

Arizona 6-Hour Contract Writing Course Practice Test (Sample)

Study Guide



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SAMPLE

Questions

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- 1. Which of the following represents a valid legal contract?**
 - A. Bethany showed up completely drunk to sign legal documents.**
 - B. Lola signed a contract appointing Kirk as her listing agent.**
 - C. Paul signed a contract for committing grand larceny in exchange for cash.**
 - D. Theo signed a lease just before turning 18.**
- 2. What document should a buyer include with their purchase offer?**
 - A. A loan application**
 - B. An inspection report**
 - C. A Pre-Qualification Form**
 - D. A Loan Estimate**
- 3. What must buyers do if they find lead-based paint hazards during an inspection?**
 - A. Notify the seller and request repairs.**
 - B. Conduct a risk assessment.**
 - C. Ignore the findings if they see no peeling paint.**
 - D. Proceed with the purchase without mentioning it.**
- 4. Sellers are required to disclose what type of information?**
 - A. Known material facts**
 - B. The home's proximity to a registered sex offender**
 - C. The owner's HIV status**
 - D. Whether or not someone died on the property**
- 5. Determining who can enter into a legally binding contract involves understanding what concept?**
 - A. Intention**
 - B. Legal competency**
 - C. Mental impairments**
 - D. Mutual assent**

- 6. Is it legal for Janelle to write into her buyer-broker agreements that the buyers are obligated to buy a house within the contract term?**
- A. No, the contract doesn't create an obligation for the buyers to make a purchase.**
 - B. Yes, if the contract is an exclusive right-to-buy agreement.**
 - C. As long as Janelle performs to the contract, she is entitled to a commission.**
 - D. Yes, Janelle may write anything into the contract that she wants.**
- 7. In a transaction, who is the offeree when Chloe submits an offer to buy Tristan's property?**
- A. Chloe**
 - B. Jax**
 - C. Tristan**
 - D. Tristan's agent**
- 8. If a real estate agent is representing multiple clients wanting similar properties, what should they do?**
- A. Keep this information confidential**
 - B. Disclose the fact in writing to their clients**
 - C. Inform only their broker**
 - D. Refer clients to other agents**
- 9. In which situation is a buyer typically required to submit a loan application?**
- A. Before the inspection period ends**
 - B. As part of the initial offer**
 - C. Upon acceptance of the agreement**
 - D. Once the earnest money is deposited**
- 10. After a transaction is completed, how long must a broker retain documents related to the sale?**
- A. 30 days**
 - B. Two years**
 - C. Six months**
 - D. Five years**

Answers

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

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Explanations

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1. Which of the following represents a valid legal contract?

- A. Bethany showed up completely drunk to sign legal documents.**
- B. Lola signed a contract appointing Kirk as her listing agent.**
- C. Paul signed a contract for committing grand larceny in exchange for cash.**
- D. Theo signed a lease just before turning 18.**

A valid legal contract is one that meets certain criteria, including offer, acceptance, consideration, legal capacity, and a lawful purpose. In the scenario presented, Lola signing a contract to appoint Kirk as her listing agent exemplifies these required elements effectively. The contract is valid because it reflects a mutual agreement between both parties, where Lola, having the legal capacity to enter into contracts, willingly accepts the terms set forth by Kirk. Additionally, the contract serves a lawful purpose, as real estate transactions are a commonly recognized and legitimate business activity. This arrangement does not involve any illegal activities or factors that would invalidate the agreement. In contrast, the other scenarios fail to meet the necessary legal criteria. For instance, Bethany's inebriation might impair her capacity to contract, while Paul's agreement to commit a crime makes the contract illegal and thus unenforceable. Theo's signing a lease just before turning 18 raises issues regarding his legal capacity, as minors typically lack the authority to enter into binding agreements without parental consent.

2. What document should a buyer include with their purchase offer?

- A. A loan application**
- B. An inspection report**
- C. A Pre-Qualification Form**
- D. A Loan Estimate**

Including a Pre-Qualification Form with a purchase offer demonstrates to the seller that the buyer has taken preliminary steps to secure financing and is serious about their offer. This document indicates that a lender has assessed the buyer's financial situation and has determined that they are likely to qualify for a mortgage up to a certain amount. It provides assurance to the seller that the buyer has the financial backing necessary to proceed with the purchase, which can make the offer more attractive compared to others. While a loan application, inspection report, and loan estimate are important documents in the home buying process, they are not typically included at the initial stage of a purchase offer. A loan application is a more formal document that may follow if the buyer's offer is accepted. An inspection report will come after the offer is accepted and once the buyer has had a chance to inspect the property. A loan estimate provides details of the loan terms and costs, which becomes relevant later in the financing process, not at the point of making an offer. Thus, presenting a Pre-Qualification Form is the most appropriate action to accompany a purchase offer.

3. What must buyers do if they find lead-based paint hazards during an inspection?

- A. Notify the seller and request repairs.**
- B. Conduct a risk assessment.**
- C. Ignore the findings if they see no peeling paint.**
- D. Proceed with the purchase without mentioning it.**

In the context of identifying lead-based paint hazards during an inspection, notifying the seller and requesting repairs is the correct course of action. This step aligns with the requirements outlined in the federal regulations concerning lead-based paint, specifically the Residential Lead-Based Paint Hazard Reduction Act. Buyers have the right to communicate their concerns regarding any lead paint hazards discovered during the inspection. Taking this action ensures that the seller is made aware of the potential risks, allowing them to address the issue appropriately. This could involve making repairs, such as correcting any lead-based paint hazards or providing further disclosures related to the property's condition. Addressing lead-based paint hazards is significant as exposure can pose serious health risks, especially to young children and pregnant women. Thus, making the seller aware not only fulfills buyer responsibilities but also promotes a safer environment. The other options do not adhere to best practices or necessary steps when dealing with such hazardous findings.

4. Sellers are required to disclose what type of information?

- A. Known material facts**
- B. The home's proximity to a registered sex offender**
- C. The owner's HIV status**
- D. Whether or not someone died on the property**

Sellers are required to disclose known material facts because this obligation is grounded in the principle of transparency in real estate transactions. Material facts are those that could affect a buyer's decision to purchase a property or influence the value of the property. In Arizona, the seller must disclose any known issues that could impact the safety, habitability, or value of the home. This includes structural issues, problems with systems like plumbing or electrical, and any other major defects that the seller is aware of. Ensuring that buyers are informed helps promote fairness in the transaction and protects both parties' interests. The other options, while relevant in certain contexts, are either not mandated disclosures or pertain to specific situations. For instance, while proximity to a registered sex offender may be a consideration for some buyers, it is not classified as a material fact that must always be disclosed by the seller. The owner's HIV status is protected under privacy laws and cannot be disclosed without consent, and information about deaths on the property may only need to be disclosed if it materially affects the value of the property or there has been a relevant change in circumstances. Thus, known material facts remain the primary focus for disclosure during a real estate transaction, being essential for informed buyer decisions.

5. Determining who can enter into a legally binding contract involves understanding what concept?

- A. Intention**
- B. Legal competency**
- C. Mental impairments**
- D. Mutual assent**

The concept of legal competency is crucial in determining who can enter into a legally binding contract because it assesses an individual's capacity to understand the nature and implications of the agreement they are entering. Legal competency means that a person has the legal ability to enter into a contract, which includes being of a certain age, typically 18 years or older, and possessing the mental capacity to comprehend the contract terms. Individuals who are deemed legally incompetent may include minors, individuals under the influence of drugs or alcohol at the time of contract formation, and those with certain mental impairments that prevent them from understanding the agreement's nature and consequences. If a party lacks legal competency, the contract may be void or voidable, meaning it may not be enforceable in a court of law. Understanding legal competency ensures that parties entering a contract are able to give informed consent, which is a foundational principle in contract law. This importance emphasizes the need for parties to evaluate not just their intention to contract, but also their ability to engage in the agreement responsibly.

6. Is it legal for Janelle to write into her buyer-broker agreements that the buyers are obligated to buy a house within the contract term?

- A. No, the contract doesn't create an obligation for the buyers to make a purchase.**
- B. Yes, if the contract is an exclusive right-to-buy agreement.**
- C. As long as Janelle performs to the contract, she is entitled to a commission.**
- D. Yes, Janelle may write anything into the contract that she wants.**

The correct answer is that it is not legal for Janelle to write into her buyer-broker agreements that the buyers are obligated to buy a house within the contract term because contracts in real estate should reflect a mutual agreement and understanding of the parties involved. A buyer-broker agreement typically establishes the relationship and duties between the buyer and the broker, such as the broker's duty to find suitable properties for the buyer. However, forcing a buyer to purchase a home outright contradicts the nature of these agreements, which are meant to empower buyers with the freedom to choose without the pressure of an obligatory purchase. Enforcement of such a clause would likely render the contract unenforceable as it contradicts common legal principles surrounding contract law, where a valid contract must have mutual assent and cannot impose unfair conditions on one of the parties. Moreover, buyers retain the right to make decisions regarding their purchases without being bound by an obligation steering them towards a specific outcome. The other options miss this crucial legal context surrounding buyer-broker agreements and the freedom of choice they should provide to buyers. For instance, the concept of an exclusive right-to-buy agreement still prioritizes the buyer's autonomy, disproving the notion that a buyer could be mandated to purchase. Additionally, J

7. In a transaction, who is the offeree when Chloe submits an offer to buy Tristan's property?

- A. Chloe**
- B. Jax**
- C. Tristan**
- D. Tristan's agent**

In a transaction involving an offer to buy property, the offeree is defined as the party who receives the offer. In this scenario, Chloe is the one making the offer to buy Tristan's property, which means she is the offeror. Tristan, on the other hand, is the one receiving the offer from Chloe, making him the offeree. This distinction is crucial in contract law because the offeree has the right to accept, reject, or counter the offer presented to them. By correctly identifying Tristan as the offeree, it highlights the role he plays in the negotiation process, as his decision will ultimately determine whether a binding contract is formed. Understanding this relationship between offeror and offeree is fundamental to grasping how offers and acceptances function within contract law.

8. If a real estate agent is representing multiple clients wanting similar properties, what should they do?

- A. Keep this information confidential**
- B. Disclose the fact in writing to their clients**
- C. Inform only their broker**
- D. Refer clients to other agents**

When a real estate agent is representing multiple clients who are interested in similar properties, it is essential for them to disclose this fact in writing to their clients. This disclosure is crucial for several reasons, primarily revolving around ethical considerations and the potential for conflicts of interest. By informing clients in writing that they are representing multiple interested parties, the agent fosters transparency. This allows all clients to make informed decisions based on the knowledge that their interests may be competing with those of other clients represented by the same agent. It also helps to create a framework of trust between the agent and the clients, ensuring that everyone is aware of the dynamics at play. Furthermore, such disclosures are often required by law and by the ethical standards set forth by real estate governing bodies. They ensure that all parties are treated fairly and that no one is inadvertently placed at a disadvantage because of a lack of information. This approach protects the integrity of the transaction and upholds the agent's professional responsibilities. While maintaining confidentiality of client information is important, it should not supersede the obligation to disclose competing interests. Informing only the broker does not adequately address the agent's responsibility to their clients, and referring clients to other agents may not always be feasible or necessary. The most appropriate action is direct and

9. In which situation is a buyer typically required to submit a loan application?

A. Before the inspection period ends

B. As part of the initial offer

C. Upon acceptance of the agreement

D. Once the earnest money is deposited

A buyer is typically required to submit a loan application upon acceptance of the agreement because this timing aligns with the buyer's intent to move forward with the purchase process formally. Once the seller accepts the buyer's offer, the buyer needs to secure financing to fulfill their obligation to purchase the property. Submitting the loan application at this stage allows the lender to process the buyer's request for a mortgage and evaluate their financial qualifications, which is essential for completing the real estate transaction. This timing also ensures that the buyer has a better understanding of their financing options and obligations, enabling them to manage the timeline associated with the closing process more effectively. Additionally, many purchase agreements include deadlines for securing financing as part of the contingencies, making it critical to have the loan application submitted as soon as the agreement is accepted.

10. After a transaction is completed, how long must a broker retain documents related to the sale?

A. 30 days

B. Two years

C. Six months

D. Five years

In Arizona, brokers are required to retain documents related to a sale for a minimum of five years after the transaction is completed. This retention period is mandated to ensure that there is adequate documentation accessible for any potential disputes, audits, or legal matters that may arise after the sale. Retaining these records helps protect both the broker and the clients involved in the transaction by providing a traceable history of the agreements and communications. The choices listed provide alternative durations, but they do not align with the legal requirements set forth in Arizona's real estate regulations. The five-year retention period serves as a standard timeframe that balances the necessity of record-keeping with the practical considerations of the business environment.