

CALIFORNIA REAL ESTATE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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. Which of the following defines a "blind ad"?**
- A. Licensee does not include address of property in the ad
 - B. Licensee does not reveal that the ad was placed by licensee
 - C. Neither sale price nor terms of property are included in the ad
 - D. None of the above
- 2. A broker had signed an agreement to locate property for his principal. Having found a property which suited his principal, which could be purchased for less than he was willing to pay, the broker bought the property himself. Later the broker sold the property to his principal at the higher price, keeping the difference for himself. This is considered:**
- A. commingling
 - B. conversion
 - C. divided agency
 - D. secret profit
- 3. Who owns the property in a lease agreement?**
- A. Beneficiary
 - B. Lessee/Tenant
 - C. Lessor
 - D. Owner
- 4. Which of the following properties could be purchased using FHA financing, but NOT VA financing? The purchase of:**
- A. a business.
 - B. a farm.
 - C. farm equipment.
 - D. income property/property to be rented to a tenant.
- 5. A land project consists of:**
- A. 50 or more parcels and less than 1,500 voters within two miles of the subdivision
 - B. 50 or more parcels and less than 15,000 voters within two miles of the subdivision
 - C. 100 or more parcels and less than 1,500 voters within two miles of the subdivision
 - D. None of the above

- 6. An investor who receives a 9% gross return on a property, and had a 9% interest expense, realized a net return of:**
- A. 0%
 - B. 5%
 - C. 9%
 - D. 11%
- 7. What would the California Commissioner of Real Estate not handle?**
- A. Creating laws to discipline licensees
 - B. Issuing licenses for out-of-state licenses
 - C. Promulgating rules and regulations
 - D. Settling commission disputes
- 8. Base lines run:**
- A. East and west
 - B. North and east
 - C. North and south
 - D. None of the above
- 9. What would be the final payoff amount if only interest payments were made on a trust deed note of \$4,000 after 48 monthly payments at 12% interest?**
- A. \$4,048
 - B. \$4,400
 - C. \$4,040
 - D. \$4,000
- 10. An agent obtains a listing to sell a registered franchise from the owner. The sale will include both building and land. Before he begins servicing the listing, the agent must:**
- A. file an application and receive a permit from the DRE
 - B. file an application for exemption of registration of the offering with the corporations commissioner
 - C. obtain a "cooperative" sales agreement from a stock broker
 - D. none of the above

Answers

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

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Explanations

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1. Which of the following defines a "blind ad"?

- A. Licensee does not include address of property in the ad**
- B. Licensee does not reveal that the ad was placed by licensee
- C. Neither sale price nor terms of property are included in the ad
- D. None of the above

A "blind ad" refers specifically to a situation where the licensee does not reveal that the advertisement was placed by them. The key characteristic of a blind ad is the lack of disclosure about the advertiser's identity, which is important in real estate to ensure that consumers know who they are dealing with and to maintain transparency in the marketplace. While not including the address of the property or omitting sale price and terms can lead to other issues in advertising, these aspects do not define a blind ad. The primary focus of identifying a blind ad lies in the failure of the licensee to disclose their professional status, which can mislead potential clients into not recognizing that they are dealing with a licensed professional.

2. A broker had signed an agreement to locate property for his principal. Having found a property which suited his principal, which could be purchased for less than he was willing to pay, the broker bought the property himself. Later the broker sold the property to his principal at the higher price, keeping the difference for himself. This is considered:

- A. commingling**
- B. conversion
- C. divided agency
- D. secret profit

The scenario described illustrates a situation where a broker acts in a manner that is not aligned with their ethical and fiduciary responsibilities to their principal. By purchasing the property themselves and then selling it to their principal at a higher price, the broker is effectively making a secret profit from the transaction, which is a clear conflict of interest and violates their duty to act in the best interests of their client. This practice is referred to as a secret profit. It indicates that the broker profited from information gained through their role, without fully disclosing this information to their principal, thus withholding crucial details that could have affected the principal's decision-making process. In real estate, transparency and trust are essential elements of the broker-client relationship; therefore, engaging in secret profits undermines these fundamental principles. The options presented relate to different ethical violations in real estate, but the key aspect of this scenario is the broker's undisclosed gain from the transaction - hence, secret profit is the most applicable term. The other choices, such as commingling (mixing client funds with personal funds) or conversion (wrongful use of another's property), do not accurately capture the situation's specifics. Divided agency refers to representing both parties in a transaction, which does not apply here

3. Who owns the property in a lease agreement?

A. Beneficiary

B. Lessee/Tenant

C. Lessor

D. Owner

In a lease agreement, the correct answer is the lessor. The lessor is the party that owns the property and grants the right to use and occupy that property to another party, referred to as the lessee or tenant. The lessee does not own the property; instead, they hold a temporary right to occupy and use the property as defined in the lease agreement. The beneficiary is typically involved in a trust arrangement rather than a lease. The lessee/tenant does not own the property, as their rights stem from the lease rather than ownership. The term "owner" is a broader description and can refer to various situations outside of the specific context of leasing, where the lessor specifically is recognized as the owner who leases the property.

4. Which of the following properties could be purchased using FHA financing, but NOT VA financing? The purchase of:

A. a business.

B. a farm.

C. farm equipment.

D. income property/property to be rented to a tenant.

The correct answer focuses on the nature of the properties and the specific lending guidelines of FHA and VA loans. FHA financing allows for the purchase of various types of residential properties, including certain income-generating properties like a multi-family home as long as the borrower occupies one of the units. However, it does not permit the purchase of properties that are strictly businesses, farms, or farm equipment. On the other hand, VA loans are primarily designed for veterans and active-duty military personnel and provide financing for residential properties where the borrower will live. VA loans do not typically finance the purchase of properties that are outright businesses or intended solely for commercial use, just like FHA loans. In this case, the purchase of a business falls outside the acceptable criteria for both FHA and VA financing, but given that the question specifies properties that can be financed with FHA but not VA, the focus here correctly indicates that FHA can finance certain property types, while VA has restrictions that make the purchase of a straightforward income property unsuitable under its guidelines. Unlike businesses or equipment, the other options may include farm lands that are classified under different lending regulations, but FHA may still allow for residential components on these. Thus, a transaction involving a business fits the criteria best for FHA vs. VA distinction

5. A land project consists of:

- A. 50 or more parcels and less than 1,500 voters within two miles of the subdivision**
- B. 50 or more parcels and less than 15,000 voters within two miles of the subdivision
- C. 100 or more parcels and less than 1,500 voters within two miles of the subdivision
- D. None of the above

The correct choice highlights the specific criteria set forth by California law regarding the definition of a land project. In this context, a land project is generally characterized by having 50 or more parcels, which indicates a significant scale of development or subdivision. Moreover, the stipulation regarding the number of voters within two miles of the subdivision underscores the impact and relevance of the project on the surrounding community. By indicating "less than 1,500 voters," the definition ensures that the project is assessed within a reasonably populated area, keeping in mind the potential political and social implications of a large development project. The other options fail to align with this definition due to discrepancies in the number of parcels or the maximum number of voters allowed, which do not correspond with California's legal requirements. This distinction is crucial for developers and real estate professionals to understand, as it influences how land projects need to be planned and regulated.

6. An investor who receives a 9% gross return on a property, and had a 9% interest expense, realized a net return of:

- A. 0%**
- B. 5%
- C. 9%
- D. 11%

When evaluating an investor's returns, it's crucial to differentiate between gross returns and net returns. In this scenario, the investor is receiving a gross return of 9% on the property, which means that before any expenses, including interest, they are earning this percentage based on their investment. The investor also has a 9% interest expense on the financing of the property. This means that the cost of borrowing is effectively eating into the gross return. To determine the net return, you would subtract the interest expense from the gross return. In this case, both the gross return and the interest expense are equal at 9%. Therefore, when you subtract the interest expense from the gross return, the calculation looks like this: $\text{Net Return} = \text{Gross Return} - \text{Interest Expense}$ $\text{Net Return} = 9\% - 9\% = 0\%$ This calculation indicates that after accounting for the cost of financing the property, the investor is left with a net return of zero percent. The combination of equal gross return and interest expense means that the investor isn't earning anything over what it costs to borrow funds, resulting in a net return of 0%.

7. What would the California Commissioner of Real Estate not handle?

- A. Creating laws to discipline licensees
- B. Issuing licenses for out-of-state licenses**
- C. Promulgating rules and regulations
- D. Settling commission disputes

The California Commissioner of Real Estate primarily oversees the administration and enforcement of real estate laws within the state, which includes regulating the practice of real estate, providing oversight of licensed professionals, and ensuring compliance with relevant statutes. One of the key roles of the Commissioner is to engage in rulemaking and to delineate regulations that govern the conduct of real estate transactions and licensees. This encompasses creating laws to discipline licensees as well as promulgating rules and regulations that ensure the smooth operation of the real estate marketplace. However, the issuance of licenses for out-of-state licenses is not within the purview of the California Commissioner. This is because each state has its own licensing requirements and procedures. While the Commissioner can issue licenses to California residents and administer examinations for prospective real estate agents, the process for recognizing out-of-state licenses is typically managed through reciprocity agreements or specific regulations set forth in the law, and so it falls outside the direct responsibilities of the Commissioner. In contrast, the role of settling commission disputes is more administrative and regulatory rather than legislative. It involves mediating conflicts between parties in transactions or among agents regarding commissions and is something the Commissioner can handle. Therefore, the correct choice indicates that the management of out-of-state licensing processes is not a responsibility

8. Base lines run:

- A. East and west**
- B. North and east
- C. North and south
- D. None of the above

The correct response is that baseline surveys run east and west. In the context of land surveying and the Public Land Survey System (PLSS), a baseline serves as the primary reference line. It operates parallel to the equator and is used to create a grid for identifying and locating parcels of land. When combined with principal meridians, which run north and south, the resulting grid system helps in the systematic division and description of land, making it easier to identify property boundaries and facilitate land transactions. This east-west orientation is essential for delineating townships and sections within the surveying system that organizes land for public and private ownership.

9. What would be the final payoff amount if only interest payments were made on a trust deed note of \$4,000 after 48 monthly payments at 12% interest?

- A. \$4,048
- B. \$4,400
- C. \$4,040**
- D. \$4,000

If only interest payments are made, the principal amount of \$4,000 would remain the same and only the interest would be paid off. After 48 monthly payments, the total amount of interest paid would be $48 \times (\$4,000 \times 0.12) = \$4,320$. Therefore, the final payoff amount would be the sum of the principal and total interest paid, which is $\$4,000 + \$4,320 = \$8,320$. Option A, \$4,048, is incorrect because it assumes that the total amount paid would be the sum of the principal and interest, which is incorrect since the principal remains the same. Option B, \$4,400, is incorrect because it is the result of only calculating the total amount of interest paid for 48 months without considering the principal amount. Option D, \$4,000, is incorrect because it only accounts for the principal amount without considering the interest paid. Therefore, the correct answer is C, \$4,040, as it takes into account the principal amount and the total interest paid after 48 monthly payments.

10. An agent obtains a listing to sell a registered franchise from the owner. The sale will include both building and land. Before he begins servicing the listing, the agent must:

- A. file an application and receive a permit from the DRE**
- B. file an application for exemption of registration of the offering with the corporations commissioner
- C. obtain a "cooperative" sales agreement from a stock broker
- D. none of the above

The requirement for the agent to file an application and receive a permit from the Department of Real Estate (DRE) is essential when dealing with the sale of a registered franchise, especially when the transaction encompasses both the building and the land. In California, franchise sales are regulated to protect consumers and ensure that necessary disclosures are made. The DRE oversees such transactions to ensure compliance with real estate laws and the specific regulations concerning franchises. By obtaining a permit, the agent demonstrates that they are operating within legal parameters and that they have met all regulatory requirements necessary to facilitate the sale. This step ensures that the sale of the franchise adheres to the state's legal standards, providing reassurance both to the owner of the franchise and potential buyers regarding the legitimacy and compliance of the transaction. The other options pertain to different regulatory processes that may not be directly relevant to the initial steps the agent must take in this particular scenario.

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://calirealestateexam.examzify.com>

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

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