

South Dakota Property Management Practice Test (Sample)

Study Guide



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Questions

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- 1. What is necessary for someone to act as a property manager in South Dakota?**
 - A. A business license**
 - B. A Property Manager's license**
 - C. A real estate broker's license**
 - D. An employee certification**
- 2. How should a budget forecast be developed, according to property management principles?**
 - A. Based on previous years' expenses**
 - B. Based on anticipated rental increases**
 - C. Based on market trends**
 - D. Based on fixed costs only**
- 3. What is a lease called in which the tenant pays a flat fee while the landlord covers all building expenses?**
 - A. Net Lease**
 - B. Gross Lease**
 - C. Percentage Lease**
 - D. Month-to-Month Lease**
- 4. Which of the following is NOT one of the four major classifications of real estate?**
 - A. Industrial**
 - B. Commercial**
 - C. Residential**
 - D. Agricultural**
- 5. Which provision is typically excluded from a lease agreement?**
 - A. Pet policy**
 - B. Subletting without owner's consent**
 - C. Maintenance responsibilities**
 - D. Termination policies**

- 6. In property management, what must be retained for a specified period related to lead-based paint?**
- A. Tenant agreements**
 - B. Financial disclosures**
 - C. Required disclosures**
 - D. Building permits**
- 7. When should property managers focus on current economic conditions?**
- A. When setting lease terms**
 - B. When preparing market analyses**
 - C. During tenant negotiations**
 - D. For routine inspections**
- 8. Which governmental agency outlines the regulations regarding lead-based paint disclosure?**
- A. Environmental Protection Agency (EPA)**
 - B. Department of Housing and Urban Development (HUD)**
 - C. Occupational Safety and Health Administration (OSHA)**
 - D. Federal Trade Commission (FTC)**
- 9. What is a key benefit of using property management software?**
- A. Increased paperwork**
 - B. More time spent on manual tasks**
 - C. Improved efficiency in handling tenant issues**
 - D. Elimination of financial reporting**
- 10. Who are considered the main parties involved in a lease?**
- A. The landlord and a real estate agent**
 - B. The owner and the tenant**
 - C. The tenant and their employer**
 - D. The owner and a contractor**

Answers

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

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Explanations

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1. What is necessary for someone to act as a property manager in South Dakota?

- A. A business license
- B. A Property Manager's license**
- C. A real estate broker's license
- D. An employee certification

To act as a property manager in South Dakota, it is essential to hold a Property Manager's license. This license signifies that the individual has met the educational and professional standards set by the state, reflecting their knowledge and competence in the field of property management. It is designed to ensure that property managers are well-versed in real estate laws, tenant relations, property maintenance, and financial management, which are crucial for effectively managing rental properties. While a business license or a real estate broker's license may be relevant in some contexts, they do not specifically authorize an individual to perform the functions of a property manager. A business license typically pertains to operating a business in general, and a real estate broker's license is aimed more at individuals who engage in buying, selling, or leasing property rather than managing it. Employee certifications may suggest that a person has received training, but they do not grant the legal permission to act as a property manager. Thus, the Property Manager's license is the requisite credential to legally practice property management in South Dakota.

2. How should a budget forecast be developed, according to property management principles?

- A. Based on previous years' expenses
- B. Based on anticipated rental increases**
- C. Based on market trends
- D. Based on fixed costs only

When developing a budget forecast in property management, it is essential to consider anticipated rental increases as a key factor. This approach is correct because rental income forms the backbone of a property's financial health. By projecting future rental increases, property managers can better estimate revenue streams, which allows for a comprehensive financial plan that addresses potential growth and profitability. Anticipating rental increases also aligns with market demand and property positioning. A well-managed property is often adjusted in response to the current market conditions, which might include raising rents when demand is high or when improvements have been made to the property. This strategy not only ensures that the budget aligns with realistic income projections but also helps in planning for operational expenses and reinvestment into the property. While looking at previous years' expenses offers valuable historical context and insight into spending patterns, simply relying on past data does not account for inflation or changes in market conditions. Considering only fixed costs ignores variable expenses that arise from maintenance and management fluctuations. Similarly, while understanding market trends is essential for a robust budget, the anticipation of rental increases is the most direct method to project future income effectively.

3. What is a lease called in which the tenant pays a flat fee while the landlord covers all building expenses?

A. Net Lease

B. Gross Lease

C. Percentage Lease

D. Month-to-Month Lease

A lease in which the tenant pays a flat fee while the landlord covers all building expenses is known as a gross lease. In this arrangement, the rental amount typically includes all operating costs such as property taxes, insurance, and maintenance expenses. This can be appealing to tenants as it provides predictability in budgeting, allowing them to focus on their business activities without worrying about fluctuating costs associated with the property. In contrast, other types of leases involve different arrangements regarding costs. For instance, a net lease often requires the tenant to pay a base rent plus additional costs like utilities and property taxes, while a percentage lease ties rental payments to the tenant's revenue, where they pay a percentage of their sales along with a base rent. A month-to-month lease provides flexibility but does not specify the cost-sharing structure regarding building expenses. Therefore, the characteristics of a gross lease make it distinct and clarify why it is the correct answer in this context.

4. Which of the following is NOT one of the four major classifications of real estate?

A. Industrial

B. Commercial

C. Residential

D. Agricultural

The classification of real estate is commonly divided into four major categories: residential, commercial, industrial, and agricultural. Each of these classifications serves a distinct purpose and is associated with different types of properties. Agricultural real estate refers specifically to land used for farming and related activities. It is indeed a significant category within real estate but is typically considered more of a specialized sector rather than one of the core classifications that encompass the broadest categories of property. Residential real estate includes properties designed for living, such as single-family homes and apartment complexes. Commercial real estate deals with properties used for business purposes, including office buildings and retail spaces, while industrial real estate is focused on properties utilized for manufacturing and logistics. While agricultural real estate is important and reflects a vital aspect of land use, it is not regarded as one of the four major categories that broadly categorize the types of commercial and residential real estate. This distinction is crucial in understanding the overall landscape of real estate classifications.

5. Which provision is typically excluded from a lease agreement?

- A. Pet policy**
- B. Subletting without owner's consent**
- C. Maintenance responsibilities**
- D. Termination policies**

In a lease agreement, the provision regarding subletting without the owner's consent is often excluded because it is crucial for the property owner to maintain control over who occupies their property. Allowing subletting without consent could lead to issues such as unqualified tenants, potential damage to the property, and complications in tenant relationships. Landlords typically want to ensure that they have the ability to vet any tenants who may take over or share the rental space. Provisions like pet policies, maintenance responsibilities, and termination policies are commonly included in lease agreements, as they outline specific expectations and responsibilities for both landlords and tenants. This clarity helps to prevent misunderstandings during the lease term.

6. In property management, what must be retained for a specified period related to lead-based paint?

- A. Tenant agreements**
- B. Financial disclosures**
- C. Required disclosures**
- D. Building permits**

In property management, it is essential to retain required disclosures related to lead-based paint because federal law mandates that property owners and managers inform tenants about the presence of lead-based paint in properties built before 1978. This requirement is intended to protect tenants, especially young children who are particularly vulnerable to the risks associated with lead exposure. The law stipulates that property owners must provide a lead-based paint disclosure form to tenants prior to lease signing. This form lets tenants know whether the property contains lead-based paint and informs them of the potential hazards. Retaining these disclosures for a specified period ensures compliance with regulations and provides documentation if any disputes arise related to lead safety or health issues. This retention also demonstrates due diligence on the part of the property manager or owner, should any legal scrutiny occur regarding lead-based paint hazards. Other options may not be as pertinent in the context of lead-based paint regulations. Tenant agreements are contracts for housing but do not specifically highlight lead disclosure responsibilities. Financial disclosures pertain more to the economic aspects of rental agreements and might not relate directly to lead safety issues. Building permits deal with construction compliance and codes but do not involve tenant safety disclosures related to hazardous materials such as lead paint. Thus, retaining required disclosures is critical in the context of managing

7. When should property managers focus on current economic conditions?

- A. When setting lease terms**
- B. When preparing market analyses**
- C. During tenant negotiations**
- D. For routine inspections**

Focusing on current economic conditions is particularly crucial when preparing market analyses. Market analyses involve assessing the competitive landscape to understand rental prices, demand, vacancy rates, and overall market trends. Current economic conditions, such as local employment rates, housing demand, and trends in the broader economy, significantly influence these factors. For example, during a robust economy, demand for rental properties may increase, leading to higher rental prices. Conversely, in an economic downturn, rental prices may need to be adjusted to attract tenants. This understanding helps property managers make informed decisions about pricing strategies and marketing their properties effectively. While setting lease terms, tenant negotiations, and routine inspections are all important aspects of property management, they are more influenced by specific property conditions, tenant needs, and compliance with regulations rather than the broader economic conditions.

8. Which governmental agency outlines the regulations regarding lead-based paint disclosure?

- A. Environmental Protection Agency (EPA)**
- B. Department of Housing and Urban Development (HUD)**
- C. Occupational Safety and Health Administration (OSHA)**
- D. Federal Trade Commission (FTC)**

The correct answer is the Department of Housing and Urban Development (HUD). This agency is responsible for enforcing the regulations surrounding lead-based paint disclosures specifically in residential properties built before 1978, when lead-based paints were banned for residential use. Under the Lead-Based Paint Hazard Reduction Act, HUD requires that landlords and sellers disclose known lead-based paint hazards to prospective tenants or buyers, as well as provide information on lead safety. The Environmental Protection Agency (EPA) also plays a crucial role in lead safety but primarily focuses on broader environmental regulations and the safe handling and removal of lead-based paints. Although the EPA and HUD work together in lead-related matters, the direct regulation and disclosure requirements stipulated for residential properties falls under HUD's jurisdiction. Occupational Safety and Health Administration (OSHA) deals more with worker safety and health regulations in the workplace, including regulations around lead exposure for workers, which is separate from residential disclosure laws. The Federal Trade Commission (FTC) focuses mainly on consumer protection and anti-competitive practices; it does not have a role in lead-based paint disclosures. Understanding this context clarifies why the Department of Housing and Urban Development is the primary agency responsible for regulations regarding lead-based paint disclosure in the realm of real estate transactions.

9. What is a key benefit of using property management software?

- A. Increased paperwork**
- B. More time spent on manual tasks**
- C. Improved efficiency in handling tenant issues**
- D. Elimination of financial reporting**

The key benefit of using property management software is its ability to improve efficiency in handling tenant issues. This software streamlines various processes such as tenant communication, maintenance requests, rent collection, and lease management, making it easier for property managers to address tenant concerns promptly and effectively. By automating routine tasks and consolidating information into a single platform, property management software reduces the time and effort required to manage properties, allowing property managers to focus more on enhancing tenant relationships and addressing issues proactively. This efficiency not only leads to higher tenant satisfaction but also helps in maintaining the property's overall health and profitability. In contrast, options that mention increased paperwork, spending more time on manual tasks, and elimination of financial reporting do not align with the benefits of property management software. Instead, this type of software is designed to reduce paperwork, minimize manual tasks through automation, and often enhances financial reporting capabilities, providing more accurate and timely insights into the property's financial status.

10. Who are considered the main parties involved in a lease?

- A. The landlord and a real estate agent**
- B. The owner and the tenant**
- C. The tenant and their employer**
- D. The owner and a contractor**

The main parties involved in a lease are the owner and the tenant. The owner, often referred to as the landlord, is the individual or entity that owns the property and grants the right to use that property through the lease. The tenant is the individual or group that takes on the responsibility of paying rent in exchange for the right to occupy and use the property. This relationship is fundamental to the concept of leasing, as the lease is essentially a contractual agreement that defines the terms under which the tenant can use the owner's property. It outlines the rights, duties, and obligations of both parties, such as the payment of rent, maintenance responsibilities, duration of the lease, and conditions for termination. Other options incorrectly identify different parties that are not the core parties in a landlord-tenant relationship. A real estate agent might facilitate the leasing process, but they do not hold a direct role in the lease agreement itself. Similarly, a tenant's employer may impact their financial ability to rent but is not a party to the lease. Lastly, a contractor might be involved in renovations or maintenance of the property, but they are not involved in the lease agreement between the owner and the tenant.