, making this answer accurate. The other options, while they may describe behaviors that could lead to a breach or indicate dissatisfaction, do not directly encompass the definition of a breach itself. Failing to inform the opposing party, changing payment terms after the agreement, or simply expressing dissatisfaction does not inherently mean that the contractual obligations have not been met; they may reflect a poor communication or renegotiation scenario instead.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://contractorsbusinesslaw.examzify.com>

We wish you the very best on your exam journey. You've got this!

SAMPLE