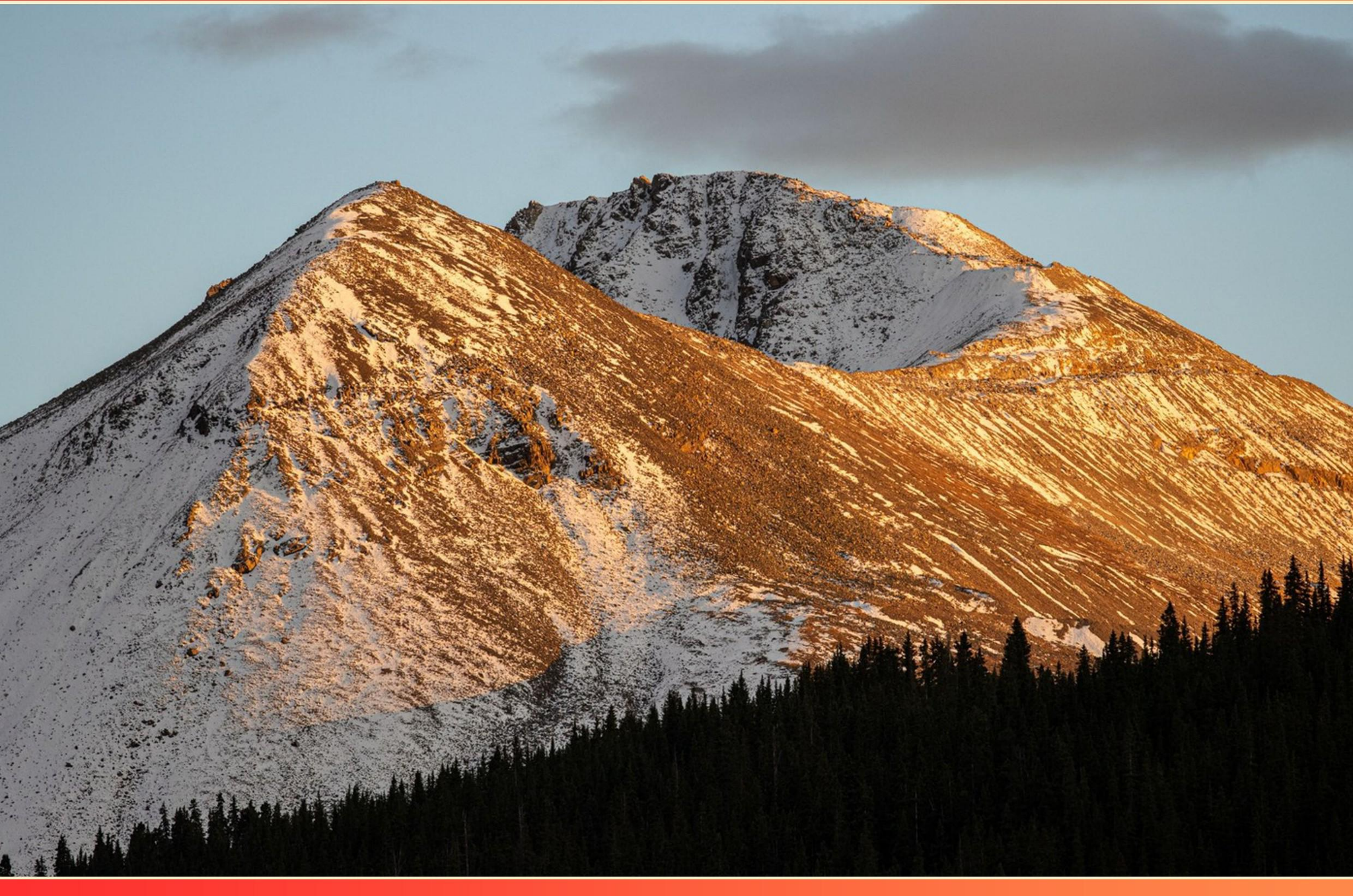
COLORADO BROKER PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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. 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. **When can a licensee act as a transaction broker rather than a single agent?**
   A. When both parties consent verbally to a transaction broker relationship.
   B. When both parties consent in writing to a transaction broker relationship, with duties to all parties.
   C. When only the seller consents in writing.
   D. When the buyer requests it after closing.

2. **The buyer's loan amount is typically shown as a which on the closing statement?**
   A. Credit to Buyer
   B. Debit to Buyer
   C. Debit to Seller
   D. Credit to Seller

3. **The buyer's closing statement shows the purchase price as which?**
   A. Debit to Buyer
   B. Credit to Buyer
   C. Debit to Seller
   D. Credit to Seller

4. **What is commingling in the context of licensee trust accounts, and what is the consequence?**
   A. It is combining client funds with personal funds; disciplinary action by CREC including possible suspension or revocation and civil penalties.
   B. It is keeping client funds in a separate trust account; no consequences.
   C. It is transferring funds between client accounts; immediate license suspension only.
   D. It is depositing funds in a savings account; automatic renewal.

5. **If a buyer wants to terminate based on an inspection, which form must be used to notify the seller?**
   A. Amend/Extend Contract Form
   B. Inspection Notice
   C. Disclosure Form
   D. Addendum to Contract

6. CP-30 requires licensees to ensure seller-assisted down payments and closing costs are reflected in which documents?

A. Closing Statements

B. Real Property Transfer

C. All Listed Documents

D. Declaration

7. A principal broker who holds earnest money and manages properties must maintain which accounts?

A. Sales Trust Account; Property Management Account; Security Deposit Trust Account

B. Sales Trust Account only

C. Property Management Account only

D. Security Deposit Trust Account only

8. Exclusive Right to Sell and Exclusive Right to Buy contracts always belong to which party?

A. The seller

B. The buyer

C. The brokerage firm

D. The listing agent

9. The Seller's closing statement would show the seller's net proceeds as which item?

A. Debit to seller

B. Debit to Buyer

C. Credit to Seller

D. Credit to Buyer

10. At closing, taxes for special assessments are charged to which party if paid off at closing?

A. Buyer

B. Seller

C. Lender

D. Escrow Agent

Answers

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

Explanations

1. When can a licensee act as a transaction broker rather than a single agent?

A. When both parties consent verbally to a transaction broker relationship.

B. When both parties consent in writing to a transaction broker relationship, with duties to all parties.

C. When only the seller consents in writing.

D. When the buyer requests it after closing.

In Colorado, a licensee may act as a transaction broker only when both parties consent in writing to that relationship and to the duties owed to all parties. This written consent confirms that the broker will facilitate the transaction while remaining neutral and not representing either party as a fiduciary, but still providing useful services and information to both sides. Verbal consent isn't enough, and consent from only one party isn't sufficient because the transaction-broker role involves duties to all parties, not loyalty to a single client. Consent after closing isn't valid for defining the relationship in the transaction. So, the best choice reflects the requirement that both buyer and seller agree in writing to a transaction-broker relationship with duties owed to everyone involved. If only one party's consent were given, or the consent weren't in writing, the licensee would need to act in a different capacity, such as a single agent for one party or a non-representative intermediary.

2. The buyer's loan amount is typically shown as a which on the closing statement?

A. Credit to Buyer

B. Debit to Buyer

C. Debit to Seller

D. Credit to Seller

At closing, funds flowing into the transaction that reduce what a party must bring to the table are credits. The buyer's loan amount is money provided by the lender to finance the purchase, and those loan proceeds are applied toward the purchase price (often paid to the seller at closing). Because this money benefits the buyer by offsetting the amount they need to contribute, it appears as a credit to the buyer on the closing statement. In short, loan proceeds reduce the buyer's out-of-pocket need, so they're recorded as a credit to the buyer.

3. The buyer's closing statement shows the purchase price as which?

A. Debit to Buyer

B. Credit to Buyer

C. Debit to Seller

D. Credit to Seller

In a closing statement, the purchase price is what the buyer must pay at closing. Debits are amounts the buyer brings to closing, while credits are amounts the buyer receives or that reduce what they owe. Since the buyer is paying the purchase price to the seller, that amount is recorded as a debit to the buyer. The seller would see the purchase price as a credit because that money is being received by them. So the purchase price on the buyer's closing statement is a debit to the buyer.

4. What is commingling in the context of licensee trust accounts, and what is the consequence?

- A. It is combining client funds with personal funds; disciplinary action by CREC including possible suspension or revocation and civil penalties.
- B. It is keeping client funds in a separate trust account; no consequences.
- C. It is transferring funds between client accounts; immediate license suspension only.
- D. It is depositing funds in a savings account; automatic renewal.

Commingling means mixing client funds with the licensee's own money or with other non-client funds. In trust accounts, client money must stay in a separate trust account and be kept clearly identifiable and properly accounted for. When funds are commingled, it breaks the fiduciary duty to clients and creates a risk of misappropriation or confusion about who owns what. Because trust-account integrity is essential, licensees who comingle funds face disciplinary action by the Colorado Real Estate Commission. This can include suspension or revocation of the license and civil penalties. The emphasis is on maintaining a strict separation of client funds and keeping accurate, accountable records.

5. If a buyer wants to terminate based on an inspection, which form must be used to notify the seller?

- A. Amend/Extend Contract Form
- B. Inspection Notice
- C. Disclosure Form
- D. Addendum to Contract

In Colorado real estate practice, the right to terminate a contract based on the results of a home inspection is exercised with an Inspection Notice. This form is specifically designated to notify the seller that the buyer is terminating due to inspection findings and to do so within the agreed inspection contingency period. It creates a formal, trackable notice that clearly communicates the buyer's decision and preserves timing and earnest-money considerations. Amend/Extend Contract is for extending deadlines or changing terms, not for terminating based on inspection. Addendum to Contract is used to add or modify terms outside the original contract, and the Disclosure Form is about conveying known defects to the buyer. Using the Inspection Notice ensures the termination is valid and properly documented under the contract.

6. CP-30 requires licensees to ensure seller-assisted down payments and closing costs are reflected in which documents?

A. Closing Statements

B. Real Property Transfer

C. All Listed Documents

D. Declaration

The key idea is that any seller contributions to down payments or closing costs must be shown wherever the financial details of the deal are recorded. The closing statement is whereFunds, credits, and who pays what are laid out, so it's essential that the seller's assistance appears there to reflect the true economics of the transaction. At the same time, the real property transfer documentation records the transfer of ownership and should align with the sale price and any seller credits to keep the record consistent for title and tax purposes. Because these financial terms can appear in multiple documents, ensuring the seller's assistance is reflected across all listed documents keeps the record accurate and prevents discrepancies that could affect financing, title, or tax reporting. A single document or a vague declaration won't guarantee that the complete financial picture is consistently represented, so the correct approach is to reflect the seller-assisted amounts in every relevant document.

7. A principal broker who holds earnest money and manages properties must maintain which accounts?

A. Sales Trust Account; Property Management Account; Security Deposit Trust Account

B. Sales Trust Account only

C. Property Management Account only

D. Security Deposit Trust Account only

Funds managed by a principal broker must be kept in properly designated trust accounts to protect clients and comply with regulations. Earnest money from real estate transactions belongs in a Sales Trust Account, ensuring that money from buyers and sellers is kept separate from other funds and can be disbursed per contract. When you also manage rental properties, rents and other owner funds need to be kept in a Property Management Account to separate the management money from sales escrow. Security deposits for tenants require a Security Deposit Trust Account to safeguard those deposits and handle their return at lease end. Because each type of funds has different handling and regulatory requirements, all three accounts are needed for a broker who holds earnest money and manages properties.

8. Exclusive Right to Sell and Exclusive Right to Buy contracts always belong to which party?

A. The seller

B. The buyer

C. The brokerage firm

D. The listing agent

These exclusive agreements are between a client and the real estate brokerage firm, not an individual agent. The Exclusive Right to Sell and the Exclusive Right to Buy both bind the client to the brokerage, authorizing the firm to represent them and to handle commissions. The licensee (the listing or buyer's agent) acts under the firm's supervision, so the contract belongs to the brokerage itself, not to the individual agent. This arrangement ensures the firm is responsible for performance and commission practices.

9. The Seller's closing statement would show the seller's net proceeds as which item?

A. Debit to seller

B. Debit to Buyer

C. Credit to Seller

D. Credit to Buyer

The key idea is how a settlement statement tracks funds from the seller's perspective. Money coming to the seller from the transaction is recorded as a credit because it increases the seller's cash. The main incoming amount for the seller is the sale price, plus any other credits that go to the seller. Amounts the seller must pay at closing—such as paying off the mortgage, closing costs, or any prorations charged to the seller—are recorded as debits. Net proceeds to the seller are the result of credits minus debits. Since this represents funds the seller will actually receive, it is shown as a credit to the seller on the closing statement. For example, if the sale price is $300,000 (a credit to the seller), and the seller pays off a $250,000 loan plus $10,000 in closing costs (debits), the net to the seller would be $40,000, shown as the seller's net receipt (a credit) on the statement.

10. At closing, taxes for special assessments are charged to which party if paid off at closing?

A. Buyer

B. Seller

C. Lender

D. Escrow Agent

Special assessments are charges tied to the property for local improvements and create a lien that stays with the property until paid. At closing, any unpaid special assessments are settled as part of the transfer. If the seller pays off the remaining balance to clear the lien at closing, the seller is the one who incurs that cost on the settlement statement. The buyer, in turn, is credited for the payoff so the title transfers free of that encumbrance. In typical practice, the obligation to satisfy pre-existing liens like special assessments rests with the seller because they owned the property when the assessment was levied, unless the purchase agreement specifies otherwise.

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!