

TENNESSEE REALTOR STATE 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

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- 1. In which area of property management can a manager expect to encounter a lot of turnover?**
 - A. Commercial properties
 - B. Residential properties
 - C. Industrial properties
 - D. Mixed-use properties
- 2. Which of the following is an example of commingling in Tennessee?**
 - A. Holding client deposits in a personal account
 - B. Depositing client funds into the firm's operating account
 - C. Keeping trust funds separate from business expenses
 - D. Mixing client funds with company profits
- 3. What legal trouble may arise from Jerrold's misrepresentation?**
 - A. Civil lawsuits
 - B. Criminal charges
 - C. Loss of license
 - D. Probationary sales
- 4. In a commercial purchase and sale agreement, which paragraph describes the buyer's due diligence period?**
 - A. Closing
 - B. Timeline
 - C. Inspection
 - D. Contingencies
- 5. Who is directly responsible for supervising all of a brokerage's advertising?**
 - A. The listing agent
 - B. The marketing coordinator
 - C. The principal broker
 - D. The compliance officer

6. If a 20-unit apartment building sells for \$5 million with an annual gross income of \$400,000, what is the gross income multiplier (GIM)?
- A. 10
 - B. 12.5
 - C. 15
 - D. 20
7. A property generates \$30,000 in net operating income and has a 15% cap rate. What is its value?
- A. \$150,000
 - B. \$200,000
 - C. \$250,000
 - D. \$300,000
8. What is a recommended element to include in contracts to minimize potential Errors and Omissions claims?
- A. Brief descriptions of all property features.
 - B. Standard language.
 - C. Buyer testimonials.
 - D. A detailed list of disclosures.
9. In Tennessee, what is a common requirement for ending a residential lease agreement?
- A. Written notice 30 days in advance
 - B. Verbal notice 15 days in advance
 - C. No notice is required
 - D. Written notice 60 days in advance
10. Who will Donnie receive his compensation from in the transaction involving May and George?
- A. From May, the listing agent
 - B. From his own broker
 - C. From George, the seller
 - D. From a shared fund

Answers

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

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Explanations

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1. In which area of property management can a manager expect to encounter a lot of turnover?

- A. Commercial properties
- B. Residential properties**
- C. Industrial properties
- D. Mixed-use properties

In property management, residential properties typically experience higher turnover rates compared to other types of properties. This is largely due to factors such as leases being shorter in duration, individuals and families frequently relocating for jobs or personal reasons, and changes in life circumstances that lead to the need for different living arrangements. Residential properties attract a diverse range of tenants - from students to families to retirees - each with unique housing needs and timelines. As people's circumstances change, they may move on from their current residences more frequently. This leads property managers to see a steady influx of new tenants and the need for ongoing marketing efforts to fill vacancies. In contrast, commercial properties often have longer lease terms, and industrial properties are even more stable, as businesses typically seek to establish a long-term presence. Mixed-use properties can blend characteristics of residential and commercial management, but still may not match the turnover levels found in purely residential properties. Thus, the nature of residential leasing inherently results in more frequent tenant turnover, making it the area where property managers can expect to see a lot of changes.

2. Which of the following is an example of commingling in Tennessee?

- A. Holding client deposits in a personal account
- B. Depositing client funds into the firm's operating account**
- C. Keeping trust funds separate from business expenses
- D. Mixing client funds with company profits

The example of commingling in Tennessee involves depositing client funds into the firm's operating account. Commingling refers to the improper mixing of funds that should be kept separately, such as client funds and the business's operating funds. In real estate, it is essential for agents and brokers to keep client trust deposits separate to ensure these funds are protected and properly accounted for. By placing client funds into the firm's operating account, the agent or broker is not maintaining the necessary separation required by law and ethical standards, potentially leading to misuse of those funds or accounting errors. While holding client deposits in a personal account or mixing client funds with company profits also represent improper handling of funds, they highlight different aspects of financial misconduct. Keeping trust funds separate from business expenses correctly complies with best practices and legal requirements, ensuring that trust funds remain secure and for their defined purposes. However, depositing client funds into the firm's operating account specifically exemplifies commingling, as it directly refers to the mixing of client funds with general business finances.

3. What legal trouble may arise from Jerrold's misrepresentation?

- A. Civil lawsuits**
- B. Criminal charges
- C. Loss of license
- D. Probationary sales

Misrepresentation in the context of real estate often leads to civil lawsuits. When Jerrold provides false information, intentionally or unintentionally, about a property or transaction, affected parties have the right to seek legal recourse. Civil lawsuits can result in financial compensation for damages incurred due to the misrepresentation. This can involve claims of fraud, negligence, or other wrongful acts that harmed the buyer or other parties involved in the transaction. The legal implications of Jerrold's misrepresentation are nearly always pursued in civil court rather than criminal court, as typical misrepresentation issues fall under civil law regarding contracts and property transactions. While other consequences, such as loss of license or the possibility of probation, could also arise from unethical behavior in the real estate profession, they are often less immediate than a civil lawsuit initiated by aggrieved parties.

4. In a commercial purchase and sale agreement, which paragraph describes the buyer's due diligence period?

- A. Closing
- B. Timeline
- C. Inspection**
- D. Contingencies

In a commercial purchase and sale agreement, the paragraph that describes the buyer's due diligence period is the section related to inspection. This is because due diligence typically involves the buyer conducting inspections, evaluations, and assessments of the property to ensure it meets their expectations and criteria before finalizing the purchase. The inspection paragraph outlines the rights of the buyer to perform these due diligence activities, the time frame allowed for conducting inspections, and any conditions that may need to be satisfied as a part of this due diligence process. While other sections may touch on relevant matters, such as timelines for closing or specific contingencies that could affect the sale, the inspection paragraph is directly focused on the buyer's due diligence and the actions they must undertake to perform a thorough evaluation of the property.

5. Who is directly responsible for supervising all of a brokerage's advertising?

- A. The listing agent
- B. The marketing coordinator
- C. The principal broker**
- D. The compliance officer

The principal broker holds a key role in the operation of a real estate brokerage, and one of their fundamental responsibilities includes overseeing all advertising conducted by the brokerage. This oversight ensures that all promotional materials comply with applicable laws, regulations, and ethical standards, thus protecting both the brokerage and its clients from potential legal issues. The principal broker is tasked with ensuring that advertising is accurate, not misleading, and appropriately represents the listings and services offered by the brokerage. This oversight is critical in maintaining the integrity and professionalism of the brokerage's brand within the real estate market. While other roles may contribute to the creation or execution of advertising campaigns—such as a marketing coordinator who may handle the logistics of the advertising process—the ultimate responsibility for compliance and the overall strategy lies with the principal broker. This distinguishes the principal broker's supervisory position from others who may support the advertising efforts but do not have the same level of accountability.

6. If a 20-unit apartment building sells for \$5 million with an annual gross income of \$400,000, what is the gross income multiplier (GIM)?

- A. 10
- B. 12.5**
- C. 15
- D. 20

To determine the Gross Income Multiplier (GIM) for an investment property, you divide the Sale Price by the Gross Annual Income. In this case, the apartment building sells for \$5 million, and its annual gross income is \$400,000. The calculation is as follows: $\text{Gross Income Multiplier (GIM)} = \text{Sale Price} \div \text{Gross Annual Income}$ $\text{GIM} = \$5,000,000 \div \$400,000$ $\text{GIM} = 12.5$ This means that the GIM is 12.5. The GIM is a useful metric for investors as it helps evaluate the relationship between the property's price and its income-generating potential. It allows for quick comparisons with other properties in determining if an investment is reasonable based on income relative to price. The GIM of 12.5 signifies that the property is valued at 12.5 times its annual income, which can assist in analyzing investment opportunities in real estate.

7. A property generates \$30,000 in net operating income and has a 15% cap rate. What is its value?

- A. \$150,000
- B. \$200,000**
- C. \$250,000
- D. \$300,000

To determine the value of a property based on its net operating income (NOI) and capitalization rate (cap rate), you can use the formula: ****Value = Net Operating Income / Cap Rate**** In this scenario, the property generates a net operating income of \$30,000, and the capitalization rate is 15%, which can be expressed as a decimal for calculations (0.15). Applying the formula: $\text{Value} = \$30,000 / 0.15$ By performing the calculation: $\text{Value} = \$30,000 \div 0.15 = \$200,000$ Thus, the value of the property is \$200,000. This method is essential for real estate professionals as it provides a straightforward way to assess the worth of an investment property based on its income-generating potential relative to the cap rate, which reflects the expected rate of return on the investment.

8. What is a recommended element to include in contracts to minimize potential Errors and Omissions claims?

- A. Brief descriptions of all property features.
- B. Standard language.**
- C. Buyer testimonials.
- D. A detailed list of disclosures.

The inclusion of standard language in contracts is highly recommended to minimize potential Errors and Omissions claims. Standard language serves as a guideline that maintains consistency throughout contracts, reducing ambiguity and misinterpretation. By using established terms and conditions, it becomes easier for all parties involved to understand their rights and responsibilities, as well as the specific terms of the agreement. Additionally, standard language can help ensure compliance with legal and industry requirements, which can further protect real estate professionals from claims of negligence or failure to disclose necessary information. This uniformity can not only streamline the transaction process but also bolster the credibility of the contracts used, thereby providing an added layer of protection for agents and brokers against potential disputes. While the other options may contribute to a comprehensive contract, they do not specifically address the need for clarity and consistency to the same extent that standard language does. For example, brief descriptions of property features and buyer testimonials could add value but may also lead to misunderstandings if not sufficiently detailed and clear. A detailed list of disclosures is vital but must be incorporated within a broader framework of standardization to effectively mitigate risks.

9. In Tennessee, what is a common requirement for ending a residential lease agreement?

- A. Written notice 30 days in advance**
- B. Verbal notice 15 days in advance
- C. No notice is required
- D. Written notice 60 days in advance

In Tennessee, residential lease agreements typically require written notice 30 days in advance for either the landlord or the tenant to terminate the lease. This requirement helps ensure that both parties have sufficient time to prepare for the change, whether it involves finding new tenants or making living arrangements. The rationale for the 30-day written notice is to establish clear communication and documentation of the intent to vacate or terminate the lease, which helps prevent misunderstandings. It also aligns with the common practice in many lease agreements where a standard notice period is established to provide both parties protection and clarity as the lease draws to a close. This approach supports orderly transitions in tenancy and is beneficial in reducing disputes related to lease termination.

10. Who will Donnie receive his compensation from in the transaction involving May and George?

- A. From May, the listing agent
- B. From his own broker**
- C. From George, the seller
- D. From a shared fund

In this scenario, Donnie will receive his compensation from his own broker, which is a common practice within the real estate industry. Typically, real estate agents are affiliated with brokers, and any commissions earned from transactions are paid to the broker first. The broker then disburses the appropriate share to the agent based on their agreement. This structure is designed to ensure that agents operate under the legal and ethical umbrella provided by their brokers, who bear the responsibility for the transactions. Donnie's compensation will depend on the commission agreement he has with his broker, and not directly from May, George, or any shared fund. Understanding this flow of compensation is critical for agents operating within the real estate market, as it clarifies the relationships and financial ties involved in property transactions.

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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://tennessee-realtor.examzify.com>

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

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