

Cannon Trust School Level I Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

SAMPLE

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

SAMPLE

- 1. Which term refers to a trust created by the terms of a will?**
 - A. Implied**
 - B. Testamentary**
 - C. Simple**
 - D. Abatement**

- 2. In the transfer 'A to B for life, then to C', which statement is true after the transfer?**
 - A. A has a fee simple interest.**
 - B. B has a reversionary interest.**
 - C. C has a remainder interest.**
 - D. C has a life estate.**

- 3. In a QTIP marital trust, the surviving spouse may be given various powers of appointment. Which of the following may be included for the surviving spouse to have maximum control available as a beneficiary of a QTIP while retaining election options for the executor?**
 - A. Only limited powers of appointment.**
 - B. Limited powers and the 5×5 power.**
 - C. Only general powers of appointment, except the 5x5 power.**
 - D. General powers including the 5×5 power.**

- 4. A trust stated orally or in writing, with the terms of the trust definitely prescribed.**
 - A. Simple**
 - B. Holographic**
 - C. Express**
 - D. Complex**

- 5. Which of the following is an income tax benefit of a partnership form of business ownership?**
 - A. Ordinary losses pass through to the partners.**
 - B. Income is taxed to the partnership.**
 - C. Partnership income is taxed in the year of receipt rather than on the fiscal year of the partnership.**
 - D. Retained earnings defer income recognition.**

- 6. Reducing reserve requirements is intended to:**
- A. Decrease the money supply.**
 - B. Increase the money supply.**
 - C. Cause immediate inflation.**
 - D. Have no impact.**
- 7. Which term describes a reduction of beneficiaries' shares when funds are insufficient to pay all?**
- A. Abatement**
 - B. Complex**
 - C. Intestate**
 - D. Simple**
- 8. Which term best describes ownership by two or more persons where, on the death of one owner, the share passes to the heirs rather than surviving owners?**
- A. Tenancy in Common**
 - B. Joint Tenancy**
 - C. Living Trust**
 - D. Real Property**
- 9. A trust established by the terms of a will.**
- A. Express**
 - B. Implied**
 - C. Complex**
 - D. Testamentary**
- 10. What term refers to a future interest that comes into existence after the termination of a prior interest?**
- A. Life Interest**
 - B. Remainder**
 - C. Joint Tenancy**
 - D. Gift Splitting**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which term refers to a trust created by the terms of a will?

A. Implied

B. Testamentary

C. Simple

D. Abatement

A testamentary trust is created by the terms of a will and comes into existence after the decedent's death, once the will is probated and the trust is funded according to its provisions. This distinguishes it from an implied trust, which arises from actions or circumstances rather than a written instrument; a simple trust, which concerns the tax treatment and requirement to distribute income annually; and abatement, which is the reduction of bequests when the estate cannot satisfy all gifts. So the term that matches "trust created by the terms of a will" is testamentary.

2. In the transfer 'A to B for life, then to C', which statement is true after the transfer?

A. A has a fee simple interest.

B. B has a reversionary interest.

C. C has a remainder interest.

D. C has a life estate.

Understanding life estates and remainders helps here: when land is given "to B for life, then to C," B holds a life estate and C holds a remainder that will become possessory after B dies. There is no remaining interest for A, since the grant conveys away A's ownership and does not keep a future interest. A reversion would occur only if the grantor (A) reserved some future interest, which isn't the case here. C's interest is a remainder, a future right to take possession after the life estate ends. So C has a remainder interest. The other options don't fit: B does not have a reversion, A does not retain a fee simple, and C does not have a life estate.

3. In a QTIP marital trust, the surviving spouse may be given various powers of appointment. Which of the following may be included for the surviving spouse to have maximum control available as a beneficiary of a QTIP while retaining election options for the executor?
- A. Only limited powers of appointment.
 - B. Limited powers and the 5×5 power.**
 - C. Only general powers of appointment, except the 5x5 power.
 - D. General powers including the 5×5 power.

In a QTIP trust, you want the surviving spouse to have real ability to direct how the trust assets are used, but you also need to keep the power structure tight enough so the trust still qualifies for the marital deduction and the executor can elect QTIP treatment when appropriate. Giving the surviving spouse limited powers of appointment provides substantial control over distributions and who ultimately may receive trust assets, without making the power completely unfettered. The 5×5 power adds a further broad option for appointing the trust property, but it is restricted in a way that keeps it from turning into a fully general power. Together, these elements give the surviving spouse significant influence as a beneficiary while preserving the executor's ability to make the QTIP election. If you relied only on limited powers, control wouldn't be maximized; if you used only broad general powers (even with a 5×5), the structure could jeopardize the QTIP election. The combination therefore best balances maximum usable control for the surviving spouse with the necessary safeguards for the executor's election rights.

4. A trust stated orally or in writing, with the terms of the trust definitely prescribed.
- A. Simple
 - B. Holographic
 - C. Express**
 - D. Complex

This item is testing how a trust is created. An express trust comes from the settlor's explicit declaration of a trust, either orally or in writing, with clear and definite terms about who holds the property, who benefits, and how the trust will be managed. The phrase that the terms are definitely prescribed signals that there is a precise, express description of the trust's duties and beneficiaries, which is the hallmark of an express trust. By contrast, simple versus complex describe how benefits are distributed rather than how the trust is created, and holographic refers to a specific handwritten form of a trust instrument rather than the basic criterion of express creation. So the description fits an express trust.

5. Which of the following is an income tax benefit of a partnership form of business ownership?
- A. Ordinary losses pass through to the partners.**
 - B. Income is taxed to the partnership.**
 - C. Partnership income is taxed in the year of receipt rather than on the fiscal year of the partnership.**
 - D. Retained earnings defer income recognition.**

The main idea here is pass-through taxation. In a partnership, the business itself usually doesn't pay income tax at the entity level. Instead, profits and losses flow through to the partners, so ordinary losses can be used by each partner to reduce their own taxable income on their personal tax returns. That is the clear tax advantage of the partnership form. Why the other statements aren't benefits: if income were taxed to the partnership, that would imply entity-level taxation, which isn't how partnerships work. The notion that partnership income is taxed in the year of receipt rather than the partnership's fiscal year doesn't reflect how pass-through taxation assigns income to the partners for their own tax years. And retained earnings don't defer income recognition in a partnership—the partners are taxed on their share of the partnership's income when it's earned, regardless of whether profits are distributed.

6. Reducing reserve requirements is intended to:
- A. Decrease the money supply.**
 - B. Increase the money supply.**
 - C. Cause immediate inflation.**
 - D. Have no impact.**

This question tests how reserve requirements affect the money supply. Reserve requirements tell banks what fraction of deposits they must hold as reserves. When the requirement is reduced, banks have more funds available to lend. As banks issue new loans, those loans become new deposits, and the money circulating in the economy increases because deposits expand beyond the original reserves. This is the core idea behind the money multiplier: lower reserve requirements raise the potential for creating money through lending, so the intended outcome is to increase the money supply. It doesn't guarantee immediate inflation or imply no impact—the change mainly shifts the supply of money upward by enabling more lending and spending over time.

7. Which term describes a reduction of beneficiaries' shares when funds are insufficient to pay all?

- A. Abatement**
- B. Complex**
- C. Intestate**
- D. Simple**

Abatement is the process by which a estate's gifts to beneficiaries are reduced when there aren't enough assets to pay everything in full. After debts and administrative expenses are covered, if the remaining funds aren't enough to satisfy all bequests, the distributions are lowered so the total fits the available assets, following the rules in the will or by law. A simple way to picture it: if gifts total \$1,000 but only \$600 remains, the distributions are scaled back to use just the \$600. This concept explains why some bequests aren't paid in full. The other terms don't describe this situation. Intestate means dying without a valid will, which is about the absence of instructions rather than the handling of limited funds. Simple and Complex are general descriptors and don't refer to the specific process of reducing beneficiaries' shares due to insufficient funds.

8. Which term best describes ownership by two or more persons where, on the death of one owner, the share passes to the heirs rather than surviving owners?

- A. Tenancy in Common**
- B. Joint Tenancy**
- C. Living Trust**
- D. Real Property**

Tenancy in common is the arrangement where two or more people own the property with distinct, transferable shares and no right of survivorship. Because there is no survivorship, when one owner dies, their specific share goes to their heirs or estate rather than automatically to the surviving co-owners. This means you can have unequal shares, and each owner can bequeath or transfer their portion independently. In contrast, joint tenancy includes a right of survivorship, so the deceased owner's share would pass to the remaining owners. The other options describe different concepts: a living trust is a trust-based way of holding property, not a simple co-ownership form, and real property refers to the property itself, not the method of ownership.

9. A trust established by the terms of a will.

- A. Express**
- B. Implied**
- C. Complex**
- D. Testamentary**

When a trust is created by the terms of a will, it is called a testamentary trust. It comes into existence at the testator's death, once the will is probated, and assets from the estate are placed into the trust to be managed and distributed by a trustee according to the will's instructions. This type of trust contrasts with an express trust, which is created during the grantor's lifetime by a trust instrument, and with an implied trust, which arises by operation of law even without a written agreement. A complex trust is a tax or administrative classification rather than a way the trust is created.

10. What term refers to a future interest that comes into existence after the termination of a prior interest?

A. Life Interest

B. Remainder

C. Joint Tenancy

D. Gift Splitting

This question tests understanding of a future interest that takes effect after the current estate ends. A remainder is exactly that: a future interest created in a transferee that will become possessory immediately when the preceding estate terminates. For example, if property is conveyed "to A for life, then to B," A has the life estate, and B holds a remainder that becomes possessory when A dies. This differs from a life estate, which is a present interest held for the duration of someone's life and ends rather than waiting for a future event to occur. Joint tenancy is a form of concurrent ownership, not a future interest, and gift splitting is a tax concept, not about future property interests. So the term that fits the description is remainder.

SAMPLE

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://cannontrustschoollvl1.examzify.com>

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

SAMPLE