REAL ESTATE MATH PRACTICE EXAM (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. A commission (C) is

A. the amount a broker receives for selling

B. a fee charged by the city

C. the price of listing a property

D. the annual property tax

2. What is the remaining acres after removing street area from a 100-acre tract if streets take 1/8?

A. 87.5

B. 92.5

C. 75

D. 100

3. What is the amount invested (A)?

A. The amount of money spent initially for a property, not including the down payment

B. The down payment

C. The annual net income

D. The selling price

4. Which statement best describes the role of risk in investment value?

A. Investment value uses market rental rates only, ignoring risk.

B. Investment value incorporates the investor's perceived risk and expected cash flows.

C. Investment value is equal to replacement cost.

D. Investment value is determined by the property's tax assessment.

5. If a land parcel is described as a mile square, its side length is

A. 1 mile

B. 2 miles

C. 0.5 miles

D. 3 miles

6. If the gross multiplier is 6 and the gross income is $40,000, what is the property value using the GRM method?

A. $240,000

B. $320,000

C. $200,000

D. $280,000

7. Convert 140 feet 9 inches to decimal feet.

A. 140.75

B. 140.09

C. 140.9

D. 140.50

8. PITI includes which components?

A. Principal, Interest, Taxes, and Insurance

B. Principal, Interest, Taxes, Insurance, and Maintenance

C. Base Rent Only

D. Base Rent, Taxes, Insurance, and Maintenance

9. A house sells for $89,500; the buyer pays $50,000 in cash and gives the seller a mortgage for the balance. If the state transfer tax is 1% of the sale price, how much tax is due?

A. $895

B. $900

C. $899

D. $895.50

10. A building was purchased for 85,000 with 10 percent down and a loan for the balance. If the lender charged two discount points, how much cash did the buyer need to come up with at closing if the buyer incurred no other costs?

A. 9,000

B. 10,030

C. 11,000

D. 12,000

<u>Answers</u>

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

<u>Explanations</u>

1. A commission (C) is

<u>A. the amount a broker receives for selling</u>

B. a fee charged by the city

C. the price of listing a property

D. the annual property tax

Coalition in real estate is the amount a broker earns for facilitating a sale. It's typically calculated as a percentage of the sale price and is paid at closing, usually by the seller, then split between the listing broker and the buyer's broker. For example, if a home sells for $350,000 and the commission rate is 6%, the gross commission would be $21,000. This is the broker's earnings for selling the property, not a city fee, not the listing price, and not the annual property tax. The listing price is what the seller asks for, and property tax is the yearly levy assessed by the local government.

2. What is the remaining acres after removing street area from a 100-acre tract if streets take 1/8?

<u>A. 87.5</u>

B. 92.5

C. 75

D. 100

When you remove a portion of land that's set aside for streets, you keep the rest, which is the complement of that portion. If streets take 1/8 of the tract, you're left with 1 − 1/8 = 7/8 of the land. Apply that to the 100-acre tract: 100 × 7/8 = 700/8 = 87.5 acres. So the remaining acres are 87.5. Why the other options don't fit: 92.5 would mean only 7.5 acres were removed, not 12.5 (1/8 of 100). 75 would imply 25 acres removed (1/4 of the tract). 100 would mean nothing was removed.

3. What is the amount invested (A)?

<u>A. The amount of money spent initially for a property, not including the down payment</u>

B. The down payment

C. The annual net income

D. The selling price

In real estate math, amount invested is the initial cash you actually put into the deal, excluding the loan portion. The option describes it as the money spent at the start for a property, not including the down payment, which means it captures the non-down-payment cash outlays you pay up front—things like closing costs, points, and any initial repairs or costs needed to get the property ready. This amount is what you use as the denominator when calculating returns such as cash-on-cash return, since it represents the actual out-of-pocket funds committed to the investment. The other ideas don't fit this definition: the down payment is a part of the upfront cost but not the category being defined here; annual net income is the yearly profit, and the selling price is the price at which the property is sold, not the initial investment.

4. Which statement best describes the role of risk in investment value?

A. Investment value uses market rental rates only, ignoring risk.

B. Investment value incorporates the investor's perceived risk and expected cash flows.

C. Investment value is equal to replacement cost.

D. Investment value is determined by the property's tax assessment.

Investment value is the value to a specific investor based on their own expected cash flows and the risk attached to those cash flows. Because different investors perceive risk differently and require different returns, investment value is inherently subjective. The cash flows you anticipate and the rate you apply to discount them—reflecting the level of risk you're taking—together determine how much you'd be willing to pay for the property. If the perceived risk goes up, the discount rate rises and the present value of those cash flows falls; if risk or returns are viewed more favorably, value rises. That's why this statement is the best: it captures the idea that value depends on both what you expect to receive and how risky those receipts are to you as the investor. Other ideas miss a key part of the concept—investment value isn't based only on market rent or on replacement cost, and it isn't set by a tax assessment.

5. If a land parcel is described as a mile square, its side length is

A. 1 mile

B. 2 miles

C. 0.5 miles

D. 3 miles

When a land parcel is described as mile square, it means the area is one square mile, and for a square the area equals the side length squared. So if area = 1 square mile, the side length s satisfies s^2 = 1, giving s = 1 mile. That's why the side length is 1 mile. If you check the other options, a 2-mile side would give 4 square miles, 0.5 miles would give 0.25 square miles, and a 3-mile side would give 9 square miles, none of which match a mile-square parcel.

6. If the gross multiplier is 6 and the gross income is $40,000, what is the property value using the GRM method?

A. $240,000

B. $320,000

C. $200,000

D. $280,000

The Gross Rent Multiplier (GRM) method estimates value by applying a multiplier to the annual gross income. The idea is simple: the property's value is roughly proportional to the income it produces before expenses. You multiply the annual gross income by the GRM to get the estimated value. Here, the gross income is $40,000 and the GRM is 6. Multiply 6 by 40,000 to get $240,000. This approach gives a quick, rough estimate and is most useful for comparing similar income-producing properties, since it doesn't account for operating expenses, vacancies, or financing.

7. Convert 140 feet 9 inches to decimal feet.

A. 140.75

B. 140.09

C. 140.9

D. 140.50

In this kind of problem you convert inches into a fraction of a foot, since 1 foot equals 12 inches. Take the inches part and divide by 12 to get the decimal feet, then add to the whole feet. Here, 9 inches is 9/12 of a foot, which simplifies to 3/4 of a foot, or 0.75 feet. Add that to the 140 feet: 140 + 0.75 = 140.75 feet. So the decimal feet value is 140.75. If you tried interpreting the inches as 0.09, 0.9, or 0.50 of a foot, you'd be representing different amounts of inches (not 9 inches), which is why those options don't fit.

8. PITI includes which components?

A. Principal, Interest, Taxes, and Insurance

B. Principal, Interest, Taxes, Insurance, and Maintenance

C. Base Rent Only

D. Base Rent, Taxes, Insurance, and Maintenance

PITI represents the monthly payment that covers four parts of a mortgage: the loan's principal, the interest on that loan, property taxes, and homeowners insurance. The principal is the portion that reduces the loan balance over time, while the interest is the lender's charge for borrowing. Property taxes are the local taxes assessed on the property, and homeowners insurance protects the home from risks like fire or public liability. These two—taxes and insurance—are often collected in an escrow account by the lender so those bills are paid on time each month, which is why they're included in the same payment as the loan costs. The other options mix in maintenance or rent, which aren't part of the standard mortgage payment. Maintenance is an operating cost of owning and managing a property, and base rent is unrelated to the mortgage itself. So the four components are principal, interest, taxes, and insurance.

9. A house sells for $89,500; the buyer pays $50,000 in cash and gives the seller a mortgage for the balance. If the state transfer tax is 1% of the sale price, how much tax is due?

A. $895

B. $900

C. $899

D. $895.50

Transfer taxes are based on the sale price, not on how the purchase is financed. So multiply the sale price by 1%: 89,500 × 0.01 = 895. The down payment and the mortgage amount don't change the tax base in this scenario, so the tax due is 895.

10. **A building was purchased for 85,000 with 10 percent down and a loan for the balance. If the lender charged two discount points, how much cash did the buyer need to come up with at closing if the buyer incurred no other costs?**

A. 9,000

B. 10,030

C. 11,000

D. 12,000

This tests how to calculate cash required at closing when there is a down payment and discount points. The purchase price is 85,000, and the down payment at 10% is 8,500. The loan balance, before points, is 85,000 minus 8,500, which equals 76,500. Discount points are prepaid interest and are a percentage of the loan amount; two points equal 2% of 76,500. 2% of 76,500 is 1,530. Add the down payment and the points paid at closing: 8,500 + 1,530 = 10,030. Therefore, the cash needed at closing is 10,030.

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://realestatemath.examzify.com

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