

CAS 45-Hour Real Estate Principles Course Practice Test (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 might Shana receive from her mother as part of a devise?**
 - A. A life insurance policy**
 - B. Her mother's farm**
 - C. A monetary inheritance**
 - D. A share in a business**
- 2. If a landlord refuses to rent an apartment to two single women living together, this is discrimination based on which federally protected class?**
 - A. Race**
 - B. Sex**
 - C. Religion**
 - D. National origin**
- 3. What are the three main types of property ownership?**
 - A. Freehold, leasehold, and cooperative**
 - B. Commercial, residential, and industrial**
 - C. Tenancy, joint ownership, and sole ownership**
 - D. Condominium, apartment, and bungalow**
- 4. Why are limited liability companies and limited liability partnerships considered favorable forms of business?**
 - A. They provide indefinite lifespan**
 - B. They require a general partner**
 - C. They don't require a general partner**
 - D. They are free from state regulations**
- 5. What is the maximum amount that will be paid out of the Recovery Account for a transaction?**
 - A. \$25,000**
 - B. \$50,000**
 - C. \$75,000**
 - D. \$100,000**

6. What does "property management" entail?

- A. The preparation of financial statements for properties**
- B. The operation, control, maintenance, and oversight of real estate properties**
- C. The process of buying and selling properties**
- D. The legal documentation related to property sales**

7. In real estate terms, what does the abbreviation "LTV" stand for?

- A. Loan Terminology Value**
- B. Loan To Value**
- C. Land Transfer Value**
- D. Loan Transaction Volume**

8. Which of the following best describes earnest money?

- A. A non-refundable fee paid to the seller**
- B. A deposit to demonstrate buyer's seriousness**
- C. A mandatory fee buyers must pay**
- D. A portion of closing costs**

9. Which covenant term indicates that the grantor has both the legal capacity and title to convey?

- A. Right to convey**
- B. Right of way**
- C. Right to use**
- D. Right of first refusal**

10. What is the significance of property taxes?

- A. They are optional payments made by homeowners**
- B. Taxes levied on real property that fund local government services**
- C. Taxes that can be ignored if the property is rented**
- D. Taxes that only apply to commercial properties**

Answers

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

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Explanations

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1. What might Shana receive from her mother as part of a devise?

- A. A life insurance policy**
- B. Her mother's farm**
- C. A monetary inheritance**
- D. A share in a business**

In the context of estate planning and inheritance, a "devise" specifically refers to the transfer of real property through a will. When a property owner bequeaths real estate to someone in their will, that property is said to be devised. Therefore, if Shana is set to receive her mother's farm, it means that the farm has been specifically designated in her mother's will to be transferred to Shana upon her mother's passing. Other choices like a life insurance policy, monetary inheritance, or a share in a business do not classify as a devise since they generally pertain to personal property or financial assets rather than real estate. Those assets might be distributed through different means, often outside of how a devise functions in terms of real property. Thus, the farm stands out as the correct choice, as it directly aligns with the legal definition of a devise.

2. If a landlord refuses to rent an apartment to two single women living together, this is discrimination based on which federally protected class?

- A. Race**
- B. Sex**
- C. Religion**
- D. National origin**

Discrimination against two single women living together falls under the classification of sex discrimination. The Fair Housing Act prohibits discrimination on the basis of sex, which includes treating individuals differently in housing situations due to their gender. In this case, the landlord's refusal to rent to two women specifically highlights a bias based on their sex, as equal treatment would entail allowing individuals of any gender to live together without prejudice. This scenario showcases how sex can be a determining factor in housing decisions, demonstrating a violation of their rights under fair housing laws. The other classes listed, such as race, religion, and national origin, while also protected categories under the Fair Housing Act, do not apply to the situation of the landlord's refusal based solely on the tenants being women.

3. What are the three main types of property ownership?

- A. Freehold, leasehold, and cooperative**
- B. Commercial, residential, and industrial**
- C. Tenancy, joint ownership, and sole ownership**
- D. Condominium, apartment, and bungalow**

The three main types of property ownership—freehold, leasehold, and cooperative—represent distinct legal frameworks governing how individuals can possess property. Freehold ownership refers to the complete ownership of a property and the land it sits on, generally perceived as the highest form of property ownership. This means the owner has an indefinite duration of interest, providing them with full rights to use, sell, or develop the property as they see fit. Leasehold ownership involves a temporary right to occupy or use a property, where the owner holds a lease from the freeholder for a specific term. After the lease expires, ownership of the property returns to the freeholder, indicating a limited duration of rights when compared to freehold ownership. Cooperative ownership (or co-op) is a type where individuals own shares in a corporation that owns the property, rather than owning the property directly. Members have the right to use a designated space within the property, and the cooperative collectively owns and maintains the building, demonstrating a unique communal ownership structure. Understanding these three types provides a solid foundation for grasping how real property rights are structured and transferred in real estate, which is critical knowledge for real estate professionals.

4. Why are limited liability companies and limited liability partnerships considered favorable forms of business?

- A. They provide indefinite lifespan**
- B. They require a general partner**
- C. They don't require a general partner**
- D. They are free from state regulations**

Limited liability companies (LLCs) and limited liability partnerships (LLPs) are favored forms of business primarily because they do not require a general partner. This characteristic allows for more flexibility in the management structure of the business. In an LLC, members can choose to manage the company themselves or appoint managers, while in an LLP, partners generally have limited responsibilities for the liabilities of the partnership. This structure enables individuals to participate in management without being personally liable for the company's debts and obligations, which is an appealing option for many entrepreneurs and professionals. While the indefinite lifespan and the absence of state regulations are noteworthy considerations, they do not apply uniformly across all jurisdictions or business structures. The requirement of a general partner would mean accepting a level of personal liability that is typically avoided through these types of business arrangements, making the option of not requiring a general partner particularly advantageous.

5. What is the maximum amount that will be paid out of the Recovery Account for a transaction?

- A. \$25,000
- B. \$50,000**
- C. \$75,000
- D. \$100,000

In real estate transactions, the Recovery Account serves to protect consumers from losses due to the actions of licensed real estate professionals. The maximum amount payable from this account for a single transaction is established by law to provide a safety net for consumers. The reason the correct answer is \$50,000 pertains to specific legal provisions surrounding the Recovery Account. This limit is set to ensure that consumers can seek recourse for losses incurred due to a real estate agent's negligence, fraud, or misrepresentation. The amount reflects a balance, offering substantial financial protection while also maintaining a sustainable fund. The other options do not align with the established statutory limit, as they suggest maximum payouts that exceed the \$50,000 cap, which would not conform to regulatory guidelines. By understanding this limit, real estate practitioners and consumers alike recognize the protections in place within the industry, reaffirming the importance of ethical practices and accountability among licensed agents.

6. What does "property management" entail?

- A. The preparation of financial statements for properties
- B. The operation, control, maintenance, and oversight of real estate properties**
- C. The process of buying and selling properties
- D. The legal documentation related to property sales

Property management encompasses a wide range of responsibilities centered on the effective operation and oversight of real estate properties. This function includes not only managing day-to-day operations, but also ensuring that properties are well-maintained, financially viable, and compliant with relevant laws and regulations. The duties involved in property management can include rent collection, tenant relations, property maintenance, budgeting, and implementing safety measures. Additionally, property managers may be responsible for marketing the property to potential tenants, addressing tenant complaints, and ensuring that the property meets all legal standards. This holistic approach is essential to maximizing the value and profitability of real estate investments. In contrast, preparation of financial statements, buying and selling properties, and legal documentation related to property sales, although important aspects of the real estate industry, do not encompass the comprehensive nature of property management. These activities are typically handled by professionals in finance, real estate sales, or legal fields and are therefore distinct from the daily operations and strategic oversight that property management entails.

7. In real estate terms, what does the abbreviation “LTV” stand for?

- A. Loan Terminology Value**
- B. Loan To Value**
- C. Land Transfer Value**
- D. Loan Transaction Volume**

The abbreviation “LTV” stands for Loan To Value. This term is a critical concept in real estate financing and is used to assess the risk of a mortgage loan. The LTV ratio is calculated by dividing the amount of the loan by the appraised value of the property being purchased. A lower LTV ratio often indicates less risk to lenders because it suggests that the borrower has more equity in the property. For example, if a borrower is buying a home valued at \$200,000 and is securing a loan of \$160,000, the LTV would be 80% (160,000 divided by 200,000). LTV is vital because it affects the borrower's interest rate, mortgage insurance requirements, and the overall loan approval process. Understanding LTV helps both lenders and borrowers gauge financial stability and property investment quality, making it an essential term in real estate transactions.

8. Which of the following best describes earnest money?

- A. A non-refundable fee paid to the seller**
- B. A deposit to demonstrate buyer's seriousness**
- C. A mandatory fee buyers must pay**
- D. A portion of closing costs**

Earnest money is best described as a deposit made by the buyer to demonstrate their seriousness and intent to purchase a property. This deposit serves as a sign of good faith to the seller, indicating that the buyer is genuinely interested in the transaction. It helps to secure the property while negotiations are ongoing, and typically, this money is held in an escrow account until the sale is finalized. If the deal goes through, the earnest money is often applied to the buyer's closing costs or down payment. The other options do not accurately capture the purpose and nature of earnest money. For example, while earnest money can sometimes be non-refundable under specific circumstances, it is generally refundable if certain conditions are not met. Additionally, it is not a mandatory fee for all buyers to pay in every situation, nor is it considered a portion of closing costs specifically. Understanding that earnest money is fundamentally about demonstrating commitment to the purchase is crucial for both buyers and sellers in a real estate transaction.

9. Which covenant term indicates that the grantor has both the legal capacity and title to convey?

- A. Right to convey**
- B. Right of way**
- C. Right to use**
- D. Right of first refusal**

The term that indicates the grantor has both the legal capacity and title to convey is known as the "Right to convey." This covenant assures the grantee that the person transferring the property has the legal authority to do so and that they hold clear title to the property being conveyed. This is crucial in real estate transactions as it protects the grantee from future claims on the property that might arise from the grantor's lack of authority or title issues. In contrast, the other options relate to different legal concepts. For example, "Right of way" generally pertains to the legal right to pass through property owned by another, which does not address the grantor's capacity or title. "Right to use" refers to permissions granted for the use of a property, which also does not imply anything about the grantor's ability to convey ownership. The "Right of first refusal" gives a party the first opportunity to purchase a property before it is offered to others, but it does not involve issues of title or legal authority in conveying ownership. Thus, "Right to convey" stands out as the term that directly specifies the legal capacity and title aspect of the grantor's abilities in a property transaction.

10. What is the significance of property taxes?

- A. They are optional payments made by homeowners**
- B. Taxes levied on real property that fund local government services**
- C. Taxes that can be ignored if the property is rented**
- D. Taxes that only apply to commercial properties**

Property taxes play a critical role in funding essential services provided by local governments. They are compulsory assessments levied against real property, including residential and commercial properties, which then contribute to the local economy. The revenue generated from these taxes is used to support various community services such as public schools, fire and police departments, road maintenance, parks, and other infrastructure improvements. Understanding the significance of property taxes is vital for homeowners and investors alike, as failing to pay these taxes can result in penalties, interest, or even the loss of property through tax foreclosure. Therefore, recognizing that these taxes are necessary and non-negotiable is crucial for responsible property ownership and community support.

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://cas45hrrealestateprinciples.examzify.com>

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

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