

Colorado Broker Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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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	15

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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. Under Rule F, when an approved form exists, which statement is true?**
 - A. Brokers must use it.**
 - B. The brokerage firm's attorney may draft a similar form for general use.**
 - C. The exact language of approved forms may be modified by the broker.**
 - D. Clauses deleted from an agreement may be drafted as a general-use form.**

- 2. Conversion is defined as which of the following?**
 - A. The illegal use of one party's funds for the benefit of another party**
 - B. A legitimate transfer of funds between escrow accounts**
 - C. A loan modification process**
 - D. An error in title transfer**

- 3. In a transaction using a designated listing broker, which statement is most accurate?**
 - A. The seller's closing statement is prepared by the designated listing broker**
 - B. The buyer's closing statement is prepared by the lender**
 - C. The title company prepares both statements**
 - D. The buyer prepares the seller's closing statement**

- 4. When do Colorado broker licenses expire?**
 - A. On Jan 1**
 - B. Midnight on the broker's licensing anniversary date**
 - C. December 31**
 - D. End of license month**

- 5. If square footage of residential property is given, the SF Disclosure must be supplied by...**
 - A. The Seller**
 - B. The Listing Broker**
 - C. The Buyer**
 - D. The Title Company**

- 6. Regarding approved forms, which statement is correct?**
- A. The language can be altered by the broker to fit the transaction.**
 - B. The language of approved forms must be used exactly as approved by the Commission.**
 - C. The form may be translated into another language without approval.**
 - D. The form's language can include clauses not approved by the Commission.**
- 7. What is commingling in the context of trust accounts in real estate practice?**
- A. The improper mixing of operating account funds with trust account funds.**
 - B. Not removing earned commissions or fees from the trust account promptly.**
 - C. Failing to maintain a separate trust account for every client.**
 - D. Recording all trust transactions in the firm's general ledger.**
- 8. Who is responsible for the Seller's closing statement?**
- A. The Designated Listing Broker**
 - B. The Buyer's Agent**
 - C. The Lender**
 - D. The Title Company**
- 9. Sales price is a debit to the _____ and a credit to the _____.**
- A. Debit to the Buyer; Credit to the Seller**
 - B. Debit to the Seller; Credit to the Buyer**
 - C. Debit to the Buyer; Credit to the Buyer**
 - D. Debit to the Seller; Credit to the Seller**
- 10. What is the effect of a counteroffer in real estate negotiations?**
- A. It terminates the offer and creates a new one.**
 - B. The counteroffer must be attached to the original offer.**
 - C. The offeree must sign the counteroffer; does not sign the original offer.**
 - D. The seller must withdraw counteroffer to accept another offer.**

Answers

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

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Explanations

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1. Under Rule F, when an approved form exists, which statement is true?

A. Brokers must use it.

B. The brokerage firm's attorney may draft a similar form for general use.

C. The exact language of approved forms may be modified by the broker.

D. Clauses deleted from an agreement may be drafted as a general-use form.

Rule F ensures standardization by requiring the use of official approved forms whenever one exists. When an approved form is available, a licensee must use that form as written rather than drafting a new form, having someone else draft a similar form, or altering the approved language. This protects all parties with consistent, reviewed language. So the best choice reflects that brokers must use the approved form. The other options would undermine the standardized process: having an attorney draft a similar form, modifying the exact wording, or creating a new general-use form by deleting clauses are not permitted under Rule F. If there are approved addenda or riders, those may be used, but the base form itself must be used as approved.

2. Conversion is defined as which of the following?

A. The illegal use of one party's funds for the benefit of another party

B. A legitimate transfer of funds between escrow accounts

C. A loan modification process

D. An error in title transfer

Conversion in real estate practice means the unauthorized taking or use of funds that belong to a client and are held in trust by a licensee. When a broker receives earnest money, deposits, or other client funds, those funds must stay in a trust or escrow account and be used only for the purpose the client authorized. If the broker uses those funds for personal expenses or to benefit someone else without permission, that is conversion—theft of trust funds. This is illegal and can lead to serious consequences from the real estate commission, and may also involve civil or criminal penalties. The other scenarios described do not fit conversion. A legitimate transfer of funds between escrow accounts is a normal, permitted activity. A loan modification process is a separate transactional type, not about misusing funds. An error in title transfer is a title issue, not the improper use of client funds.

3. In a transaction using a designated listing broker, which statement is most accurate?

- A. The seller's closing statement is prepared by the designated listing broker**
- B. The buyer's closing statement is prepared by the lender**
- C. The title company prepares both statements**
- D. The buyer prepares the seller's closing statement**

In a designated listing broker arrangement, the listing broker represents the seller and handles the seller's side of the closing process, including the preparation of the seller's settlement documents. The seller's closing statement shows all credits and debits to the seller, prorations, and the net proceeds, and it's typically prepared by the party representing the seller—here, the designated listing broker. The lender doesn't prepare closing statements, and while the title company or escrow agent often coordinates or prepares closing statements, the emphasis in this scenario is that the seller's statement is prepared by the listing broker, which makes that choice the most accurate. The buyer's closing statement isn't prepared by the lender, and the buyer doesn't prepare the seller's closing statement.

4. When do Colorado broker licenses expire?

- A. On Jan 1**
- B. Midnight on the broker's licensing anniversary date**
- C. December 31**
- D. End of license month**

Licenses expire on the broker's licensing anniversary date, at midnight. The anniversary date is the date the license was issued (and is used for future renewals), so each new term ends on the same date in the next cycle. That precise cutoff—midnight on that anniversary date—ensures a clear boundary between active and expired status. Calendar dates like January 1 or December 31, or the end of a license month, don't align with the renewal cycle and aren't used to mark expiration. If renewal isn't completed by that midnight moment, the license typically becomes inactive until proper renewal is processed.

5. If square footage of residential property is given, the SF Disclosure must be supplied by...

- A. The Seller**
- B. The Listing Broker**
- C. The Buyer**
- D. The Title Company**

The listing broker provides the SF Disclosure because the broker who markets the property is responsible for supplying the factual disclosures that accompany the listing, including how square footage was determined. When square footage is given, the SF Disclosure documents the source and method of measurement, helping buyers assess reliability and protecting both parties from misstatement claims. The seller may provide information, but the duty to furnish this specific disclosure sits with the listing broker, not the buyer or title company.

6. Regarding approved forms, which statement is correct?

- A. The language can be altered by the broker to fit the transaction.
- B. The language of approved forms must be used exactly as approved by the Commission.**
- C. The form may be translated into another language without approval.
- D. The form's language can include clauses not approved by the Commission.

Using approved forms exactly as written is essential because these documents are standardized to ensure clear, consistent disclosures and rights for all parties. The Colorado Real Estate Commission approves the language to reflect current laws and best practices, so licensees may only fill in the blanks (names, dates, prices, property details) without changing the substantive wording. Any attempt to alter the text, remove clauses, or insert unapproved provisions could create misstatements or unintended commitments, which could harm either party and undermine enforceability. If a transaction needs language not included in the approved form, the proper approach is to use a Commission-approved addendum or obtain guidance from the Commission rather than modify the form itself. Translations must also be approved to ensure accuracy; without approval, a translated version isn't considered the approved form.

7. What is commingling in the context of trust accounts in real estate practice?

- A. The improper mixing of operating account funds with trust account funds.**
- B. Not removing earned commissions or fees from the trust account promptly.
- C. Failing to maintain a separate trust account for every client.
- D. Recording all trust transactions in the firm's general ledger.

Commingling is the act of mixing client trust funds with the broker's own operating money. In real estate practice, clients' funds — like earnest money or deposits held in trust — must stay separate from the firm's money and be kept in a designated trust account. Mixing those funds risks client money being used for firm expenses or disappearing, which breaches fiduciary duties and can lead to severe regulatory penalties. So why the other ideas aren't the same issue? Not removing earned commissions or fees promptly relates to timely and proper disbursement from the trust, not the inappropriate intermingling of funds. Failing to maintain a separate trust account for every client touches on recordkeeping and account structure, but many firms use one trust account with separate client ledgers rather than a separate bank account for each client; the problem described is the mixing of funds, not the ledger arrangement itself. Recording all trust transactions in the firm's general ledger is a bookkeeping matter that does not by itself imply that client funds have been commingled with operating funds.

8. Who is responsible for the Seller's closing statement?

- A. The Designated Listing Broker**
- B. The Buyer's Agent**
- C. The Lender**
- D. The Title Company**

The designated listing broker is responsible for the Seller's closing statement. In a transaction, the seller's closing statement details all credits and debits to the seller, including the commission, loan payoffs, prorations, and the net proceeds. The designated listing broker oversees the closing for the seller and ensures the statement is prepared, explained, and delivered to the seller for review and signature. While the actual numbers are typically generated by the title company or closing agent, the broker who represents the seller bears the responsibility to coordinate, verify accuracy, and communicate the details to the seller. The buyer's agent focuses on the buyer's side, the lender is involved in financing but not in preparing the seller's statement, and the title company handles the document preparation but the accountability to the seller lies with the listing broker.

9. Sales price is a debit to the _____ and a credit to the _____.

- A. Debit to the Buyer; Credit to the Seller**
- B. Debit to the Seller; Credit to the Buyer**
- C. Debit to the Buyer; Credit to the Buyer**
- D. Debit to the Seller; Credit to the Seller**

When you look at a closing statement for a real estate deal, the flow of money is shown from two perspectives: what the buyer must pay and what the seller will receive. The sales price represents the amount the buyer is charged at closing, so it is recorded as a debit on the buyer's side. It represents the funds the seller will receive, so it is recorded as a credit on the seller's side. This mirrors the actual transfer of money: the buyer pays, the seller receives. So the sales price is a debit to the Buyer and a credit to the Seller. It wouldn't make sense to debit the seller for the price or to credit the buyer for paying the price, because that would imply the opposite of the actual cash flow.

10. What is the effect of a counteroffer in real estate negotiations?

- A. It terminates the offer and creates a new one.**
- B. The counteroffer must be attached to the original offer.**
- C. The offeree must sign the counteroffer; does not sign the original offer.**
- D. The seller must withdraw counteroffer to accept another offer.**

The key idea is that a counteroffer ends the original offer and creates a new offer with different terms. When the offeree responds with changes—such as price, contingencies, or timelines—the initial offer is considered rejected, and the counteroffer becomes a fresh proposal from the responder to the other party. The responder becomes the offeror for these new terms, and the contract only forms if the original offeror accepts the counteroffer. The counteroffer does not have to be attached to the original terms, and signing the original offer isn't required once a counteroffer has been made. A seller doesn't have to withdraw a counteroffer to consider or accept another bid; they respond to the current terms, and a contract results only if the counteroffer is accepted.

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://coloradobroker.examzify.com>

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

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