

# Tennessee Business and Law Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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# Introduction

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

This guide was designed to help you do exactly that.

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

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

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

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

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

Let's begin.

# How to Use This Guide

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

## 1. Start with a Diagnostic Review

**Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## 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.**

## 7. Use Other Tools

**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!**

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## **Questions**

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- 1. What is typically not included in bid documents?**
  - A. Form of Agreement**
  - B. Instructions to Bidders**
  - C. Specifications**
  - D. Bid Sheet**
- 2. What would be a consequence of engaging in bid shopping?**
  - A. Enhanced collaboration with vendors**
  - B. Increased chances of project failure**
  - C. Improved contract terms**
  - D. Higher quality materials**
- 3. In accounting, what does the term "liquidity" refer to?**
  - A. The speed of converting assets to cash**
  - B. The total amount of current liabilities**
  - C. The profit margin of a company**
  - D. The number of sales transactions**
- 4. Which of the following is excluded from "reasonable accommodations"?**
  - A. Inconvenience to staff**
  - B. Undue hardship**
  - C. Cost to the employer**
  - D. Employee preference**
- 5. What is the maximum number of shareholders permitted within an "S" corporation?**
  - A. 75**
  - B. 100**
  - C. 150**
  - D. 200**

**6. Which of the following is a responsibility of a general contractor regarding potential liens?**

- A. Ignore the liens**
- B. Record liens themselves**
- C. Provide a valid payment bond**
- D. Negotiate with lien claimants**

**7. What shows the activity of duration and sequence of tasks to be completed?**

- A. Flow chart**
- B. Gantt chart**
- C. Bar chart**
- D. Pie chart**

**8. What is the typical validity period for a contractor's license in Tennessee?**

- A. 1 year**
- B. 2 years**
- C. 3 years**
- D. 5 years**

**9. What is required before a contractor can proceed with a project?**

- A. Detailed project plan**
- B. Learning applicable regulations**
- C. Complete funding**
- D. Site inspection**

**10. Which type of bond guarantees against defects in materials or workmanship?**

- A. Performance Bond**
- B. Maintenance Bond**
- C. Contract Bond**
- D. Bid Bond**

## **Answers**

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

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## **Explanations**

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## 1. What is typically not included in bid documents?

- A. Form of Agreement**
- B. Instructions to Bidders**
- C. Specifications**
- D. Bid Sheet**

The correct choice reflects that the "Form of Agreement" is typically not included in bid documents. In the context of construction and procurement, bid documents are primarily focused on providing potential bidders with the essential information they need to submit a competitive offer. This usually includes sections such as the "Instructions to Bidders," which outlines the requirements and procedures for the bidding process, "Specifications," which detail the project requirements and standards, and the "Bid Sheet," where bidders submit their pricing and other relevant details. The "Form of Agreement," on the other hand, is a contract that is executed after the bid has been accepted and does not need to be part of the initial bidding package. Instead, it becomes relevant once a contractor is selected and the parties are ready to formalize their agreement regarding the project terms, scope, and obligations. Therefore, while crucial for the project execution phase, the Form of Agreement does not serve a role in the competitive bid process itself, which is why it is not included in bid documents.

## 2. What would be a consequence of engaging in bid shopping?

- A. Enhanced collaboration with vendors**
- B. Increased chances of project failure**
- C. Improved contract terms**
- D. Higher quality materials**

Engaging in bid shopping can significantly increase the chances of project failure. Bid shopping refers to the practice where a general contractor solicits bids from subcontractors and, after receiving those bids, attempts to negotiate a lower price with other subcontractors or use the lowest bid as leverage against others. This practice can undermine relationships with subcontractors, leading to a lack of trust and collaboration. Moreover, when subcontractors feel undervalued and disrespected due to bid shopping, they may not commit fully to their projects, resulting in decreased quality of work and potential delays. These factors can culminate in a higher likelihood of project failure, as the necessary cooperation and quality assurance from subcontractors are compromised. Therefore, the outcome is often not only financial but also impacts the integrity and success of the project itself.

**3. In accounting, what does the term "liquidity" refer to?**

- A. The speed of converting assets to cash**
- B. The total amount of current liabilities**
- C. The profit margin of a company**
- D. The number of sales transactions**

Liquidity refers to the ability of a company to quickly convert its assets into cash without significantly affecting their value. This is crucial for businesses as it determines their financial health in terms of short-term obligations and cash flow. Assets that are more liquid, such as cash itself or accounts receivable, can be readily used to meet immediate financial needs, whereas less liquid assets like real estate may take longer to convert into cash and could involve a loss of value during the process. Understanding liquidity helps businesses assess their capacity to maintain operations effectively and meet unexpected expenses or challenges. Therefore, focusing on the speed of converting assets to cash provides a clear view of an organization's financial flexibility and stability.

**4. Which of the following is excluded from "reasonable accommodations"?**

- A. Inconvenience to staff**
- B. Undue hardship**
- C. Cost to the employer**
- D. Employee preference**

The concept of "reasonable accommodations" often arises in the context of employment laws, particularly regarding individuals with disabilities. Accommodations that are deemed "reasonable" are those that do not impose significant difficulty or expense on the employer. Undue hardship is the correct choice for what is excluded from reasonable accommodations. This term refers to a situation where an accommodation would cause a substantial burden on the employer. Factors that determine undue hardship include the nature and cost of the accommodation, the overall financial resources of the employer, and the impact it would have on the operation of the business. Understanding undue hardship is crucial because it allows employers to assess whether they can provide an accommodation without incurring excessive difficulty or expense. If an accommodation is determined to create undue hardship, it is not required by law, thus making this aspect a limiting factor in the obligations of an employer to accommodate a disabled employee. In contrast, aspects such as inconvenience to staff, cost to the employer, and employee preference may not automatically qualify an accommodation as unreasonable. While they can be factors in the overall assessment, they do not define the threshold for what constitutes undue hardship, which is specifically excluded from consideration as a reasonable accommodation.

**5. What is the maximum number of shareholders permitted within an "S" corporation?**

- A. 75
- B. 100**
- C. 150
- D. 200

An "S" corporation is a specific type of corporation that meets certain Internal Revenue Code requirements and provides tax advantages by allowing income and losses to be passed through to shareholders for federal tax purposes. One of the key criteria for maintaining S corporation status is the limitation on the number of shareholders. The maximum number of shareholders permitted in an S corporation is 100. This limit is designed to maintain the entity's small business status, thus aligning with the intention of S corporations to provide a beneficial tax structure for smaller businesses. It is important to note that while the number is capped at 100, certain family members may be treated as a single shareholder in this context, allowing some flexibility. Understanding this classification helps ensure compliance with IRS regulations, and any violation of the shareholder limit could jeopardize the S corporation status and potentially result in unfavorable tax implications.

**6. Which of the following is a responsibility of a general contractor regarding potential liens?**

- A. Ignore the liens
- B. Record liens themselves
- C. Provide a valid payment bond**
- D. Negotiate with lien claimants

A general contractor has specific responsibilities in relation to potential liens, particularly in ensuring that all parties involved in a construction project are paid and that potential claims against the property are adequately addressed. Providing a valid payment bond is a critical obligation for general contractors because it serves as a safeguard for subcontractors and suppliers. A payment bond guarantees that those who supply labor or materials for the project will be compensated, thus helping to prevent lien claims from arising in the first place. When a payment bond is in place, it assures subcontractors and suppliers that even if the general contractor fails to make payments, they have a financial resource to turn to. This reduces the likelihood of lien claims being filed, as the payment bond effectively protects their interests. In contrast, ignoring liens would allow issues to develop unchecked, recording liens themselves could lead to complications unless the contractor is authorized to do so, and negotiating with lien claimants can be an important strategy but does not fulfill the proactive responsibility of providing financial assurance through a bond. By securing a payment bond, the contractor takes a preventive measure that benefits everyone involved in the project, emphasizing the importance of this responsibility in maintaining trust and financial stability on job sites.

**7. What shows the activity of duration and sequence of tasks to be completed?**

- A. Flow chart**
- B. Gantt chart**
- C. Bar chart**
- D. Pie chart**

A Gantt chart is a powerful tool used in project management to visually represent the timeline and sequence of tasks that need to be completed. It displays the duration of each task along a horizontal timeline, allowing project managers and team members to see how tasks overlap, when they start and end, and the overall schedule of the project. In contrast to other chart types, the Gantt chart emphasizes both the sequence of tasks and their duration, making it particularly effective for tracking progress and managing project timelines. It provides a clear overview of how tasks relate to each other in terms of starting and finishing times, which is crucial in project planning and execution. The flow chart represents processes and decision points rather than timelines, while bar charts are generally used for comparing quantities across categories. Pie charts, on the other hand, depict proportions or percentages of a whole and do not convey temporal information, thus making them unsuitable for displaying task duration and sequence. Therefore, the Gantt chart stands out as the best choice for showcasing the activity duration and task sequence in project management contexts.

**8. What is the typical validity period for a contractor's license in Tennessee?**

- A. 1 year**
- B. 2 years**
- C. 3 years**
- D. 5 years**

In Tennessee, the typical validity period for a contractor's license is indeed two years. This means that once a contractor obtains their license, it must be renewed every two years to remain in good standing and legally operate within the state. This two-year cycle aligns with the state's efforts to ensure that contractors remain knowledgeable about current industry standards, regulations, and best practices. It also helps maintain the quality and accountability of contractors working in the state. It is important for contractors to keep track of their license expiration date and ensure timely renewal to avoid any gaps in licensing. Additionally, during the renewal process, contractors may need to demonstrate continuing education or training to ensure that they are up-to-date with the latest developments in the construction field. This two-year renewal structure promotes professionalism within the industry while safeguarding consumers who depend on licensed contractors for construction services.

**9. What is required before a contractor can proceed with a project?**

- A. Detailed project plan**
- B. Learning applicable regulations**
- C. Complete funding**
- D. Site inspection**

A contractor must learn applicable regulations before proceeding with a project to ensure compliance with local, state, and federal laws. This understanding enables the contractor to properly fulfill legal requirements, including obtaining necessary permits and licenses, adhering to safety standards, and following zoning laws. Familiarity with applicable regulations can prevent legal issues and costly delays down the line. While having a detailed project plan, complete funding, and conducting a site inspection are all important steps in preparing for a project, they presuppose a foundational knowledge of regulations that will guide those further actions. Without understanding the legal landscape, a contractor risks violating laws that could jeopardize the project.

**10. Which type of bond guarantees against defects in materials or workmanship?**

- A. Performance Bond**
- B. Maintenance Bond**
- C. Contract Bond**
- D. Bid Bond**

The correct answer is the maintenance bond. A maintenance bond is specifically designed to ensure that the contractor will repair or correct any defects in the materials or workmanship for a set period after project completion. This bond provides financial protection for the owner, allowing them to have confidence that any issues arising from the contractor's work will be addressed without incurring additional costs. Performance bonds, on the other hand, guarantee that a contractor will complete the project according to the contractual terms, but they do not cover ongoing defects after the project is finished. Contract bonds are a broader category that ensures obligations under a contract are fulfilled but can include various assurances, while a bid bond is typically used during the bidding process to ensure that the bidder will enter into the contract if selected. Hence, the maintenance bond distinctly focuses on the quality and longevity of the work performed, making it the appropriate choice for guarantees against defects.

# 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](mailto:hello@examzify.com).**

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

**<https://tennesseebusinessandlaw.examzify.com>**

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

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