

PRACTICE OF REAL ESTATE AND REAL ESTATE CALCULATIONS PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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

<https://realestatepracticeandcalc.examzify.com>



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

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

SAMPLE

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

SAMPLE

- 1. Which act prohibits discrimination in housing based on race, color, religion, sex, or national origin?**
 - A. Civil Rights Act of 1866
 - B. Americans with Disabilities Act
 - C. Federal Fair Housing Act of 1968
 - D. Truth-in-Lending Act
- 2. Which party typically pays the conveyance tax when title is transferred?**
 - A. Buyer
 - B. Seller
 - C. Lender
 - D. Escrow Agent
- 3. Which expenses are subtracted from gross operating income to compute net operating income (NOI) for an income property?**
 - A. Operating expenses such as property management, maintenance, repairs, taxes, insurance, and utilities paid by owner; exclude debt service and depreciation
 - B. Debt service and depreciation
 - C. Taxes only
 - D. Mortgage payments
- 4. In a net lease, who typically pays some or all operating expenses?**
 - A. In a net lease, landlord pays all expenses
 - B. In a net lease, tenant pays some or all operating expenses
 - C. In a net lease, expenses are not allocated
 - D. In a net lease, tenant pays only rent
- 5. Which concept is not dependent on a specific buyer-seller agreement?**
 - A. Contract price
 - B. Purchase price
 - C. Liquidation value
 - D. Market value

- 6. Which term describes using money that belongs to someone else?**
- A. Conversion
 - B. Embezzlement
 - C. Fraud
 - D. Larceny
- 7. What is a dual agency, and what conflicts can arise?**
- A. A licensee represents both buyer and seller; conflicts include loyalty priority and potential disclosure issues
 - B. A licensee represents only the buyer
 - C. A licensee represents only the seller
 - D. A licensee cannot represent both parties and must work with two separate licensees
- 8. What does loan-to-value (LTV) ratio measure and how is it calculated?**
- A. LTV measures leverage risk; calculated as loan amount divided by appraised value or purchase price
 - B. LTV measures equity; calculated as equity / property value
 - C. LTV measures cash flow; calculated as NOI / loan amount
 - D. LTV measures interest rate risk; calculated as rate / appraisal value
- 9. Which contract clause makes performance timing critical by requiring that time is of the essence?**
- A. Acknowledgement
 - B. Escalation clause
 - C. Time is of the essence
 - D. Liquidated damages
- 10. Which of the following correctly defines a gross rent multiplier and its use?**
- A. GRM indicates the potential for depreciation.
 - B. GRM equals annual debt service divided by property price.
 - C. $GRM = \text{price} / \text{gross annual rent}$; used to quickly compare investment properties.
 - D. GRM measures cap rate directly.

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which act prohibits discrimination in housing based on race, color, religion, sex, or national origin?

- A. Civil Rights Act of 1866
- B. Americans with Disabilities Act
- C. Federal Fair Housing Act of 1968**
- D. Truth-in-Lending Act

Discrimination in housing is addressed by a law that prohibits treating people differently when they try to buy, rent, or obtain financing for a home because of protected characteristics like race, color, religion, sex, or national origin. The Federal Fair Housing Act of 1968 makes it unlawful to refuse or limit housing opportunities, impose different terms, conditions, or services, or use discriminatory advertising or brokerage practices based on those categories. It covers most housing transactions and applies to real estate brokers and lenders in many circumstances, ensuring equal opportunity for qualified buyers and renters. Other acts serve different purposes. The Civil Rights Act of 1866 deals with property rights and prohibits racial discrimination in contracts for the sale of real estate, but it is not the main statute used for housing discrimination today. The Americans with Disabilities Act protects against discrimination based on disability in employment and public accommodations, with some housing implications, but it does not center on race, color, or national origin in housing. The Truth-in-Lending Act focuses on clear disclosure of loan terms and does not address anti-discrimination in housing transactions.

2. Which party typically pays the conveyance tax when title is transferred?

- A. Buyer
- B. Seller**
- C. Lender
- D. Escrow Agent

Conveyance tax, or transfer tax, is a tax assessed on the transfer of title from seller to buyer. The party that typically bears this tax is the seller, since the transfer of property rights originates with the seller and closing practices usually list this cost as a seller's responsibility. The tax is calculated based on the sale price and is paid when the deed is recorded, usually funded from the seller's proceeds or as negotiated in the contract. The lender and escrow agent don't pay this tax—the lender provides financing, and the escrow agent handles closing funds and disbursements as directed.

3. Which expenses are subtracted from gross operating income to compute net operating income (NOI) for an income property?

- A. Operating expenses such as property management, maintenance, repairs, taxes, insurance, and utilities paid by owner; exclude debt service and depreciation**
- B. Debt service and depreciation
- C. Taxes only
- D. Mortgage payments

Net operating income shows how much income a property generates from its normal operations after the costs to operate it. To arrive at NOI, you subtract only the operating expenses from gross operating income. Those operating expenses are the costs necessary to keep the property running on a day to day basis—things like property management, maintenance and repairs, property taxes, insurance, and utilities paid by the owner. Financing costs (debt service or mortgage payments) and non cash accounting items (depreciation) are not part of NOI. They affect cash flow after NOI and taxes, but not the operating performance captured by NOI.

4. In a net lease, who typically pays some or all operating expenses?

- A. In a net lease, landlord pays all expenses
- B. In a net lease, tenant pays some or all operating expenses**
- C. In a net lease, expenses are not allocated
- D. In a net lease, tenant pays only rent

In a net lease, the tenant takes on the responsibility for some or all operating expenses in addition to paying rent. This arrangement shifts costs like property taxes, building insurance, maintenance, and sometimes common area maintenance to the tenant, with the exact responsibilities depending on whether it's a single-net, double-net, or triple-net lease. That's why the correct idea is that the tenant pays some or all operating expenses. A landlord paying all expenses would describe a gross lease, and saying expenses aren't allocated or the tenant pays only rent doesn't fit the net-lease structure where those pass-through costs exist.

5. Which concept is not dependent on a specific buyer-seller agreement?

- A. Contract price
- B. Purchase price
- C. Liquidation value
- D. Market value**

Market value represents what a property would reasonably bring in an active, open market under normal conditions, with a willing buyer and seller and without any undue pressure. It is driven by market forces—location, condition, recent comparable sales, and current demand—rather than the terms of any single agreement. Because of that, market value stands independent of a specific buyer-seller contract. In contrast, the contract price or purchase price are the actual numbers agreed upon in a particular transaction, and liquidation value depends on the specifics of a distressed or forced sale situation, both of which are tied to a specific deal or scenario.

6. Which term describes using money that belongs to someone else?

- A. Conversion**
- B. Embezzlement
- C. Fraud
- D. Larceny

Conversion captures the act of using or exercising control over someone else's money as if it were your own. Money is property, and when you use funds that don't belong to you, you're treating the owner's rights as if they don't exist, which is the essence of conversion. The other terms involve different nuances: embezzlement involves misusing funds you were entrusted with, fraud centers on deceit to obtain money, and larceny is the taking of property with the intent to steal. So, using someone else's money fits conversion best because it focuses on improper use or control of someone else's funds.

7. What is a dual agency, and what conflicts can arise?

- A. A licensee represents both buyer and seller; conflicts include loyalty priority and potential disclosure issues
- B. A licensee represents only the buyer
- C. A licensee represents only the seller
- D. A licensee cannot represent both parties and must work with two separate licensees

Dual agency happens when the same licensee represents both the buyer and the seller in the same real estate deal. This setup creates real conflicts because the agent has fiduciary duties to both clients, including loyalty, confidentiality, disclosure, and acting in good faith. Representing two parties with potentially opposing interests means the agent can't fully advocate for one side without potentially disadvantaging the other, and information shared with one client may need to be kept confidential from the other. Because of these competing obligations, careful handling—often requiring written informed consent from both clients—is essential, and many brokers arrange to use two separate licensees to avoid the conflicts altogether. The other scenarios describe representing only one party or using two licensees, which sidestep the dual-agency conflicts.

8. What does loan-to-value (LTV) ratio measure and how is it calculated?

- A. LTV measures leverage risk; calculated as loan amount divided by appraised value or purchase price
- B. LTV measures equity; calculated as equity / property value
- C. LTV measures cash flow; calculated as NOI / loan amount
- D. LTV measures interest rate risk; calculated as rate / appraisal value

LTV measures how much of the property's value is being financed with debt, indicating the amount of leverage and risk to the lender. It's calculated by dividing the loan amount by the appraised value or the purchase price, whichever is lower. A higher LTV means more debt relative to value and typically carries higher risk, which can influence loan terms and the need for mortgage insurance. LTV is not about how much equity you have (equity is value minus the loan), nor about cash flow (that's income relative to debt service), nor about interest-rate risk (that relates to loan terms and rates).

9. Which contract clause makes performance timing critical by requiring that time is of the essence?

- A. Acknowledgement
- B. Escalation clause
- C. Time is of the essence
- D. Liquidated damages

Time is of the essence is used to make timing a material part of the contract. When this clause is included, the parties must perform by the specified deadlines, and any lateness can be treated as a breach, giving the non-breaching party the right to terminate or seek damages for the failure to meet the timing. Acknowledgement is simply confirming receipt and doesn't affect when performance must occur. An escalation clause relates to adjustments in price or steps if delays happen, not to enforcing strict deadlines. Liquidated damages set a prearranged amount for breach but don't in themselves make timing essential; they define a remedy for breach rather than the enforceability of deadlines.

10. Which of the following correctly defines a gross rent multiplier and its use?

- A. GRM indicates the potential for depreciation.
- B. GRM equals annual debt service divided by property price.
- C. GRM = price / gross annual rent; used to quickly compare investment properties.**
- D. GRM measures cap rate directly.

The gross rent multiplier is a quick way to gauge value by focusing on how much gross rent a property can generate relative to its price. It's calculated by dividing the property's price by its gross annual rent. This lets you screen and compare investment properties at a glance; a lower GRM means you're paying less for each dollar of potential gross rent, making the property look more attractive on a rough first pass. Keep in mind it's a rough measure that ignores operating expenses, financing, vacancies, and other real-world costs, so it doesn't reveal actual cash flow or returns. It's different from the cap rate, which uses net operating income (gross rent minus expenses) divided by price. GRM isn't about depreciation, and it doesn't relate to debt service or financing costs.

SAMPLE

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://realestatepracticeandcalc.examzify.com>

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

SAMPLE