CONTRACTOR LICENSE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://contractlicense.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 16

SAMPLE

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

SAMPLE

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

SAMPLE

Questions

SAMPLE

1. **If a customer does not receive the Notice of Cancellation, what is the outcome?**

   A. The sale is automatically void

   B. The customer must get a refund

   C. Repercussions may apply to the seller

   D. The customer cannot cancel their purchase

2. **True or False: A seller is required by law to orally explain the customer's right to cancel at the time of sale.**

   A. True

   B. False

   C. Only for transactions over $100

   D. Only if requested by the customer

3. **Which tax form is used to report payments made to independent contractors?**

   A. W-2

   B. W-4

   C. 1099-MISC

   D. Tax return

4. **When must payroll taxes be deposited by new employers during their first calendar year of business?**

   A. The 5th day of the month

   B. The 10th day of the month

   C. The 15th day of the month

   D. The 20th day of the month

5. **What is the minimum number of employees an employer must have to be required to purchase Workers Compensation Insurance?**

   A. 5

   B. 1

   C. 10

   D. 15

SAMPLE

6. Who is responsible for Maryland's Occupational Safety and Health Plan?

A. The Department of Labor

B. The Occupational Safety and Health Administration

C. The Division of Labor and Industry

D. The Maryland Safety Council

7. Within how many days must an owner be notified about the possibility of a lien after work is completed?

A. 60 days

B. 90 days

C. 120 days

D. 30 days

8. What type of insurance provides coverage over and above worker's compensation for employees?

A. Liability Insurance

B. Health Insurance

C. Life Insurance

D. Property Insurance

9. What type of information do project managers rely on to effectively schedule their projects?

A. Subcontractor insights

B. Market analysis

C. Supplier availability

D. Weather forecasts

10. What is the minimum type size that must be used to inform a buyer of their cancellation rights?

A. 8 points

B. 10 points

C. 12 points

D. 14 points

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. If a customer does not receive the Notice of Cancellation, what is the outcome?

A. The sale is automatically void

B. The customer must get a refund

C. Repercussions may apply to the seller

D. The customer cannot cancel their purchase

When a customer does not receive the Notice of Cancellation, the repercussions that may apply to the seller can include legal consequences or penalties. This notice is a critical part of consumer protection laws, giving the buyer the right to cancel a purchase within a certain timeframe. Failure to provide this notice can result in the seller being held accountable for not complying with the relevant regulations. In this case, the seller may face fines, legal action, or other consequences for not honoring the procedures outlined in consumer protection laws. It is essential for sellers to ensure that proper communication is maintained with customers regarding their rights to cancel, as neglecting this responsibility can lead to significant repercussions for their business practices and reputation.

2. True or False: A seller is required by law to orally explain the customer's right to cancel at the time of sale.

A. True

B. False

C. Only for transactions over $100

D. Only if requested by the customer

The statement is true because certain regulations, particularly those related to consumer protection laws, mandate that sellers must inform customers of their right to cancel a transaction at the time of sale. This requirement is designed to ensure that consumers are fully aware of their rights and can make informed decisions. By orally explaining the customer's right to cancel, the seller is reinforcing transparency and promoting consumer confidence in their purchasing decisions. These laws typically apply to specific types of transactions, such as door-to-door sales, and often require that this information be conveyed clearly and directly. The obligation to provide this information is a key aspect of protecting consumers from unfair sales practices, ensuring they understand their rights and can exercise them if necessary.

3. Which tax form is used to report payments made to independent contractors?

A. W-2

B. W-4

C. 1099-MISC

D. Tax return

The 1099-MISC form is specifically designed for reporting payments made to independent contractors who are not classified as employees. This form is used when a business pays an individual or entity $600 or more during a tax year for services provided. The 1099-MISC form details the amount paid, allowing both the contractor and the IRS to keep accurate records of income received. In contrast, the W-2 form is used to report wages paid to employees and includes information such as wages, tips, and other compensation along with taxes withheld, which is not applicable for independent contractors. The W-4 form is provided by employees to their employers to indicate tax withholding preferences, playing no role in reporting payments to contractors. Finally, a tax return is a broader document that individuals or businesses file annually and summarizes their overall income and tax obligations, rather than specifically reporting independent contractor payments. Therefore, the 1099-MISC is the correct form for this purpose, aligning with IRS requirements for independent contractor reporting.

SAMPLE

4. When must payroll taxes be deposited by new employers during their first calendar year of business?

A. The 5th day of the month

B. The 10th day of the month

C. The 15th day of the month

D. The 20th day of the month

In the context of new employers during their first calendar year of business, payroll taxes must be deposited on the 15th day of the month following the pay period in which the wages were paid. This schedule is generally applicable to new businesses that may be subject to different deposit requirements than established employers. Understanding the timeline for payroll tax deposits is crucial for compliance and avoiding penalties. By aligning with this schedule, new employers can ensure that they fulfill their tax obligations in a timely manner. It's also important to note that, while established employers might have different deposit schedules based on their tax liabilities, new employers typically are required to adhere to this specific timeline to facilitate an easier adjustment to payroll tax responsibilities.

5. What is the minimum number of employees an employer must have to be required to purchase Workers Compensation Insurance?

A. 5

B. 1

C. 10

D. 15

The correct answer is that an employer must purchase Workers Compensation Insurance if they have at least one employee. This requirement applies because Workers Compensation Insurance is designed to provide benefits to employees who suffer work-related injuries or illnesses. Even a single employee working in a business can be potentially exposed to risks, and the coverage ensures that parties are protected and can receive necessary medical benefits and lost wages if an incident occurs. The existence of just one employee highlights the employer's responsibility to provide a safe working environment and insurance coverage, reflecting the vital nature of employee well-being in any workplace, regardless of size. This foundational principle helps promote accountability and preparedness within small businesses and protects employees from the financial burdens of work-related accidents.

SAMPLE

6. Who is responsible for Maryland's Occupational Safety and Health Plan?

A. The Department of Labor

B. The Occupational Safety and Health Administration

C. The Division of Labor and Industry

D. The Maryland Safety Council

In Maryland, the responsibility for the Occupational Safety and Health Plan lies with the Division of Labor and Industry. This division plays a critical role in administering the state's occupational safety and health programs, ensuring that workplace safety standards are effectively implemented and maintained. The Division of Labor and Industry collaborates with various stakeholders to promote safe working environments and compliance with both state and federal regulations concerning occupational safety. While the Department of Labor oversees broader labor-related issues, and the Occupational Safety and Health Administration (OSHA) operates at the federal level to enforce safety regulations nationwide, it is specifically the Division of Labor and Industry that tailors and manages Maryland's approach to workplace safety. The Maryland Safety Council, though engaged in efforts to promote safety practices, does not hold the official responsibility for the state's occupational safety and health plan. This delineation highlights the specialized functions of each organization in promoting and enforcing safety in the workplace.

7. Within how many days must an owner be notified about the possibility of a lien after work is completed?

A. 60 days

B. 90 days

C. 120 days

D. 30 days

The correct timeframe for notifying an owner about the possibility of a lien after work is completed is 120 days. This requirement is often established by state law and is designed to ensure that property owners are aware that they may owe money for services rendered. By providing a 120-day window, the law offers a reasonable period for contractors and material suppliers to claim their right to file a lien should they not be compensated for their work. This amount of time allows enough opportunity for contractors to enforce their rights without placing undue hardship on property owners who may be sorting through processes related to construction and payments. Additionally, it helps maintain clear communication regarding financial obligations related to construction projects. The other options typically do not meet the standard time frame that allows for sufficient notification regarding potential liens, potentially jeopardizing the ability for contractors to pursue their claims effectively.

SAMPLE

8. What type of insurance provides coverage over and above worker's compensation for employees?

A. Liability Insurance

B. Health Insurance

C. Life Insurance

D. Property Insurance

The type of insurance that provides coverage over and above worker's compensation for employees is liability insurance. This type of insurance typically covers additional risks that may not be fully addressed by worker's compensation alone. While worker's compensation provides benefits for employees injured on the job, liability insurance covers situations that may arise due to third-party claims, such as bodily injury or property damage that occurs as a result of business operations. It can offer protection against lawsuits that might not be covered under worker's compensation, making it essential for businesses looking to safeguard themselves against potential legal liabilities related to their employees' work. Health insurance, life insurance, and property insurance serve different purposes and do not directly extend beyond the worker's compensation coverage in the way that liability insurance does. Health insurance covers medical expenses for employees, life insurance provides financial support to the beneficiaries of deceased employees, and property insurance protects the physical assets of a business. None of these types of insurance offer the additional protections specifically related to workplace injuries or third-party claims that liability insurance does.

9. What type of information do project managers rely on to effectively schedule their projects?

A. Subcontractor insights

B. Market analysis

C. Supplier availability

D. Weather forecasts

Project managers rely heavily on subcontractor insights to effectively schedule their projects because these insights provide critical information regarding the availability, capacity, and timelines that subcontractors can commit to. Understanding subcontractor schedules and constraints allows project managers to create a more realistic and achievable project timeline, ensuring that resources are allocated appropriately and tasks are sequenced efficiently. Subcontractors often have specialized skills and are responsible for key phases of the project. Therefore, their input is essential in planning, as it helps project managers anticipate potential delays, coordinate shifts in the project timeline, and ensure that all parts of the project are aligned. The other choices, while also important, do not provide as direct or relevant information for project scheduling. Market analysis may inform overall project viability, supplier availability is crucial for procurement but does not deal with task sequencing, and weather forecasts can affect specific activities but are generally less reliable for comprehensive scheduling decisions. Thus, relying on subcontractor insights stands out as the most effective way for project managers to keep their projects on track.

SAMPLE

10. What is the minimum type size that must be used to inform a buyer of their cancellation rights?

A. 8 points

B. 10 points

C. 12 points

D. 14 points

The minimum type size of 10 points for informing a buyer of their cancellation rights is established to ensure that important consumer information is legible and easily understood. This standard is meant to protect consumers by making sure they are fully aware of their rights regarding cancellations, which is particularly important in real estate transactions and other contractual agreements. Using a type size that is too small could diminish the visibility of crucial information, potentially leading to misunderstandings or lack of awareness about the buyer's rights. The choice of 10 points strikes a balance between readability and the typical formatting of legal documents, ensuring that significant details are presented clearly. While larger type sizes, such as 12 or 14 points, could further enhance legibility, the specified minimum of 10 points is both a legal requirement and a practical guideline for ensuring effective communication of consumers' rights. This helps to promote transparency and accountability in business practices, which are cornerstones of consumer protection laws.

SAMPLE

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://contractlicense.examzify.com

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

SAMPLE