

NEVADA CONTRACTORS LICENSE – LAW PORTION PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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

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- 1. How high must the name and license number be displayed on commercial motor vehicles under a contractor's name?**
 - A. 1 inch
 - B. 1 1/2 inches
 - C. 2 inches
 - D. 2 1/2 inches
- 2. Who is responsible for paying Workers' Compensation insurance?**
 - A. Employee deducts from wages
 - B. Employer pays it
 - C. Shared between employee and employer
 - D. State funded
- 3. Contracts that exceed the bid limit are considered:**
 - A. Enforceable
 - B. Aggressive
 - C. VOID
 - D. Negotiable
- 4. At what amount of earnings do you stop deducting FUTA from an employee's wages in one year?**
 - A. \$5,000.00
 - B. \$6,000.00
 - C. \$7,000.00
 - D. \$8,000.00
- 5. What is a characteristic of a sole proprietorship?**
 - A. Requires multiple partners
 - B. Easy to apply but involves high risk
 - C. Limited liability
 - D. Mandatory audits

- 6. What must a contractor do to officially change the scope of a construction project?**
- A. Informally discuss the changes with the client
 - B. Obtain verbal approval from the project manager
 - C. A written change order must be signed by both parties
 - D. Notify subcontractors only
- 7. What is the Nevada statute governing construction defect actions?**
- A. NRS 40.600 et seq.
 - B. NRS 50.200 et seq.
 - C. NRS 30.400 et seq.
 - D. NRS 10.100 et seq.
- 8. Which document may be considered as a financial statement required for contractors?**
- A. Statement of cash flows
 - B. Accounts receivable aging report
 - C. Profit and loss statement
 - D. Sales tax return
- 9. How many hours constitute overtime for a work week?**
- A. 35 hours
 - B. 40 hours
 - C. 45 hours
 - D. 50 hours
- 10. What is a subcontractor in the context of contracting?**
- A. A general contractor who manages projects
 - B. A contractor hired to execute a specific part of a job
 - C. An independent contractor without a license
 - D. A project manager overseeing multiple contractors

Answers

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

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Explanations

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1. How high must the name and license number be displayed on commercial motor vehicles under a contractor's name?

- A. 1 inch
- B. 1 1/2 inches**
- C. 2 inches
- D. 2 1/2 inches

The requirement for displaying the name and license number on commercial motor vehicles under a contractor's name is set at a height of 1 1/2 inches. This regulation is important for ensuring that the information is easily visible and legible to the public, which helps promote accountability and transparency in the contracting business. By adhering to this standard, contractors can ensure compliance with state regulations, portraying professionalism and commitment to following the law. This visibility not only helps in identifying the business but also serves as a means for consumers to verify the licensing of the contractor, fostering trust in the services being offered.

2. Who is responsible for paying Workers' Compensation insurance?

- A. Employee deducts from wages
- B. Employer pays it**
- C. Shared between employee and employer
- D. State funded

In the context of Workers' Compensation insurance, the responsibility for payment generally lies with the employer. This is because Workers' Compensation is designed to protect employees by providing them with benefits in case of work-related injuries or illnesses without requiring them to prove fault. Employers are required by law to carry Workers' Compensation insurance to cover medical expenses and lost wages for employees who are injured on the job. The premium for this insurance is calculated based on several factors related to the business, including the type of work being done and the safety record of the company. While there may be instances where employees might have some costs deducted from their wages for various reasons tied to benefits or insurance coverage, the fundamental obligation to maintain and pay for Workers' Compensation insurance rests with the employer. This ensures that employees have immediate access to benefits should they need them, fostering a safer work environment and providing financial security for both parties involved.

3. Contracts that exceed the bid limit are considered:

- A. Enforceable
- B. Aggressive
- C. VOID**
- D. Negotiable

Contracts that exceed the bid limit are considered void because they do not comply with the legal requirements set forth by the licensing laws. In Nevada, contractors must adhere to specific bid limits based on their license classification. When a contract exceeds this limit, it is seen as unenforceable by the courts, as it violates established regulations and may put consumers at risk. This is intended to protect both contractors and clients by ensuring that projects remain within the capabilities and licensing of the contractor involved. The concept of a void contract is critical as it indicates that the contract lacks legal validity from the moment it is created, due to non-compliance with statutory restrictions. Therefore, such a contract cannot be legally enforced, meaning that neither party can seek legal remedies or enforce obligations under that contract. Understanding this aspect of contract law is essential for anyone in the field, particularly contractors operating within Nevada.

4. At what amount of earnings do you stop deducting FUTA from an employee's wages in one year?

- A. \$5,000.00
- B. \$6,000.00
- C. \$7,000.00**
- D. \$8,000.00

The correct amount at which you stop deducting Federal Unemployment Tax Act (FUTA) taxes from an employee's wages in one year is \$7,000.00. This means that once an employee's wages reach \$7,000 in a calendar year, FUTA tax deductions no longer apply to earnings above this threshold. Understanding the FUTA tax structure is essential for employers since it helps fund unemployment compensation programs. The tax is deposited quarterly, and this cap ensures that employers do not continue to pay unemployment taxes on high wages. Knowing this limit assists in accurately managing payroll, ensuring compliance with federal tax laws, and preventing overpayment or errors in tax calculations. The other amounts listed, such as \$5,000, \$6,000, and \$8,000, do not reflect the currently established limit for FUTA withholding and may lead to confusion regarding payroll tax responsibilities. Specifically, \$5,000 and \$6,000 are outdated figures that were applicable in previous tax years, while \$8,000 exceeds the current cap, thus indicating improper withholding practices if applied.

5. What is a characteristic of a sole proprietorship?

- A. Requires multiple partners
- B. Easy to apply but involves high risk**
- C. Limited liability
- D. Mandatory audits

A sole proprietorship is indeed easy to establish and operate, primarily because it does not require complex formation procedures like those found in corporations or partnerships. This simplicity in acquiring and managing such a business structure appeals to many individuals. However, the high-risk aspect stems from the personal liability that the owner assumes for all the business's debts and obligations. Unlike other business structures, where liability is limited, a sole proprietor's personal assets can be at risk if the business fails or faces legal issues. The other choices highlight characteristics not associated with sole proprietorships. For instance, requiring multiple partners refers to partnerships, which involve at least two individuals sharing ownership and responsibility. Limited liability is characteristic of corporations and limited liability companies (LLCs), where owners are protected from personal liability regarding the company's debts. Finally, mandatory audits are not a requirement for sole proprietorships; they are typically more applicable to larger entities or those in certain regulated industries.

6. What must a contractor do to officially change the scope of a construction project?

- A. Informally discuss the changes with the client
- B. Obtain verbal approval from the project manager
- C. A written change order must be signed by both parties**
- D. Notify subcontractors only

To officially change the scope of a construction project, it is essential for a contractor to utilize a written change order that is signed by both parties involved in the contract. This procedure safeguards the interests of both the contractor and the client by documenting the changes in a clear and formal manner. A written change order should detail the specific modifications to the project, including timelines, costs, and any implications these changes may have on the project as a whole. This documentation serves not only as a legal record but also helps prevent misunderstandings and disputes that can arise from informal agreements or verbal communications. In the context of construction law, relying on informal discussions or verbal agreements may lead to complications, as these are often harder to enforce and can be subject to interpretation. Informally discussing changes does not provide the same legal protection that a documented change order does. Similarly, simply obtaining verbal approval, such as from a project manager, lacks the formality and clarity necessary to ensure all parties are aligned on the revised terms of the contract. While notifying subcontractors about changes is important, it does not replace the need for a formal written agreement that defines the change in scope, making the requirement of a signed written change order crucial for legally modifying a construction project.

7. What is the Nevada statute governing construction defect actions?

- A. NRS 40.600 et seq.**
- B. NRS 50.200 et seq.
- C. NRS 30.400 et seq.
- D. NRS 10.100 et seq.

The Nevada statute governing construction defect actions is indeed NRS 40.600 et seq. This statute specifically outlines the legal framework for addressing issues related to construction defects, including the rights and obligations of homeowners and builders. It establishes procedures for making claims, the necessary elements required to prove a construction defect, and the applicable time frames for filing such actions. The provisions under NRS 40.600 et seq. are particularly important, as they aim to provide a clear process for resolving disputes that arise from construction defects, ensuring that homeowners have legal recourse when the quality of construction does not meet the required standards. This statute also has implications for the processes of notification, mediation, and potential remedies available for afflicted parties, which are essential components of addressing construction issues in Nevada. In contrast, the other statutes listed pertain to different legal matters, making them irrelevant to construction defect actions. For example, NRS 50.200 et seq. relates to evidence law; NRS 30.400 et seq. concerns declaratory relief; and NRS 10.100 et seq. deals with general provisions for the computation of time in legal contexts. Each statute serves its own distinct purpose within Nevada law, further emphasizing the specificity and importance of N

8. Which document may be considered as a financial statement required for contractors?

- A. Statement of cash flows
- B. Accounts receivable aging report
- C. Profit and loss statement**
- D. Sales tax return

A profit and loss statement, also known as an income statement, is a crucial financial document that summarizes a contractor's revenues, costs, and expenses during a specific period. This statement provides insights into the company's financial performance, including its profitability or losses, which are essential indicators of the business's viability and operational efficiency. For contractors seeking a license, demonstrating financial stability and management is vital, and a profit and loss statement serves this purpose well. It reflects the contractor's ability to generate profit from their business operations, which is often a requirement when applying for or maintaining a contractor's license. Regulatory agencies look for this information as it shows whether the contractor can manage their finances and sustain their business, thus ensuring they are likely to fulfill obligations under their contracts. In contrast, while documents like a statement of cash flows, accounts receivable aging reports, and sales tax returns provide valuable financial information, they do not offer as direct a snapshot of operating profitability as a profit and loss statement does. Each of these documents can contribute to understanding a company's financial health, but the profit and loss statement is specifically relevant to demonstrating ongoing financial performance in the context of contractor licensing.

9. How many hours constitute overtime for a work week?

- A. 35 hours
- B. 40 hours**
- C. 45 hours
- D. 50 hours

In the context of labor law, particularly under the Fair Labor Standards Act (FLSA), overtime is defined as the hours worked over the standard full-time threshold, which is typically 40 hours per week. This means that any hours worked beyond 40 in a single workweek must be compensated at a rate that is one and a half times the employee's regular wage. This standard aims to ensure that employees are fairly compensated for additional hours worked, thus promoting fair labor practices. The other options do not align with this established standard for overtime. For instance, 35 hours do not exceed the regular workweek threshold and therefore would not qualify for overtime. Similarly, 45 or 50 hours do exceed the limit but are not the established benchmark for determining when overtime begins. Understanding that 40 hours is the cutoff for overtime hours is essential in the context of labor law and helps businesses comply with regulations while also ensuring employees are properly compensated for their time.

10. What is a subcontractor in the context of contracting?

- A. A general contractor who manages projects
- B. A contractor hired to execute a specific part of a job**
- C. An independent contractor without a license
- D. A project manager overseeing multiple contractors

A subcontractor is defined as a contractor who is hired to perform a specific task or function within a larger project overseen by a general contractor. This role is essential in the construction industry, as it allows for the division of labor and the specialization of skills. For instance, a subcontractor may focus on electrical work, plumbing, masonry, or any particular trade that requires expertise. The unique value of subcontractors lies in their ability to handle specific tasks efficiently, often bringing specialized knowledge and skills that the general contractor may not possess. This allows general contractors to manage projects more effectively by relying on subcontractors for their unique trade skills, while still maintaining overall oversight of the project's progress and quality. In contrast, the other options do not accurately describe the role of a subcontractor. A general contractor manages and coordinates the entire project and does not solely focus on executing specific tasks. An independent contractor without a license may not meet the legal requirements to perform contract work, whereas a project manager oversees multiple contractors without necessarily executing any specific trade work. Thus, hiring subcontractors enhances project efficiency and expertise, which is why this answer is the most accurate description of a subcontractor's role in contracting.

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://nvcontractorslaw.examzify.com>

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

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