

Practice Test 3

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)

1. What is a C-Corporation?

- A. Small business corporation
- B. Non-profit corporation
- C. Limited liability company
- D. Standard corporation taxed separately from owners facing potential double taxation

2. What is double taxation in C-Corporations?

- A. Corporation pays tax on profits; shareholders pay tax on dividends received
- B. Paying taxes twice per year
- C. Two tax returns required
- D. State and federal taxes

3. What is an S-Corporation's shareholder limit?

- A. No limit
- B. 500 shareholders
- C. Maximum 100 shareholders who must be U.S. citizens or residents
- D. Unlimited shareholders

4. What is a member in an LLC?

- A. Employee
- B. Owner of LLC (equivalent to shareholder in corporation)
- C. Manager
- D. Board member

5. What is a manager-managed LLC?

- A. All members manage
- B. Board of directors manages
- C. Shareholders manage
- D. Designated managers run daily operations; members are passive investors

6. What is a member-managed LLC?

- A. All members participate in management and decision-making
- B. Managers only decide
- C. Board controls
- D. Outside management

7. What is required for business name registration?

- A. Federal registration
- B. International registration
- C. Filing DBA with county clerk and publishing in newspaper
- D. No registration needed

8. How long is DBA publication required in California?

- A. One time
- B. Once weekly for four consecutive weeks in newspaper of general circulation
- C. Daily for one week
- D. Monthly for six months

9. What is the penalty for not filing or renewing DBA?

- A. Small fine
- B. Criminal charges
- C. Immediate closure
- D. Cannot enforce contracts or maintain lawsuits using fictitious name

10. What is a qualifying individual's ongoing duty?

- A. Active participation in company's construction operations and supervision
- B. Office work only
- C. Financial management
- D. No ongoing duties

11. What must be reported to CSLB within 90 days?

- A. New employees
- B. Equipment purchases
- C. Address changes, changes in officers/personnel, qualifying individual changes
- D. Revenue changes

12. What is the penalty for failing to report changes to CSLB?

- A. No penalty
- B. License suspension, fines, and potential disciplinary action
- C. Warning only
- D. Reduced renewal fee

13. What is inactive license status?

- A. Permanent cancellation
- B. Temporary status
- C. Suspended license
- D. License without qualifying individual requiring reactivation within specified time

14. How long can a license remain inactive before cancellation?

- A. Up to 5 years before automatic cancellation
- B. Indefinitely
- C. 30 days
- D. 6 months

15. What is license abandonment?

- A. Voluntary surrender
- B. Temporary inactive status
- C. Failure to renew or respond to CSLB for extended period resulting in cancellation
- D. License transfer

16. What is required to reinstate a canceled license?

- A. Automatic reinstatement
- B. Meeting current requirements, paying fees, and possibly retaking exams
- C. Payment only
- D. Simple request

SECTION 2: BUSINESS FINANCES (Questions 17-35)

17. What is the debt-to-equity ratio?

- A. Revenue to expenses
- B. Assets to liabilities
- C. Profits to losses
- D. Total debt divided by total equity measuring financial leverage

18. What does a high debt-to-equity ratio indicate?

- A. Low debt relative to equity showing conservative financing
- B. Balanced financing
- C. No debt

D. Strong equity

19. What is the purpose of financial ratios?

A. Tax calculation

B. License renewal

C. Measuring financial performance, liquidity, leverage, and efficiency

D. Employee evaluation

20. What is operating margin?

A. Total revenue

B. Operating income divided by revenue showing profitability from operations

C. Net income

D. Gross profit

21. What is profit margin?

A. Gross revenue

B. Operating income

C. Total sales

D. Net income divided by revenue showing overall profitability percentage

22. What is the purpose of variance analysis?

A. Comparing actual results to budgeted or expected results identifying differences

B. Tax preparation

C. License compliance

D. Insurance calculation

23. What is favorable variance?

A. Budget matches actual

B. No variance

C. Actual results better than budget (higher revenue or lower costs than expected)

D. Negative variance

24. What is unfavorable variance?

A. Expected results

B. Actual results worse than budget (lower revenue or higher costs than expected)

C. Positive results

D. On-budget performance

25. What is overhead rate calculation?

A. Direct costs only

B. Revenue divided by expenses

C. Gross profit margin

D. Total overhead costs divided by allocation base (labor hours or direct costs)

26. What is the purpose of calculating overhead rates?

A. Allocating indirect costs to jobs for accurate pricing and profitability analysis

B. Tax reporting

C. Insurance premiums

D. License fees

27. What is an allocation base for overhead?

A. Total revenue

B. Net profit

C. Measure used to distribute overhead (direct labor hours, direct labor cost, or direct costs)

D. Equipment costs

28. What is under-applied overhead?

A. Perfect allocation

B. Actual overhead less than allocated overhead

C. No overhead

D. Balanced overhead

29. What is over-applied overhead?

A. No overhead applied

B. Balanced application

C. Under allocation

D. Actual overhead greater than allocated overhead

30. What is a chart of accounts?

A. Listing of all accounts used in accounting system organized by type

B. Bank statements

C. Tax forms

D. Payroll records

31. What are the main account categories?

A. Revenue only

B. Assets, liabilities, equity, revenue, and expenses

C. Income and expenses only

D. Cash only

32. What is a general ledger?

A. Bank account

B. Tax record

C. Payroll system

D. Complete record of all financial transactions organized by account

33. What is accounts payable turnover?

A. How quickly company pays suppliers (times per year)

B. Customer payments

C. Employee turnover

D. Equipment replacement

34. What is Days Payable Outstanding (DPO)?

A. Payment terms

B. Credit limit

C. Average days to pay suppliers calculated from accounts payable turnover

D. Cash balance

35. What is the purpose of extending payment terms?

A. Damaging supplier relationships

B. Improving cash flow by keeping cash longer before paying suppliers

C. Reducing costs

D. Increasing revenue

SECTION 3: EMPLOYMENT REQUIREMENTS (Questions 36-60)

36. What is the Pregnancy Disability Leave (PDL) in California?

A. No pregnancy leave

B. Same as FMLA

C. Paid leave

D. Up to 4 months leave for pregnancy disability

37. What is the New Parent Leave Act (NPLA)?

A. Federal law

B. Paid leave

C. No leave required

D. Insurance benefit

38. What is required health insurance under the Affordable Care Act (ACA)?

A. All employers must provide insurance

- B. No requirements
- C. Employers with 50+ full-time equivalent employees must offer affordable coverage
- D. Voluntary for all

39. What is the employer shared responsibility payment?

- A. Insurance premium
- B. Tax credit
- C. No penalty exists
- D. Bonus payment

40. What is FICA?

- A. State tax
- B. Sales tax
- C. Property tax
- D. Federal Insurance Contributions Act - Social Security and Medicare taxes

41. What is the employer's FICA obligation?

- A. Employer matches employee FICA contributions (7.65% of wages)
- B. No employer contribution
- C. Employees pay all
- D. Optional contribution

42. What is FUTA?

- A. State program

B. Local tax

C. Federal Unemployment Tax Act - federal unemployment insurance tax

D. Income tax

43. What is the FUTA tax rate and wage base?

A. Varies by state

B. 6% of first \$7,000 per employee (with credits reducing to 0.6% typically)

C. 10% of all wages

D. No limit

44. What is SUTA?

A. Federal tax

B. Local tax

C. Income tax

D. State Unemployment Tax Act - state unemployment insurance

45. What determines SUTA tax rates?

A. Fixed rate for all

B. Company size only

C. Location only

D. No variation

46. What is unemployment insurance benefits eligibility?

A. All terminated employees eligible

- B. No one eligible
- C. Workers laid off through no fault who meet earnings and work requirements
- D. Only union workers

47. What is unemployment insurance fraud?

- A. Legitimate claims
- B. Proper filing
- C. Employees misrepresenting circumstances to receive benefits or employers misclassifying workers
- D. Legal practice

48. What is required posting for employers?

- A. No posting required
- B. Optional notices
- C. Promotional materials
- D. Financial statements

49. What must be included in employee personnel files?

- A. Nothing required
- B. Medical records with employment records
- C. Social Security numbers prominently
- D. Personal information unrelated to work

50. What is the right to inspect personnel files in California?

- A. No right to inspect

- B. Employer discretion only
- C. Employees can inspect files within 30 days of written request
- D. Annual inspection only

51. What is defamation in employment?

- A. Truthful statements
- B. Factual information
- C. False statements harming employee reputation
- D. Performance reviews

52. What is the difference between libel and slander?

- A. No difference
- B. Libel is written defamation; slander is oral defamation
- C. Same legal standard
- D. Different damages only

53. What is qualified privilege in employment references?

- A. No protection
- B. Absolute immunity
- C. Complete freedom
- D. Limited protection for honest job performance information shared with legitimate interest

54. What is negligent hiring?

- A. Normal hiring process

- B. Proper screening
- C. Background checks
- D. Due diligence

55. What is negligent retention?

- A. Proper employment
- B. Good management
- C. Keeping employee known to be dangerous or incompetent causing foreseeable harm
- D. Standard practice

56. What must background checks comply with?

- A. No requirements
- B. Fair Credit Reporting Act (FCRA) requiring disclosure, authorization, and adverse action notices
- C. Company policy only
- D. Informal standards

57. What is ban-the-box legislation?

- A. Packaging requirements
- B. Storage rules
- C. Safety regulations
- D. Prohibiting asking about criminal history on initial applications

58. When can criminal history be considered?

- A. Never

- B. At application
- C. Before interview
- D. No restrictions

59. What is the Equal Pay Act?

- A. State law
- B. Local ordinance
- C. Voluntary standard
- D. Union requirement

60. What is required for pay differential justification?

- A. Any reason acceptable
- B. Seniority, merit, quantity/quality of production, or bona fide factors other than sex
- C. Gender can be reason
- D. No justification needed

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

61. What is self-insurance for workers' compensation?

- A. No insurance
- B. Private insurance
- C. State program
- D. Large employers securing own workers' comp obligations with state approval

62. What is required to self-insure?

- A. Any company can self-insure
- B. Simple application
- C. No requirements
- D. No approval needed

63. What is subcontractor workers' comp verification?

- A. Not required
- B. Optional
- C. Certificate of insurance or self-insurance proving subcontractors carry workers' comp
- D. Verbal confirmation sufficient

64. What happens if subcontractors lack workers' comp?

- A. No issue
- B. General contractor may be liable for subcontractor employee injuries
- C. Owner is liable
- D. No one is liable

65. What is the difference between property and casualty insurance?

- A. Same insurance
- B. No difference
- C. Cost only
- D. Property covers physical assets; casualty covers liability

66. What is business interruption insurance?

- A. Replacing lost income when business operations disrupted by covered perils
- B. Property insurance
- C. Liability insurance
- D. Workers' comp

67. What is extra expense coverage?

- A. General overhead
- B. Normal operating costs
- C. Additional costs to maintain operations after loss beyond normal expenses
- D. Profit coverage

68. What is equipment breakdown insurance?

- A. Warranty
- B. Covering mechanical or electrical breakdown of equipment
- C. Maintenance contract
- D. Extended warranty

69. What is the difference between named perils and all-risk insurance?

- A. Same coverage
- B. No difference
- C. Cost only
- D. Named perils covers listed causes; all-risk covers all causes except exclusions

70. What is actual cash value (ACV) in property insurance?

- A. Purchase price
- B. Replacement cost
- C. Market value
- D. Depreciated value

71. What is replacement cost coverage?

- A. Depreciated value
- B. Market value
- C. Cost to replace with new property of similar kind and quality
- D. Actual cash value

72. What is coinsurance clause in property insurance?

- A. Multiple insurers
- B. Penalty for under-insuring requiring coverage of specified percentage of value
- C. Shared coverage
- D. Discount provision

73. What is a stop payment notice bond?

- A. Performance bond
- B. License bond
- C. Payment bond
- D. Release bond

74. What is a preliminary notice defect?

- A. Perfect notice
- B. Minor error potentially invalidating lien rights
- C. Acceptable notice
- D. Standard notice

75. What are strict compliance requirements for lien notices?

- A. Flexible requirements
- B. Substantial compliance acceptable
- C. Exact compliance with statutory content, timing, and service requirements
- D. No requirements

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

76. What is the mailbox rule in contracts?

- A. Email acceptance
- B. Acceptance effective when mailed (not when received)
- C. Delivery required
- D. No rule exists

77. What is revocation of an offer?

- A. Offer acceptance
- B. Offer modification
- C. Offer renewal
- D. Withdrawing offer before acceptance

78. What is a firm offer?

- A. Informal offer
- B. Oral offer
- C. Verbal offer
- D. Casual offer

79. What is a counteroffer?

- A. Offer acceptance
- B. Offer confirmation
- C. Response rejecting original offer and making new offer
- D. Agreeing to terms

80. What is the effect of a counteroffer?

- A. Accepts original offer
- B. Terminates original offer (cannot later accept it)
- C. Keeps original offer open
- D. No effect on original offer

81. What is the mirror image rule?

- A. Offers and acceptances can differ
- B. Substantial compliance acceptable
- C. Close enough counts
- D. Acceptance must exactly match offer terms or it's a counteroffer

82. What is the battle of the forms?

- A. Document organization
- B. Conflicting terms in buyer and seller forms exchanged in commercial transactions
- C. Filing system
- D. Records management

83. What is the UCC (Uniform Commercial Code)?

- A. International law
- B. Federal law
- C. Model law governing commercial transactions adopted by states
- D. Building code

84. What is the UCC's application to construction?

- A. Fully applies
- B. Applies to materials sales but not services
- C. Never applies
- D. Only applies to residential

85. What is impossibility of performance?

- A. Difficult performance
- B. Expensive performance
- C. Inconvenient performance
- D. Objectively impossible performance excusing contract obligations

86. What is impracticability?

- A. Easy performance
- B. Normal difficulty
- C. Expected challenges
- D. Routine performance

87. What is frustration of purpose?

- A. Minor inconvenience
- B. Slight difficulty
- C. Supervening event destroying contract's fundamental purpose excusing performance
- D. Expected obstacle

88. What is severability clause?

- A. Ending contract
- B. Invalid provision doesn't void entire contract - remaining provisions stay effective
- C. Contract cancellation
- D. Full termination

89. What is integration clause (merger clause)?

- A. Combining companies
- B. Business merger
- C. Partnership formation
- D. Acquisition agreement

90. What is arbitration clause?

- A. Court litigation required
- B. Jury trial mandated
- C. Judicial resolution
- D. Public trial

91. What is mediation versus arbitration?

- A. Same process
- B. No difference
- C. Mediation is non-binding facilitated negotiation; arbitration is binding decision by arbitrator
- D. Both binding

92. What is mandatory arbitration?

- A. Voluntary process
- B. Contract provision requiring disputes be arbitrated (waiving right to sue in court)
- C. Optional alternative
- D. Court backup option

93. What is discovery in arbitration?

- A. Full court discovery
- B. Unlimited depositions
- C. Extensive process
- D. Typically more limited than court litigation

94. What is the Federal Arbitration Act (FAA)?

- A. Makes arbitration agreements enforceable in federal courts
- B. State law
- C. Prohibits arbitration
- D. Optional guidelines

95. What is choice of law clause?

- A. Selecting attorneys
- B. Choosing judges
- C. Designating which state's laws govern contract interpretation and disputes
- D. Picking arbitrators

96. What is forum selection clause?

- A. Meeting location
- B. Designating where disputes must be litigated or arbitrated
- C. Arbitration requirement
- D. Mediation location

97. What is waiver in contracts?

- A. Enforcing rights
- B. Demanding performance
- C. Requiring compliance
- D. Insisting on terms

98. What is estoppel?

- A. Starting negotiations
- B. Making offers
- C. Proposing terms
- D. Beginning contracts

99. What is good faith and fair dealing?

- A. Optional behavior
- B. Voluntary conduct
- C. Implied duty in contracts to act honestly and not undermine contract purposes
- D. Unnecessary standard

100. What is time is of the essence clause?

- A. Time is unimportant
- B. Flexible deadlines
- C. Approximate dates
- D. Suggested timeline

101. What is notice provision in contracts?

- A. Informal communication
- B. Verbal updates
- C. Any notification
- D. Specifying how and where formal notices must be sent

SECTION 6: PUBLIC WORKS (Questions 102-107)

102. What is the definition of public works?

- A. Any construction
- B. Private projects
- C. Residential work
- D. Commercial work

103. What is required for public works bidding?

- A. Informal bids
- B. Verbal quotes
- C. Formal bid process with sealed bids, public opening, and award to lowest responsible bidder
- D. Negotiated prices

104. What is a responsible bidder?

- A. Lowest bidder
- B. Bidder meeting qualifications including license, bonding, experience, and financial capacity
- C. Any bidder
- D. Highest bidder

105. What is bid shopping in public works?

- A. Legal practice
- B. Comparing prices
- C. Normal process

D. Standard bidding

106. What is prevailing wage enforcement?

A. Voluntary compliance

B. Self-policing

C. No enforcement

D. Optional compliance

107. What is the penalty for prevailing wage violations?

A. Warning only

B. No penalties

C. Back pay, penalties (\$50-\$200 per day per worker), and potential debarment

D. Small fine

SECTION 7: SAFETY (Questions 108-125)

108. What is required respiratory protection program?

A. No program needed

B. Written program with medical evaluation, fit testing, training, and maintenance

C. Voluntary guidelines

D. Optional procedures

109. What is required before using respirators?

A. Nothing required

- B. Simple mask selection
- C. Any respirator works
- D. No evaluation needed

110. What is qualitative fit testing?

- A. Measuring fit with instruments
- B. Visual inspection
- C. Self-assessment
- D. No testing

111. What is required for hazard communication program?

- A. Informal discussions
- B. Voluntary program
- C. Written program with chemical inventory, SDS, labels, and training
- D. Optional guidelines

112. What is required on chemical labels?

- A. Nothing required
- B. Product identifiers, hazard pictograms, signal words, hazard statements, and precautions
- C. Name only
- D. Manufacturer only

113. What is the purpose of job site inspections?

- A. Harassment

- B. Generating fines
- C. Creating paperwork
- D. Revenue collection

114. What is a Cal/OSHA citation?

- A. Award
- B. Certificate
- C. Recognition
- D. Written notice of violation requiring correction by specified deadline

115. What are the Cal/OSHA violation categories?

- A. One type only
- B. Two types
- C. General, serious, willful, repeat, and failure-to-abate
- D. Good and bad

116. What is a serious violation?

- A. Minor issue
- B. Substantial probability of death or serious physical harm
- C. Technical violation
- D. Paperwork error

117. What is a repeat violation?

- A. First violation

- B. New violation
- C. Unrelated violation
- D. Similar violation within three years after final citation

118. What is failure to abate?

- A. Correcting violations
- B. Fixing hazards
- C. Timely correction
- D. Completing abatement

119. What is the citation appeal process?

- A. No appeals allowed
- B. Automatic dismissal
- C. Informal review, appeals to ALJ, OSHAB, and potentially court
- D. One level only

120. What is the statute of limitations for Cal/OSHA citations?

- A. No limit
- B. 6 months after violation occurrence or discovery
- C. 2 years
- D. 5 years

121. What is required accident investigation?

- A. Optional review

- B. Informal inquiry
- C. No investigation needed
- D. Thorough investigation determining causes and preventive measures

122. What must accident investigations include?

- A. Blame assignment
- B. Punishment focus
- C. Discipline emphasis
- D. Termination plans

123. What is a near-miss incident?

- A. Actual injury
- B. No safety relevance
- C. Event that could have caused injury but didn't
- D. Successful outcome

124. What is the purpose of near-miss reporting?

- A. Punishment
- B. Identifying and correcting hazards before injuries occur
- C. Discipline
- D. Termination basis

125. What is required for contractor safety programs?

- A. Nothing required

B. Informal practices

C. Verbal policies

D. Written comprehensive safety programs covering all operations and hazards

Answer Key With Explanations

- 1. D** - C-Corporations are standard corporations taxed as separate legal entities. They pay corporate income tax on profits, then shareholders pay personal income tax on dividends received—double taxation. C-Corps have unlimited shareholders, perpetual existence, and full liability protection but face this tax disadvantage.
- 2. A** - Double taxation means profits are taxed twice: first at corporate level (corporate income tax on profits), then at shareholder level (personal income tax on dividends). This reduces overall returns compared to pass-through entities. However, C-Corps offer advantages like unlimited shareholders and ease of raising capital.
- 3. C** - S-Corporations are limited to maximum 100 shareholders who must be U.S. citizens or residents. This restriction prevents foreign ownership and limits growth potential. S-Corps also cannot have corporate or partnership shareholders. These limitations are why many larger businesses choose C-Corp status.
- 4. B** - Members are LLC owners (equivalent to shareholders in corporations or partners in partnerships). Members own membership interests representing ownership percentages. Members can be individuals, corporations, other LLCs, or trusts. LLCs offer flexibility in ownership structure.
- 5. D** - Manager-managed LLCs designate specific managers (members or non-members) to handle daily operations and decision-making. Non-manager members are passive investors with no management authority. This structure works well when some members want to invest without involvement or when professional management is desired.
- 6. A** - Member-managed LLCs have all members participating in management and decision-making like general partnerships. Each member has authority to bind the LLC. This structure works for small LLCs where all owners want active involvement. It's the default LLC structure unless operating agreements specify manager-management.
- 7. C** - Business name registration (DBA) requires filing with county clerk where business operates and publishing in newspaper of general circulation once weekly for four consecutive weeks. The clerk provides list of approved newspapers. Publication notifies public of fictitious name use.
- 8. B** - California requires DBA publication once weekly for four consecutive weeks in a newspaper of general circulation in the county. After publication, newspapers provide affidavits of publication filed with county clerks. This publication requirement ensures public notice of fictitious business names.
- 9. D** - Operating without filing/renewing DBA means businesses cannot enforce contracts or maintain lawsuits using fictitious names. Courts dismiss cases where plaintiffs haven't complied with fictitious name requirements. This protects parties from dealing with unregistered entities. File and maintain current DBAs.
- 10. A** - Qualifying individuals must actively participate in company construction operations—supervising projects, directing work, making construction decisions, and ensuring compliance. "Active participation"

means genuine involvement, not nominal qualification. RMOs and RMEs cannot hold multiple full-time positions—they must actually work for qualifying companies.

11. C - Contractors must report to CSLB within 90 days: address changes (home, business, mailing), changes in officers/directors/partners, qualifying individual changes (additions, deletions, replacements), and business name changes. Failure to report these changes results in discipline. Keep CSLB informed of all significant changes.

12. B - Failing to report required changes results in license suspension until compliance, administrative fines, and potential disciplinary action including license revocation for repeated violations. CSLB relies on accurate current information for enforcement and consumer protection. Maintain current records with CSLB.

13. D - Inactive status occurs when licenses lose qualifying individuals and aren't replaced within 90 days. Inactive licenses cannot contract—companies must cease contracting operations. Licenses can remain inactive up to 5 years. During inactivity, companies must find new qualifiers to reactivate licenses.

14. A - Licenses can remain inactive maximum 5 years before automatic cancellation. This allows time to find replacement qualifiers but prevents indefinite inactivity. After 5 years, licenses are canceled requiring complete reapplication including new experience documentation and exams if standards changed.

15. C - Abandonment occurs when contractors fail to renew licenses, don't respond to CSLB correspondence, or allow inactive status to expire. Abandoned licenses are canceled. Reinstatement requires meeting current standards, potentially retaking exams, and paying all fees plus penalties. Maintain active licenses.

16. B - Reinstating canceled licenses requires meeting all current requirements (experience, exams if changed, continuing education), paying all fees including penalties, and possibly retaking exams if significant time passed or standards changed. Reinstatement is not automatic—it requires demonstrating current competency.

17. D - Debt-to-equity ratio equals total debt divided by total equity. It measures financial leverage—how much companies rely on debt versus equity financing. High ratios indicate aggressive use of debt; low ratios indicate conservative financing. Lenders and bonding companies evaluate this ratio.

18. A - High debt-to-equity ratios indicate significant debt relative to equity—aggressive financing that increases financial risk. Highly leveraged companies face higher interest expenses and bankruptcy risk during downturns. Lenders view high ratios unfavorably. Ratios above 2:1 often raise concerns.

19. C - Financial ratios measure various aspects of financial health: liquidity (can you pay bills?), profitability (are you making money?), leverage (how much debt?), and efficiency (how effectively are you using resources?). Ratios enable comparison over time and against industry benchmarks.

20. B - Operating margin equals operating income divided by revenue showing profitability from core operations before interest and taxes. It reveals operational efficiency ignoring financing and tax effects.

Higher operating margins indicate better cost control and pricing power. Compare margins to industry averages.

21. D - Profit margin (net profit margin) equals net income divided by revenue showing bottom-line profitability percentage. It includes all revenues and expenses revealing overall profitability. A 5% profit margin means you keep \$5 profit per \$100 revenue. Higher is better.

22. A - Variance analysis compares actual results to budgeted or expected results identifying differences (variances). It reveals where performance exceeded or missed expectations enabling corrective action. Variance analysis is essential management tool for cost control and performance evaluation. Investigate significant variances.

23. C - Favorable variances occur when actual results exceed budget—higher revenue than projected or lower costs than budgeted. Favorable variances indicate better than expected performance. However, investigate even favorable variances—they may reveal budgeting errors or one-time events rather than improved performance.

24. B - Unfavorable variances occur when actual results fall short of budget—lower revenue than projected or higher costs than budgeted. Unfavorable variances require immediate investigation and corrective action. They indicate problems needing attention before they worsen. Don't ignore unfavorable variances.

25. D - Overhead rate equals total overhead costs divided by allocation base (typically direct labor hours, direct labor cost, or total direct costs). If overhead is \$500,000 and direct labor is \$1,000,000, overhead rate is 50% of direct labor. Overhead rates allocate indirect costs to jobs.

26. A - Calculating overhead rates allocates indirect costs (rent, insurance, office salaries, utilities) to jobs enabling accurate job costing, pricing, and profitability analysis. Without overhead allocation, you can't determine true job costs. Under-pricing from ignoring overhead causes losses despite appearing profitable.

27. C - Allocation bases are measures used to distribute overhead across jobs—direct labor hours (overhead per hour), direct labor cost (overhead percentage of labor cost), or total direct costs (overhead percentage of direct costs). Choose bases that correlate with overhead consumption.

28. B - Under-applied overhead occurs when actual overhead exceeds overhead allocated to jobs. If actual overhead was \$550,000 but only \$500,000 was allocated to jobs, there's \$50,000 under-applied overhead. This means jobs were undercharged for overhead. Adjust rates or make correcting entries.

29. D - Over-applied overhead occurs when actual overhead is less than overhead allocated to jobs. If actual overhead was \$480,000 but \$500,000 was allocated to jobs, there's \$20,000 over-applied overhead. This means jobs were overcharged for overhead. It's favorable but requires adjustment.

30. A - Charts of accounts are systematic listings of all accounts used in accounting systems organized by type (assets, liabilities, equity, revenue, expenses) with unique account numbers. They standardize transaction recording ensuring consistency. Well-designed charts of accounts facilitate reporting and analysis.

31. B - The five main account categories are: Assets (what you own), Liabilities (what you owe), Equity (owner investment and retained earnings), Revenue (income earned), and Expenses (costs incurred). These categories organize all financial transactions. Every transaction affects at least two accounts.

32. D - General ledgers are complete records of all financial transactions organized by account containing every debit and credit entry. They're master records from which financial statements are prepared. Subsidiary ledgers (AR, AP, fixed assets) provide detail while general ledgers show totals.

33. A - Accounts payable turnover measures how many times per year companies pay suppliers calculated as purchases divided by average accounts payable. Turnover of 12 means paying suppliers 12 times yearly (monthly). High turnover may indicate paying too quickly; low turnover may strain supplier relationships.

34. C - Days Payable Outstanding (DPO) equals 365 divided by accounts payable turnover showing average days to pay suppliers. DPO of 45 means paying bills in 45 days on average. Extending DPO improves cash flow but may damage supplier relationships. Balance cash flow with supplier relations.

35. B - Extending payment terms improves cash flow by keeping cash longer before paying suppliers. If you can extend from 30 to 45 days, you improve working capital. However, don't damage supplier relationships or miss early payment discounts. Negotiate extended terms rather than just paying late.

36. D - California's Pregnancy Disability Leave (PDL) provides up to 4 months leave for pregnancy-related disabilities including prenatal care, severe morning sickness, doctor-ordered bed rest, childbirth, and recovery. PDL is for medical disability—it's separate from bonding leave. Employers with 5+ employees must provide PDL.

37. A - The New Parent Leave Act requires employers with 20-49 employees to provide 12 weeks unpaid job-protected leave for bonding with new children (birth, adoption, foster placement). Larger employers (50+) already provided this under CFRA. NPLA extends parental bonding leave to more California workers.

38. C - The Affordable Care Act requires applicable large employers (50+ full-time equivalent employees) to offer affordable minimum essential health coverage to full-time employees and dependents or face penalties. Coverage must be affordable (under 9.5% of household income) and meet minimum value.

39. D - Employer Shared Responsibility Payment (employer mandate penalty) applies when applicable large employers fail to offer coverage or offer unaffordable/inadequate coverage and employees receive premium tax credits purchasing marketplace coverage. Penalties are \$2,000-\$3,000+ per full-time employee annually. Compliance is critical.

40. D - FICA (Federal Insurance Contributions Act) taxes fund Social Security and Medicare. Employees pay 7.65% (6.2% Social Security + 1.45% Medicare) on wages via payroll deduction. Employers match this 7.65%. High earners pay additional 0.9% Medicare tax. FICA is mandatory for most employment.

41. A - Employers must match employee FICA contributions paying 7.65% of wages (up to Social Security wage base for Social Security portion; no limit for Medicare). If employees pay \$1,000 FICA,

employers pay matching \$1,000. This doubles the contribution funding Social Security and Medicare programs.

42. C - FUTA (Federal Unemployment Tax Act) is federal unemployment insurance tax funding federal unemployment programs and state unemployment administrative costs. FUTA is employer-paid tax—employees don't contribute. FUTA provides unemployment benefits to eligible workers who lose jobs through no fault.

43. B - FUTA tax is 6% on first \$7,000 per employee annually. However, employers receive credits up to 5.4% for paying state unemployment taxes, effectively reducing FUTA to 0.6% (6% - 5.4%). This equals \$42 per employee maximum annually. File Form 940 annually.

44. D - SUTA (State Unemployment Tax Act) refers to state unemployment insurance taxes funding state unemployment benefit programs. Each state has different rates, wage bases, and experience rating systems. California uses State Disability Insurance (SDI) and Unemployment Insurance (UI) as part of SUTA.

45. D - SUTA rates vary based on experience rating (claim history), industry classification, and employer age. New employers start at standard rates; experienced employers earn lower rates with fewer claims or higher rates with many claims. Rates range from under 1% to over 6% in California.

46. C - Unemployment benefits are available to workers laid off through no fault of their own (lack of work, position elimination, business closure) who meet minimum earnings and work requirements. Employees fired for misconduct or who quit without good cause are generally ineligible. Benefits partially replace lost wages.

47. C - Unemployment fraud includes employees misrepresenting circumstances (claiming unemployment while working, falsifying earnings), employers misclassifying workers to avoid taxes, or failing to report earnings. Fraud results in benefit repayment, penalties, fines, and potential criminal prosecution. Report fraud to state agencies.

48. D - Employers must post various required notices including Cal/OSHA safety regulations, wage and hour laws, discrimination prohibitions, workers' compensation insurance information, emergency contact information, and other state and federal notices. Notices must be visible and accessible. Failure to post results in penalties.

49. D - Personnel files should include employment applications, offer letters, performance reviews, disciplinary records, training records, and job-related documents. Keep separate files for medical information (ADA/HIPAA compliance) and I-9 forms (immigration compliance). Don't include Social Security numbers prominently (identity theft risk).

50. C - California employees (or former employees) can request personnel file inspection. Employers must provide access within 30 days of written request at reasonable times and places. Employees can obtain copies. This right allows employees to verify file accuracy and obtain employment records.

51. C - Defamation is false statement harming someone's reputation. In employment, defamation occurs through false statements about employee performance, conduct, or character. Defamation requires false statements—truth is absolute defense. However, even true statements may violate privacy. Stick to factual, documented information.

52. B - Libel is written or published defamation (emails, letters, reviews, social media posts). Slander is spoken defamation (conversations, speeches, broadcasts). Both are actionable but libel generally involves larger damages because written statements have broader reach and permanence. Document everything carefully.

53. D - Qualified privilege provides limited protection for honest job performance information shared with those having legitimate interest (reference checks, background verifications). Protection applies only to factual, non-malicious statements made in good faith. Malicious false statements lose privilege protection. Provide only factual, documented information.

54. A - Negligent hiring occurs when employers fail to adequately screen employees who later harm others foreseeably. If you hire someone with violent criminal history for a position with vulnerable populations without proper screening, and they cause harm, you face negligent hiring liability.

55. C - Negligent retention occurs when employers keep employees they know or should know are dangerous, incompetent, or unfit, and those employees cause foreseeable harm. Once you know of problems (violence, incompetence, criminal conduct), you must address them. Ignoring known problems creates liability.

56. B - Background checks must comply with Fair Credit Reporting Act requiring disclosure (telling applicants background checks will be conducted), authorization (obtaining written consent), and adverse action procedures (notifying applicants before rejecting based on background checks and providing dispute rights). FCRA violations result in substantial damages.

57. D - Ban-the-box laws prohibit asking about criminal history on initial job applications. Questions about convictions can only be asked later in hiring processes (after interviews or conditional offers). This gives applicants opportunity to be considered before criminal history is revealed. California has ban-the-box requirements.

58. A - After initial screening, criminal history can be considered using individualized assessment examining conviction nature, time elapsed, and job relationship. You cannot have blanket policies excluding all applicants with convictions. Consider rehabilitation and job relevance. Document legitimate business reasons for decisions.

59. A - The Equal Pay Act (federal law) requires equal pay for equal work regardless of sex. Men and women performing substantially equal work requiring equal skill, effort, and responsibility under similar conditions must receive equal pay. Pay differences are allowed only for seniority, merit, production quantity/quality, or factors other than sex.

60. B - Pay differentials are lawful if based on seniority systems, merit systems, systems measuring production quantity or quality, or bona fide factors other than sex (education, experience, shift

differentials). Employers must demonstrate legitimate non-discriminatory reasons for pay differences. Document compensation decisions thoroughly.

61. D - Self-insurance allows large employers with financial capacity to secure their own workers' compensation obligations rather than purchasing insurance. Self-insured employers pay claims directly. California requires substantial financial resources, bonding, and DIR approval. Self-insurance saves insurance premiums but requires significant financial strength and claims management.

62. A - Self-insurance requires extensive financial documentation proving ability to pay claims, posting surety bonds or securities, DIR approval and ongoing oversight, and maintaining required reserves. Only financially strong companies can self-insure. Small employers cannot meet requirements—they must purchase insurance.

63. C - General contractors must verify subcontractors carry workers' compensation insurance by obtaining certificates of insurance or self-insurance certificates. Verification should occur before subcontractors start work. Without verification and proper documentation, generals face liability exposure for sub employee injuries.

64. B - If subcontractors lack required workers' compensation insurance, general contractors may become liable for subcontractor employee injuries. Labor Code Section 2750.5 makes generals responsible for securing coverage. Always verify sub insurance and obtain current certificates. This is critical risk management.

65. D - Property insurance covers physical property damage (buildings, equipment, inventory) from perils like fire, theft, and weather. Casualty insurance covers liability (third-party bodily injury and property damage claims). Most businesses need both. Commercial policies often combine property and casualty coverage.

66. A - Business interruption insurance (also called business income insurance) replaces lost income when business operations are disrupted by covered perils. It covers continuing expenses (payroll, rent, utilities) and lost profits during restoration periods. Without business interruption coverage, property damage can cause business failure.

67. C - Extra expense coverage pays additional costs to maintain operations after losses beyond normal operating expenses—temporary location costs, equipment rental, expedited delivery, overtime. It helps businesses continue operating during restoration. Extra expense differs from business interruption which replaces lost income.

68. B - Equipment breakdown insurance covers mechanical or electrical breakdown of equipment (boilers, HVAC, electrical systems, computers) not covered by standard property policies which exclude mechanical breakdown. Equipment breakdown coverage is critical for businesses dependent on mechanical equipment. Standard property policies don't cover mechanical failures.

69. D - Named perils policies cover only specifically listed causes of loss (fire, lightning, explosion, windstorm, hail, etc.). All-risk policies (special form) cover all causes except those specifically excluded providing broader coverage. All-risk costs more but offers superior protection. Read exclusions carefully.

70. A - Actual Cash Value (ACV) equals replacement cost minus depreciation—property's depreciated value. If a \$20,000 roof with 15-year life is 10 years old, ACV is approximately \$6,667 (\$20,000 - \$13,333 depreciation). ACV pays less than replacement cost. Older property receives less ACV.

71. C - Replacement cost coverage pays cost to replace damaged property with new property of similar kind and quality without deducting depreciation. It costs more than ACV coverage but provides full replacement value. Replacement cost is preferable—ACV often leaves significant gaps requiring out-of-pocket payment.

72. B - Coinsurance clauses penalize under-insuring. If policies require insuring to 80% of property value but you insure less, you become co-insurer for the shortfall. If a \$1 million building requires \$800,000 coverage but you carry \$600,000, you're underinsured 25% and receive only 75% of claims.

73. D - Stop payment notice bonds (also called release bonds) allow property owners to post bonds releasing stop payment notice funds to contractors while claims are litigated. Bonds substitute for withheld funds protecting claimants if they prevail. Bonds equal 125% of claimed amounts. Contractors prefer bonds over fund withholding.

74. B - Preliminary notice defects include incorrect property descriptions, wrong owner names, improper service methods, late service, or missing required language potentially invalidating lien rights. Strict compliance is required—mistakes can cost lien rights. Use statutory forms and professional service to avoid defects.

75. C - Lien law requires strict compliance with statutory requirements for content (specific information), timing (specific deadlines), and service methods (personal delivery, certified mail, registered mail). Substantial compliance isn't enough—exact compliance is required. Missing deadlines or improper service destroys lien rights.

76. B - The mailbox rule makes acceptance effective when properly mailed (deposited in mail with correct postage and address) even if never received. Risk of loss shifts to offerors upon mailing. This rule applies to acceptance—not offers, revocations, or rejections which are effective upon receipt.

77. D - Revocation withdraws offers before acceptance terminating offerees' power to accept. Revocation is effective upon receipt by offerees. Once accepted, offers cannot be revoked—contracts exist. Revocation differs from rejection (offeree declining offer) which also terminates offers.

78. A - Firm offers are irrevocable offers that remain open for specified periods. Under UCC, merchants' signed written offers to buy or sell goods stating they'll remain open are firm offers irrevocable during stated periods (maximum 3 months). Firm offers bind offerors even without consideration.

79. C - Counteroffers reject original offers while making new offers with different terms. "I'll pay \$8,000 instead of \$10,000" is counteroffer. Counteroffers terminate original offers—offerees cannot later accept original offers. Counteroffers reverse roles making original offerees into offerors.

80. B - Counteroffers terminate original offers completely. Once you make counteroffers, you cannot later accept original offers—they're gone. Original offerors are free to walk away. If you want to keep original offers open while negotiating, make inquiries ("would you consider \$8,000?") not counteroffers.

81. D - The mirror image rule requires acceptance exactly match offer terms. Any variance is counteroffer, not acceptance. "I accept but want different payment terms" is counteroffer. Modern UCC modified this for goods sales, but traditional common law requires perfect correspondence between offers and acceptances.

82. B - Battle of the forms occurs in commercial transactions when buyers and sellers exchange pre-printed forms with conflicting terms. Buyer's purchase order has buyer-favorable terms; seller's confirmation has seller-favorable terms. UCC Section 2-207 provides rules determining which terms govern when forms conflict.

83. C - The Uniform Commercial Code is comprehensive model law governing commercial transactions drafted by National Conference of Commissioners on Uniform State Laws. All states adopted UCC (with variations) creating consistent commercial law. Article 2 covers sales of goods; other articles cover negotiable instruments, secured transactions, etc.

84. B - UCC Article 2 applies to sales of goods (tangible personal property) but not services. Construction contracts mix goods (materials) and services (labor). Material sales are UCC-governed; services are common law-governed. Mixed contracts follow predominant purpose test—if services predominate, common law applies.

85. D - Impossibility excuses performance when unforeseen events make performance objectively impossible—building destroyed by fire, materials become unavailable, legal changes prohibit performance. Impossibility requires objective impossibility (no one could perform), not subjective impossibility (performer cannot perform). Parties are discharged from impossible obligations.

86. B - Impracticability excuses performance when unforeseen events make performance extremely difficult or unreasonably expensive though not strictly impossible. Impracticability requires extreme circumstances—not merely increased costs or difficulty. Courts rarely find impracticability—it's narrower than impossibility.

87. C - Frustration of purpose excuses performance when supervening events destroy contracts' fundamental purpose making performance pointless. Parties can physically perform but contracts' underlying purposes are defeated. Example: renting space for event that's canceled. Contract purpose is frustrated though rent payment remains possible.

88. B - Severability clauses (also called savings clauses) provide that if any contract provision is invalid, unenforceable, or illegal, remaining provisions stay effective. They prevent entire contracts from failing due to single invalid provisions. Without severability clauses, single invalid provisions can void entire contracts.

89. C - Integration clauses (merger clauses) state contracts are complete and final agreements superseding all prior negotiations, understandings, and agreements. They invoke parol evidence rule preventing oral modifications. Integration clauses protect written agreements from claims of additional oral promises.

90. A - Arbitration clauses require disputes be resolved through arbitration rather than court litigation. Parties waive rights to sue in court or have jury trials. Arbitration clauses are generally enforceable under Federal Arbitration Act. They're common in construction contracts but controversial in employment contracts.

91. C - Mediation uses neutral third parties facilitating negotiation between disputing parties trying to reach settlements. Mediators don't decide—parties control outcomes. Mediation is non-binding. Arbitration uses neutral arbitrators who hear evidence and make binding decisions like judges. Arbitration is binding; mediation is not.

92. B - Mandatory arbitration clauses require disputes be arbitrated waiving rights to sue in court. They're binding—parties cannot opt out. Mandatory arbitration is enforceable under FAA though controversial. Courts scrutinize mandatory arbitration in adhesion contracts (standard form contracts with unequal bargaining power).

93. D - Discovery in arbitration is typically more limited than court litigation. Arbitration rules often restrict depositions, interrogatories, and document production reducing costs and time. However, arbitration discovery varies by rules and arbitrator discretion. Limited discovery is arbitration advantage but can disadvantage parties needing extensive discovery.

94. A - The Federal Arbitration Act makes arbitration agreements in contracts involving interstate commerce enforceable in federal courts. FAA preempts conflicting state laws and establishes strong federal policy favoring arbitration. FAA enables enforcement of arbitration clauses and limits grounds for vacating arbitration awards.

95. C - Choice of law clauses designate which state's substantive laws govern contract interpretation and disputes. "This contract shall be governed by New York law" is choice of law clause. They provide certainty about applicable law. Without choice of law clauses, conflicts of law rules determine applicable law.

96. B - Forum selection clauses designate where disputes must be litigated or arbitrated. "Disputes must be litigated in Los Angeles County Superior Court" is forum selection clause. They provide certainty about dispute location avoiding forum shopping. Courts generally enforce forum selection clauses absent extraordinary circumstances.

97. D - Waiver is voluntary relinquishment of known rights. Parties can waive contractual rights by words or conduct. However, waiving one instance doesn't waive future rights unless parties intend general waiver. Include "no waiver" clauses stating one waiver doesn't waive future rights.

98. A - Estoppel prevents parties from taking positions contradicting their prior conduct or statements when others relied on that conduct. If you represent you'll waive deadlines and contractors rely on that representation, you may be estopped from enforcing deadlines. Estoppel protects reasonable reliance.

99. C - Good faith and fair dealing is implied in all contracts requiring parties act honestly, deal fairly, and not undermine contract purposes or other party's contract benefits. You cannot technically comply with terms while sabotaging contract spirit. Violations include refusing cooperation, hindering performance, or exploiting ambiguities.

100. A - "Time is of the essence" clauses make timely performance critical making delays material breaches. Without this language, courts view time requirements as less critical. Include "time is of the essence" when schedule compliance is crucial. These clauses make late performance actionable breaches.

101. D - Notice provisions specify how formal notices must be sent—methods (certified mail, personal delivery), addresses, and when notice is effective. They ensure parties receive important communications. Follow notice provisions exactly—improper notice may be ineffective. Notice provisions cover default notices, change orders, and claim notifications.

102. D - Public works are construction, alteration, demolition, installation, or repair on public property or with public funds. Examples include schools, roads, government buildings, and parks. Public works exceeding \$1,000 (\$25,000 for maintenance) require prevailing wages, certified payroll, apprenticeship compliance, and formal bidding.

103. C - Public works bidding requires formal sealed bid processes with public openings and award to lowest responsible bidders meeting requirements. Sealed bids prevent bid shopping and ensure competitive pricing. Public opening ensures transparency. Contracts must be awarded to lowest qualified bidders—not friends or political donors.

104. B - Responsible bidders meet all qualifications including proper licensing, required bonding capacity, adequate experience, financial capacity to complete work, and satisfactory past performance. Lowest price alone doesn't win—bidders must be qualified and responsible. Public agencies evaluate responsibility before award.

105. D - Bid shopping—using sub/supplier bids to negotiate lower prices with other subs/suppliers or disclosing bid prices to competitors—is unethical in private work and often prohibited in public works. It destroys bid integrity and competitive bidding benefits. Some states criminalize bid shopping on public projects.

106. D - Prevailing wage enforcement includes Labor Commissioner investigations, audits of certified payroll, employee interviews, complaint investigations, and penalties for violations. DIR actively enforces prevailing wage through compliance monitoring. Awarding bodies also review compliance. Multiple enforcement mechanisms protect worker rights.

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

108. B - Respiratory protection requires written programs including: medical evaluations ensuring workers can use respirators safely, fit testing ensuring proper seal, training on use and limitations, respirator

selection for specific hazards, cleaning and maintenance procedures, and program evaluation. Respirators without programs provide false security.

109. D - Before using respirators, workers need medical evaluations determining ability to safely wear respirators. Respirators stress cardiovascular and respiratory systems. Questionnaires screen health conditions; exams may be required. Medical clearance must occur before fit testing. Never require respirator use without medical clearance.

110. A - Qualitative fit testing uses test agents (irritant smoke, odorous vapor) determining if workers detect substances while wearing respirators. Detection indicates poor fit. Quantitative fit testing uses instruments measuring actual leakage providing numerical fit factors. Either method is acceptable but quantitative is more precise.

111. C - Hazard communication programs require: written plans identifying responsibilities, chemical inventory lists, ensuring SDSs are available and accessible, labeling all containers, and training workers on chemical hazards and protective measures. Hazard communication protects workers' right to know about chemical dangers.

112. B - GHS-compliant labels require: product identifiers, supplier information, hazard pictograms (diamonds with symbols), signal words (Danger or Warning), hazard statements (specific hazards), and precautionary statements (protective measures). Standardized labeling ensures universal hazard understanding. Don't remove or deface labels.

113. C - Job site inspections identify hazards, evaluate compliance, verify corrections, investigate accidents, and measure program effectiveness. Regular inspections by competent persons find problems before injuries occur. Document inspections and corrections. Effective inspection programs are cornerstone of workplace safety.

114. D - Cal/OSHA citations are written notices of violations issued after inspections or complaint investigations. Citations describe violations, specify abatement deadlines, and assess penalties. Employers must post citations at violation locations. Citations require correction by deadlines. Failure to abate triggers additional penalties.

115. C - Cal/OSHA violation categories include: General (no direct safety/health risk—\$1,000-\$7,000), Serious (substantial probability of death/serious harm—\$5,000-\$25,000), Willful (intentional violation—up to \$140,000), Repeat (similar violation within 3 years—double penalties), and Failure-to-Abate (not correcting by deadline—\$7,000+ per day).

116. B - Serious violations involve substantial probability of death or serious physical harm from hazards employees knew or should have known about. Unguarded machinery, fall hazards, electrical hazards, trenches without protection, and toxic exposure are serious violations. Serious violations carry penalties of \$5,000-\$25,000 each.

117. D - Repeat violations are similar violations cited within 3 years after final citation for earlier violations. Repeat violations show pattern of non-compliance resulting in doubled penalties. Third

violations within 3 years may result in criminal prosecution. Repeat violations demonstrate disregard for safety.

118. A - Failure to abate occurs when cited violations aren't corrected by abatement deadlines. Penalties are \$7,000+ per day until violations are corrected. Extended failure to abate generates enormous penalties. Correct violations timely—failure to abate penalties dwarf original citation penalties.

119. C - Citation appeals follow multi-level process: informal conference with Cal/OSHA trying to resolve disputes, appeals to Administrative Law Judge (ALJ) for formal hearings, appeals to Occupational Safety and Health Appeals Board (OSHAB), and potentially California appellate courts. Each level provides procedural rights.

120. B - Cal/OSHA must issue citations within 6 months of violation occurrence or discovery (with awareness). After 6 months, violations cannot be cited. However, continuing violations refresh the statute. Document correction dates proving violations were abated before citations preventing untimely citations.

121. D - Accident investigations must determine root causes, identify contributing factors, evaluate adequacy of existing controls, develop corrective measures preventing recurrence, and document findings and recommendations. Investigations focus on causes, not blame. Thorough investigations prevent future similar accidents.

122. C - Accident investigations should focus on: facts (what happened), causes (why it happened), and prevention (how to prevent recurrence). Don't focus on blame or discipline—this discourages reporting. Interviews should be non-confrontational seeking information, not admissions. The goal is learning and prevention.

123. C - Near-miss incidents are events that could have caused injuries but didn't due to chance or last-second intervention. Worker nearly struck by falling object is near-miss. Near-misses reveal hazards before injuries occur. They're free warnings—investigate and correct them before someone gets hurt.

124. B - Near-miss reporting allows identifying and correcting hazards before injuries occur. Every near-miss is opportunity for prevention. Encourage reporting without discipline—most near-misses result from system failures, not individual mistakes. Track near-misses to identify patterns and prioritize corrections.

125. D - Comprehensive written safety programs must cover all operations and hazards including: general safety, fall protection, excavation, scaffolding, electrical, hazard communication, emergency response, personal protective equipment, equipment operation, and specific hazards. Programs must be site-specific addressing actual hazards workers face.