

Champions Law of Agency 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

- 1. What does the "time is of the essence" clause in contracts signify?**
 - A. It allows flexible deadlines for contract obligations**
 - B. It indicates that deadlines are crucial and must be met**
 - C. It permits changes to deadlines at any time**
 - D. It suggests that timelines can be negotiated later**
- 2. What does the doctrine of respondeat superior establish?**
 - A. Agents are responsible for their own actions only**
 - B. Employers are liable for employees' actions in the scope of employment**
 - C. Principals have unlimited liability for agents' actions**
 - D. Independent contractors are treated like employees**
- 3. What is a disclosed principal?**
 - A. A principal whose identity is hidden from third parties**
 - B. A principal whose identity is known to third parties involved in a transaction**
 - C. A principal who is authorized to act on behalf of another**
 - D. A principal engaged in a dual agency**
- 4. What is the definition of the Law of Agency?**
 - A. A legal framework that governs the relationship between agents and principals**
 - B. A set of rules that dictate how contracts are formed**
 - C. A law that outlines the rights of consumers in business transactions**
 - D. A guideline for dispute resolution in business partnerships**
- 5. What might be considered deceptive or misleading in advertising?**
 - A. A brief advertisement**
 - B. Failure to remove an advertisement in a timely manner**
 - C. Being overly promotional**
 - D. Including testimonials**

- 6. What rights do principals have against their agents?**
- A. To demand salary increases at any time**
 - B. To hold agents accountable for breaches of duty**
 - C. To terminate agency relationships without cause**
 - D. To solicit business from other agents**
- 7. What is one of the primary purposes of the agency relationship?**
- A. To provide marketing leads for agents**
 - B. To ensure agents have the final say in transactions**
 - C. To facilitate a trusting relationship between clients and agents**
 - D. To limit the involvement of clients in the decision-making process**
- 8. What can an unlicensed assistant legally do?**
- A. Negotiate contracts**
 - B. Host an open house**
 - C. Provide legal advice**
 - D. Write listing agreements**
- 9. Agency authority that results from what is considered customary is known as?**
- A. Explicit authority**
 - B. Implied authority**
 - C. Limited authority**
 - D. General authority**
- 10. In which case does an agent not owe a fiduciary duty?**
- A. In relationships involving personal trust**
 - B. In professional partnerships**
 - C. In relationships that are purely transactional without investment of trust**
 - D. In long-term agency agreements**

Answers

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

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Explanations

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1. What does the "time is of the essence" clause in contracts signify?

- A. It allows flexible deadlines for contract obligations**
- B. It indicates that deadlines are crucial and must be met**
- C. It permits changes to deadlines at any time**
- D. It suggests that timelines can be negotiated later**

The "time is of the essence" clause in contracts signifies that deadlines are crucial and must be strictly adhered to. When this clause is included, it underscores the importance of timely performance in fulfilling the contractual obligations. This means that if a party fails to meet the specified deadlines, it may be considered a breach of contract, giving the other party the right to seek remedies, which could include damages or termination of the contract. In contexts where this clause is present, all parties involved should understand that any delay could undermine the contract's purpose, making punctuality not just a preference, but a fundamental requirement. This clear stipulation helps to avoid ambiguity regarding timelines and reinforces accountability among the parties involved.

2. What does the doctrine of respondeat superior establish?

- A. Agents are responsible for their own actions only**
- B. Employers are liable for employees' actions in the scope of employment**
- C. Principals have unlimited liability for agents' actions**
- D. Independent contractors are treated like employees**

The doctrine of respondeat superior establishes that employers can be held liable for the actions of their employees that occur in the scope of their employment. This legal principle is rooted in the idea that businesses should bear responsibility for the conduct of their employees while performing job-related duties. This concept supports the notion of holding employers accountable for the actions that their employees take when they are acting within their job roles or duties; for instance, if an employee causes harm to a client or another party while performing their job, the employer may be liable for that harm. In this context, other options convey different ideas. The first option suggests that agents are solely responsible for their actions, which does not account for the liability employers face under this doctrine when employees act within their employment. The third choice implies that principals have unlimited liability, which is not necessarily true as there are limits to liability based on the relationship and the actions taken. The fourth option states that independent contractors are treated like employees, which fundamentally misunderstands the distinctions between the two categories regarding liability and the scope of control an employer has. Thus, the correct answer encapsulates the essence of respondeat superior and its implications in employer-employee relationships.

3. What is a disclosed principal?

- A. A principal whose identity is hidden from third parties
- B. A principal whose identity is known to third parties involved in a transaction**
- C. A principal who is authorized to act on behalf of another
- D. A principal engaged in a dual agency

A disclosed principal is one whose identity is known to third parties involved in a transaction. This means that when an agent acts on behalf of the principal, the third parties are aware of who the principal is. This designation is important in agency law because it affects the liability and the rights of both the principal and the agent in transactions. When the principal is disclosed, third parties can interact with the principal directly if needed, and they understand that the agent is acting on behalf of that identifiable principal. This also allows for more security in transactions, as the parties involved are clear about who they are dealing with. The context of agency relationships is essential in understanding the implications of disclosed versus undisclosed principals, as it can impact the enforceability of contracts, potential legal liabilities, and the agents' authority in binding the principal in dealings with third parties.

4. What is the definition of the Law of Agency?

- A. A legal framework that governs the relationship between agents and principals**
- B. A set of rules that dictate how contracts are formed
- C. A law that outlines the rights of consumers in business transactions
- D. A guideline for dispute resolution in business partnerships

The definition of the Law of Agency pertains to the legal framework that establishes the relationship between agents and principals. In this context, an agent is a person authorized to act on behalf of another, known as the principal, in business dealings or legal matters. This body of law dictates how agents can represent principals, the extent of their authority, and the obligations both parties have towards one another. It encapsulates principles such as fiduciary duties, where agents must act in the best interests of their principals, and the concept of authority, which may be express, implied, or apparent. By understanding this definition, one can appreciate how the Law of Agency is crucial for ensuring that transactions are conducted ethically and effectively, creating a foundation for trust in business relationships. Other options, while relevant to the business field, do not specifically address the unique roles and responsibilities bestowed upon agents and principals which are central to the Law of Agency.

5. What might be considered deceptive or misleading in advertising?

- A. A brief advertisement**
- B. Failure to remove an advertisement in a timely manner**
- C. Being overly promotional**
- D. Including testimonials**

In the context of advertising, failure to remove an advertisement in a timely manner can be viewed as deceptive or misleading because it suggests that the promotion is current and relevant when it is not. Consumers rely on advertisements to provide them with accurate and timely information about products and services. If an advertisement is outdated—especially if it includes promotions or pricing that have changed—it could mislead consumers into believing they can access offers or information that is no longer valid. Timely removal of advertisements helps to maintain integrity and trust in the advertising process. If advertisers fail to do so, they could potentially harm consumers' decision-making processes, as well as their own reputations. Therefore, ensuring that all advertising materials reflect the current offerings is important not only for compliance with advertising standards but also for protecting consumer interests.

6. What rights do principals have against their agents?

- A. To demand salary increases at any time**
- B. To hold agents accountable for breaches of duty**
- C. To terminate agency relationships without cause**
- D. To solicit business from other agents**

Principals have the right to hold agents accountable for breaches of duty because agents owe certain fiduciary duties to their principals. This includes the duty of loyalty, the duty of care, and the duty to act in the best interests of the principal. If an agent fails to fulfill these duties—such as by acting in self-interest, failing to provide the necessary attention to the principal's affairs, or disclosing confidential information—the principal has the right to seek remedies for that breach. Remedies can include seeking damages, demanding accountings of profits made by the breach, or terminating the agency relationship. The other options do not accurately reflect the rights of principals in an agency relationship. For instance, principals can't unilaterally demand salary increases at any time, as compensation should be outlined in the agency agreement. While they have the right to terminate agency relationships, the termination is typically influenced by contractual obligations or the cause defined in the agreement, rather than being entirely without cause. Finally, while principals can engage with other agents, they don't have a right to solicit business from other agents as it might infringe on existing agreements or contractual obligations.

- 7. What is one of the primary purposes of the agency relationship?**
- A. To provide marketing leads for agents**
 - B. To ensure agents have the final say in transactions**
 - C. To facilitate a trusting relationship between clients and agents**
 - D. To limit the involvement of clients in the decision-making process**

The primary purpose of the agency relationship is to facilitate a trusting relationship between clients and agents. This relationship is foundational in various fields, including real estate, law, and finance, where clients rely on agents to act in their best interests. Trust is essential because clients often depend on the expertise, guidance, and favorable actions of the agent to navigate complex transactions or decisions. When a trusting relationship is established, clients feel more comfortable sharing sensitive information and are more open to the agent's recommendations, leading to more effective and satisfactory outcomes in managing their needs. Other options focus on aspects that are not central to the essence of agency relationships. Providing marketing leads may serve agents' interests but does not reflect the client's needs or the fundamental role of agency. Claiming that agents have the final say in transactions misrepresents the client-centered nature of agency, where the agent's role is to advise, not to decide unilaterally. Lastly, suggesting that the agency relationship limits client involvement contradicts the intention of empowering clients through their agents, which is achieved through trust and collaboration.

- 8. What can an unlicensed assistant legally do?**
- A. Negotiate contracts**
 - B. Host an open house**
 - C. Provide legal advice**
 - D. Write listing agreements**

An unlicensed assistant can legally host an open house because this activity does not require a real estate license. Hosting an open house involves facilitating the viewing of a property, which is typically viewed as a supportive task that does not include negotiating terms, providing legal advice, or creating binding agreements. Engaging in tasks such as negotiating contracts, providing legal advice, or writing listing agreements requires the expertise and licensure that comes with being a qualified real estate agent or broker. These activities involve legal responsibilities and implications that cannot be fulfilled by someone who is not licensed in real estate. Therefore, hosting an open house is a suitable and permissible activity for an unlicensed assistant, making this the correct answer.

9. Agency authority that results from what is considered customary is known as?

- A. Explicit authority**
- B. Implied authority**
- C. Limited authority**
- D. General authority**

Implied authority refers to the power that an agent has to perform actions that are necessary to fulfill their responsibilities, even if those actions are not specifically stated in their express authority. This authority arises from the customary practices and norms associated with a particular role or industry. For example, a real estate agent may not have explicit permission to pay for repairs on a property, but if it is customary for agents to do so in order to facilitate a sale, then they are granted implied authority to act in that manner. Recognizing implied authority is important in agency law because it ensures that agents can operate effectively without needing to seek explicit permission for every minor decision. The concept promotes fluidity in business operations, allowing agents to respond to situations grounded in standard practice. Understanding this authority helps both agents and principals navigate their roles and responsibilities more efficiently.

10. In which case does an agent not owe a fiduciary duty?

- A. In relationships involving personal trust**
- B. In professional partnerships**
- C. In relationships that are purely transactional without investment of trust**
- D. In long-term agency agreements**

An agent does not owe a fiduciary duty in situations that are purely transactional without an investment of trust. Fiduciary duty arises in relationships where one party places special trust and confidence in another to act on their behalf, typically requiring loyalty, care, and full disclosure. In purely transactional relationships, where decisions and actions are limited to specific transactions with no expectation of ongoing trust or reliance, this heightened duty of loyalty and care is not established. In contrast, relationships involving personal trust, professional partnerships, and long-term agency agreements typically involve an expectation that the agent will act in the best interest of the principal, creating the necessity for fiduciary responsibilities.

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!