

# Practice Test 1

**Time Allowed:** 4 hours

**Passing Score:** 70% (88 out of 125 questions correct)

## **Instructions:**

- Read each question carefully and select the BEST answer
- Mark your answers on a separate sheet
- You may use a calculator for mathematical calculations
- Answer all questions - there is no penalty for guessing
- Review your answers if time permits

## **SECTION 1: BUSINESS ORGANIZATION AND LICENSING (Questions 1-16)**

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1. What is the primary difference between a sole proprietorship and a corporation?
  - A. Tax rates
  - B. Number of employees allowed
  - C. Sole proprietorship has unlimited personal liability; corporation provides limited liability
  - D. Corporations cannot do residential work
  
2. What is a Limited Liability Company (LLC)?
  - A. Business structure combining pass-through taxation with limited liability protection
  - B. Another name for corporation
  - C. Type of partnership
  - D. Government agency

3. What is the main advantage of an S-Corporation over a C-Corporation?

- A. More employees allowed
- B. Avoids double taxation with pass-through taxation to shareholders
- C. Lower licensing fees
- D. No tax filing required

4. What is a Doing Business As (DBA) name?

- A. Legal business structure
- B. Federal requirement
- C. Insurance policy
- D. Fictitious business name different from owner's legal name

5. What is the Contractors State License Board (CSLB)?

- A. State agency regulating contractor licensing, enforcement, and consumer protection
- B. Federal agency
- C. Insurance company
- D. Trade union

6. How many classifications of contractor licenses does California have?

- A. 5 classifications
- B. 10 classifications
- C. Over 40 different specialty classifications plus General (A, B, C)
- D. 100 classifications

7. What is a qualifier for a contractor's license?

- A. Financial requirement
- B. Individual meeting experience and exam requirements whose license qualifies the company
- C. Insurance policy
- D. Bond amount

8. What is a Responsible Managing Employee (RME)?

- A. Office manager
- B. Accountant
- C. Insurance agent
- D. Licensed employee who qualifies the contractor license for a company

9. What is the experience requirement for a B-General Building contractor license?

- A. 4 years journey-level experience in general building construction
- B. 1 year
- C. 10 years
- D. No experience required

10. What is joint venture in contracting?

- A. Building type
- B. Insurance requirement
- C. Temporary business arrangement between contractors for specific project
- D. Licensing classification

11. What is the purpose of a contractor's license bond?

- A. Insurance for employees
- B. Protecting consumers from contractor violations and financial harm
- C. Building permit
- D. Tax payment

12. What is the minimum bond amount for California contractors?

- A. \$5,000
- B. \$10,000
- C. \$25,000
- D. \$25,000 for original license; \$15,000 for license renewal

13. What is the maximum recovery from a contractor's license bond per violation?

- A. Up to \$15,000 per violation; total aggregate of \$75,000
- B. \$5,000
- C. \$100,000
- D. Unlimited

14. What happens when a qualifier leaves a contracting company?

- A. Nothing changes
- B. License remains active indefinitely
- C. Company must replace qualifier within 90 days or license becomes inactive
- D. Automatic license cancellation

15. What is license reciprocity?

- A. License renewal
- B. Accepting another state's license allowing practice without California exam
- C. License transfer
- D. License upgrade

16. Does California have contractor license reciprocity with other states?

- A. Yes, with all states
- B. Yes, with neighboring states
- C. Yes, with some states
- D. No, California does not have reciprocity

## **SECTION 2: BUSINESS FINANCES (Questions 17-35)**

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17. What is a balance sheet?

- A. Financial statement showing assets, liabilities, and equity at specific point in time
- B. Daily sales record
- C. Employee schedule
- D. Tax return

18. What is the accounting equation?

- A. Revenue - Expenses = Profit
- B. Assets + Liabilities = Equity
- C. Assets = Liabilities + Equity

D.  $\text{Income} - \text{Costs} = \text{Net}$

19. What are current assets?

A. Fixed assets

B. Assets convertible to cash within one year (cash, accounts receivable, inventory)

C. Long-term investments

D. Property and equipment

20. What are fixed assets?

A. Cash and equivalents

B. Inventory

C. Accounts receivable

D. Long-term assets like property, equipment, and vehicles

21. What is working capital?

A. Current assets minus current liabilities

B. Starting capital

C. Total assets

D. Annual revenue

22. What is the current ratio?

A. Speed of work

B. Completion percentage

C. Current assets divided by current liabilities measuring liquidity

D. Employee ratio

23. What is the quick ratio (acid test)?

A. Speed of construction

B. Liquid assets (excluding inventory) divided by current liabilities

C. Employee efficiency

D. Project completion rate

24. What is accounts receivable?

A. Bills to pay

B. Cash on hand

C. Employee salaries

D. Money owed to company by customers for completed work

25. What is accounts receivable turnover?

A. How quickly company collects payment from customers

B. Employee turnover

C. Equipment turnover

D. Inventory turnover

26. What is the purpose of accounts receivable aging reports?

A. Employee evaluation

B. Identifying overdue payments and potential collection problems

C. Equipment maintenance

D. Tax preparation

27. What are accounts payable?

A. Customer invoices

B. Employee salaries

C. Tax obligations

D. Money company owes to suppliers and subcontractors

28. What is the difference between cash and accrual accounting?

A. No difference

B. Different tax rates

C. Cash records when money exchanges; accrual records when earned/incurred

D. Different industries

29. What is depreciation?

A. Allocating asset cost over its useful life

B. Asset appreciation

C. Equipment rental

D. Employee benefits

30. What is straight-line depreciation?

A. Declining method

B. Accelerated method

C. Equal amounts deducted each year over asset's useful life

D. No depreciation

31. What is the Modified Accelerated Cost Recovery System (MACRS)?

A. Insurance program

B. Tax depreciation method allowing accelerated deductions

C. Licensing requirement

D. Safety standard

32. What is salvage value in depreciation?

A. Total asset cost

B. Initial purchase price

C. Annual depreciation

D. Estimated value at end of useful life

33. What is job costing?

A. Bidding process

B. Employee compensation

C. Insurance calculation

D. Contract type

34. What is overhead allocation in job costing?

A. Building height

B. Equipment storage

C. Distributing indirect costs across jobs based on allocation method

D. Direct costs only

35. What is the difference between direct and indirect costs?

A. No difference

B. Direct costs trace to specific jobs; indirect costs benefit multiple jobs

C. Same costs

D. Different accounting methods

### **SECTION 3: EMPLOYMENT REQUIREMENTS (Questions 36-60)**

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36. What is the Fair Labor Standards Act (FLSA)?

A. State law

B. Local ordinance

C. Union contract

D. Federal law establishing minimum wage, overtime, and child labor standards

37. What is California's minimum wage as of 2025?

A. \$16.00 per hour (varies by jurisdiction)

B. \$7.25 per hour

C. \$20.00 per hour

D. \$12.00 per hour

38. What is California's overtime requirement?

A. After 50 hours per week

- B. After 45 hours per week
- C. Over 8 hours per day or over 40 hours per week
- D. After 60 hours per week

39. What is double-time pay required in California?

- A. Never required
- B. Over 12 hours in one day or over 8 hours on 7th consecutive workday
- C. After 60 hours weekly
- D. Only on holidays

40. Who is exempt from overtime requirements?

- A. All employees
- B. No employees
- C. Construction workers
- D. Executive, administrative, and professional employees meeting specific salary and duty tests

41. What is the salary basis test for exempt employees in California?

- A. Monthly salary of at least 2 times state minimum wage for full-time employment
- B. Any salary amount
- C. Hourly wages acceptable
- D. Commission-based only

42. What is an independent contractor versus an employee?

- A. Same classification

- B. No difference
- C. Contractor controls how work is done with independence; employee is directed by employer
- D. Pay difference only

43. What is the ABC test for independent contractors in California?

- A. Licensing test
- B. Three-part test: worker is free from control, performs work outside usual business, and has independent business
- C. Safety test
- D. Insurance test

44. What are the consequences of worker misclassification?

- A. No consequences
- B. Small fines only
- C. Warning only
- D. Back wages, taxes, penalties, interest, and potential criminal charges

45. What is Form I-9 used for?

- A. Verifying identity and employment authorization for all employees
- B. Tax withholding
- C. Insurance enrollment
- D. Benefits selection

46. How long must employers retain Form I-9?

- A. 1 year

- B. 2 years
- C. 3 years after hire or 1 year after termination, whichever is later
- D. Permanently

47. What is E-Verify?

- A. Email verification
- B. Electronic system verifying employment eligibility through federal databases
- C. Equipment verification
- D. Expense verification

48. What is required for E-Verify participation?

- A. Mandatory for all employers
- B. Voluntary for private employers; mandatory for federal contractors
- C. Never required
- D. Only for large companies

49. What is workers' compensation insurance?

- A. Insurance providing medical care and wage replacement for work-related injuries
- B. Health insurance
- C. Life insurance
- D. Unemployment insurance

50. What form reports work-related injuries to workers' comp insurer?

- A. Form I-9

B. W-2

C. DWC-1 (Workers' Compensation Claim Form)

D. 1099

51. What is an Employment Development Department (EDD) account?

A. Training program

B. Safety program

C. Retirement account

D. State account for unemployment insurance, disability insurance, and payroll taxes

52. What is State Disability Insurance (SDI) in California?

A. Temporary wage replacement for non-work-related illness or injury

B. Workers' compensation

C. Health insurance

D. Unemployment insurance

53. What is Paid Family Leave (PFL) in California?

A. Vacation time

B. Holiday pay

C. Wage replacement for bonding with new child or caring for seriously ill family member

D. Retirement benefit

54. What is the California Family Rights Act (CFRA)?

A. Tax law

- B. Job-protected leave for family and medical reasons for eligible employees
- C. Insurance requirement
- D. Licensing law

55. What is the Family and Medical Leave Act (FMLA)?

- A. State law
- B. Local ordinance
- C. Insurance policy
- D. Federal law providing unpaid job-protected leave for family and medical reasons

56. What is COBRA continuation coverage?

- A. Safety equipment
- B. Tool insurance
- C. Temporary health insurance continuation for up to 18-36 months after employment ends
- D. Vehicle insurance

57. What is required notification for COBRA?

- A. Employers must notify employees of COBRA rights within specific timeframes
- B. No notification required
- C. Annual notification
- D. One-time notice

58. What is HIPAA in employment?

- A. Safety standard

- B. Building code
- C. Licensing requirement
- D. Federal law protecting health information privacy and portability

59. What is sexual harassment training required in California?

- A. Never required
- B. Supervisory employees: 2 hours every 2 years; non-supervisory: 1 hour every 2 years
- C. Once at hire
- D. Monthly training

60. What is the purpose of employee handbooks?

- A. Tool manual
- B. Safety equipment guide
- C. Communicating company policies, procedures, expectations, and legal rights
- D. Project manual

#### **SECTION 4: INSURANCE AND LIENS (Questions 61-75)**

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61. What is commercial general liability (CGL) insurance?

- A. Auto insurance
- B. Workers' compensation
- C. Life insurance
- D. Insurance covering third-party bodily injury and property damage claims

62. What is the difference between occurrence and claims-made CGL policies?

- A. Occurrence covers incidents during policy period; claims-made covers claims filed during period
- B. No difference
- C. Same coverage
- D. Cost difference only

63. What is completed operations coverage in CGL?

- A. Project completion bonus
- B. Liability coverage for claims arising after project completion from your work
- C. Final payment insurance
- D. Contract insurance

64. What is products liability coverage?

- A. Product advertising
- B. Product sales
- C. Coverage for injuries or damage caused by products you manufacture or sell
- D. Product storage

65. What is professional liability insurance (errors and omissions)?

- A. General liability
- B. Workers' compensation
- C. Auto insurance
- D. Coverage for professional negligence and mistakes in services provided

66. What is additional insured endorsement?

- A. Extra insurance policy
- B. Double coverage
- C. Supplemental policy
- D. Reduced premium

67. What must a certificate of insurance include?

- A. Full policy
- B. Premium amount
- C. Policy types, coverage limits, effective dates, and certificate holder information
- D. Claims history

68. What is subrogation waiver in insurance?

- A. Policy cancellation
- B. Preventing insurer from pursuing other parties for reimbursement after paying claim
- C. Premium reduction
- D. Policy renewal

69. What is an umbrella policy?

- A. Weather insurance
- B. Duplicate coverage
- C. Temporary policy
- D. Additional liability coverage above underlying policy limits

70. What is the purpose of preliminary notice (20-day notice)?

- A. Project start notice
- B. Completion notice
- C. Inspection notice
- D. Equipment delivery

71. When must a preliminary notice be served in California for private projects?

- A. Not required
- B. Before starting work
- C. Within 20 days of first furnishing labor or materials to preserve lien rights
- D. Within 90 days

72. Who must serve preliminary notice?

- A. Only general contractors
- B. Subcontractors, material suppliers, and equipment lessors (except direct contractors)
- C. Only suppliers
- D. No one

73. What information must preliminary notice include?

- A. Nothing specific
- B. General description and signature
- C. Price estimate only
- D. Contract amount

74. What is a mechanics lien?

- A. Tool storage right
- B. Claim against property for unpaid labor or materials
- C. Equipment rental
- D. Service agreement

75. What is the deadline to record a mechanics lien in California after work completion?

- A. 30 days
- B. 60 days
- C. 90 days after completion or recording of notice of completion
- D. 120 days

## **SECTION 5: CONTRACT REQUIREMENTS AND EXECUTION (Questions 76-101)**

76. What elements are required for a valid contract?

- A. Offer, acceptance, consideration, legal purpose, and competent parties
- B. Writing only
- C. Signature only
- D. Notarization

77. What is consideration in contract law?

- A. Being polite
- B. Something of value exchanged (money, services, promises)
- C. Thinking time
- D. Contract review

78. What is a void contract?

- A. Valid contract
- B. Cancelled contract
- C. Renewed contract
- D. Contract with no legal effect from inception (illegal purpose)

79. What is a voidable contract?

- A. Valid contract
- B. Invalid contract
- C. Contract valid until one party exercises right to cancel
- D. Expired contract

80. What is the statute of frauds?

- A. Legal requirement that certain contracts be in writing to be enforceable
- B. Anti-fraud law
- C. Criminal law
- D. Insurance requirement

81. What contracts must be in writing under California statute of frauds?

- A. All contracts
- B. Real property transfers, contracts not performable within one year, and home improvement contracts over \$500
- C. Verbal contracts only
- D. No writing required

82. What is required in California home improvement contracts over \$500?

- A. Verbal agreement acceptable
- B. Handshake sufficient
- C. No requirements
- D. Nothing required

83. What is the 3-day right to cancel for home solicitation sales?

- A. Right to cancel contracts initiated at buyer's residence within 3 business days
- B. No cancellation allowed
- C. 30-day cancellation
- D. Immediate cancellation only

84. What must be included in California home improvement contracts?

- A. Nothing required
- B. Verbal terms only
- C. Contractor license number, business name, payment terms, scope, start/completion dates
- D. Signature only

85. What is the maximum down payment for home improvement contracts under \$1,000?

- A. 100%
- B. 75%
- C. \$1,000 or 10% of contract, whichever is less
- D. 25%

86. What is the maximum down payment for contracts between \$1,000 and \$12,000?

- A. 50%
- B. 100%
- C. 25%
- D. \$1,000 or 10%, whichever is less (can collect additional progress payments not exceeding 90% total)

87. What is an express warranty?

- A. Specific stated promise about product or service performance
- B. Implied warranty
- C. No warranty
- D. Verbal promise only

88. What is an implied warranty?

- A. Written warranty
- B. No warranty
- C. Warranty automatically arising by law (merchantability, fitness for purpose)
- D. Express warranty

89. What is the statute of limitations for breach of written contract in California?

- A. 1 year
- B. 2 years
- C. 4 years from breach
- D. 10 years

90. What is the statute of limitations for oral contracts in California?

- A. 1 year
- B. 3 years
- C. 4 years
- D. 2 years from breach

91. What is required for service of preliminary notice?

- A. Personal delivery, certified mail, or registered mail
- B. Email only
- C. Phone call
- D. Text message

92. What must a conditional lien waiver state?

- A. Nothing specific
- B. General waiver language
- C. Waiver is effective only upon payment (check clearing or funds received)
- D. Immediate effectiveness

93. What is an unconditional lien waiver?

- A. Conditional waiver
- B. Temporary waiver only
- C. Future waiver
- D. No waiver

94. When should an unconditional lien waiver be provided?

- A. Before receiving payment
- B. With invoice
- C. Before starting work
- D. Only after payment is actually received

95. What is a progress payment lien waiver?

- A. Waiver for partial payment during project
- B. Final payment waiver
- C. Initial payment waiver
- D. Deposit waiver

96. What is a final payment lien waiver?

- A. Initial waiver
- B. Partial waiver
- C. Waiver for final payment releasing all lien rights
- D. Temporary waiver

97. What is a stop payment notice?

- A. Project halt order
- B. Notice directing owner or lender to withhold funds to pay claimant
- C. Construction stop
- D. Inspection notice

98. Who can file a stop payment notice on private projects?

- A. Anyone
- B. Property owner
- C. Building inspector
- D. Direct contractor and first-tier subcontractors

99. What is required to enforce a stop payment notice?

- A. Filing lawsuit within 90 days and posting bond
- B. No action required
- C. Automatic payment
- D. Phone call

100. What is the deadline to foreclose a mechanics lien in California?

- A. File lawsuit within 90 days of recording lien
- B. 30 days
- C. 180 days
- D. 1 year

101. What penalties apply for filing fraudulent lien?

- A. No consequences
- B. Allowed practice
- C. Damages to property owner, attorney fees, and \$2,000 penalty
- D. Acceptable mistake

## **SECTION 6: PUBLIC WORKS (Questions 102-107)**

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102. What is prevailing wage?

- A. Minimum wage
- B. Maximum wage
- C. Average wage
- D. Union wage

103. Who determines prevailing wage rates in California?

- A. Department of Industrial Relations through Labor Commissioner
- B. Contractors
- C. Local governments
- D. Workers

104. What projects require prevailing wage in California?

- A. All projects
- B. Public works projects exceeding \$1,000 (\$25,000 for maintenance)
- C. Private projects only
- D. No projects require it

105. What is required certified payroll reporting for prevailing wage?

- A. Weekly submission documenting worker classifications, hours, and wages paid
- B. No reporting required
- C. Annual reporting

D. One-time reporting

106. What information must certified payroll include?

A. Nothing specific

B. General information only

C. Project name, worker names, classifications, hours worked, wages paid, and benefits provided

D. Total hours only

107. What penalties apply for prevailing wage violations?

A. Warning only

B. Back pay, penalties of \$50-\$200 per day per worker, and potential debarment

C. Small fine

D. No penalties

## **SECTION 7: SAFETY (Questions 108-125)**

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108. What is Cal/OSHA?

A. Federal agency

B. Insurance company

C. Trade organization

D. California Division of Occupational Safety and Health regulating workplace safety

109. What is an Injury and Illness Prevention Program (IIPP)?

A. Written workplace safety program required for all California employers

- B. Insurance policy
- C. First aid kit
- D. Medical plan

110. What must be included in an IIPP?

- A. Nothing required
- B. First aid supplies only
- C. Hazard identification, assessment, correction, training, and communication
- D. Insurance information

111. Who is responsible for implementing the IIPP?

- A. Insurance company
- B. Employer has primary responsibility
- C. Employees only
- D. Cal/OSHA

112. What is required safety training for employees?

- A. No training required
- B. One-time training at hire
- C. Annual training only
- D. Training when hired, for new hazards, and when procedures change

113. What is a competent person in construction safety?

- A. Anyone on site

- B. Owner
- C. Government inspector
- D. Equipment operator

114. What is required for excavations 5 feet or deeper?

- A. No requirements
- B. Warning signs only
- C. Protective systems (shoring, shielding, or sloping) and daily competent person inspection
- D. Fencing only

115. When is fall protection required in California construction?

- A. Never required
- B. At any height above 7.5 feet (with some exceptions)
- C. Only on roofs
- D. Only in high-rise

116. What is lockout/tagout (LOTO)?

- A. Door locks
- B. Security system
- C. Tool storage
- D. Procedures controlling hazardous energy during equipment service

117. What is the purpose of a Job Hazard Analysis (JHA)?

- A. Identifying hazards in work tasks and establishing safe procedures

- B. Cost analysis
- C. Schedule analysis
- D. Employee analysis

118. What is required PPE on construction sites?

- A. Optional equipment
- B. Company choice
- C. Employer must provide, maintain, and ensure use of required safety equipment
- D. Employee purchases own PPE

119. What is a safety data sheet (SDS)?

- A. Daily schedule
- B. Document providing hazardous chemical information and safe handling procedures
- C. Employee data
- D. Project data

120. How long must SDS be maintained?

- A. 1 year
- B. While material is in use and for 30 years for records of employee exposure
- C. 1 month
- D. Not required

121. What is required reporting for serious injuries?

- A. Immediate Cal/OSHA notification within 8 hours

- B. No reporting required
- C. Monthly reporting
- D. Annual reporting

122. What is considered a serious injury requiring Cal/OSHA reporting?

- A. Any injury
- B. Minor cuts
- C. Serious injury, amputation, or loss of body part requiring hospitalization
- D. Bruises

123. What is the penalty range for serious Cal/OSHA violations?

- A. \$0-500
- B. \$5,000-\$25,000 per violation
- C. Warning only
- D. \$100-\$1,000

124. What is a willful Cal/OSHA violation?

- A. Accidental violation
- B. Unintentional violation
- C. Minor violation
- D. Intentional or conscious disregard of safety requirements

125. What is the penalty for willful violations causing death?

- A. Up to \$140,000 and potential criminal prosecution

- B. Warning
- C. Small fine
- D. No penalty

## Answer Key with Explanations

- 1. C** - Sole proprietorships offer no separation between personal and business assets—owners have unlimited personal liability for business debts and lawsuits. Corporations are separate legal entities providing limited liability protection where shareholders' personal assets are generally protected from business liabilities. This liability protection is the primary advantage of incorporating.
- 2. A** - LLCs combine the best features of partnerships and corporations: pass-through taxation (avoiding corporate double taxation) with limited liability protection for members. They're flexible, relatively simple to form and maintain, and have become extremely popular for small businesses including contractors.
- 3. B** - S-Corporations avoid double taxation by passing income, losses, deductions, and credits through to shareholders who report them on personal tax returns. C-Corporations pay corporate tax on profits, then shareholders pay personal tax on dividends—double taxation. S-Corp status requires meeting specific IRS requirements.
- 4. D** - A DBA (Doing Business As) is a fictitious business name allowing companies to operate under names different from their legal names. For example, "John Smith" might operate as "Smith Construction." DBAs must be registered with county clerks and published in newspapers. They don't change legal structure.
- 5. A** - The CSLB is California's state agency regulating the construction industry. It issues contractor licenses, enforces laws, investigates complaints, disciplines licensees, and protects consumers. The CSLB ensures contractors meet minimum qualifications and follow regulations protecting public safety and welfare.
- 6. C** - California has over 40 license classifications including three General categories (A-General Engineering, B-General Building, C-Specialty) and over 40 C-specialty classifications (C-10 Electrical, C-36 Plumbing, etc.). Each classification authorizes specific types of work.
- 7. B** - A qualifier is the individual whose license qualifies a business to operate. They must meet experience requirements, pass exams, and be actively involved in the business. The qualifier's license authorizes the company to contract in their classification. Companies must have at least one qualifier.
- 8. D** - An RME (Responsible Managing Employee) is a licensed individual employed by a company who qualifies the contractor license. RMEs must be actively involved in construction operations, have authority to supervise/direct work, and work full-time for the company. They're responsible for compliance.
- 9. A** - B-General Building contractors must document 4 years of journey-level experience in general building construction or a combination of education and experience totaling 4 years. Experience must include framing, foundation, and finish work. This ensures competency before licensure.
- 10. C** - Joint ventures are temporary business arrangements where two or more contractors collaborate on specific projects. Each maintains their separate business but works together sharing resources, risks, and profits on the joint venture project. Joint ventures must be properly licensed.

**11. B** - Contractor license bonds protect consumers from contractor violations including fraud, breach of contract, abandonment, and failure to pay subcontractors or suppliers. If contractors violate laws causing financial harm, consumers can make claims against bonds for recovery up to bond limits.

**12. D** - California requires \$25,000 bonds for initial license applications and \$15,000 bonds for license renewals. The reduced renewal amount recognizes established contractors' track records. Bonds must remain active throughout license validity—failure to maintain bonds causes license suspension.

**13. A** - Individual claimants can recover up to \$15,000 per violation from contractor license bonds. Total aggregate recovery from one bond is limited to \$75,000 regardless of claim numbers. Multiple claims can deplete bonds, but these limits protect sureties from unlimited liability.

**14. C** - When qualifiers leave companies, businesses have 90 days to replace them with another qualified individual. If not replaced within 90 days, licenses become inactive and companies cannot contract until new qualifiers are designated. This ensures qualified supervision.

**15. B** - License reciprocity means one state accepts another state's contractor license allowing practice without taking the accepting state's exam. It recognizes equivalent qualifications and experience. Reciprocity agreements vary by state and license type.

**16. D** - California does not have contractor license reciprocity with any state. All contractors must meet California's experience requirements and pass California's exams regardless of licenses held elsewhere. Some states accept California licenses, but California doesn't reciprocate.

**17. A** - Balance sheets are financial snapshots showing what companies own (assets), owe (liabilities), and the owners' equity at specific dates. They follow the accounting equation:  $\text{Assets} = \text{Liabilities} + \text{Equity}$ . Balance sheets help assess financial health and borrowing capacity.

**18. C** - The fundamental accounting equation is  $\text{Assets} = \text{Liabilities} + \text{Equity}$ . Everything a company owns (assets) is financed either by borrowing (liabilities) or owners' investment (equity). This equation must always balance, hence "balance sheet."

**19. B** - Current assets are resources convertible to cash within one year including cash, accounts receivable, inventory, and short-term investments. They represent liquidity—the company's ability to meet short-term obligations. Strong current assets indicate good financial health.

**20. D** - Fixed assets (also called long-term or capital assets) are tangible assets used in operations over multiple years including buildings, equipment, vehicles, and land. They're not intended for sale and depreciate over time (except land). Fixed assets represent long-term investments.

**21. A** - Working capital equals current assets minus current liabilities. It measures the cash available for day-to-day operations. Positive working capital means you can pay bills and handle unexpected expenses. Negative working capital indicates potential cash flow problems.

**22. C** - The current ratio (current assets ÷ current liabilities) measures liquidity. A ratio of 2:1 means \$2 in current assets for every \$1 in current liabilities. Ratios above 1.0 indicate ability to pay short-term debts. Lenders and bonding companies evaluate current ratios.

**23. B** - The quick ratio (also called acid test) measures immediate liquidity by dividing liquid assets (current assets excluding inventory) by current liabilities. It's more conservative than current ratio because inventory isn't always quickly convertible to cash. Quick ratios above 1.0 indicate strong liquidity.

**24. D** - Accounts receivable represents money customers owe for completed work billed but not yet paid. It's a current asset—you expect payment within 30-90 days typically. Managing receivables well ensures adequate cash flow. Aging reports track collection efforts.

**25. A** - Accounts receivable turnover measures how quickly companies collect payments calculated as annual revenue divided by average accounts receivable. High turnover means fast collection; low turnover indicates collection problems. It's an important cash flow and efficiency metric.

**26. B** - Accounts receivable aging reports categorize receivables by age (0-30 days, 31-60 days, 61-90 days, over 90 days). They identify slow-paying customers and collection problems requiring action. Aging reports are essential cash flow management tools reviewed regularly.

**27. D** - Accounts payable represents money companies owe to suppliers, subcontractors, and vendors for goods and services received but not yet paid. It's a current liability typically paid within 30-60 days. Managing payables well maintains good supplier relationships and credit terms.

**28. C** - Cash accounting records transactions when money changes hands—income when received, expenses when paid. Accrual accounting records when earned or incurred regardless of payment timing—income when earned, expenses when incurred. Accrual provides more accurate financial pictures but is more complex.

**29. A** - Depreciation allocates tangible asset costs over their useful lives rather than expensing fully at purchase. It matches expenses with revenue generated and reflects assets' declining value over time. Depreciation is non-cash expense reducing taxable income without cash outflow.

**30. C** - Straight-line depreciation deducts equal amounts annually over assets' useful lives. Calculation: (Cost - Salvage Value) ÷ Useful Life. A \$50,000 truck with \$5,000 salvage value and 5-year life depreciates \$9,000 annually. It's simple and commonly used.

**31. B** - MACRS (Modified Accelerated Cost Recovery System) is IRS tax depreciation method allowing faster deductions in early years. It uses prescribed rates and recovery periods by asset class. MACRS provides larger tax deductions initially compared to straight-line, improving cash flow.

**32. D** - Salvage value (residual value) is the estimated amount assets will be worth at the end of their useful lives. It's subtracted from cost to determine depreciable basis. A \$50,000 vehicle with \$10,000 salvage value has \$40,000 depreciable basis.

**33. A** - Job costing tracks all costs (labor, materials, equipment, subcontractors, overhead) for specific projects. It compares actual costs to estimates revealing profitability by project. Job costing is essential for accurate bidding, cost control, and identifying profitable work types.

**34. C** - Overhead allocation distributes indirect costs (office rent, utilities, insurance, administrative salaries) across jobs. Common methods include percentage of direct labor, direct costs, or square footage. Proper allocation ensures accurate job profitability and supports pricing decisions.

**35. B** - Direct costs trace directly to specific jobs (materials, labor, equipment used on that job). Indirect costs (overhead) benefit multiple jobs or the entire business (office expenses, insurance, management salaries). Understanding this distinction is critical for accurate job costing and pricing.

**36. D** - The Fair Labor Standards Act (FLSA) is federal law establishing minimum wage, overtime requirements for work over 40 hours weekly, child labor protections, and recordkeeping requirements. State laws can provide greater protections but cannot reduce federal minimums.

**37. A** - As of 2025, California's state minimum wage is \$16.00 per hour, though many localities have higher minimum wages. Some cities require \$17-\$18+ per hour. Always verify current rates for your specific location as they change annually and vary by jurisdiction.

**38. C** - California requires overtime (1.5x regular rate) for work over 8 hours per day or over 40 hours per week. This is more protective than federal law which only requires overtime over 40 hours weekly. The daily overtime requirement is uniquely California.

**39. B** - California requires double-time pay (2x regular rate) for work over 12 hours in one workday or over 8 hours on the 7th consecutive workday of a workweek. These protections exceed federal requirements and significantly increase labor costs for long workdays.

**40. D** - Executive, administrative, and professional employees meeting specific salary and duty tests are exempt from overtime. They must earn above minimum salary thresholds (\$1,280+ weekly in California), perform primarily exempt duties, and exercise independent judgment. Most construction workers are non-exempt.

**41. A** - California exempt employees must earn monthly salaries of at least twice the state minimum wage for full-time employment. With \$16 minimum wage, monthly salary must be at least \$5,546.67 (approximately). This is significantly higher than federal \$684 weekly minimum.

**42. C** - Independent contractors control how, when, and where work is performed, provide their own tools, work for multiple clients, and bear business risks. Employees are directed by employers on details of work, use employer tools, and are economically dependent on employers.

**43. B** - California's ABC test presumes workers are employees unless: (A) they're free from control and direction, (B) they perform work outside the hiring entity's usual business, and (C) they're customarily engaged in independent businesses. All three must be met.

**44. D** - Worker misclassification consequences include back wages and overtime, unpaid payroll taxes with penalties and interest, workers' compensation penalties, unemployment insurance contributions, employee benefits, civil penalties up to \$25,000 per violation, and potential criminal charges for willful violations.

**45. A** - Form I-9 verifies identity and employment authorization for all U.S. employees. Employers must complete I-9s within 3 days of hire, examine original documents (driver's license, passport, Social Security card plus ID), and retain forms. Failure to complete I-9s results in significant penalties.

**46. C** - Employers must retain Form I-9 for 3 years after hire or 1 year after employment ends, whichever is later. Forms must be available for inspection by ICE, DOL, or DOJ. Retain them securely and separately from personnel files.

**47. B** - E-Verify is free federal electronic system comparing Form I-9 information against Social Security Administration and Department of Homeland Security databases verifying employment eligibility within seconds. Results are usually immediate confirming authorization or requiring additional action.

**48. D** - E-Verify is mandatory for federal contractors and some state/local government contractors. It's voluntary for most private employers though some states require it for certain employers. Employers choosing E-Verify must use it for all new hires consistently.

**49. A** - Workers' compensation insurance provides medical treatment, temporary/permanent disability benefits, supplemental job displacement benefits, and death benefits for work-related injuries and illnesses. It's a no-fault system—employees receive benefits regardless of fault, and employers gain immunity from lawsuits.

**50. C** - Form DWC-1 (Workers' Compensation Claim Form) is provided to injured employees to report work injuries. Employers must provide DWC-1 within one working day of learning of injuries. Employees complete and submit forms to initiate workers' comp claims.

**51. D** - EDD accounts administer unemployment insurance (UI) for laid-off workers, State Disability Insurance for non-work injuries, Paid Family Leave, and Employment Training Tax. Employers register with EDD, pay quarterly taxes, and report wages. EDD accounts are mandatory for California employers.

**52. A** - State Disability Insurance (SDI) provides temporary wage replacement (approximately 60-70% of wages) for non-work-related illnesses, injuries, or pregnancy. Employees fund SDI through payroll deductions. Maximum benefits are capped. SDI is separate from workers' compensation which covers work injuries.

**53. C** - Paid Family Leave (PFL) provides wage replacement for bonding with new children (birth, adoption, foster) or caring for seriously ill family members. It's funded through SDI deductions. Eligible employees receive up to 8 weeks of benefits at 60-70% of wages.

**54. B** - California Family Rights Act (CFRA) provides up to 12 weeks unpaid job-protected leave for childbirth, adoption, serious health conditions, or caring for ill family members. Applies to employers with 5+ employees. CFRA runs concurrently with FMLA providing California-specific protections.

**55. D** - The Family and Medical Leave Act (FMLA) is federal law providing up to 12 weeks unpaid job-protected leave for birth, adoption, serious health conditions, or military family leave. Applies to employers with 50+ employees. Employees must meet eligibility requirements including tenure and hours worked.

**56. C** - COBRA (Consolidated Omnibus Budget Reconciliation Act) requires employers with 20+ employees to offer continued group health insurance coverage for 18-36 months after employment ends (termination, reduced hours, divorce, death). Employees pay full premiums plus 2% administrative fees.

**57. A** - Employers must provide COBRA election notices within 14 days of qualifying events. Employees have 60 days to elect COBRA coverage. Initial notices must be provided at hire. Timely notification is critical—failure results in penalties and extends election periods.

**58. D** - HIPAA (Health Insurance Portability and Accountability Act) protects employees' health information privacy requiring authorization for disclosures, establishing security standards, and providing portability rights when changing jobs. Employers handling health information must comply with HIPAA privacy and security rules.

**59. B** - California requires sexual harassment prevention training: supervisors must complete 2 hours every 2 years; non-supervisory employees must complete 1 hour every 2 years. Employers with 5+ employees must provide training. New employees must be trained within 6 months of hire.

**60. C** - Employee handbooks communicate company policies, procedures, expectations, benefits, and legal rights. They provide consistency, protect against legal claims by documenting policies, establish culture, and ensure compliance with employment laws. Well-written handbooks are essential management tools but must include legal disclaimers.

**61. D** - Commercial General Liability (CGL) insurance covers third-party bodily injury and property damage claims arising from business operations. If your work injures someone or damages property, CGL pays claims and defense costs. It's essential business protection and often required by contracts.

**62. A** - Occurrence policies cover incidents occurring during policy periods regardless of when claims are filed—even years later. Claims-made policies cover claims filed during policy periods regardless of when incidents occurred. Occurrence provides better long-term protection but costs more.

**63. B** - Completed operations coverage protects against claims arising after projects are complete from your work. If defective work causes injury or damage after completion, completed operations coverage responds. It's part of CGL policies and essential for contractors since claims often arise post-completion.

**64. C** - Products liability covers injuries or damage caused by products you manufacture, distribute, or sell. If defective products you provided cause harm, products liability responds. Contractors who fabricate products or supply materials need this coverage protecting against product defect claims.

**65. D** - Professional liability (E&O) insurance covers professional negligence, errors, and omissions in services provided. Design professionals, consultants, and contractors providing professional services need E&O coverage. CGL doesn't cover professional mistakes—separate professional liability is required.

**66. A** - Additional insured endorsements extend your liability coverage to other parties (typically owners and general contractors). If additional insureds are sued over your work, your insurance defends them. Contracts commonly require contractors to name project parties as additional insureds.

**67. C** - Certificates of insurance document insurance coverage including policy types (CGL, workers' comp, auto), coverage limits, deductibles, effective dates, insurance company names, policy numbers, and certificate holder information. They prove insurance but aren't insurance policies themselves.

**68. B** - Subrogation waivers prevent insurers from pursuing third parties for reimbursement after paying claims. Without waivers, your insurer might sue the owner or other contractors to recover money paid. Subrogation waivers preserve project relationships and are commonly required by contracts.

**69. D** - Umbrella policies provide additional liability coverage above underlying policies (CGL, auto, employer's liability). When underlying limits are exhausted, umbrellas pay additional claims. They provide high limits (\$1-5 million+) at relatively low cost protecting against catastrophic claims.

**70. A** - Preliminary notices (20-day notices) inform property owners and general contractors that you're furnishing labor or materials preserving your mechanic's lien rights. Without proper preliminary notice, you may lose lien rights even if unpaid. Serving preliminary notice is critical payment protection.

**71. C** - Preliminary notices must be served within 20 days of first furnishing labor or materials on private projects to preserve lien rights. "Furnishing" includes delivering materials or performing labor. Late notices may result in recovery limited to work performed within 20 days before serving notice.

**72. B** - Subcontractors, material suppliers, equipment lessors, and others without direct contracts with owners must serve preliminary notices. Direct contractors (prime contractors with direct owner contracts) don't need to serve preliminary notices—they have automatic lien rights. This distinction is critical.

**73. D** - Preliminary notices must include general description of labor or materials furnished, job location, property owner name, person who contracted for work, estimated total value, and notice of lien rights. Specific statutory language is required. Use compliant form notices to ensure enforceability.

**74. B** - Mechanics liens are claims against real property securing payment for unpaid labor, materials, or equipment furnished to construction projects. They give contractors, subs, and suppliers legal interest in property allowing foreclosure if unpaid. Liens are powerful payment tools but have strict procedural requirements.

**75. C** - Mechanics liens must be recorded within 90 days after project completion, or within 30 days after recording of notice of completion, whichever occurs first. Missing deadlines results in loss of lien rights. Track completion dates carefully and record liens timely.

**76. A** - Valid contracts require five elements: (1) offer (proposal to contract), (2) acceptance (agreement to terms), (3) consideration (something of value exchanged), (4) legal purpose (lawful objective), and (5) competent parties (legal capacity to contract). All elements must exist.

**77. B** - Consideration is something of value exchanged by parties—money, services, products, or promises to perform or refrain from actions. It's the "price" for the agreement. Consideration distinguishes enforceable contracts from unenforceable gratuitous promises. Both parties must provide consideration.

**78. D** - Void contracts have no legal effect from inception—they're invalid from the start. Common reasons: illegal purpose, lack of capacity, or violation of law. Courts won't enforce void contracts. Example: contract to perform illegal work is void.

**79. C** - Voidable contracts are valid until one party exercises the right to cancel. They're binding unless canceled. Common reasons for voidability: fraud, duress, undue influence, misrepresentation, or incapacity. The injured party can void the contract but isn't required to.

**80. A** - The statute of frauds requires certain contracts be in writing to be enforceable preventing fraudulent claims about oral agreements. It doesn't prevent formation but affects enforceability. Written contracts provide clear evidence of terms reducing disputes and fraud.

**81. B** - California statute of frauds requires written contracts for: real property transfers, contracts not performable within one year, agreements to pay others' debts, and home improvement contracts over \$500. Oral contracts in these categories are generally unenforceable.

**82. C** - California home improvement contracts over \$500 must be in writing and include specific information: contractor license number, business name and address, description of work, payment terms, start and substantial completion dates, and notice of right to cancel (for home solicitation sales).

**83. A** - The 3-day right to cancel applies to contracts initiated at buyers' residences (door-to-door sales or solicited by phone/mail). Buyers can cancel without penalty within 3 business days. Sellers must provide cancellation notices with contracts. This protects consumers from high-pressure sales.

**84. C** - California home improvement contracts must include contractor license number, business name and address, description of work and materials, payment terms and schedule, approximate start date and substantial completion date, sales representative's name, and information about mechanics lien rights.

**85. C** - For home improvement contracts under \$1,000, down payments cannot exceed \$1,000 or 10% of contract price, whichever is less. This protects consumers from contractors taking large deposits and abandoning projects. Violating down payment limits is grounds for license discipline.

**86. D** - For contracts between \$1,000 and \$12,000, contractors can collect \$1,000 or 10% down, whichever is less. Additional progress payments can be collected as work progresses, but total payments before completion cannot exceed 90% of contract price. The final 10% is due at completion.

**87. A** - Express warranties are specific promises about product or service performance stated orally or in writing. "This roof will last 20 years" is an express warranty. They create contractual obligations requiring performance as promised. Be careful what you promise—express warranties are enforceable.

**88. C** - Implied warranties arise automatically by law without explicit statements. The implied warranty of merchantability means products are fit for ordinary purposes. The implied warranty of fitness means products are suitable for particular purposes when sellers know buyers' needs. They're default warranties.

**89. C** - California's statute of limitations for breach of written contract is 4 years from breach. Parties have 4 years to file lawsuits. After 4 years, claims are time-barred and courts won't hear them. Document breach dates carefully—limitations periods start when breaches occur.

**90. D** - Oral contract breach has a 2-year statute of limitations in California. This shorter period reflects the difficulty proving oral agreements. After 2 years, oral contract claims are time-barred. Written contracts are strongly preferred providing clear evidence and longer limitations periods.

**91. A** - Preliminary notices must be served by personal delivery (handing to recipient), certified mail with return receipt requested, or registered mail. These methods provide proof of service. First-class mail is insufficient. Keep proof of service—you may need to prove timely service to enforce lien rights.

**92. C** - Conditional lien waivers must explicitly state they're effective only upon payment—when checks clear or funds are received. Statutory forms include this language. Never sign conditional waivers saying "upon payment" without actually receiving payment. Conditional waivers protect against exchanging lien rights for bad checks.

**93. A** - Unconditional lien waivers are effective immediately upon signing regardless of whether payment is received. They permanently waive lien rights with no conditions. Signing unconditional waivers before receiving payment is extremely dangerous—you give up lien rights hoping you'll be paid.

**94. D** - Provide unconditional lien waivers only after payment is actually received—after checks clear or funds are in your account. Never provide unconditional waivers in exchange for checks without waiting for clearing. Once signed, unconditional waivers cannot be undone even if checks bounce.

**95. A** - Progress payment lien waivers waive lien rights for partial payments during projects. They're typically conditional ("effective upon payment of \$\_\_\_"). Use them with each progress payment application. They waive rights only for amounts paid, preserving rights for remaining contract balance.

**96. C** - Final payment lien waivers waive all lien rights for projects upon receipt of final payment. They're typically unconditional since final payments have been received. Final waivers should state they're for final payment releasing all claims. Review carefully before signing—they extinguish all rights.

**97. B** - Stop payment notices direct owners or construction lenders to withhold funds from contractors to pay claimants with lien rights. They're powerful tools freezing project funds. Improperly filed stop notices can halt projects. They're alternatives to liens providing direct access to project funds.

**98. D** - On private projects, only direct contractors (prime contractors) and first-tier subcontractors can file stop payment notices. Second-tier subs and suppliers cannot use stop notices on private work—they must use mechanics liens instead. This distinction affects payment protection strategies.

**99. A** - To enforce stop payment notices, claimants must file lawsuits within 90 days of serving notices and post bonds (typically 1.25 times claimed amount) to release withheld funds to owners while claims are litigated. Without lawsuit and bond, notices expire after 90 days.

**100. A** - Mechanics liens must be foreclosed by filing lawsuits within 90 days of recording liens. Lawsuits seek to force property sales to satisfy unpaid debts. After 90 days without lawsuits, liens expire and lose effect. The short deadline requires prompt action to enforce lien rights.

**101. C** - Filing fraudulent liens (liens without valid basis) exposes contractors to liability for property owner damages, attorney fees defending against fraudulent liens, and \$2,000 civil penalties. License discipline is also likely. Never file liens to pressure payment without valid unpaid claims.

**102. A** - Prevailing wage is not minimum wage. It's the basic hourly rate and benefits paid to majority of workers in specific classifications (carpenter, laborer, electrician, etc.) in geographic areas as determined by surveys. Prevailing wages are typically significantly higher than minimum wage.

**103. B** - California's Department of Industrial Relations (DIR) through the Division of Labor Standards Enforcement (Labor Commissioner) determines prevailing wage rates. DIR conducts surveys, publishes wage determinations, and enforces prevailing wage laws. Rates are available on DIR's website.

**104. B** - Prevailing wage applies to public works projects exceeding \$1,000 (\$25,000 for maintenance work). "Public works" includes construction, alteration, or repair on government property or with government funding. Specific exceptions exist, but most government construction requires prevailing wage.

**105. A** - Contractors must submit weekly certified payroll records documenting compliance with prevailing wage requirements. Records must include project details, worker names and addresses, classifications, hours worked, wages paid, and benefits provided. Certified payrolls are signed under penalty of perjury.

**106. C** - Certified payroll must include project name and location, contractor information, worker names and addresses, last four digits of Social Security numbers, classifications, straight time and overtime hours, wages paid, fringe benefits provided, and employer representative's signature certifying accuracy under penalty of perjury.

**107. B** - Prevailing wage violation penalties include back pay to underpaid workers, penalties of \$50-\$200 per day per underpaid worker, forfeiture of contract payments, and potential debarment from public works for up to 3 years. Willful violations carry higher penalties and potential criminal prosecution.

**108. D** - Cal/OSHA (California Division of Occupational Safety and Health) enforces workplace safety regulations protecting workers from hazards. It conducts inspections, investigates complaints and accidents, issues citations, and assesses penalties. Cal/OSHA regulations often exceed federal OSHA standards providing stronger California worker protections.

**109. A** - All California employers must establish written Injury and Illness Prevention Programs (IIPPs) identifying workplace hazards and establishing procedures to prevent injuries. IIPPs are foundational workplace safety programs required by Cal/OSHA. Failure to maintain IIPPs results in citations.

**110. C** - IIPPs must include eight elements: identification of responsible persons, hazard identification system, investigation of injuries and illnesses, hazard correction procedures, safety training, communication system for hazards, compliance system, and recordkeeping. Comprehensive IIPPs reduce injuries and demonstrate safety commitment.

**111. B** - Employers have primary responsibility for implementing IIPPs and ensuring workplace safety. While employees must follow safe practices, employers must provide safe workplaces, necessary training and equipment, and enforce safety rules. This responsibility cannot be delegated away.

**112. D** - Safety training is required when employees are hired, assigned new tasks with different hazards, when new equipment or procedures are introduced, when IIPP changes, and periodically to reinforce concepts. Ongoing training keeps safety awareness high and adapts to changing conditions.

**113. A** - Competent persons are individuals trained to identify hazards in specific operations and authorized to take prompt corrective action. They're required for excavations, scaffolding, fall protection, and other hazardous operations. Competent persons need specific knowledge and must be designated by employers.

**114. C** - Excavations 5 feet or deeper require protective systems (sloping, shoring, or shielding) protecting workers from cave-ins. Competent persons must inspect excavations daily before work and after anything that might increase hazards. Unprotected trenches are deadly—proper protection is absolutely required.

**115. B** - California requires fall protection at 7.5 feet (lower than federal 6 feet) with some exceptions. Residential construction has specific standards. Fall protection includes guardrails, safety nets, or personal fall arrest systems. Falls are leading construction death causes—proper protection is essential.

**116. D** - Lockout/tagout (LOTO) procedures control hazardous energy (electrical, hydraulic, pneumatic, mechanical) during equipment service or maintenance. Energy sources are locked out and tagged preventing accidental energization that could injure or kill workers. LOTO is required before working on energized equipment.

**117. A** - Job Hazard Analysis (JHA) systematically breaks work tasks into steps, identifies hazards in each step, and establishes controls eliminating or reducing risks. JHAs proactively identify hazards before work begins allowing prevention rather than reaction. They're essential safety planning tools.

**118. C** - Employers must provide required PPE at no cost to employees, ensure proper fit, maintain equipment in sanitary condition, train employees on use, and ensure PPE is worn. Employees cannot be charged for PPE required for job safety. This protects workers from economic pressure to skip safety equipment.

**119. B** - Safety Data Sheets (SDS, formerly MSDS) provide comprehensive hazardous chemical information including physical properties, health hazards, safe handling procedures, first aid, firefighting

measures, and emergency response. Manufacturers provide SDS; employers must maintain them and make them accessible to employees.

**120. B** - Employers must maintain SDS while hazardous materials are in workplace and for 30 years for materials where employees were exposed. SDS must be readily accessible to employees during work shifts. The long retention period ensures historical exposure information is available for health monitoring.

**121. A** - Serious injuries or illnesses requiring hospitalization (other than observation), amputations, or loss of body parts must be reported to Cal/OSHA within 8 hours. Deaths must be reported immediately. Timely reporting allows Cal/OSHA to investigate causes preventing future incidents.

**122. C** - Serious injuries are those requiring in-patient hospitalization (not just emergency room visits) for more than 24 hours for medical treatment (not just observation), amputations, or loss of body member or function. Any work-related death requires immediate reporting regardless of cause.

**123. B** - Serious Cal/OSHA violations (those with substantial probability of death or serious physical harm) carry penalties of \$5,000-\$25,000 per violation. Repeat violations, willful violations, and failure to abate hazards carry higher penalties. Each affected employee can constitute a separate violation multiplying penalties.

**124. D** - Willful violations are intentional violations or conscious disregard of safety requirements. Employers know about hazards or regulations but deliberately choose not to comply. Willful violations demonstrate complete disregard for employee safety and carry maximum penalties including potential criminal prosecution.

**125. A** - Willful violations causing worker deaths carry penalties up to \$140,000 (adjusted periodically for inflation) and can result in criminal prosecution with potential imprisonment. Responsible individuals can be personally prosecuted. These severe penalties reflect the seriousness of choosing profit over worker lives.