

Tennessee Business and Law Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. 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!

Questions

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1. In project cost estimation, overhead percentage is typically applied to what component?
 - A. Total sales
 - B. Direct costs
 - C. Projected profits
 - D. Subcontracting fees

2. If a subcontract laborer earns \$600 or more, what form is used?
 - A. W-2
 - B. 1099
 - C. 1098
 - D. W-4

3. Who is typically responsible for paying for worker's compensation insurance?
 - A. Employees
 - B. Suppliers
 - C. Employers
 - D. Insurance agencies

4. Establishing (blank) will ensure that your customer is aware of your progress and of any concerns that might arise.
 - A. Feedback
 - B. Communication
 - C. Documentation
 - D. Trust

5. What is the total Medicare tax rate for individuals?
 - A. 1.5%
 - B. 2.0%
 - C. 2.9%
 - D. 3.5%

6. What is the penalty percentage imposed if taxes are paid 15 days late?
- A. 2%
 - B. 5%
 - C. 10%
 - D. 15%
7. What is the best option for obtaining equipment for a short-term job?
- A. Purchase outright
 - B. Rent
 - C. Lease
 - D. Borrow
8. If a person who took the examination for a partnership or corporation leaves the firm, within how many months must a new individual be designated to take the examination?
- A. 1 month
 - B. 2 months
 - C. 3 months
 - D. 4 months
9. What financial statement ratio helps assess a company's ability to pay its short-term obligations?
- A. Debt-to-equity ratio
 - B. Liquidity ratio
 - C. Profit margin
 - D. Return on equity
10. Petty cash is typically used to make which type of payments?
- A. Large
 - B. Credit
 - C. Small
 - D. Corporate

Answers

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

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Explanations

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1. In project cost estimation, overhead percentage is typically applied to what component?

- A. Total sales
- B. Direct costs
- C. Projected profits
- D. Subcontracting fees

In project cost estimation, the overhead percentage is generally applied to direct costs. Direct costs are those that can be directly attributed to the project, such as labor, materials, and equipment. By applying an overhead percentage to these direct costs, a business can account for the indirect costs associated with a project, which may include utilities, administrative expenses, and other overhead expenses that support the project but are not directly tied to it. Applying the overhead percentage to direct costs helps in determining the total cost of the project more accurately, ensuring that the company covers all expenses when pricing the project or preparing bids. This approach is crucial because it ensures profitability and sustainability while also allowing for comprehensive financial planning in project management. The other options do not align with standard practices in cost estimation; for instance, total sales is an overall revenue measurement rather than a cost component, projected profits focus more on expected income rather than expenses, and subcontracting fees, while essential, are typically categorized under direct costs rather than a basis for applying overhead.

2. If a subcontract laborer earns \$600 or more, what form is used?

- A. W-2
- B. 1099
- C. 1098
- D. W-4

When a subcontract laborer earns \$600 or more, the appropriate form to use is the 1099. This form is specifically designated for independent contractors and subcontractors to report income received for services rendered. In the context of subcontracting, if a laborer is paid \$600 or more in a calendar year, the hiring entity is required to issue a 1099 form. This form allows the subcontractor to properly report their income to the IRS, ensuring that they comply with tax regulations. Other forms listed do not serve this purpose. For instance, a W-2 is used for employees, documenting wages and taxes withheld, which does not apply to independent contractors. A 1098 is related to mortgage interest and does not apply to labor payments. A W-4 is used for employees to indicate their tax withholding preferences, also not relevant to subcontractors. Therefore, the 1099 form is the correct choice for reporting payments made to subcontract laborers earning \$600 or more.

3. Who is typically responsible for paying for worker's compensation insurance?

- A. Employees
- B. Suppliers
- C. Employers
- D. Insurance agencies

In the context of worker's compensation insurance, it is typically the employers who are responsible for purchasing and maintaining this insurance coverage. Worker's compensation laws are designed to protect employees who suffer work-related injuries or illnesses by providing them with benefits for medical expenses, lost wages, rehabilitation services, and more. Employers pay premiums to an insurance provider to cover their liability in case an employee experiences an injury on the job. This system helps ensure that employees receive adequate compensation without having to prove fault on the part of the employer, thereby fostering a safer work environment overall. By shouldering the financial responsibility for the insurance, employers fulfill their legal obligations while also protecting their workforce and their business interests. Thus, the correct choice reflects the established responsibility of employers in the realm of worker's compensation insurance, highlighting their role in maintaining a safe and compliant workplace for their employees.

4. Establishing (blank) will ensure that your customer is aware of your progress and of any concerns that might arise.

- A. Feedback
- B. Communication
- C. Documentation
- D. Trust

Establishing communication is crucial for maintaining transparency between a business and its customers. Effective communication ensures that customers are consistently informed about the status of their orders, project developments, or any potential issues that may arise throughout the process. This proactive sharing of information fosters a relationship based on trust and opens up channels for customer feedback, helping the business address concerns promptly and keep clients engaged. When customers feel involved through regular communication, it creates a positive experience and demonstrates the business's commitment to quality service. This is particularly important when unexpected challenges occur, as timely updates can mitigate customer frustration and reinforce the business's reliability. In essence, strong communication acts as the backbone of customer satisfaction and can lead to long-term loyalty.

5. What is the total Medicare tax rate for individuals?

- A. 1.5%
- B. 2.0%
- C. 2.9%
- D. 3.5%

The total Medicare tax rate for individuals is indeed 2.9%. This rate is composed of two parts: a standard Medicare tax of 1.45% that applies to all earned income and an additional Medicare tax of 0.9% that applies to individuals whose income exceeds certain thresholds (\$200,000 for single filers and \$250,000 for married couples filing jointly). When combined, these rates total 2.9%. However, the additional tax only applies to income above those thresholds, meaning the average worker pays 1.45% without the additional tax unless they exceed the prescribed income limits. This understanding underscores the importance of knowing the full extent of these tax obligations for financial and tax planning, as individuals with higher incomes should anticipate and account for the additional Medicare tax.

6. What is the penalty percentage imposed if taxes are paid 15 days late?

- A. 2%
- B. 5%
- C. 10%
- D. 15%

In Tennessee, if taxes are paid after the due date but within a certain grace period, a penalty is assessed to encourage timely payments. When taxes are paid more than five days but less than 30 days late, the penalty imposed is 5% of the total tax amount due. This 5% penalty reflects a standard approach in Tennessee tax law to ensure compliance with payment deadlines. If payments are further delayed beyond this grace period, heavier penalties may apply, which underscores the importance of timely tax payments. The other options represent higher penalties typically applied for longer delays or different circumstances. Hence, the correct answer, as it relates specifically to the timeframe of being 15 days late, is indeed the 5% penalty, aligning with state regulations designed to manage late tax payments effectively.

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7. What is the best option for obtaining equipment for a short-term job?

- A. Purchase outright
- B. Rent
- C. Lease
- D. Borrow

Renting equipment is the most suitable option for obtaining tools needed for a short-term job due to several practical reasons. When the duration of the project is limited, renting allows for access to high-quality equipment without the substantial upfront costs associated with purchasing. This is especially advantageous for equipment that might be expensive and is not needed after the job is completed. Renting also provides flexibility, as you can choose the exact type and duration of the rental to suit the specific needs of the job. Additionally, renting equipment typically means that maintenance and repair responsibilities lie with the rental company, further reducing overhead costs and hassle. This is particularly beneficial for short-term jobs where unforeseen issues may arise, allowing you to focus on the work rather than the upkeep of the equipment. In contrast, purchasing equipment outright involves a significant financial commitment and creates a burden of ownership, which can lead to depreciation costs and difficulties in resale after a short project ends. Leasing may also be more suited for longer terms, as it often entails recurring payments without ownership, which may not provide the same cost advantages for a short-term need. Borrowing equipment can be risky, as it may not always be available, and there could be concerns regarding reliability and accountability if the equipment is damaged. For a short

8. If a person who took the examination for a partnership or corporation leaves the firm, within how many months must a new individual be designated to take the examination?

- A. 1 month
- B. 2 months
- C. 3 months
- D. 4 months

When an individual who has taken the examination for a partnership or corporation leaves the firm, Tennessee law mandates that the firm must designate a new individual to take the examination within three months. This requirement ensures that the firm's operations continue to comply with legal and regulatory standards, maintaining the integrity of the firm's business practices and protecting the interests of clients and stakeholders. By stipulating a three-month timeline for the designation of a new individual, the law provides a structured approach to managing transitions within a firm, allowing necessary time for assessment and selection of a qualified candidate to fulfill the role. Understanding this timeframe is crucial for firms to adhere to Tennessee's business regulations, ensuring a smooth operation despite staffing changes.

9. What financial statement ratio helps assess a company's ability to pay its short-term obligations?

A. Debt-to-equity ratio

B. Liquidity ratio

C. Profit margin

D. Return on equity

The liquidity ratio is a key financial metric used to evaluate a company's ability to meet its short-term obligations. This ratio reflects the relationship between a company's liquid assets and its current liabilities, providing insights into whether it has sufficient resources to cover debts that are due within the next year. High liquidity ratios typically indicate a strong financial position, where the firm can easily pay off short-term debts, while low liquidity ratios may signal potential financial difficulties. Common examples of liquidity ratios include the current ratio and the quick ratio, both of which are crucial for investors, creditors, and management to assess short-term financial health. In contrast, the debt-to-equity ratio focuses on the long-term financing structure of a company, profit margin measures the profitability relative to revenue, and return on equity evaluates the efficiency of generating profits from shareholders' equity. Each of these ratios serves different purposes and does not directly assess short-term obligations like the liquidity ratio does.

10. Petty cash is typically used to make which type of payments?

A. Large

B. Credit

C. Small

D. Corporate

Petty cash is commonly utilized for making small payments that are often too minor to warrant the hassle of processing through regular accounts payable systems. This includes expenses such as office supplies, stamps, or minor repairs where the amounts are typically low and do not require the formalities associated with larger transactions. The use of petty cash streamlines the process for handling these small expenditures, allowing businesses to manage day-to-day operational costs efficiently without needing to write checks or go through bank transactions for every minor purchase. It's important to note that petty cash is not intended for large or significant expenses, which would require more formal accounting procedures and oversight. Therefore, the correct choice reflects the primary purpose of petty cash in managing small, routine expenses within a business setting.

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://tennesseebusinessandlaw.examzify.com>

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

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