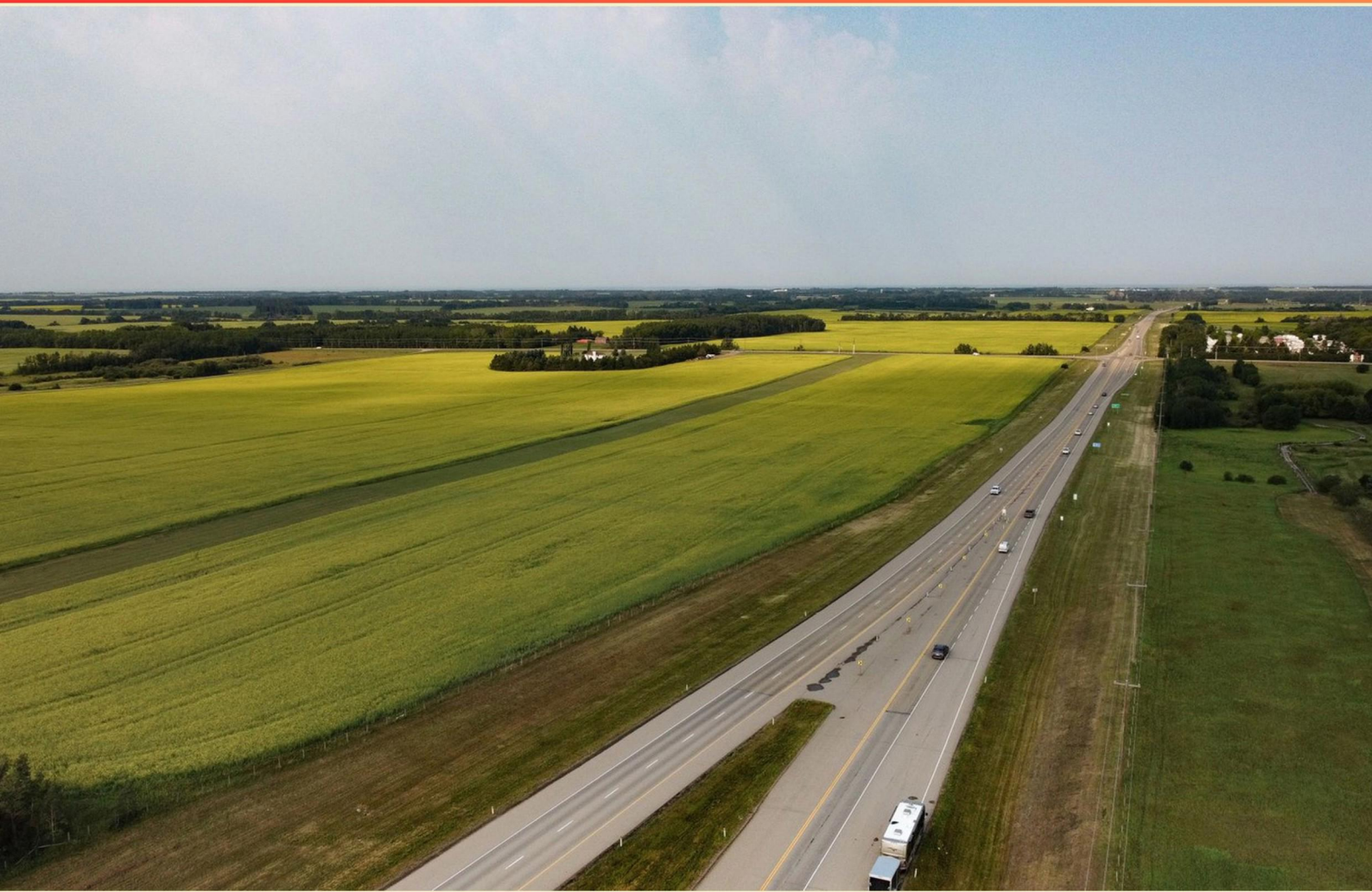


NORTH DAKOTA REAL ESTATE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

<https://northdakota-realestate.examzify.com>



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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. How should a real estate broker handle earnest money?**
 - A. Deposit it in a personal checking account
 - B. Hold it in a trust account as per the purchase agreement terms
 - C. Return it to the buyer immediately after the offer is rejected
 - D. Use it to cover transaction fees and costs
- 2. What is the frequency of commission members' terms expiring staggered?**
 - A. Every month
 - B. Every year
 - C. Every two years
 - D. Every six months
- 3. What essential information must be included in the public offering statement?**
 - A. Only existing taxes
 - B. Details of easements, liens, and taxes
 - C. The price of the lots
 - D. Only zoning regulations
- 4. What type of agreement must exist for dual agency to occur?**
 - A. An oral agreement
 - B. A written agency agreement from both parties
 - C. An understanding between agents
 - D. A temporary agreement
- 5. In which scenario would a person not be classified as a real estate salesperson?**
 - A. When they are selling property for a friend
 - B. When they act as a receiver under court order
 - C. When they sell their own home for profit
 - D. When they assist a licensed broker with transactions

- 6. Which of the following terms refers to any interest or estate in land?**
- A. Real estate
 - B. Agency
 - C. Brokerage
 - D. Property Management
- 7. How many years must have passed after another state revoked a real estate license before a new license or renewal can be issued?**
- A. 1 year
 - B. 2 years
 - C. 3 years
 - D. 5 years
- 8. In what situations might a licensee be involved?**
- A. Only with buyers
 - B. Only with sellers
 - C. In various transactions representing clients
 - D. Only in commercial property dealings
- 9. What is a 1031 exchange?**
- A. A type of insurance exchange
 - B. A tax-deferred exchange that allows investors to swap one investment property for another
 - C. A legal agreement to buy property
 - D. A government tax on real estate sales
- 10. True or False: Dual agency exists when both the seller and buyer have written agency agreements with the same brokerage.**
- A. True
 - B. False
 - C. Depends on state regulations
 - D. Only if a designated broker is involved

Answers

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

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Explanations

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1. How should a real estate broker handle earnest money?

- A. Deposit it in a personal checking account
- B. Hold it in a trust account as per the purchase agreement terms**
- C. Return it to the buyer immediately after the offer is rejected
- D. Use it to cover transaction fees and costs

A real estate broker should hold earnest money in a trust account as specified by the terms of the purchase agreement. This approach ensures that the funds are maintained securely and separately from the broker's personal or business accounts, thereby preventing any potential misuse or commingling of funds. Trust accounts are designed to hold client funds safely until they are needed for a specific purpose, such as being applied towards the purchase price at closing or returned to the buyer if the deal falls through per the contract's stipulations. Using a personal checking account to deposit earnest money would violate ethical standards and potentially state laws, as it could lead to the misappropriation of client funds. Returning the earnest money immediately after an offer is rejected is also not a best practice, as there could be legal or contractual stipulations that govern when and how earnest money must be returned. Utilizing the earnest money to cover transaction fees and costs is inappropriate, as those funds are intended for securing the buyer's intention in a transaction, not for paying broker expenses. Thus, handling earnest money in a trust account aligns with legal requirements and ethical standards in real estate practice.

2. What is the frequency of commission members' terms expiring staggered?

- A. Every month
- B. Every year**
- C. Every two years
- D. Every six months

The frequency of commission members' terms expiring being staggered means that not all members' terms end at the same time. This approach usually helps maintain continuity within the commission while allowing for new members to be appointed gradually. Having terms that expire every year means that a portion of the commission can be updated annually, providing fresh perspectives and experiences while still retaining some ongoing members who can share their knowledge and insights. This method is prevalent in many regulatory bodies, including real estate commissions, to ensure effective governance and stability. Therefore, the regular cycle of expiration occurring every year allows for both continuity and periodic renewal of the commission.

3. What essential information must be included in the public offering statement?

- A. Only existing taxes
- B. Details of easements, liens, and taxes**
- C. The price of the lots
- D. Only zoning regulations

The inclusion of details about easements, liens, and taxes in the public offering statement is vital because it provides prospective buyers with a clear understanding of the property's legal and financial conditions. Easements can impact a buyer's use of the property, while liens indicate any financial claims against the property that could affect ownership. Furthermore, disclosing existing taxes informs buyers about additional costs they may incur after purchasing the property, allowing for a more comprehensive assessment of their investment. In contrast, focusing solely on existing taxes does not give a complete picture and ignores other significant factors that affect property ownership. Similarly, while knowing the price of the lots is essential, it lacks the depth of information necessary for making an informed decision about the overall implications of the property purchase. Lastly, zoning regulations are important for understanding property use, but they are just one aspect of the broader context provided by easements, liens, and taxes. Therefore, the correct choice encompasses these essential elements for a full disclosure.

4. What type of agreement must exist for dual agency to occur?

- A. An oral agreement
- B. A written agency agreement from both parties**
- C. An understanding between agents
- D. A temporary agreement

For dual agency to occur, there must be a written agency agreement from both parties involved. This is essential because dual agency represents a situation where a single agent or broker serves as the representative for both the buyer and the seller in a transaction. To ensure clarity and prevent conflicts of interest, states like North Dakota require a written agreement that outlines the terms and conditions of the dual agency relationship. This written documentation protects all parties involved by making the agent's role clear, ensuring that both the buyer and the seller understand their rights and obligations within the dual agency framework. In contrast, an oral agreement may not provide the necessary legal protection or clarity, while an understanding between agents is insufficient to establish a dual agency relationship. A temporary agreement does not adequately define the ongoing nature of the arrangements required for dual agency to exist. Thus, a written agency agreement is the foundational requirement for legitimizing dual agency transactions.

5. In which scenario would a person not be classified as a real estate salesperson?

- A. When they are selling property for a friend
- B. When they act as a receiver under court order**
- C. When they sell their own home for profit
- D. When they assist a licensed broker with transactions

In the context of real estate, a person is typically classified as a real estate salesperson when they are actively involved in helping others buy, sell, or lease property for a fee or commission. However, this classification does not extend to every involvement with real estate. Acting as a receiver under court order is a specific legal role typically assigned by a court to manage a property or assets in a legal context, not as part of regular real estate transaction activities. In this scenario, the individual is fulfilling a court-mandated duty and not engaging in the business of real estate sales. This role is distinct from being a real estate salesperson, as it lacks the intent to facilitate transactions for personal profit or commission, which is the hallmark of a real estate professional. Conversely, selling property for a friend, selling one's own home for profit, and assisting a licensed broker with transactions all imply activities that align more closely with the functions of a real estate salesperson, as these involve transactions that benefit the individual either directly or indirectly within the real estate market.

6. Which of the following terms refers to any interest or estate in land?

- A. Real estate**
- B. Agency
- C. Brokerage
- D. Property Management

The term that refers to any interest or estate in land is real estate. In the context of real estate, "interest" can refer to the legal rights or claims that a person has in a piece of property, such as ownership or rental rights. "Estate" pertains to the degree of ownership that one has in the land, which can range from full ownership (fee simple) to leasehold interests. Real estate encompasses various types of interests, including residential, commercial, and industrial properties, as well as the rights associated with them. This definition sets it apart from agency, brokerage, and property management, which are terms describing the roles or services related to the transfer and management of real estate rather than the interest itself. Understanding this concept is crucial for navigating the real estate profession, as recognizing the various types of ownership and interest is foundational to many transactions and agreements within the field.

7. How many years must have passed after another state revoked a real estate license before a new license or renewal can be issued?

- A. 1 year
- B. 2 years**
- C. 3 years
- D. 5 years

In North Dakota, the appropriate waiting period after another state has revoked a real estate license is indeed two years. This regulation is in place to ensure that individuals who have had their licenses revoked take adequate time to reflect on their past actions and demonstrate a commitment to compliance with real estate laws and ethical standards before they can be trusted to operate in the industry again. This period also allows the state to verify that the individual has rectified any issues that led to the revocation and to assess their qualifications for obtaining a new license or renewing an existing one.

8. In what situations might a licensee be involved?

- A. Only with buyers
- B. Only with sellers
- C. In various transactions representing clients**
- D. Only in commercial property dealings

A licensee is typically involved in numerous real estate transactions, which can include representing both buyers and sellers, as well as engaging in commercial, residential, and sometimes even industrial dealings. This breadth of involvement is essential because real estate professionals often help clients navigate different types of transactions based on their needs and market conditions. The flexibility of a licensee's role means they can serve various positions, such as being a buyer's agent, a seller's agent, or even representing both parties in a dual agency scenario, depending on the specifics of the transaction and local laws. This versatility allows the licensee to adapt to the varied situations that arise within the real estate market, making option C the most accurate representation of a licensee's involvement in real estate activities. Other options, which suggest a more limited scope of participation—only with buyers, only with sellers, or only in commercial dealings—do not encompass the full range of activities a licensee may engage in. Hence, the correct response reflects the comprehensive nature of a licensee's role in the real estate sector.

9. What is a 1031 exchange?

- A. A type of insurance exchange
- B. A tax-deferred exchange that allows investors to swap one investment property for another**
- C. A legal agreement to buy property
- D. A government tax on real estate sales

A 1031 exchange is a tax-deferred exchange that allows investors to swap one investment property for another while deferring capital gains taxes on the sale of the first property. This mechanism derives its name from Section 1031 of the Internal Revenue Code, which provides specific guidelines for such exchanges. The primary benefit of a 1031 exchange is that it enables investors to reinvest the proceeds from the sale into a new property without incurring immediate tax liabilities, effectively allowing their investment to continue growing without interruption from taxes. To qualify for a 1031 exchange, the properties involved must be considered "like-kind" and held for productive use in a trade or business, or for investment purposes. This aspect emphasizes the importance of strategic planning in real estate investment, as it provides significant financial advantages in terms of tax deferral and the opportunity to increase investment portfolios over time. In contrast, the other choices do not accurately reflect the nature of a 1031 exchange, with the first option incorrectly relating it to insurance and the others misunderstanding the legal or tax implications regarding real estate transactions. Therefore, option B correctly identifies the fundamental purpose and utility of a 1031 exchange.

10. True or False: Dual agency exists when both the seller and buyer have written agency agreements with the same brokerage.

A. True

B. False

C. Depends on state regulations

D. Only if a designated broker is involved

Dual agency indeed occurs when both the seller and buyer have written agency agreements with the same brokerage. In this situation, the brokerage represents both parties in the transaction, which can create potential conflicts of interest, as the agent must balance the needs and interests of both the buyer and the seller. In many states, including North Dakota, dual agency is permitted as long as it is disclosed to both parties and all parties agree to it. This disclosure ensures transparency in the transaction and allows all parties involved to understand the implications of dual representation. Understanding that a dual agency maintains the interest of both the buyer and seller is crucial, particularly regarding negotiations and confidentiality. Agents in a dual agency situation must be careful to uphold their fiduciary duties to both clients, which further underscores the importance of proper disclosures and agreements in the real estate process. The concept may vary by state, and some states have specific regulations regarding dual agency practices, which explains why knowing local laws is essential for real estate professionals. While designated brokers can play a role in managing dual agency situations, the key element remains the establishment of written agreements with both parties represented by the same brokerage.

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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://northdakota-realestate.examzify.com>

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

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