

Champions Law of Agency Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

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- 1. What happens during ratification in an agency relationship?**
 - A. The principal rejects the agent's actions**
 - B. The agent loses their authority**
 - C. The principal accepts previously unauthorized actions**
 - D. The agency relationship is terminated**

- 2. What is a real estate "escrow"?**
 - A. A loan secured by the property being sold**
 - B. A process where funds are held by a third party until conditions are met**
 - C. An agreement between buyers and sellers regarding price**
 - D. A legal document confirming a property sale**

- 3. Which element is NOT a requirement for forming an agency relationship?**
 - A. A mutual agreement**
 - B. Written document**
 - C. Control by the principal**
 - D. A fiduciary duty**

- 4. According to TREC advertising rules, which of the following is NOT considered an advertisement?**
 - A. Communication from a licensee to his or her client**
 - B. Online listings**
 - C. Print media ads**
 - D. Billboard advertisements**

- 5. What is a signed employment agreement necessary for?**
 - A. Setting commission rates**
 - B. Organizing training sessions**
 - C. Determining office space**
 - D. Suing for commission**

6. What is a common reason for disputes over commissions?

- A. Miscommunication about service fees**
- B. Lack of a written agreement**
- C. Overpromised property features**
- D. Client's refusal to pay sales tax**

7. What must be disclosed to clients regarding any potential conflicts of interest?

- A. Only to the seller**
- B. Only to the buyer**
- C. To both clients**
- D. No disclosure is needed**

8. What must all agency agreements include?

- A. Only the agent's name**
- B. The details of the compensation structure only**
- C. The principal's goals and obligations**
- D. An outline of agency duties and responsibilities**

9. What ethical considerations are expected from agents in agency law?

- A. Promise of confidentiality only**
- B. Honesty, integrity, transparency, and acting in clients' best interests**
- C. Prioritizing agency profit over client welfare**
- D. Flexibility in obligations to enhance profitability**

10. What constitutes a termination by operation of law?

- A. Mutual agreement between agent and principal**
- B. Legal events like death or bankruptcy**
- C. Agent's misconduct during the agency**
- D. Expiration of the contract duration**

Answers

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

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Explanations

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1. What happens during ratification in an agency relationship?

- A. The principal rejects the agent's actions**
- B. The agent loses their authority**
- C. The principal accepts previously unauthorized actions**
- D. The agency relationship is terminated**

In an agency relationship, ratification occurs when the principal accepts actions taken by the agent that were not authorized at the time those actions were performed. This acceptance retroactively validates the actions of the agent, making them binding on the principal as if they had originally authorized them. This is significant because it allows the principal to benefit from favorable actions taken by the agent, even if they were outside the scope of the agent's initial authority. It also helps to maintain the integrity and effectiveness of the agency relationship, acknowledging that the actions taken can align with the principal's interests after the fact. Other options do not accurately describe ratification. Rejection of the agent's actions pertains to the opposite of ratification, while losing authority and termination of the agency relationship suggest a breakdown or discontinuation of the relationship rather than a validation of actions. Thus, the correct choice emphasizes the acceptance aspect of ratification, illustrating how it empowers the principal to embrace previously unauthorized actions.

2. What is a real estate "escrow"?

- A. A loan secured by the property being sold**
- B. A process where funds are held by a third party until conditions are met**
- C. An agreement between buyers and sellers regarding price**
- D. A legal document confirming a property sale**

The concept of "escrow" in real estate refers to a process where a neutral third party holds assets, typically funds or documents, on behalf of the buyer and seller during a transaction until certain specified conditions are met. This arrangement helps ensure that both parties fulfill their obligations before the transaction is completed. For example, the buyer may need to secure financing or the seller might need to complete certain repairs, and the escrow process protects both parties by managing these requirements. This option accurately captures the essence of what escrow entails in real estate practice. It is crucial in managing trust between the parties involved and providing security for both the buyer and the seller, helping to facilitate a smooth transaction. The other choices presented do not define escrow correctly; they refer to related but distinct concepts in real estate transactions.

3. Which element is NOT a requirement for forming an agency relationship?

- A. A mutual agreement**
- B. Written document**
- C. Control by the principal**
- D. A fiduciary duty**

In forming an agency relationship, one critical aspect is that a mutual agreement exists between the principal and the agent. This agreement can arise through written documentation or verbal communication, meaning a formal written contract is not a strict requirement. Therefore, the absence of a written document does not prevent the establishment of an agency relationship as long as the other key elements are present, such as mutual consent, the ability of the principal to control the agent's actions, and the expectation that the agent will act in the best interest of the principal under a fiduciary duty. Control by the principal is important because it establishes the relationship whereby the agent acts on behalf of the principal. Similarly, a fiduciary duty is vital as it ensures that the agent must act loyally and in good faith, prioritizing the principal's interests over their own. Thus, the fact that not all agency relationships require a written document confirms that this element is indeed not a strict requirement for forming the relationship.

4. According to TREC advertising rules, which of the following is NOT considered an advertisement?

- A. Communication from a licensee to his or her client**
- B. Online listings**
- C. Print media ads**
- D. Billboard advertisements**

The correct choice signifies that communication between a licensee and their client does not fall under the category of advertisement as defined by TREC (Texas Real Estate Commission) advertising rules. Advertising typically involves efforts to promote services or listings to the general public, aiming to attract potential clients or customers. When a licensee communicates directly with their client, this interaction is seen as part of the professional relationship and not as an attempt to advertise services or property to a broader audience. This includes discussions about specific needs, preferences, or ongoing transactions. In contrast, online listings, print media ads, and billboard advertisements are all forms of advertising because they are intended to reach a wide audience, looking to inform or persuade individuals outside of an existing client relationship about property offerings or services. Each of these options actively seeks to generate interest and attract potential buyers or renters. Therefore, the distinction lies in the intent and audience of the communication, with direct client communication being personal and transactional rather than promotional.

5. What is a signed employment agreement necessary for?

- A. Setting commission rates**
- B. Organizing training sessions**
- C. Determining office space**
- D. Suing for commission**

A signed employment agreement serves as a formal contract between the employer and the employee, which can include various provisions and stipulations regarding the terms of employment. When it comes to the ability to sue for commission, having a signed agreement is crucial because it provides documented proof of the terms agreed upon regarding compensation. This legal backing is necessary to enforce the agreement and seek remedies in case of a dispute over commission payments. In the context of agency law, the employment agreement clearly establishes the rights and obligations of both parties, ensuring that the agent understands their compensation structure and the conditions under which they may earn commissions. Without this documentation, it can be challenging to prove entitlement to commission or enforce claims if disagreements arise. While setting commission rates, organizing training sessions, and determining office space are indeed important aspects of an employment relationship, they do not inherently require a signed agreement to the same extent as the right to sue for commission does. Those elements might be addressed in various ways within a relationship and may not hold the same legal weight as the formal contract in terms of legal recourse.

6. What is a common reason for disputes over commissions?

- A. Miscommunication about service fees**
- B. Lack of a written agreement**
- C. Overpromised property features**
- D. Client's refusal to pay sales tax**

Disputes over commissions often arise due to a lack of a written agreement. When the terms of commission, including rates, payment structures, and conditions of earning commissions, are not clearly documented, it can lead to misunderstandings between agents and clients. Without a written agreement, there may be differing interpretations of verbal agreements, or one party may not fully understand their obligations. This ambiguity can result in conflicts about whether the commission is owed, how much is due, and under what circumstances. Establishing a written agreement helps to set clear expectations and provides a reference point for both parties, thus minimizing the potential for disputes.

7. What must be disclosed to clients regarding any potential conflicts of interest?

- A. Only to the seller**
- B. Only to the buyer**
- C. To both clients**
- D. No disclosure is needed**

Clients must be informed about any potential conflicts of interest that may affect their decisions, and this disclosure is required for both clients involved in a transaction. The principle here is rooted in transparency and ethical conduct within agency practices. When an agent represents multiple clients, any conflict of interest can influence how the agent acts or advocates on behalf of each client. By disclosing these conflicts to both parties, the agent ensures that clients are fully informed and can make decisions that are in their best interest. This practice upholds the integrity of the agency relationship and maintains trust between the agent and clients. It also helps to avoid situations where one party might feel disadvantaged or misled, which can lead to disputes or legal issues. Thus, it is essential that all potential conflicts are communicated openly to both clients to foster a fair and equitable transaction.

8. What must all agency agreements include?

- A. Only the agent's name**
- B. The details of the compensation structure only**
- C. The principal's goals and obligations**
- D. An outline of agency duties and responsibilities**

An agency agreement must include an outline of agency duties and responsibilities because this is fundamental to defining the relationship between the parties involved. The agent must clearly understand the scope of their authority, the tasks they are expected to perform, and the standards they must adhere to while representing the principal. This clarity helps prevent misunderstandings and ensures that both parties are aligned on what is expected, which is critical in any agency relationship. In contrast, simply listing the agent's name or focusing only on the details of the compensation structure would be insufficient, as these elements do not encompass the comprehensive framework necessary for a functional agency relationship. While acknowledging the principal's goals and obligations is important, it is the duties and responsibilities that form the operational guidelines that govern the interactions and actions within the agency. This makes option D the most comprehensive answer to what must be included in all agency agreements.

9. What ethical considerations are expected from agents in agency law?

- A. Promise of confidentiality only**
- B. Honesty, integrity, transparency, and acting in clients' best interests**
- C. Prioritizing agency profit over client welfare**
- D. Flexibility in obligations to enhance profitability**

In agency law, agents are held to high ethical standards that are foundational to the fiduciary relationship they maintain with their clients. The correct answer encompasses several key principles that govern the behavior of agents. Honesty and integrity are paramount, as agents must provide truthful information and act in ways that uphold the trust placed in them by their clients. Transparency is also essential, implying that agents should disclose all relevant information that could impact the client's decisions or interests. Acting in the best interests of clients means that agents must prioritize their clients' needs above their own or any outside pressures, ensuring that the client's welfare is central to their actions. This includes avoiding conflicts of interest and making decisions that enhance the client's position rather than merely benefiting the agency or the agent themselves. In contrast, the other options suggest either limited ethical obligations or prioritize profits over client welfare, which contradicts the fundamental principles of agency law. Ethical considerations are comprehensive and require agents to be committed to serving their clients diligently and faithfully, making the correct answer a reflection of the core values expected of agents in their professional conduct.

10. What constitutes a termination by operation of law?

- A. Mutual agreement between agent and principal**
- B. Legal events like death or bankruptcy**
- C. Agent's misconduct during the agency**
- D. Expiration of the contract duration**

Termination by operation of law occurs when certain legal events automatically dissolve the agency relationship without the need for action by either the principal or the agent. This process is typically triggered by significant changes in circumstances that impact the agency. For instance, the death of either the principal or the agent, or the declaration of bankruptcy, are events that legally terminate the agency. These occurrences fundamentally alter the legal capacity or function of one party involved in the agency, which is why the law stipulates that the agency should come to an end. This is distinct from other forms of termination, such as through mutual agreement, where both parties actively decide to end the relationship, or through misconduct, which involves an action that breaches the terms of the agreement. Similarly, expiration of the contract duration is a planned termination that occurs at the end of a defined period rather than through unforeseen legal events. Thus, legal events like death or bankruptcy specifically align with the concept of termination by operation of law.

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://championslawagency.examzify.com>

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

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