

# California Real Estate Broker 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. What action would a purchaser take if they find a mistake in the lot's size after signing a property purchase agreement but wish to proceed?**
  - A. Cancel the purchase**
  - B. Seek a reformation**
  - C. Request a price reduction**
  - D. File a complaint**
- 2. In the income capitalization approach, which type of income is most relevant?**
  - A. Net operating income.**
  - B. Potential gross income.**
  - C. Actual cash flow.**
  - D. Future projected income.**
- 3. What is the maximum amount that the VA loan program will guarantee for loans?**
  - A. No more than the CRV**
  - B. A fixed percentage of the loan amount**
  - C. Up to \$500,000**
  - D. As determined by the lender**
- 4. What can a seller do to protect himself from future liability when a buyer assumes a mortgage?**
  - A. Terminate the mortgage agreement**
  - B. Make sure the buyer assumes the mortgage**
  - C. Sell the property without a mortgage**
  - D. Notify the lender of the sales agreement**
- 5. How can total depreciation from all sources be best described?**
  - A. Functional obsolescence**
  - B. External obsolescence**
  - C. Accrued depreciation**
  - D. Physical deterioration**

**6. What is a common consequence of avulsion in property ownership?**

- A. Increase in property value**
- B. Loss of land**
- C. Transfer of ownership**
- D. Tax adjustment**

**7. If Seller B counters Buyer A's offer of \$400,000 with a demand for \$450,000 and A does not respond, what must happen for a contract to be valid?**

- A. Buyer A must accept the offer of \$450,000**
- B. Seller B can sell to someone else immediately**
- C. Buyer A must affirm the \$400,000 offer**
- D. Seller B must wait for a new offer before proceeding**

**8. How can a Realtor accept compensation from more than one party in a transaction?**

- A. By keeping it confidential**
- B. By disclosing to all parties and obtaining informed consent**
- C. By negotiating with each party separately**
- D. By informing just the primary party involved**

**9. Which of the following is not one of the functions of the Federal Reserve System for controlling the money supply?**

- A. Setting Interest Rates**
- B. Regulating Banks**
- C. To Print Money**
- D. Controlling Inflation**

**10. What is the best solution for a tenant wanting to take jewelry cases when the lease expires?**

- A. Take the cases without permission**
- B. Leave the cases for the next tenant**
- C. He may take the cases if removal will not cause substantial damage**
- D. Sell the cases before the lease ends**

## **Answers**

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

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## **Explanations**

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**1. What action would a purchaser take if they find a mistake in the lot's size after signing a property purchase agreement but wish to proceed?**

- A. Cancel the purchase**
- B. Seek a reformation**
- C. Request a price reduction**
- D. File a complaint**

When a purchaser discovers a mistake in the lot size after signing a property purchase agreement, seeking a reformation is a practical action to consider if they wish to proceed with the transaction. Reformation is a legal remedy that allows the contract to be modified to reflect the true intentions of the parties involved—essentially correcting the mistake. In this scenario, since the buyer still wants to go forward with the purchase but acknowledges the error, reformation allows the terms of the agreement, specifically regarding the lot size, to be adjusted appropriately. This helps to clarify the agreement and ensures that both parties have an accurate understanding of the property being transacted. The other options involve terminating or disputing the contract instead of modifying it, which doesn't align with the buyer's desire to proceed with the purchase. By opting for reformation, the buyer can maintain the transaction while addressing the mistake in a constructive manner.

**2. In the income capitalization approach, which type of income is most relevant?**

- A. Net operating income.**
- B. Potential gross income.**
- C. Actual cash flow.**
- D. Future projected income.**

In the income capitalization approach, the most relevant type of income is net operating income (NOI). This method evaluates a property's ability to generate revenue based on its income-producing potential rather than just its sale price or market value. Net operating income reflects the income generated by the property after accounting for all operating expenses. It provides a clear picture of the profitability of a property as it considers costs related to management, maintenance, property taxes, insurance, and other operating expenses. Investors and appraisers rely on NOI as it helps in assessing the actual income that a property can generate, offering a realistic representation of cash flow available for debt service and profit. Potential gross income refers to the total income a property could generate before deducting any costs or allowances for vacancy and collection losses. While this figure is informative, it does not accurately reflect the profitability of a property in practice, as it does not account for operating expenses. Actual cash flow involves the actual income received after all expenses, which can be valuable but is not typically used in property valuations. Future projected income relies on estimates and forecasts, which may vary significantly and can often lack the certainty needed for sound investment decisions. Therefore, when assessing a property's investment potential in the income capitalization approach, net operating

### 3. What is the maximum amount that the VA loan program will guarantee for loans?

- A. No more than the CRV**
- B. A fixed percentage of the loan amount**
- C. Up to \$500,000**
- D. As determined by the lender**

The VA loan program provides a guarantee on loans that is typically based on the lesser of the appraised value or the sales price of the property, which is reflected in the Certificate of Reasonable Value (CRV). This means that the maximum guarantee amount the VA will provide for a loan corresponds to the amount determined by the CRV. It is important to note that while the VA sets a maximum limit on the amount it will guarantee, this limit can vary based on the location and type of property being financed. Each individual VA loan is subject to the CRV, which establishes the maximum allowable amount that the VA will guarantee, thus focusing on maintaining realistic property values and protecting the lender's interests. Other options do not correctly reflect how the VA loan guarantee operates. The fixed percentage of the loan amount or a specified sum like \$500,000 does not accurately describe the basis for the guarantee, which is instead tied to the property's appraisal value. The lender does not solely determine the guarantee amount without regard to the CRV either, which establishes a standard for what the VA is willing to back.

### 4. What can a seller do to protect himself from future liability when a buyer assumes a mortgage?

- A. Terminate the mortgage agreement**
- B. Make sure the buyer assumes the mortgage**
- C. Sell the property without a mortgage**
- D. Notify the lender of the sales agreement**

When a buyer assumes a mortgage, the seller's liability can potentially continue unless specific steps are taken to safeguard against it. The correct action for protecting oneself from future liability in this situation is for the seller to ensure that the buyer properly assumes the mortgage. By having the buyer officially assume the mortgage, the buyer becomes responsible for the mortgage payments and the obligations tied to the loan. This process typically involves the lender reviewing the buyer's creditworthiness and accepting them as the new debtor. When the assumption is executed correctly, it helps diminish the seller's risk, as the lender may release the seller from future liability related to that mortgage. The other options do not provide the same level of protection. Terminating the mortgage agreement is not feasible, as the mortgage would need to be paid off instead. Simply selling the property without a mortgage does not address the situation if there is an existing mortgage; it may involve additional complications or costs. Notifying the lender of the sales agreement involves communication but does not ensure that the seller is protected from liability unless the buyer's assumption is confirmed and approved by the lender. Thus, the focus on ensuring that the mortgage is assumed is the best course of action for the seller.

## 5. How can total depreciation from all sources be best described?

- A. Functional obsolescence**
- B. External obsolescence**
- C. Accrued depreciation**
- D. Physical deterioration**

Total depreciation from all sources is best described as accrued depreciation. This term refers to the cumulative loss in value of a property over time due to various factors such as physical deterioration, functional obsolescence, and external obsolescence. Accrued depreciation is a comprehensive measure that captures the total impact of these different types of depreciation, allowing real estate professionals to determine the current market value of a property compared to its original value. This is particularly important in property valuation, as it gives a clearer picture of the property's worth based on its current condition and market influences. Physical deterioration refers specifically to the wear and tear a property experiences over time, while functional obsolescence pertains to a decline in the property's functionality or utility due to outdated design or features. External obsolescence is the loss in property value due to external factors, such as socio-economic changes or environmental conditions. Each of these types contributes to the overall total depreciation, but they do not encompass the entire scope like accrued depreciation does.

## 6. What is a common consequence of avulsion in property ownership?

- A. Increase in property value**
- B. Loss of land**
- C. Transfer of ownership**
- D. Tax adjustment**

Avulsion refers to the sudden removal of land by natural forces, such as water or erosion, often resulting in a significant loss of real estate. When avulsion occurs, a portion of the land may be washed away or significantly altered, which can lead to a loss of property for the owner. This event can affect property lines and, in some cases, may even shift ownership if the land was legally redefined by the change in the natural landscape. The other options do not directly relate to the consequences of avulsion. The idea of an increase in property value suggests a positive outcome, which is not typically associated with the loss of land. Transfer of ownership might occur in various situations, but it is not a direct consequence of avulsion itself. Tax adjustment might take place due to changes in property value or land use, but it does not directly connect to the immediate impact of avulsion on a property owner's holdings. Thus, the most accurate consequence of avulsion in property ownership is the loss of land.

**7. If Seller B counters Buyer A's offer of \$400,000 with a demand for \$450,000 and A does not respond, what must happen for a contract to be valid?**

- A. Buyer A must accept the offer of \$450,000**
- B. Seller B can sell to someone else immediately**
- C. Buyer A must affirm the \$400,000 offer**
- D. Seller B must wait for a new offer before proceeding**

For a contract to be valid, there must be mutual assent, meaning both parties must agree on the terms of the agreement. In this scenario, when Seller B counters with a demand for \$450,000, the original offer of \$400,000 from Buyer A is effectively rejected, and a new offer is created. Since Buyer A does not respond to the counteroffer, the original offer of \$400,000 is still available but also at risk of expiration if not acted upon. For a contract to be valid in this context, Buyer A must affirm the original offer of \$400,000. By accepting this initial offer, they create a binding agreement. Without a response from Buyer A or an acceptance of the \$450,000 counteroffer, no contract exists. Therefore, affirming the original offer is essential to establish a legally binding agreement.

**8. How can a Realtor accept compensation from more than one party in a transaction?**

- A. By keeping it confidential**
- B. By disclosing to all parties and obtaining informed consent**
- C. By negotiating with each party separately**
- D. By informing just the primary party involved**

Accepting compensation from more than one party in a real estate transaction is a practice that requires transparency and ethical standards. The correct approach is to disclose to all parties involved and obtain their informed consent. This ensures that all parties are aware of the Realtor's compensation structure and gives them the opportunity to agree to it. By doing so, the Realtor maintains a high level of trust and professionalism, which is crucial in real estate transactions. When a Realtor provides clear and complete information about earnings from multiple sources, it helps prevent potential conflicts, misunderstandings, and legal issues that could arise from undisclosed financial relationships. This practice is in line with the ethical obligations set by real estate governing bodies, which emphasize honesty and integrity in dealings. The other options do not align with the ethical standards expected in real estate. Keeping compensation confidential could lead to mistrust and legal ramifications, negotiating separately without consent would lack transparency, and informing only the primary party does not protect the interests of all parties involved.

**9. Which of the following is not one of the functions of the Federal Reserve System for controlling the money supply?**

- A. Setting Interest Rates**
- B. Regulating Banks**
- C. To Print Money**
- D. Controlling Inflation**

The correct answer is that "to print money" is not one of the direct functions of the Federal Reserve System. While the Federal Reserve plays a crucial role in managing the money supply, it does not physically print money. That task is actually carried out by the U.S. Treasury Department, specifically the Bureau of Engraving and Printing. The Federal Reserve does influence the money supply and the economy through various monetary policy tools, such as setting interest rates and regulating financial institutions. By adjusting interest rates, the Fed can expand or contract the money supply, which affects overall economic activity. In addition, the Federal Reserve is involved in controlling inflation by implementing policies that aim to stabilize prices and ensure economic growth. Understanding this distinction is important because it highlights the Fed's regulatory and policy-making functions compared to the physical aspects of currency manufacturing, which are handled by different entities within the government.

**10. What is the best solution for a tenant wanting to take jewelry cases when the lease expires?**

- A. Take the cases without permission**
- B. Leave the cases for the next tenant**
- C. He may take the cases if removal will not cause substantial damage**
- D. Sell the cases before the lease ends**

The correct answer revolves around the principles of fixtures and personal property as they relate to leasing. In this scenario, if the jewelry cases are considered tenant-installed improvements, the tenant may have the right to remove them upon lease expiration, provided this removal does not cause substantial damage to the premises. In general leasing terms, fixtures are items that are affixed to the property and are often considered part of the real estate. However, if a tenant installs such cases, they may retain ownership of those cases if they are deemed trade fixtures. Trade fixtures are personal property used in the tenant's business and typically can be removed by the tenant at the end of the lease, assuming the removal does not compromise the integrity of the property. This principle protects tenants' investments in their businesses while also ensuring landlords do not end up with excessive damage to their properties. Thus, the tenant's option to take the cases if their removal will not cause substantial damage is legally sound and practical, ensuring a smooth transition without jeopardizing the landlord's property value. The other options do not account for the legal and practical implications of lease agreements. Taking the cases without permission can lead to legal troubles, leaving them for the next tenant does not benefit the original tenant, and selling the cases

# 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://californiarealestatebroker.examzify.com>**

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

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