

# PRACTICE EXAM 4: SRE SIMULATION

## (100 QUESTIONS)

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Time Limit: 240 Minutes | Passing Score: 70%

This is the most advanced SRE simulation exam. Questions require synthesis of multiple statutory provisions and resolution of complex fact patterns. Designed to exceed the difficulty of the actual SRE

1. A licensed residential contractor collects a thirty-five-thousand-dollar deposit on a one-hundred-forty-thousand-dollar addition, completes the foundation, then stops all work for forty-five days without communication. The homeowner files an AZ ROC complaint, and the Registrar revokes the license. The homeowner files a Recovery Fund claim for twenty-eight thousand dollars in actual damages. The contractor's surety bond is seven thousand dollars. What is the correct Recovery Fund process?

- A. The homeowner must exhaust the civil lawsuit before the fund claim is processed
- B. The homeowner collects twenty-eight thousand from the fund because the bond is separate
- C. The homeowner must first proceed against the bond, then the fund pays remaining actual damages up to thirty thousand
- D. The homeowner receives fifteen thousand from the bond and thirteen thousand from the fund

2. A contractor organized as a corporation has four persons named on the license: the president (forty percent ownership), the vice president (thirty percent), the secretary (five percent), and the Qualifying Party (twenty-five percent). Which persons require criminal background checks?

- A. The president, vice president, secretary, and Qualifying Party — all persons named on the application
- B. The president and vice president only as majority shareholders
- C. The Qualifying Party only as the person who passed the examinations

D. The president, vice president, and Qualifying Party based on the twenty-five percent threshold

3. A contractor holds a B General Residential Contractor license and is building a new home. The homeowner asks the contractor to also build a detached commercial storage building on the same property for one hundred twenty thousand dollars. What must the contractor do?

A. Proceed because the residential license covers all work on residential property

B. Subcontract the commercial building to a licensed commercial contractor

C. Obtain verbal authorization from the Registrar before beginning

D. Decline the commercial work or obtain a commercial license for that scope

4. A subcontractor serves a preliminary twenty-day notice on March 15 with an estimated total of thirty thousand dollars. By June 1, the total reaches forty-two thousand — a forty percent increase. The notice is not updated. The subcontractor files a lien for forty-two thousand. What is the maximum enforceable lien amount?

A. Forty-two thousand because the original notice covers all work performed

B. The lien may be limited because the total exceeded the notice amount by more than twenty percent

C. Thirty thousand because the lien cannot exceed the original notice amount

D. Zero because failure to update voids all lien rights retroactively

5. A contractor's LLC has two members. Member A is the Qualifying Party with sixty percent ownership. Member B has forty percent and is convicted of fraud in another state after the Arizona license is issued. Which ground for discipline under ARS § 32-1154 applies?

A. Failure to maintain workers' compensation insurance for all employees

B. Acting beyond the scope of the license classification held

C. Subsequent discovery of facts that would have justified denial of the license

D. Abandonment of a construction project without legal excuse

6. A contractor's residential contract for eleven thousand dollars includes the contractor's name, address, license number, owner information, contract date, work description, total price, and deposit amount. Which mandatory elements under ARS § 32-1158 are missing?

- A. Only the estimated completion date is missing from the contract
- B. Only the progress payment schedule is missing from the contract
- C. The completion date, progress payments, and applicable taxes are all missing
- D. Both the estimated completion date and the progress payment schedule are missing

7. A contractor installs fiberglass shingles instead of the concrete tile specified in the contract and approved plans. The homeowner discovers the substitution four months after move-in and files a complaint. The contractor argues that fiberglass shingles meet code. Which ground under ARS § 32-1154 applies?

- A. Willful departure from plans without the owner's consent regardless of code compliance
- B. Failure to comply with building codes applicable to the jurisdiction
- C. Material misrepresentation in obtaining the contractor's license
- D. No ground applies because the substituted material meets building code requirements

8. A contractor receives a written directive on January 5 to correct defective stucco within twenty days. The contractor does nothing. On January 30, the Registrar imposes a five-hundred-dollar penalty. The contractor ignores it. On March 5, the license is automatically revoked. The contractor then offers to pay and correct the work. Can the license be restored?

- A. Yes, because the contractor agreed to pay the penalty and correct the work
- B. The revocation has taken effect and the contractor must apply for a new license
- C. Yes, if the contractor pays the penalty within fifteen days of revocation
- D. No, because this type of automatic revocation is permanent under the statute

9. A homeowner files a Recovery Fund claim after a contractor collected a twenty-thousand-dollar deposit and performed no work. The license is revoked. The homeowner has not attempted to collect from the surety bond. What is the maximum Recovery Fund award?

- A. Ten thousand because the homeowner must exhaust bond remedies first
- B. Thirty thousand because the fund pays regardless of bond status
- C. Nothing until the homeowner attempts bond collection as may be required
- D. Twenty thousand plus interest at ten percent per year subject to bond pursuit requirements

10. A contractor performs nine-hundred-dollar residential work with no building permit required. The contractor omits the license number from the handshake agreement. Which statement is most accurate?

- A. No violation occurred because the amount does not trigger the written contract requirements or licensing threshold
- B. The contractor violated ARS § 32-1165 advertising requirements
- C. The contractor violated ARS § 32-1158 mandatory contract elements
- D. The contractor violated ARS § 32-1151 by working without a license

11. A contractor holds a B-1 license with a thirty-five-thousand-dollar bond based on seven-million-dollar volume. Actual volume reaches twelve million. The Registrar requires a bond increase. What is the minimum bond for the new volume tier?

- A. Thirty-five thousand as established at initial licensure
- B. Fifteen thousand as the base minimum for general commercial
- C. Fifty thousand for general commercial contractors at ten million or more
- D. Seventy-five thousand as the midpoint of the applicable range

12. A contractor building a swimming pool encounters solid rock requiring twelve thousand dollars in additional work. The homeowner verbally agrees. After completion, the homeowner refuses to pay the extra amount. Which factor most significantly affects the contractor's ability to collect?

- A. Whether the contractor served an updated preliminary notice
- B. The absence of a written change order documenting authorization
- C. Whether the license was active on the date of the verbal agreement
- D. Whether the original contract addressed unforeseen site conditions

13. A contractor advertises "Complete Home Construction — Electrical, Plumbing, HVAC, Framing, Roofing, and More" on a billboard with the business name, phone number, and license number. The contractor holds only a B license and subcontracts all specialty work. A competitor files a complaint. Under ARS § 32-1165, what is most accurate?

- A. The advertisement complies because the license number is displayed
- B. Competitors lack standing to file advertising-related complaints
- C. The advertisement may be misleading by implying self-performed specialty work
- D. The advertisement violates the statute only if social media also lacks the license number

14. A contractor installs non-fire-rated ceiling materials instead of the required fire-rated assemblies in a commercial restaurant to save costs. The inspector misses the error. Six months later, a fire spreads through the non-rated section. Under ARS § 32-1154, which grounds apply?

- A. Both willful failure to comply with building codes and willful departure from plans
- B. Only willful departure from plans because code compliance requires a prior citation
- C. Only failure to comply with building codes because the owner must file the complaint
- D. Neither ground because the building inspector approved the work

15. A sole proprietor licensed for twelve years decides to bring in a business partner and convert to a general partnership. Under Arizona law, what is required?

- A. Add the partner's name to the existing license through an amendment form
- B. File a DBA with the county recorder for automatic license conversion
- C. Notify the Registrar of the entity change because a new license may be required
- D. No action because partnerships and sole proprietorships are treated identically

16. A contractor's residential contract includes a pay-if-paid clause. The homeowner pays the contractor in full. The contractor does not pay the subcontractor. Under the Prompt Pay provisions, what is most accurate?

- A. The pay-if-paid clause is enforceable because both parties agreed to it
- B. The subcontractor's only remedy is to file a mechanics' lien
- C. The clause is irrelevant because the contractor received payment from the owner
- D. The contractor violated the Prompt Pay provisions by failing to pay after receiving owner payment

17. A contractor corrects a framing deficiency found during inspection and passes re-inspection. Six months later, the homeowner files a complaint about finish items. The Registrar discovers the original framing issue during investigation. Can the Registrar take action on the corrected framing?

- A. Yes, because any code violation discovered constitutes grounds for discipline
- B. The corrected issue that passed re-inspection is unlikely to support independent action
- C. Yes, but only if the framing issue contributed to the finish problems
- D. No, because the building department's re-inspection approval creates absolute immunity

18. A contractor's Qualifying Party resigns two weeks into a three-hundred-thousand-dollar commercial renovation. No other employees qualify. Under Arizona law, what are the contractor's options?

- A. Designate a new Qualifying Party or risk license inactivation while active projects may continue temporarily
- B. Continue the project without a Qualifying Party for up to one year
- C. Immediately stop all work and refund the deposit to the owner
- D. Hire a consulting engineer to serve as temporary Qualifying Party

19. A Recovery Fund claim for twenty-two thousand dollars is filed against a contractor whose license already has one hundred ninety-two thousand in prior fund payments. What is the maximum the homeowner can receive?

- A. Twenty-two thousand because each claim is processed against the per-residence cap
- B. Nothing because the lifetime cap has been substantially exhausted
- C. Eight thousand, which is the remaining balance before the two-hundred-thousand cap
- D. Fifteen thousand because the fund prorates final awards near the cap

20. A commercial building tenant suffers water damage from a roof leak caused by the contractor's defective installation. The tenant leases the space and is not the property owner. The tenant files an AZ ROC complaint. Can the Registrar investigate?

- A. No, because only the property owner or contract party can file a complaint
- B. No, because commercial tenants must pursue claims through civil litigation
- C. Yes, but only if the property owner co-signs the complaint
- D. Yes, because any person who suffers material loss or injury may file a complaint

21. A contractor's residential contract lists nine thousand five hundred dollars without specifying whether taxes are included. The project is completed satisfactorily. Under ARS § 32-1158, what best describes the situation?

- A. No violation because the price is presumed to include taxes
- B. A potential violation because the total must include all applicable taxes
- C. No violation because the price was close to the actual final cost
- D. A violation that voids the contract and entitles the homeowner to a refund

22. A contractor's LLC allows its registered agent designation to lapse with the Corporation Commission while maintaining all other requirements. What is the potential impact on the license?

- A. No impact because the registered agent does not affect license eligibility
- B. Automatic license suspension until the registered agent is restored
- C. The Registrar issues a written warning with a sixty-day cure period
- D. The LLC's good standing may be affected, which could impact the license

23. A homeowner discovers that foundation footings are twelve inches shallower than specified on the structural plans. A structural engineer confirms no current safety hazard but identifies potential future risk. The homeowner files an AZ ROC complaint. Can the Registrar take action?

- A. Yes, because willful departure from plans in a material respect is a ground for discipline
- B. No, because actual damage or an immediate safety hazard must exist
- C. Yes, but only if a structural engineer certifies that future damage is probable
- D. No, because the filing delay indicates the homeowner accepted the work

24. A time-and-materials contract with a forty-thousand-dollar not-to-exceed cap results in a final invoice of forty-three thousand. The contractor claims unforeseen conditions justified exceeding the cap. The homeowner refuses to pay more than forty thousand. What is most accurate?

- A. The contractor can collect forty-three thousand because conditions excuse the cap
- B. The homeowner must pay the full amount because time-and-materials has no ceiling
- C. The contractor is limited to forty thousand unless a written change order authorized the increase
- D. The contractor and homeowner must split the three-thousand overage equally

25. A contractor has been cited three times in two years for the same violation — failure to provide legible copies of signed documents. Each resulted in a warning. A fourth citation is issued. What escalated action is the Registrar most likely to consider?

- A. Suspension or revocation based on the pattern of repeated violations
- B. A fourth written warning with mandatory ethics course completion
- C. A mandatory bond increase to two hundred percent of the current amount
- D. Referral to criminal prosecution as a pattern of criminal conduct

26. A contractor discovers that delivered concrete is two-thousand-five-hundred psi instead of the specified four-thousand psi after placing it in foundation footings. The structural engineer confirms the concrete is inadequate. What is the correct course of action?

- A. Apply a surface hardener to increase the compressive strength
- B. Remove and replace the concrete or implement an engineer-approved remediation
- C. Increase the reinforcement in the walls above to compensate
- D. File a warranty claim with the concrete supplier and continue construction

27. A Qualifying Party passes the SRE on February 1 and the trade exam on February 15. The license application is submitted on January 20 of the following year. Are both exam scores valid?

- A. Only the trade exam score because SRE scores expire after six months
- B. Both scores are invalid because they must be submitted within one year
- C. Only the SRE score because it was taken first and has a longer validity period
- D. Both scores are valid because each is within two years of its testing date

28. A Recovery Fund payment of eighteen thousand dollars is made against a contractor's license. Two years later, the contractor wants a new license. What financial obligation must be satisfied first?

- A. Payment of a ten-thousand-dollar reinstatement fee to the Registrar
- B. A new surety bond at double the normally required amount
- C. Repayment of the full eighteen-thousand-dollar fund payment plus interest
- D. No financial obligation because two years have passed since revocation

29. A contractor holding only a B General Residential license installs the HVAC system in a new home without subcontracting. The system functions properly and passes inspection. What is the contractor's exposure?

- A. Acting beyond the scope of the license regardless of inspection approval
- B. No exposure because the system functions properly and passed inspection
- C. Exposure only if the homeowner files a complaint about the HVAC work
- D. No exposure because HVAC was part of a complete residential project

30. A residential contract includes a binding arbitration clause. The contractor performs defective work. The contractor argues that the arbitration clause prevents the homeowner from filing an AZ ROC complaint. What is correct?

- A. The arbitration clause prevents AZ ROC complaints as a valid contractual waiver
- B. Arbitration may govern the contractual dispute but cannot prevent an AZ ROC complaint
- C. The homeowner must complete arbitration before the AZ ROC will accept a complaint
- D. The Registrar will enforce the arbitration clause and dismiss without investigation

31. A contractor discovers what appears to be an underground storage tank during excavation. The contents are unknown. What is the contractor's immediate obligation?

- A. Continue excavation carefully and report at the next scheduled inspection
- B. Stop work in the area, secure the site, and investigate the potential hazard before re-entry
- C. Cover the tank and proceed because it is the property owner's responsibility
- D. Remove the tank immediately to prevent construction schedule delays

32. A neighbor observes that a contractor is not installing roof-to-wall connectors on a residential addition. The contractor argues these are unnecessary in Arizona. Under the IRC, what is most accurate?

- A. The IRC requires positive roof-to-wall connections regardless of geographic location
- B. The contractor is correct because connectors are only required in hurricane zones
- C. The neighbor lacks standing to file a complaint about another person's property
- D. Roof-to-wall connectors are recommended but not required by the IRC

33. A contractor accidentally damages a homeowner's antique chandelier during renovation. The homeowner files an AZ ROC complaint. Under the Registrar's jurisdiction, what is most accurate?

- A. The Registrar will order replacement because all jobsite damage is the contractor's responsibility

- B. The Registrar may lack jurisdiction over a property damage claim unrelated to workmanship
- C. The Registrar will investigate and may order restitution for damage during licensed work
- D. The Registrar will dismiss because property damage must be pursued through insurance

34. A contractor bids on a public works project with a ten percent contingency for unforeseen conditions. The full contingency is consumed by unexpected rock. The contractor requests additional funds. The owner refuses. The contractor threatens to stop work. What is most accurate?

- A. The contractor may stop work because conditions exceed the contractual allowance
- B. The contractor may not stop without following proper notice procedures for payment disputes
- C. The contractor must complete the project regardless of additional costs
- D. The contractor is entitled to additional compensation as a changed condition

35. An unlicensed individual offers to pay a licensed contractor ten thousand dollars annually to use the contractor's license number on bids and contracts. If the contractor agrees, what are the consequences?

- A. A tax penalty for unreported income from the arrangement
- B. Up to one thousand dollars per violation plus potential permanent revocation if penalties go unpaid
- C. A written warning for the first offense with escalating penalties thereafter
- D. Administrative action only because license sharing is a civil matter

36. A Recovery Fund claim for thirty thousand dollars is approved. The homeowner has already recovered twelve thousand from the contractor's surety bond. What amount will the fund pay?

- A. Eighteen thousand, representing actual damages minus the amount recovered from the bond
- B. Thirty thousand because the fund pays the full maximum regardless of bond recovery
- C. Twenty-two thousand because the fund deducts only half of bond recovery
- D. Nothing because the homeowner has already collected from another source

37. A surety company mails bond cancellation notices to the contractor and Registrar on March 1. Under ARS § 32-1152, what is the earliest effective cancellation date?

- A. March 16, which is fifteen days after notice was mailed
- B. April 1, which is thirty-one days after notice was mailed
- C. March 31, which is thirty days after notice was mailed
- D. Immediately upon mailing because the surety has unilateral cancellation rights

38. A contractor's employee is injured and requires inpatient hospitalization. The contractor carries workers' compensation. Under OSHA reporting requirements, by when must the contractor report this hospitalization?

- A. Within eight hours of learning of the hospitalization
- B. Within twenty-four hours of learning of the inpatient hospitalization
- C. Within seventy-two hours of the date of hospital admission
- D. No OSHA report is required because workers' compensation replaces reporting

39. A building owner provides the contractor with plans approved two years ago referencing the 2015 IBC. The jurisdiction has since adopted the 2018 IBC. Which code edition governs the construction?

- A. The 2015 IBC because it was referenced when the plans were approved
- B. The 2018 IBC because contractors must always build to the most current code
- C. Whichever edition the contractor determines is most appropriate
- D. The locally adopted code in effect at the time the building permit is issued

40. A contractor receives a progress payment from a homeowner. Subcontractors have submitted invoices for completed work. The contractor fails to pay within the required timeframe. What remedy are the subcontractors entitled to under the Prompt Pay provisions?

- A. Interest on the unpaid amount at the statutory rate
- B. Automatic suspension of the contractor's license without a complaint
- C. A mechanics' lien against the contractor's personal residence
- D. Triple damages plus attorney fees through an expedited Registrar process

41. A contractor with a KB-1 license has a bond with a fifteen-thousand-dollar commercial component and a seven-thousand-dollar residential component. A commercial material supplier files a twenty-thousand-dollar bond claim. What is the maximum recovery from the bond?

- A. Twenty thousand because the supplier can claim against the combined total
- B. Seven thousand because the residential component supplements commercial claims
- C. Twenty-two thousand because both components are available for any claim
- D. Fifteen thousand because the commercial claim is limited to the commercial component

42. During a kitchen renovation, a contractor discovers extensive termite damage concealed behind existing cabinets. Under ARS § 32-1160, which provisions address termite damage?

- A. The statute requires the contractor to remediate all termite damage at no cost
- B. The statute requires a pest control board complaint before any claims proceed
- C. The statute addresses termite damage separately with notice and settlement provisions
- D. The statute exempts contractors from liability for pre-existing termite damage

43. A contractor's license is suspended for failure to comply with a directive. Three homeowners with active projects request the contractor return to complete work. Under ARS § 32-1161, what are the contractor's rights during suspension?

- A. The contractor may complete active projects under contract before the suspension
- B. The contractor must immediately cease all work including active contracts
- C. The contractor may complete projects only with written consent from each homeowner
- D. The contractor may complete only projects that are more than seventy-five percent finished

44. A homeowner requests a sixty-thousand-dollar bonus room addition during construction of a five-hundred-thousand-dollar custom home. The contractor agrees without a written change order. After completion, the homeowner refuses to pay. Which factor is most critical?

- A. Whether the license was active when the bonus room was authorized
- B. Whether the contractor can prove the homeowner authorized the additional work
- C. Whether an updated preliminary notice was filed within the required timeframe
- D. Whether the bonus room was inspected by the local building department

45. A corporation has five shareholders: A (thirty percent), B (twenty-five percent), C (twenty percent), D (fifteen percent), and E (ten percent). Which shareholders must be identified on the license application?

- A. All five because every owner must be disclosed regardless of percentage
- B. Shareholders A, B, and C because they collectively exceed fifty percent
- C. Only Shareholder A because only the largest shareholder requires identification
- D. Shareholders A and B because each owns twenty-five percent or more

46. A contractor begins a residential addition without obtaining a building permit. After completing framing, the contractor calls for inspection and the building department discovers no permit exists. What are the potential consequences?

- A. The building department issues a retroactive permit and proceeds with inspection
- B. The building department allows work to continue with a double permit fee
- C. A stop-work order and potential AZ ROC disciplinary action for code non-compliance
- D. The building department fines the homeowner because owners are responsible for permits

47. A commercial contractor bills the building owner for the total contract price but does not separately identify the TPT on the invoice. The owner demands an itemized tax breakdown. Under Arizona law, what is most accurate?

- A. TPT is the contractor's obligation and need not be itemized, but contract totals must include taxes
- B. The contractor must separately identify TPT on every invoice per Department of Revenue rules
- C. The building owner pays TPT directly to the state rather than through the contractor
- D. The contractor must refund the tax and pay it separately from the contract amount

48. A contractor installs R-13 ceiling insulation instead of the R-38 required by the energy code for Arizona's climate zone. The homeowner files a complaint. Under ARS § 32-1154, which ground applies?

- A. Abandonment of the construction project without legal excuse
- B. Material misrepresentation in obtaining the contractor's license
- C. Willful departure from plans or specifications without owner's consent
- D. Willful failure to comply with building codes specifying the insulation requirement

49. Partner A serves as Qualifying Party in a two-person partnership. Partner A wants to retire and transfer the designation to Partner B, who has three years of experience and has not taken any exams. Can Partner B become the Qualifying Party?

- A. Yes, because partners automatically qualify to serve as Qualifying Party
- B. No, because Partner B lacks the four-year experience requirement and has not passed examinations
- C. Yes, if Partner A provides a written transfer of qualifications
- D. No, because the Qualifying Party designation cannot transfer within the same entity

50. A contractor is cited for acting as an agent of an unlicensed contractor. The Registrar imposes the maximum one-thousand-dollar civil penalty. The contractor pays within ten days. Does payment resolve all consequences?

- A. Yes, because payment constitutes full resolution of the citation
- B. Yes, provided the contractor signs an agreement not to repeat the violation
- C. No, because the violation remains on record and additional discipline may be imposed
- D. No, because payment must be accompanied by a six-month probationary period

51. A commercial building owner discovers that stairwell enclosures were built with standard drywall instead of Type X fire-rated assemblies. The contractor argues that the building passed inspection. Under Arizona law, what is most accurate?

- A. Passing inspection does not eliminate liability for installing non-rated assemblies where rated ones are required
- B. The building inspector's approval creates legal immunity for the contractor
- C. Fire-rated assemblies are regulated by the fire department, not the AZ ROC
- D. Liability is limited to the cost difference between standard and Type X drywall

52. A Recovery Fund claim for twenty-six thousand dollars is approved. The contractor's license has accumulated one hundred eighty-seven thousand in prior fund payments. What is the maximum the homeowner can receive?

- A. Twenty-six thousand because the per-residence maximum has not been reached
- B. Twenty thousand because the fund prorates awards above ninety percent of the cap
- C. Fifteen thousand because the fund imposes a reduced cap above one hundred eighty thousand
- D. Thirteen thousand, which is the remaining balance before the two-hundred-thousand cap

53. A building official issues a stop-work order because the foundation does not meet approved plans. The contractor believes the foundation is adequate. What is the contractor's proper remedy?

- A. Continue working because professional judgment supersedes the building official
- B. Appeal through the local jurisdiction's appeals process while complying with the order
- C. File an AZ ROC complaint against the building official for abuse of authority
- D. Have the architect issue a letter overriding the building official

54. A contractor's LLC is administratively dissolved by the Corporation Commission for failing to file an annual report. The contractor works for two months without realizing the dissolution. Upon discovery, the LLC is immediately reinstated. What is the exposure?

- A. No exposure because reinstatement retroactively cures the dissolution
- B. Exposure only if a customer files a complaint during the two-month period
- C. Potential AZ ROC disciplinary action because the license may have been affected
- D. Exposure limited to a late filing penalty with no license impact

55. A contractor substitutes a cheaper but similar-looking tile for the brand specified in a bathroom renovation contract. The homeowner is unhappy. Under ARS § 32-1154, which ground applies?

- A. Willful departure from plans or specifications without the owner's consent
- B. Failure to comply with building codes applicable to the project
- C. Material misrepresentation for deliberately using cheaper materials
- D. No ground applies because the substitute tile is similar in appearance

56. A contractor operates in Yavapai County, which has adopted the 2018 IRC with amendments more restrictive than the standard code. The contractor builds to the standard 2018 IRC without incorporating local amendments. Under ARS § 32-1154, what applies?

- A. The contractor is protected because the standard IRC is the exam reference
- B. Local amendments are unenforceable against state-licensed contractors
- C. The contractor faces building department enforcement but not AZ ROC action
- D. Willful failure to comply with building codes of any political subdivision is a ground for discipline

57. A contractor discovers a conflict between the contract specifications and an HOA covenant restricting exterior materials. What is the most appropriate action?

- A. Proceed with specified materials because HOA covenants are the homeowner's problem
- B. Stop the affected work and notify the homeowner of the conflict before proceeding
- C. Substitute compliant materials at the contractor's expense to avoid delays
- D. File a complaint with the HOA on the homeowner's behalf for a variance

58. A contractor hires a worker through a staffing agency. The agency handles payroll and workers' compensation. The contractor directs daily activities and provides all tools. The worker is injured. Which best describes potential liability?

- A. The staffing agency bears sole responsibility as the worker's employer
- B. The contractor bears sole responsibility as the party controlling work activities
- C. Both may share liability as joint employers depending on the degree of control
- D. Neither party bears liability because the worker assumed the risk

59. A homeowner discovers missing dampproofing on exterior foundation walls fourteen months after completion. The homeowner files an AZ ROC complaint and Recovery Fund claim. For the fund claim to succeed, what must occur?

- A. The complaint must result in discipline of the contractor's license as a direct result of the homeowner's complaint
- B. The homeowner must first obtain a civil court judgment against the contractor
- C. The contractor must voluntarily surrender the license before the claim is processed
- D. The homeowner must prove a specific dollar amount of damage to market value

60. A homeowner instructs the contractor to install a load-bearing wall without a proper header over a six-foot opening. The contractor knows this violates code but follows the instructions. The framing inspection fails. Under ARS § 32-1154, what is the contractor's exposure?

- A. No exposure because the homeowner provided written instructions
- B. Reduced exposure because the homeowner's instructions constitute shared liability
- C. Exposure limited to the cost of correcting the deficiency only
- D. Full exposure for willful failure to comply with building codes despite the homeowner's instructions

61. A contractor discovers a math error that underpriced a fixed-price residential project by eighteen thousand dollars. The homeowner refuses to pay more than the contract price. Under a fixed-price contract, what is most accurate?

- A. The contractor must renegotiate the contract before continuing work
- B. The contractor is bound by the fixed price and must absorb the estimating error
- C. The homeowner must pay the additional amount based on the contractor's good faith
- D. The contractor may file a Recovery Fund claim for the difference

62. A homeowner discovers a significant structural defect five years after project completion. The contractor argues the complaint is time-barred. The license has been continuously active. Under Arizona law, what is correct?

- A. The complaint is time-barred because jurisdiction expires after three years
- B. The complaint is valid because no specific time limit restricts the Registrar's jurisdiction
- C. The complaint is barred by the two-year statute of limitations for contracts
- D. The complaint is valid but the Registrar cannot impose penalties, only recommendations

63. A homeowner pays a ten-thousand-dollar deposit. Before any work begins, the homeowner cancels. No materials were purchased and no work was performed. The homeowner demands a full refund. What is the contractor's obligation?

- A. Retain the deposit as liquidated damages for the homeowner's cancellation
- B. Refund a portion based on actual costs incurred to date
- C. Refund the full deposit because no work was performed and no costs were incurred
- D. Retain twenty-five percent as a standard cancellation fee

64. A Qualifying Party takes an extended six-month leave of absence from the licensed business. Under Arizona law, what is the risk to the license?

- A. The license is at risk because the Qualifying Party must be regularly employed and actively engaged
- B. No risk because the leave of absence does not affect license status
- C. Risk only if the absence exceeds twelve consecutive months
- D. No risk as long as the Qualifying Party returns before the next renewal

65. A homeowner pays the contractor in full but the contractor does not pay a material supplier. The supplier records a mechanics' lien against the homeowner's property. How could the homeowner have protected against this risk?

- A. By requiring the contractor to obtain a payment bond for the project
- B. By requesting conditional lien waivers from suppliers before making each payment
- C. By paying the supplier directly instead of paying through the contractor
- D. By filing a preemptive lien release with the county recorder before the project

66. A contractor operates in an area where the local jurisdiction has not adopted any building code. What standard of construction applies?

- A. No standard applies because the absence of a local code creates a gap
- B. The most current ICC model codes apply automatically in all areas
- C. Federal OSHA standards serve as the default construction quality standard
- D. The Registrar's minimum standards for workmanship apply to all licensed work

67. A contractor subcontracts electrical work to a licensed electrical contractor. The electrical work is defective and causes a fire. The homeowner files an AZ ROC complaint against the general contractor. What is the general contractor's exposure?

- A. No exposure because the electrical contractor was independently licensed
- B. No exposure because the complaint should be filed against the electrical contractor
- C. Potential exposure because the general contractor has overall project responsibility
- D. Exposure limited to repairing fire damage to the addition only

68. A contractor posts a five-thousand-dollar bond based on under one-hundred-fifty-thousand-dollar volume. Actual year-end volume reaches four hundred thousand. The contractor does not increase the bond. What action can the Registrar take?

- A. Require a bond increase and potentially discipline for inadequate bonding
- B. No action because the bond was adequate when posted
- C. Fine the contractor but not require a bond increase until renewal
- D. Recommend a voluntary bond increase with no enforcement authority

69. A contractor's license is revoked. A Recovery Fund claim is approved for twenty-seven thousand. The homeowner has collected six thousand through a civil settlement. What is the maximum fund award?

- A. Thirty thousand because the per-residence cap applies regardless of other collections
- B. Twenty-seven thousand because the fund pays actual damages to the maximum
- C. Twenty-four thousand because the fund deducts half of other collections
- D. Twenty-one thousand, representing actual damages minus the settlement amount

70. A contractor discovers that a home's existing electrical panel is a known fire hazard brand during a kitchen renovation. The homeowner has not asked about the panel. What should the contractor do?

- A. Replace the panel at the contractor's expense as a professional obligation
- B. Inform the homeowner of the potential hazard so an informed decision can be made
- C. File a complaint with the building department to force panel replacement
- D. Document the hazard in the file but take no further action

71. A homeowner demands that the contractor install a plumbing fixture the contractor knows is not code-compliant. The contractor explains the issue but the homeowner insists. What is the contractor's obligation?

- A. Refuse to install the non-compliant fixture because the contractor is responsible for code compliance
- B. Install the fixture because the homeowner has the right to select materials
- C. Install the fixture but add a disclaimer to the contract documents
- D. Contact the AZ ROC for guidance before making a decision

72. A subcontractor quotes nine hundred dollars for concrete work on a residential project. Must the subcontractor hold a contractor's license?

- A. No, because the amount does not exceed one thousand dollars
- B. Yes, because all subcontractors must be licensed regardless of amount
- C. The subcontractor must be licensed if the work requires a building permit
- D. No, because subcontractors under a licensed general contractor are exempt

73. A contractor applies for a new license after a prior revocation. All restitution has been paid. During review, the Registrar discovers the applicant failed to disclose the prior revocation on the application. Which additional ground for denial applies?

- A. Failure to comply with building codes from the original project
- B. Material misrepresentation for failing to disclose the prior revocation
- C. Acting as an agent of an unlicensed contractor
- D. Subsequent discovery of facts regarding the undisclosed revocation

74. A contractor informs the homeowner that the Qualifying Party has left and work cannot continue until a replacement is designated. The homeowner demands work continue. Under Arizona law, what is most accurate?

- A. The contractor may continue because foundation work is already in progress
- B. The contractor should not continue without a Qualifying Party actively engaged
- C. The contractor may continue for ninety days while seeking a replacement
- D. The contractor must continue to avoid an abandonment citation

75. A homeowner searches the AZ ROC database and finds three prior complaints against a contractor — all dismissed with no discipline. Under Arizona's public records provisions, which is true?

- A. All complaint history is part of the public record, including dismissed complaints
- B. Only complaints resulting in disciplinary action are visible in the database
- C. Complaint history is confidential and the homeowner should not have access
- D. Only complaints filed within the past two years are displayed

76. A homeowner sells a property three weeks into a construction project. The new buyer wants the contractor to continue under the original contract. Under general contract law, what is most accurate?

- A. The contractor must start a new contract with the new buyer
- B. The new buyer has no rights under the original contract
- C. The original contract may transfer depending on contract terms and whether it was assigned
- D. The contractor must renegotiate at current market rates

77. A project architect issues a change directive requiring more expensive structural steel. The architect claims the original spec was an error. The contractor estimates forty thousand in additional cost. The architect refuses a change order. What is the contractor's most appropriate action?

- A. Comply under protest, document additional costs, and pursue through dispute resolution
- B. Refuse to install until a change order is issued and approved
- C. Install the originally specified steel because signed documents control
- D. File an AZ ROC complaint against the architect for unauthorized changes

78. A homeowner's actual mold remediation damages from defective weather-resistive barrier installation total forty-five thousand dollars. The contractor's license is revoked. What is the maximum Recovery Fund award?

- A. Forty-five thousand because mold remediation is a health hazard exceeding the cap
- B. Thirty-five thousand because health claims receive a five-thousand surcharge
- C. The full actual damages because environmental hazards are cap-exempt
- D. Thirty thousand, which is the maximum per-residence award regardless of damage amount

79. A contractor strikes an unmarked gas line during excavation without having called Arizona 811. What is the contractor's total exposure?

- A. Criminal liability for willful destruction of property
- B. Gas line repair costs, 811 violation fines, potential OSHA citations, and potential AZ ROC action
- C. Liability limited to the cost of gas line repair and service restoration
- D. No liability because the gas line was unmarked by the utility company

80. A contractor holds separate B-1 and B licenses — not a dual license. The contractor wants to perform a project with both commercial and residential components. Can both licenses be used?

- A. No, because combining scopes on one project requires a KB-1 dual license
- B. No, because separate licenses cannot be used simultaneously on one property
- C. Yes, because holding both licenses authorizes the same scopes as a KB-1
- D. Yes, but only if the components are under separate contracts

81. A homeowner's project was completed two years ago by a contractor whose license was later revoked for violations on a different project. The homeowner now discovers a latent defect. The homeowner files a Recovery Fund claim. Is the claim eligible?

- A. Not automatically eligible because the license must be revoked as a result of the homeowner's own complaint
- B. Eligible because the license is revoked and any homeowner may file
- C. Eligible because latent defects are exempt from the complaint-specific requirement
- D. Eligible but capped at fifteen thousand for claims filed after revocation

82. A contractor's written contract for twelve hundred dollars omits the estimated completion date. Under ARS § 32-1158, is the contract compliant?

- A. Yes, because the completion date is optional for contracts under five thousand dollars
- B. Yes, because the requirement applies only to residential dwelling construction
- C. No, because any contract exceeding one thousand dollars must include all eight elements
- D. No, but only if the homeowner specifically requests a completion date

83. A contractor with a clean record receives a first-time citation for failing to provide a legible copy of a signed change order. The contractor immediately provides the documents. What is the most likely initial outcome?

- A. Automatic license suspension for a minimum of thirty days
- B. A warning or letter of concern given the minor nature and clean record
- C. A five-hundred-dollar mandatory minimum civil penalty
- D. Referral to criminal prosecution for a statutory document offense

84. A building owner asks a contractor to perform additional tenant improvements not in the original contract. The contractor agrees without a written change order or separate contract. The owner refuses to pay for the extra work. Which factor is most relevant?

- A. Whether the license classification authorizes tenant improvement work
- B. Whether the building department issued a separate permit for the improvements
- C. Whether the original contract included a clause addressing additional work
- D. Whether the contractor can prove the existence and terms of the additional agreement

85. A sole proprietor contractor dies. The contractor's adult child has eight years of construction experience but has never taken examinations. What must the child do to continue the business?

- A. Apply for a new license, pass both examinations, and meet all current requirements
- B. File an inheritance transfer with the Registrar to convert the license
- C. Request a temporary license while studying for the examinations
- D. Designate a licensed contractor as temporary Qualifying Party during the transition

86. A contractor discovers that the owner-provided soils report is inaccurate — actual conditions are significantly worse than reported. Foundation costs increase substantially. Under general construction law, who bears the risk?

- A. The building owner if the owner provided the report and the contract includes a differing conditions clause
- B. The contractor bears full risk because independent soils testing should have been conducted
- C. The risk depends on specific contract terms, but conditions materially different from owner-provided reports generally support a claim for additional compensation
- D. The geotechnical engineer bears all liability because the report was inaccurate

87. A residential contract includes a twenty percent early termination fee. The homeowner cancels after five percent completion. The contractor demands the fee. Under general contract principles, which factor is most relevant?

- A. The fee is automatically enforceable because both parties signed the contract
- B. Whether the fee is a reasonable estimate of actual damages or an unenforceable penalty
- C. Termination fees are prohibited in all Arizona residential construction contracts
- D. The homeowner must pay the fee plus all costs the contractor has already incurred

88. A contractor presents evidence at a hearing that the homeowner verbally authorized a foundation change that departed from the approved plans. Under ARS § 32-1154, how does verbal consent affect the analysis?

- A. Verbal consent eliminates the violation completely
- B. Verbal consent is irrelevant because plan changes require formal written revisions
- C. Verbal consent is irrelevant because only written change orders constitute authorization
- D. Verbal consent may provide a defense since the statute requires departure to be without consent, but the contractor bears the burden of proof

89. A contractor's Arizona license is revoked for abandonment. The contractor also holds a Nevada license. Under Arizona law, can the revocation affect operations in other states?

- A. The revocation does not directly affect other states, but disciplinary history may be considered by other states
- B. The revocation automatically revokes all licenses the contractor holds nationwide
- C. No effect because each state's licensing system is completely independent
- D. The Registrar must notify all states within thirty days of the revocation

90. A contractor with a B license wants to install a hot tub on a residential deck addition. Under Arizona's license classifications, what can the contractor do?

- A. Install the hot tub including all connections because the B license covers residential work
- B. Install only the deck because hot tubs require a specialty pool contractor license
- C. Install the structure and deck but subcontract plumbing, electrical, and gas connections to licensed specialists
- D. Install the hot tub only if it is a plug-in model requiring no hard-wired connections

91. A contractor's corporate Qualifying Party is arrested and charged with a felony. The case is pending trial — no conviction has occurred. What is the immediate impact on the license?

- A. No impact because the Qualifying Party has not been convicted of any offense
- B. The license may be at risk if the QP cannot be regularly employed and actively engaged due to the situation
- C. The license is automatically suspended until the criminal case is resolved
- D. The Registrar must revoke the license within thirty days of learning of the charge

92. A building owner fails to make a progress payment. The contractor has unpaid subcontractors. Under Arizona law, can the contractor withhold subcontractor payments because the owner has not paid?

- A. Yes, because the contractor cannot pay with money not yet received
- B. Yes, if the subcontract contains a valid pay-when-paid clause
- C. No, because Prompt Pay provisions require payment regardless of owner payment
- D. The answer depends on specific contract terms and whether conditioning clauses are enforceable

93. A Registrar investigation reveals that electrical and plumbing deficiencies were caused by licensed subcontractors, while roofing and foundation issues are the general contractor's fault. What is the Registrar's most likely enforcement approach?

- A. Focus discipline on the general contractor for roofing and foundation while investigating subcontractors separately
- B. The general contractor bears full responsibility for all subcontractor deficiencies
- C. Dismiss all complaints because mixed responsibility complicates enforcement
- D. Cite the general contractor for everything and let the contractor pursue subcontractors

94. A residential contract includes a mandatory mediation clause. A dispute arises. The homeowner wants to file an AZ ROC complaint without completing mediation. The contractor objects. Under Arizona law, what is correct?

- A. Mediation may govern the contractual dispute but cannot prevent an AZ ROC complaint
- B. The homeowner must complete mediation before the AZ ROC will accept the complaint
- C. Mediation clauses are automatically void in residential construction contracts
- D. The Registrar must enforce the mediation clause and defer investigation

95. A contractor used an unlicensed subcontractor on a commercial project completed two years ago without incident. The Registrar discovers the arrangement during an audit. What is the contractor's exposure?

- A. No exposure because two years have passed without incident
- B. Potential discipline for acting as an agent of an unlicensed contractor regardless of time elapsed
- C. Exposure limited to a written warning because no harm resulted
- D. No exposure because the work passed inspection with no complaints

96. A contractor accepts a check drawn on the homeowner's business account rather than a personal account. Under ARS § 32-1158 receipt requirements, what is most accurate?

- A. The contractor must provide a receipt in the true amount regardless of the funding source
- B. The receipt requirement applies only to cash payments, not checks
- C. Business checks cannot be accepted for residential contracts under Arizona law
- D. A separate receipt signed by the homeowner's company is required

97. A building inspector fails a framing inspection. The contractor disagrees with the code interpretation. What is the contractor's proper remedy?

- A. Correct the violation and then appeal the interpretation through the local code appeals process
- B. Refuse to correct and file an AZ ROC complaint against the inspector
- C. Contact the ICC directly for an official interpretation overriding the inspector
- D. Continue construction elsewhere and wait for the inspector to reconsider

98. A contractor's LLC has an undisclosed member who owns thirty percent. The member was never identified on the license application. Under Arizona law, what is the exposure?

- A. No exposure because the operating agreement is a private document
- B. Potential exposure because the member exceeds the twenty-five percent threshold
- C. Potential exposure for failure to disclose, which could constitute material misrepresentation
- D. Exposure limited to updating the application with no disciplinary consequence

99. A homeowner discovers that the garage-to-dwelling wall uses standard half-inch drywall instead of five-eighths-inch Type X. Under the building code and ARS § 32-1154, which best describes the violation?

- A. A cosmetic deficiency not warranting disciplinary action
- B. A life safety violation constituting willful failure to comply with building codes
- C. A minor deviation adequately addressed by installing a garage smoke detector
- D. A design issue that is the architect's responsibility to specify correctly

100. A contractor uses No. 3 lumber instead of the specified No. 2 grade. A structural engineer confirms the No. 3 is inadequate for the spans. Under ARS § 32-1154, which grounds apply?

- A. Only willful departure from plans because it is a specification issue
- B. Only failure to comply with building codes because the lumber is inadequate
- C. Both failure to comply with codes and material misrepresentation
- D. Both willful departure from plans and willful failure to comply with building codes

# PRACTICE EXAM 4: ANSWER KEY AND EXPLANATIONS

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1. C — The homeowner must first proceed against the contractor's surety bond before the Recovery Fund pays the remaining balance. The fund pays actual damages up to thirty thousand dollars per residence, reduced by amounts collected from the bond. This ensures the bond is the first source of recovery before the public fund is accessed.
2. A — Every person named on the license application must undergo a criminal background check, regardless of ownership percentage. This includes all officers (president, vice president, secretary) and the Qualifying Party. The twenty-five percent threshold determines who must be identified on the application, but background checks apply to all named persons.
3. D — The B General Residential Contractor license authorizes residential construction only. A detached commercial storage building used for business purposes is commercial construction, which requires a commercial license classification. The contractor must decline the work or obtain the appropriate commercial license.
4. B — Arizona mechanics' lien law requires the preliminary notice to be updated when the total exceeds the original notice amount by more than twenty percent. A forty percent increase from thirty thousand to forty-two thousand triggers this requirement. Failure to update may limit the recoverable lien amount to the original notice amount plus twenty percent.
5. C — Under ARS § 32-1154(A)(19), subsequent discovery of facts that would have justified denial of the license at the time of issuance is a ground for discipline. Member B's fraud conviction in connection with construction activity is precisely the type of fact that would have affected the licensing decision if known at the time of application.
6. D — ARS § 32-1158 requires eight specific elements including the estimated completion date and the dollar amount of progress payments and the stage at which they are due. Both elements are missing from this contract. Even if no progress payments are planned, the element must be addressed in the written agreement.
7. A — Willful departure from plans or specifications in a material respect without the owner's consent is a ground for discipline under ARS § 32-1154 regardless of whether the substituted material meets building code. The contractor changed a significant material specified in both the contract and the approved plans without authorization — the fact that shingles meet code does not excuse the unauthorized substitution.

8. B — The automatic revocation took effect thirty days after the penalty order. Once the revocation is effective, the license is terminated and cannot simply be restored by paying the penalty after the fact. The contractor must apply for a new license and meet all current requirements, including payment of any outstanding penalties.
9. D — When no work is performed and the deposit is the only loss, the Recovery Fund award is limited to the deposit amount plus interest at ten percent per year, or thirty thousand dollars, whichever is less. However, the homeowner may be required to proceed against the contractor's bond before the fund pays — the fund may not pay claims when bond remedies have not been pursued.
10. A — At nine hundred dollars with no building permit required, neither the licensing threshold nor the written contract requirements of ARS § 32-1158 are triggered. The one-thousand-dollar threshold applies to both the licensing requirement and the mandatory written contract elements. No violation has occurred under these facts.
11. C — Under ARS § 32-1152, general commercial contractors with an anticipated annual volume of ten million dollars or more must furnish a bond of not less than fifty thousand dollars. Moving from the seven-million tier to the twelve-million tier requires the contractor to increase the bond to at least fifty thousand.
12. B — The absence of a written change order is the most significant factor. Without a signed document recording the additional scope, the cost, and the homeowner's authorization, the contractor has no written proof of the agreement. Verbal change orders are extremely difficult to enforce when disputed, making written documentation essential.
13. C — While the license number is displayed, the advertisement's language implies the contractor personally performs electrical, plumbing, and HVAC work — specialties that require separate licenses. Under ARS § 32-1165, advertising that is misleading regarding the contractor's license classification or scope of work is prohibited.
14. A — Both grounds apply. Installing non-fire-rated materials where fire-rated assemblies are required violates the building code — a willful failure to comply. The substitution also departs from the project specifications without the owner's consent. The building inspector's failure to catch the error does not eliminate the contractor's independent obligation to build correctly.
15. C — Converting from a sole proprietorship to a general partnership changes the business entity type. Since the license belongs to the business entity, changing the entity requires notification to the Registrar and may require a new license application under the new entity structure.
16. D — When the contractor has received payment from the owner, the pay-if-paid clause is no longer relevant because the triggering condition has been satisfied. The Prompt Pay provisions require the contractor to pay subcontractors within the required timeframe after receiving payment, regardless of any conditional payment clause in the subcontract.

17. B — A framing deficiency that was corrected and subsequently passed re-inspection is unlikely to support independent disciplinary action. The building department's inspection process served its purpose — the deficiency was identified, corrected, and verified. The Registrar's investigation properly focuses on the current complaint about finish quality.
18. A — The contractor must designate a new Qualifying Party who meets all requirements or risk the license becoming inactive. Under ARS § 32-1161, a contractor with active projects may be permitted to continue work temporarily during a transition, but the contractor cannot operate indefinitely without a qualified individual in place.
19. C — The lifetime cap on Recovery Fund payments per contractor's license is two hundred thousand dollars. With one hundred ninety-two thousand already paid, only eight thousand remains before the cap is reached. The homeowner can recover a maximum of eight thousand, even though the individual claim is for twenty-two thousand.
20. D — Under ARS § 32-1154(B)(2), the Registrar shall investigate on the written complaint of any person who suffers material loss or injury as a result of a contractor's work. The commercial tenant who suffered water damage qualifies regardless of not being the property owner or a party to the construction contract.
21. B — ARS § 32-1158 requires that the total dollar amount include all applicable taxes. Listing nine thousand five hundred dollars without specifying whether taxes are included potentially violates this requirement because the homeowner cannot determine the true total cost of the project.
22. D — While the registered agent is a separate requirement from the bond and insurance, allowing the designation to lapse may affect the LLC's good standing with the Corporation Commission. Since LLCs must maintain good standing to hold a contractor license, the lapse could indirectly impact the license status.
23. A — Willful departure from plans or specifications in a material respect is a ground for discipline under ARS § 32-1154 regardless of whether current damage has occurred. Installing footings twelve inches shallower than specified is a material departure from the structural plans that the contractor made intentionally, and the Registrar can act on the departure itself.
24. C — A not-to-exceed cap in a time-and-materials contract is a contractual ceiling that limits the owner's total financial obligation. The contractor cannot exceed the cap without a written change order authorizing the increase. Unforeseen conditions do not automatically override the contractual cap.
25. A — A pattern of repeated identical violations demonstrates unwillingness to comply with the licensing requirements. After multiple warnings for the same offense, the Registrar's enforcement discretion permits escalation to more significant action including suspension or revocation of the license.

26. B — Concrete that does not meet the specified compressive strength and is confirmed inadequate by the structural engineer must be removed and replaced, or an engineer-approved remediation plan must be implemented. Surface treatments cannot increase the compressive strength of placed concrete to the specified level.
27. D — Examination results are valid for two years from the date of testing. The SRE taken February 1 and the trade exam taken February 15 are both within the two-year validity window when the application is submitted on January 20 of the following year.
28. C — After a Recovery Fund payment is made against a contractor's license, the license cannot be reinstated and no new license can be issued until the contractor repays the full amount of the fund payment plus interest. This repayment obligation does not expire with the passage of time.
29. A — HVAC work must be performed by or subcontracted to a contractor holding the appropriate specialty license. The B General Residential Contractor license specifically excludes HVAC, and performing the work constitutes acting beyond the scope authorized by the license — regardless of whether it functions properly or passes inspection.
30. B — An arbitration clause may govern the contractual dispute between the parties, but it cannot prevent the homeowner from filing an AZ ROC complaint. The regulatory complaint process is independent of private contractual dispute resolution mechanisms, and the Registrar's jurisdiction cannot be waived by contract.
31. B — When a potential hazardous condition is discovered, the contractor must stop work in the affected area, secure the site to prevent worker exposure, and investigate the nature of the hazard before allowing anyone to re-enter. Proceeding without investigation creates unacceptable risk to workers and may violate OSHA standards.
32. A — The IRC requires positive roof-to-wall connections using approved connectors or equivalent fastening to resist wind uplift and seismic forces regardless of geographic location. Arizona experiences significant wind events during monsoon season, and the code requirement applies to all residential construction.
33. B — The AZ ROC's jurisdiction focuses on workmanship, code compliance, and violations of the licensing statutes. Accidental property damage unrelated to the quality of the construction work or code compliance may fall outside the Registrar's regulatory authority and may need to be resolved through insurance or civil litigation.
34. B — A contractor cannot simply stop work over a payment dispute without following proper notice and suspension procedures as provided in the contract and the Prompt Pay provisions. Threatening to stop work without following proper procedures could constitute abandonment, exposing the contractor to disciplinary action.
35. B — Under ARS § 32-1154(F), the civil penalty for acting as an agent of an unlicensed contractor is up to one thousand dollars per violation. Failure to pay results in automatic permanent revocation

of the license. No future license may be issued to any person associated with the contractor until the penalty is paid.

36. A — The Recovery Fund pays actual damages up to the thirty-thousand-dollar maximum per residence, reduced by amounts already recovered from other sources including the contractor's surety bond. With thirty thousand in actual damages minus twelve thousand from the bond, the fund pays the remaining eighteen thousand.
37. C — Under ARS § 32-1152, a surety company must provide thirty days' written notice to both the contractor and the Registrar before a bond cancellation takes effect. Notice mailed on March 1 means the earliest effective cancellation date is March 31 — thirty days later.
38. B — OSHA requires employers to report inpatient hospitalizations within twenty-four hours of learning of the event. This is distinct from the eight-hour reporting requirement for fatalities. Workers' compensation claims do not substitute for or eliminate the OSHA reporting obligation.
39. D — The applicable building code is the edition that has been locally adopted and is in effect at the time the building permit is issued for the current work. Plans approved under an older code edition may need to be updated to comply with the currently adopted code when new construction is permitted.
40. A — Under the Prompt Pay provisions of ARS Title 32, Chapter 10, Article 5, subcontractors who are not paid within the required timeframe after the contractor receives payment are entitled to interest on the unpaid amount at the statutory rate. This provides a financial consequence for late payment through the construction chain.
41. D — Under ARS § 32-1152, liability under a dual license bond is limited to the amount established for each classification. A claim arising from a commercial project is limited to the fifteen-thousand-dollar commercial bond component, not the combined twenty-two-thousand-dollar total.
42. C — ARS § 32-1160 specifically addresses termite damage claims in Arizona with provisions for notice to the contractor, offers of settlement, and specific procedures distinct from the general complaint process. The statute creates a separate framework for resolving termite-related construction issues.
43. A — Under ARS § 32-1161, a contractor whose license is suspended retains the right to complete projects that were under contract before the suspension took effect. However, the contractor cannot bid on, contract for, or begin any new work during the suspension period.
44. B — Without a written change order, the contractor must prove the homeowner authorized the additional sixty-thousand-dollar scope. The absence of written documentation makes enforcement extremely difficult when the homeowner disputes the authorization. Written change orders protect both parties and should always precede additional work.

45. D — Under Arizona law, any person who owns twenty-five percent or more of the stock or beneficial interest must be identified on the license application. Only Shareholders A (thirty percent) and B (twenty-five percent) meet this threshold. Shareholders C, D, and E fall below twenty-five percent.
46. C — Beginning construction without a building permit is a code violation that can result in a stop-work order from the building department and potential AZ ROC disciplinary action under ARS § 32-1154 for willful failure to comply with the building codes and permitting requirements of the local jurisdiction.
47. A — The Transaction Privilege Tax is the contractor's tax obligation, not the property owner's, and the contractor is not required to separately itemize the tax on each invoice. However, under ARS § 32-1158, the total contract price must include all applicable taxes so the owner knows the true total cost.
48. D — Installing R-13 insulation where the energy code requires R-38 is a willful failure to comply with the building codes. The energy code is part of the adopted building code, and insulation requirements are specific, measurable standards. Using less than one-third of the required insulation value is a clear code violation.
49. B — Partner B does not meet the statutory requirements to serve as Qualifying Party. The minimum experience requirement is four years in the specific trade, and the Qualifying Party must pass both the SRE and the trade examination. Three years of experience and no examinations do not satisfy either requirement.
50. C — Paying the civil penalty resolves the monetary obligation but does not erase the violation from the contractor's record or prevent the Registrar from imposing additional disciplinary action. The violation remains part of the contractor's public history and can be considered in future enforcement decisions.
51. A — Passing a building inspection does not eliminate the contractor's responsibility for installing the correct materials. Installing standard drywall where Type X fire-rated assemblies are required constitutes willful failure to comply with building codes — a ground for discipline regardless of whether the inspector caught the error.
52. D — The lifetime cap on Recovery Fund payments per contractor's license is two hundred thousand dollars. With one hundred eighty-seven thousand already paid, only thirteen thousand remains. The homeowner's maximum recovery is thirteen thousand, even though the individual claim of twenty-six thousand is within the per-residence cap.
53. B — The contractor must comply with the stop-work order while pursuing the appeal through the local jurisdiction's established appeals process. A stop-work order is a legal directive that cannot be overridden by the contractor's professional judgment. The appeal provides a formal mechanism to challenge the decision.

54. C — When an LLC is administratively dissolved, its legal status is compromised, which may affect the contractor license held by that entity. The two-month period of operating with a dissolved LLC exposes the contractor to potential AZ ROC disciplinary action, even though the LLC was promptly reinstated upon discovery.
55. A — Substituting a different tile brand than specified in the contract without the owner's authorization constitutes willful departure from plans or specifications in a material respect without the owner's consent. The contractor intentionally changed a specified material, and the homeowner did not consent to the substitution.
56. D — Under ARS § 32-1154, willful or deliberate failure to comply with the building codes of the state, a county, city, town, or other political subdivision is a ground for license action. The locally adopted code — including all amendments — is the governing standard, and the contractor is responsible for knowing and following local requirements.
57. B — When the contractor discovers a conflict between the contract specifications and an HOA restriction, the appropriate action is to stop the affected work and notify the homeowner. The HOA covenant is a restriction that the homeowner must resolve — but the contractor should not proceed with materials that will create a violation.
58. C — When a staffing agency provides a worker but the contractor controls daily activities and provides tools, both entities may be considered joint employers. The degree of control each party exercises determines the allocation of employer responsibilities, including liability for workplace injuries.
59. A — For a Recovery Fund claim to succeed, the contractor's license must be suspended or revoked as a direct result of the homeowner's own complaint. The homeowner must file the complaint, the Registrar must investigate, and the resulting discipline must stem directly from that specific homeowner's complaint.
60. D — The contractor is the licensed professional responsible for code compliance. Following the homeowner's instructions to install a code-violating assembly does not excuse the violation — the contractor knew the installation was wrong and proceeded anyway. Willful failure to comply with building codes is a ground for discipline regardless of who directed the work.
61. B — In a fixed-price contract, the contractor agrees to complete the specified work for a predetermined price. The contractor bears the risk of cost overruns including estimating errors. This is the fundamental risk allocation of fixed-price agreements — the contractor absorbs losses from underpricing and retains savings from overpricing.
62. B — Arizona law does not impose a specific time limit on the Registrar's jurisdiction to investigate complaints against licensed contractors. The Registrar retains jurisdiction regardless of how many years have passed since the work was completed, as long as the contractor was licensed when the work was performed.

63. C — When no work has been performed and no materials have been purchased, the contractor has incurred no actual costs or damages from the cancellation. Basic contract principles require the contractor to refund the full deposit because there is nothing to offset against the payment.
64. A — The Qualifying Party must be regularly employed and actively engaged in the classification of work covered by the license. A six-month leave of absence raises serious questions about whether this requirement is being met. The license may be at risk if the Qualifying Party is not genuinely available and engaged.
65. B — Requesting conditional lien waivers from subcontractors and material suppliers before making each progress payment is the most effective protection against double payment. A conditional waiver releases the claimant's lien rights upon receipt of the specified payment, ensuring the homeowner does not pay for work that remains subject to a lien.
66. D — Even in areas without a locally adopted building code, the Registrar's minimum standards for good and workmanlike construction apply to all licensed work performed in Arizona. These standards, guided by established usage and procedure in the industry, provide the baseline quality requirement for every licensed project.
67. C — The general contractor has overall responsibility for the project, including the work of subcontractors. While the electrical contractor bears direct responsibility for the defective wiring, the general contractor may face exposure for failing to ensure adequate quality control and oversight of subcontracted work.
68. A — The Registrar can require the contractor to increase the bond to the amount required for the higher volume tier and may take disciplinary action for failure to maintain an adequate bond. Bond amounts must reflect actual volume, and operating with an inadequate bond is a compliance violation.
69. D — The Recovery Fund pays actual damages up to the thirty-thousand-dollar per-residence maximum, reduced by amounts already collected from other sources. Twenty-seven thousand in actual damages minus six thousand from the civil settlement equals twenty-one thousand — within the thirty-thousand cap.
70. B — While the existing panel is outside the contract scope, informing the homeowner of a known safety hazard is consistent with professional standards and the contractor's general duty of care. The homeowner can then make an informed decision about whether to address the panel through a licensed electrical contractor.
71. A — The contractor is the licensed professional responsible for building code compliance. Installing a fixture the contractor knows violates the code would constitute willful failure to comply with building codes under ARS § 32-1154. The contractor must refuse and explain the code requirement to the homeowner.

72. C — Even though the subcontract amount is under one thousand dollars, a contractor license is required if the work requires a building permit. The one-thousand-dollar exemption applies only when both conditions are met — the cost is under one thousand AND no building permit is required.
73. B — Failing to disclose a prior license revocation on a new license application constitutes material misrepresentation in obtaining a license under ARS § 32-1154. The applicant has a duty to provide truthful and complete information, and concealing a prior revocation is a deliberate omission of material facts.
74. B — The contractor should not continue performing construction work without a Qualifying Party actively engaged in the business. The Qualifying Party requirement is a statutory condition of licensure, and working without one places the license at risk and may constitute operating outside the conditions of the license.
75. A — The AZ ROC's publicly accessible database displays all complaint history as part of the public record, including complaints that were dismissed or resolved without disciplinary action. This transparency allows consumers to review the full history of any contractor's interactions with the regulatory agency.
76. C — Whether the original contract transfers to the new property buyer depends on the specific contract terms and whether the contract was formally assigned as part of the property sale. Assignment and assumption of construction contracts typically require the consent of all parties.
77. A — The most appropriate course is to comply with the architect's directive under protest, carefully document all additional costs, and then pursue the disputed amount through the contract's dispute resolution provisions. This approach keeps the project moving while preserving the contractor's right to recover additional costs.
78. D — The Recovery Fund maximum individual award is thirty thousand dollars per residence regardless of the nature or amount of actual damages. Mold remediation, health hazards, and environmental issues do not create exceptions to the statutory per-residence cap.
79. B — Striking an underground utility without calling 811 creates multiple layers of exposure: the cost of repairing the gas line, fines for violating Arizona's mandatory 811 notification law, potential OSHA citations for endangering workers, and potential AZ ROC disciplinary action for failing to follow required safety procedures.
80. C — Holding both a B-1 General Commercial license and a B General Residential license authorizes the same combined scopes as a KB-1 Dual Building Contractor license. The contractor can perform both commercial and residential work using the two separate licenses on the same project.
81. A — The Recovery Fund requires that the contractor's license be suspended or revoked as a direct result of the specific homeowner's own complaint. A revocation triggered by a different

homeowner's complaint on a different project does not automatically make other homeowners eligible for fund recovery.

82. C — Any contract exceeding one thousand dollars between a contractor and property owner must include all eight mandatory elements of ARS § 32-1158, including the estimated completion date. The twelve-hundred-dollar contract exceeds the threshold, so the omission is a violation.
83. B — For a first-time minor violation by a contractor with a clean record who takes immediate corrective action, the Registrar's enforcement discretion typically results in the least severe response — a warning, letter of concern, or requirement to correct the violation. Escalated penalties are reserved for repeat violations and more serious misconduct.
84. D — Without a written change order or separate contract for the additional work, the contractor must prove the existence and terms of the agreement. This is the most relevant factor because absent written documentation, the contractor has no reliable evidence of what was agreed upon, making it extremely difficult to enforce payment.
85. A — The license belonged to the sole proprietor who is deceased, and it terminates with the business entity. The child must apply for a new license as a new business entity, pass both the SRE and trade examination, meet all experience requirements, obtain bonding, complete background checks, and satisfy all other statutory requirements.
86. C — Risk allocation for differing site conditions depends on the specific contract terms. However, when the owner provides a soils report and actual conditions are materially different from those represented, the contractor who discovers the discrepancy generally has a basis for requesting additional compensation under standard differing site conditions provisions.
87. B — Under general contract principles, the enforceability of a termination fee depends on whether it constitutes a reasonable estimate of the contractor's anticipated damages from early cancellation or an unreasonable penalty. If the fee bears no reasonable relationship to actual damages — especially when only five percent of work is complete — it may be unenforceable as a penalty.
88. D — ARS § 32-1154 requires the departure from plans to be "without the consent of the owner." If the contractor can prove the homeowner verbally authorized the change, it may provide a defense. However, the burden of proof falls on the contractor, and verbal authorizations are inherently difficult to establish without corroborating evidence.
89. A — The Arizona revocation is an action within Arizona's jurisdiction and does not directly or automatically affect licenses held in other states. However, other states may consider Arizona's disciplinary history during their own licensing reviews, renewals, or investigations, potentially affecting the contractor's ability to maintain licenses elsewhere.
90. C — The B General Residential Contractor license authorizes general construction including the deck and hot tub structure, but plumbing connections, electrical wiring, and gas connections must

be subcontracted to contractors holding the appropriate specialty licenses. These trade-specific exclusions apply regardless of the project type.

91. B — A pending criminal charge without a conviction does not automatically trigger license suspension or revocation. However, if the arrest results in incarceration or legal restrictions that prevent the Qualifying Party from being regularly employed and actively engaged in the licensed work, the license may be at risk.
92. D — Whether the contractor can withhold subcontractor payments depends on the specific contract terms and whether Arizona law renders the conditioning clause enforceable. Under ARS § 32-1129.05, certain construction contract provisions that unfairly condition payment may be void, and the Prompt Pay provisions impose independent payment obligations.
93. A — The Registrar focuses disciplinary action on the party responsible for each deficiency. The general contractor faces discipline for the roofing and foundation issues attributable to their own work, while the licensed electrical and plumbing subcontractors are investigated separately for deficiencies within their scopes.
94. A — A contractual mediation clause may govern the private dispute between the parties, but it cannot prevent the homeowner from filing an AZ ROC complaint. The Registrar's regulatory authority operates independently of private contractual dispute resolution mechanisms and cannot be waived by contract.
95. B — Using an unlicensed subcontractor for work requiring a license constitutes acting as an agent of an unlicensed contractor under ARS § 32-1154. The Registrar retains jurisdiction regardless of how much time has passed, and the fact that the project was completed without incident does not eliminate the licensing violation.
96. A — Under ARS § 32-1158(B), the contractor must provide a written and signed receipt for any payment received, in the true amount of the payment. This requirement applies to all forms of payment and is not limited to cash transactions. The source of the funds does not affect the receipt obligation.
97. A — The proper course is to correct the violation as directed by the inspector and then, if the contractor believes the interpretation is incorrect, pursue a formal appeal through the local jurisdiction's code appeals process. The correction ensures compliance while the appeal provides a mechanism to challenge the interpretation.
98. C — Failure to disclose a member who owns thirty percent — well above the twenty-five percent identification threshold — could constitute material misrepresentation in obtaining the license. This is a serious omission that may result in disciplinary action including potential license revocation under ARS § 32-1154.
99. B — The garage-to-dwelling separation using five-eighths-inch Type X drywall is a fire and life safety requirement designed to prevent garage fires from spreading into living spaces. Installing

standard half-inch drywall instead constitutes willful failure to comply with building codes — one of the most serious grounds for discipline.

100. D — Both grounds apply. Using No. 3 lumber instead of the specified No. 2 grade constitutes willful departure from plans or specifications without the owner's consent. Additionally, because the structural engineer confirms the No. 3 lumber is inadequate for the specified spans, the installation also constitutes willful failure to comply with building codes.