

Florida General Contractor Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. How many years must "soft records" be retained according to the Fair Labor Standards Act?**
 - A. 3 years**
 - B. 5 years**
 - C. 7 years**
 - D. 10 years**
- 2. What form is used to report and pay annual Federal unemployment taxes?**
 - A. Form 1040**
 - B. Form 941**
 - C. Form 940**
 - D. Form W-2**
- 3. What does the contractor's purchase journal record?**
 - A. Total revenue from projects**
 - B. Total charge purchases**
 - C. Total expenses incurred**
 - D. Total assets owned**
- 4. What does a balance sheet provide insight into?**
 - A. Revenue and expenses**
 - B. Cash inflows and outflows**
 - C. The company's financial position at a specific point in time**
 - D. Profits generated in a given period**
- 5. Which of the following is an example of a variable expense in construction?**
 - A. Monthly rent for office space**
 - B. Insurance premiums**
 - C. Labor costs**
 - D. Property taxes**

- 6. What is the loss/gain on sale of equipment valued at 25,000 with a useful life of 10 years sold for 9,000 after 5 years?**
- A. Loss of 5,000**
 - B. Gain of 1,500**
 - C. Loss of 4,500**
 - D. Gain of 3,000**
- 7. When a change order is issued and it is not a constructive directive or a minor change, who must sign it to make it a legal instrument?**
- A. Project manager**
 - B. General contractor**
 - C. Owner**
 - D. Architect**
- 8. What percentage of the wage is typically charged for liability insurance?**
- A. 5%**
 - B. 2.5%**
 - C. 1%**
 - D. 3%**
- 9. What does a profit margin of a company indicate?**
- A. Efficiency in generating profit from sales**
 - B. Total revenue generated**
 - C. Liability-to-assets ratio**
 - D. Net worth of the company**
- 10. What is the form used to report and pay annual federal unemployment taxes?**
- A. Form 940**
 - B. Form 941**
 - C. Form 1099**
 - D. Form W-2**

Answers

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

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Explanations

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1. How many years must "soft records" be retained according to the Fair Labor Standards Act?

- A. 3 years**
- B. 5 years**
- C. 7 years**
- D. 10 years**

The Fair Labor Standards Act (FLSA) requires that "soft records," which include records such as payroll and timekeeping, must be retained for a minimum of three years. This duration is established to ensure that there is sufficient documentation available in the event of disputes or audits related to wage and hour laws. Retaining these records for three years allows employers to verify compliance with minimum wage and overtime provisions of the Act. Records like these are essential for both employees and employers in protecting rights and meeting legal obligations. Other timeframes for record retention, such as 5, 7, or 10 years, are often related to different regulations or guidelines but do not apply to the minimum requirements set forth by the FLSA for soft records. Thus, understanding this specific requirement is crucial for compliance and best practices in handling employee-related documentation.

2. What form is used to report and pay annual Federal unemployment taxes?

- A. Form 1040**
- B. Form 941**
- C. Form 940**
- D. Form W-2**

The correct choice is related to the reporting and payment of annual Federal unemployment taxes. Form 940 is specifically designated for employers to report their annual Federal Unemployment Tax Act (FUTA) tax. This form summarizes the amount of unemployment taxes owed for the year and is due annually. It is important to note that this form differs from others used in the tax reporting landscape. For example, Form 1040 is utilized by individuals to file their personal income taxes, while Form 941 is designed for employers to report income taxes, Social Security tax, and Medicare tax withheld from employee wages on a quarterly basis. The Form W-2, on the other hand, is used to report wages paid to employees and the taxes withheld from them, not the employer's unemployment tax obligations. Hence, Form 940 is the appropriate and accurate form for this specific purpose.

3. What does the contractor's purchase journal record?

- A. Total revenue from projects
- B. Total charge purchases**
- C. Total expenses incurred
- D. Total assets owned

The contractor's purchase journal specifically records total charge purchases made by the contractor, which includes all transactions where goods and services have been acquired on credit. This journal is critical for managing accounts payable as it helps contractors keep track of what they owe to suppliers and subcontractors for materials and services purchased. Unlike other financial tracking methods, the purchase journal focuses solely on purchases related to the operational activities necessary for completing projects, rather than total revenue, expenses, or assets. Understanding this function is essential for maintaining accurate financial records and ensuring cash flow management within a contracting business.

4. What does a balance sheet provide insight into?

- A. Revenue and expenses
- B. Cash inflows and outflows
- C. The company's financial position at a specific point in time**
- D. Profits generated in a given period

A balance sheet is a financial statement that provides a snapshot of a company's financial position at a specific point in time. It presents the company's assets, liabilities, and equity, allowing stakeholders to assess what the company owns versus what it owes. This insight is crucial for understanding the company's overall financial stability, liquidity, and capital structure. The timing aspect is vital; the balance sheet reflects only a specific moment, distinguishing it from other financial statements that represent performance over a period. The other options pertain to different financial statements. Revenue and expenses relate more to the income statement, which details profitability over a period. Cash inflows and outflows are recorded in the cash flow statement, focusing on the movement of cash within the business. Profits generated within a given period also belong to the income statement, emphasizing the results of operations rather than the financial position at a particular date. Thus, the balance sheet is distinct in its role of portraying the company's financial position rather than its performance during a timeframe.

5. Which of the following is an example of a variable expense in construction?

- A. Monthly rent for office space**
- B. Insurance premiums**
- C. Labor costs**
- D. Property taxes**

Labor costs are classified as variable expenses in construction because they can fluctuate based on the amount of work done, the specific projects undertaken, and the number of workers needed at any given time. Unlike fixed expenses, which remain constant regardless of the level of production or activity (like rent or insurance premiums), labor costs can vary significantly from month to month or project to project based on the labor required. In contrast, the other options represent fixed expenses. Monthly rent for office space, while it might change if you move or negotiate a new lease, generally remains consistent over the lease term. Insurance premiums are typically stable unless there is a significant change in coverage requirements or risk factors. Property taxes are generally assessed on a yearly basis and do not fluctuate with project volume or activity levels. Thus, labor costs distinctly embody the nature of variable expenses, aligning them with the typical patterns of fluctuations seen in construction project demands.

6. What is the loss/gain on sale of equipment valued at 25,000 with a useful life of 10 years sold for 9,000 after 5 years?

- A. Loss of 5,000**
- B. Gain of 1,500**
- C. Loss of 4,500**
- D. Gain of 3,000**

To determine the loss or gain on the sale of the equipment, we first need to calculate the book value of the equipment at the time of sale. The original value of the equipment is \$25,000, and it has a useful life of 10 years. We can calculate the annual depreciation using the straight-line method, which divides the initial cost by the useful life. Annual depreciation is calculated as follows: $\text{Annual Depreciation} = \frac{\text{Original Value}}{\text{Useful Life}} = \frac{25,000}{10} = 2,500 \text{ per year}$ Since the equipment is sold after 5 years, we multiply the annual depreciation by 5: $\text{Total Depreciation after 5 years} = 2,500 \times 5 = 12,500$ Next, we find the book value at the time of sale by subtracting the total depreciation from the original value: $\text{Book Value} = \text{Original Value} - \text{Total Depreciation} = 25,000 - 12,500 = 12,500$ Now, we compare

7. When a change order is issued and it is not a constructive directive or a minor change, who must sign it to make it a legal instrument?

- A. Project manager**
- B. General contractor**
- C. Owner**
- D. Architect**

For a change order to be considered a legal instrument, it is essential that it is signed by the owner. This signature indicates that the owner has formally agreed to the modifications in the scope of work, costs, or timeline as outlined in the change order. Change orders are significant as they can impact the overall contract, and the owner's approval is necessary to validate any alterations made to the original contract terms. While project managers, general contractors, and architects play critical roles in facilitating the change order process—such as proposing changes, estimating costs, and ensuring compliance with design specifications—they do not hold the authority to finalize the change without the owner's consent. The owner's signature is crucial as it signifies acceptance and acknowledgment of the changes, thereby establishing the legal binding effect necessary for enforcing the change order.

8. What percentage of the wage is typically charged for liability insurance?

- A. 5%**
- B. 2.5%**
- C. 1%**
- D. 3%**

Liability insurance is an essential cost for general contractors, providing protection against potential claims or lawsuits related to accidents, injuries, or damages that occur during the course of construction. The percentage charged for liability insurance can vary depending on a number of factors, including the size of the project, the contractor's claims history, and the type of work being performed. The figure of 2.5% represents a common standard based on industry practices. When budgeting for construction costs, contractors often include an estimate for insurance as part of their overall expenses. This percentage strikes a balance that contractors typically find manageable while still ensuring adequate coverage for their operations. Understanding this figure is important for contractors during the bidding process and throughout project management, as it allows for better financial planning and ensures compliance with insurance requirements in Florida. The inclusion of this cost in estimates helps avoid potential shortfalls in coverage that could lead to significant financial risk for a business.

9. What does a profit margin of a company indicate?

A. Efficiency in generating profit from sales

B. Total revenue generated

C. Liability-to-assets ratio

D. Net worth of the company

A profit margin indicates the efficiency a company has in generating profit from its sales. It is a financial metric that shows the percentage of revenue that exceeds the costs of goods sold (COGS) and operating expenses. Essentially, the profit margin reveals how much profit a company makes for every dollar of sales. A higher profit margin suggests that the company is effective at converting sales into actual profit, which can be a sign of strong management and cost control, as well as pricing strategies that work favorably for the company. Understanding profit margin is crucial for evaluating a company's financial health and operational performance, making it a key focus for investors and business owners alike. It provides insight into how well a company can manage its costs while maintaining sales, ultimately affecting its bottom line.

10. What is the form used to report and pay annual federal unemployment taxes?

A. Form 940

B. Form 941

C. Form 1099

D. Form W-2

Form 940 is the correct form used to report and pay annual federal unemployment taxes. This form is specifically designed for employers to report their annual Federal Unemployment Tax Act (FUTA) liability. Employers are required to file Form 940 once a year, and it includes details about the wages paid, the amount of FUTA tax owed, and any adjustments needed based on previous payments. Form 941, on the other hand, is used for reporting quarterly federal payroll taxes, which include income tax withheld from employee wages and both the employer and employee portions of Social Security and Medicare taxes. Form 1099 serves a different purpose; it is generally used to report various types of income other than wages, salaries, and tips, such as freelance income or interest payments. Finally, Form W-2 is utilized to report wages paid to employees and taxes withheld from their paychecks, providing important information to both the IRS and the employee for income tax purposes. Understanding the specific uses of these forms is crucial for compliance with federal tax law and for effectively managing payroll responsibilities as a contractor.