

# TREC Law of Agency Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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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. What does misrepresentation typically involve in real estate?**
  - A. Providing prices for competitive offers**
  - B. Falsifying essential property details**
  - C. Explaining property tax implications**
  - D. Outlining the benefits of real estate investments**
- 2. What consequence might arise from failing to disclose an agency relationship?**
  - A. Increased commission fees**
  - B. Legal disputes and potential penalties**
  - C. Loss of licensing**
  - D. Increased client referrals**
- 3. When should disclosure of agency occur in a real estate transaction?**
  - A. At the closing of the transaction**
  - B. After a contract is signed**
  - C. Very early in the transaction**
  - D. Only upon request**
- 4. Why is an oral agreement considered non-enforceable?**
  - A. It lacks personal intent**
  - B. It is not a written document**
  - C. It is subject to negotiation**
  - D. It can be easily misunderstood**
- 5. Which of the following is true about a broker's policy manual?**
  - A. It is optional for brokers to have one.**
  - B. Every broker must include scope of services in their manual.**
  - C. It only needs to be updated annually.**
  - D. It must be approved by the Texas Real Estate Commission.**

**6. For an intermediary transaction to occur, how many companies must be involved?**

- A. Two**
- B. One**
- C. None**
- D. As many as the transaction requires**

**7. What should be disclosed to customers regarding a property?**

- A. The market value**
- B. The condition of the property**
- C. The seller's financial status**
- D. Potential future developments**

**8. What term refers to a false statement of fact made by one party that induces another party into a contract?**

- A. Fraud**
- B. Misrepresentation**
- C. Contract breach**
- D. Deception**

**9. What crucial information must agents provide to their clients according to ethical standards?**

- A. Only positive aspects of the property**
- B. All material facts related to the transaction**
- C. Only agent background information**
- D. The commission structure involved**

**10. What is the relationship called when one party grants authority to another?**

- A. Contractual relationship**
- B. Agency relationship**
- C. Partnership relationship**
- D. Employment relationship**

## **Answers**

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

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## **Explanations**

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## 1. What does misrepresentation typically involve in real estate?

- A. Providing prices for competitive offers**
- B. Falsifying essential property details**
- C. Explaining property tax implications**
- D. Outlining the benefits of real estate investments**

Misrepresentation in real estate primarily involves the act of providing false information or misleading statements about significant details regarding a property. This encompasses any falsification of essential property characteristics such as the condition of the property, its legal status, zoning issues, or the accurate square footage, among other critical details that could influence a buyer's decision. When a seller or an agent misrepresents these essential details, it can lead to legal consequences and damages, as buyers rely on accurate information to make informed purchasing decisions. Therefore, the emphasis on falsifying essential property details succinctly illustrates what misrepresentation entails in the real estate context. In contrast, providing prices for competitive offers, explaining property tax implications, or outlining the benefits of real estate investments involve sharing information or guidance rather than misrepresentation, as they do not inherently involve deception or false statements.

## 2. What consequence might arise from failing to disclose an agency relationship?

- A. Increased commission fees**
- B. Legal disputes and potential penalties**
- C. Loss of licensing**
- D. Increased client referrals**

Failing to disclose an agency relationship can lead to legal disputes and potential penalties because such nondisclosure undermines the trust and transparency required in real estate transactions. In many jurisdictions, agents are legally obligated to inform all parties involved about their role and the nature of their relationship. Not fulfilling this duty can result in parties feeling misled or deceived, which could lead to litigation or claims for damages. Furthermore, regulatory bodies may impose penalties on agents for not adhering to disclosure requirements, reinforcing the importance of proper communication and ethical practices within the profession. This creates a significant risk of legal complications, which underscores the necessity of adhering to disclosure obligations in agency relationships.

### 3. When should disclosure of agency occur in a real estate transaction?

- A. At the closing of the transaction**
- B. After a contract is signed**
- C. Very early in the transaction**
- D. Only upon request**

Disclosure of agency should occur very early in the transaction to ensure that all parties involved understand the nature of the relationship between the agent and the client. This early disclosure helps to establish trust and clarity, allowing the buyer and seller to make informed decisions. It is crucial for agents to explain their role and the duties they owe to their clients, as well as the implications of the agency relationship on the transaction. Waiting until after a contract is signed or during closing could lead to misunderstandings and disputes about the agent's role and responsibilities. Additionally, disclosing agency only upon request could cause confusion for clients who may not know to ask, thereby failing to meet the legal requirements for transparency in real estate transactions. Early disclosure is a best practice and often required by law, reinforcing the importance of clear communication from the outset.

### 4. Why is an oral agreement considered non-enforceable?

- A. It lacks personal intent**
- B. It is not a written document**
- C. It is subject to negotiation**
- D. It can be easily misunderstood**

An oral agreement is considered non-enforceable primarily because it is not documented in writing. The requirement for certain contracts to be in writing is often governed by statutes, such as the Statute of Frauds, which specifies that certain types of contracts—including those related to real estate transactions—must be written to be enforceable. This requirement ensures that there is clear evidence of the terms agreed upon by the parties involved, providing a more reliable basis for enforcement. Without a written record, it becomes challenging to prove the existence and terms of the agreement, leading to potential disputes about what was actually agreed. While misunderstandings can arise from oral agreements, the core issue with enforceability rests on the absence of a written document that clearly outlines each party's obligations and rights. Therefore, the emphasis on having written agreements serves to protect all parties and uphold the integrity of contractual agreements in legal contexts.

**5. Which of the following is true about a broker's policy manual?**

- A. It is optional for brokers to have one.**
- B. Every broker must include scope of services in their manual.**
- C. It only needs to be updated annually.**
- D. It must be approved by the Texas Real Estate Commission.**

A broker's policy manual serves as a critical document that outlines the standards, procedures, and scope of services offered by the brokerage. Including a detailed scope of services within the manual is essential for establishing clear expectations among agents and clients about what services the brokerage provides. This part of the manual helps ensure that both the agents and their clients have a mutual understanding of the operations and responsibilities, leading to more effective communication and service delivery. In the context of regulatory compliance, while having a broker's policy manual may be encouraged or recommended, it is not universally mandated for all brokers to include every specific element, such as the approval from the Texas Real Estate Commission. Therefore, the inclusion of a scope of services is particularly important, as it helps structure the operations of the brokerage and complies with best practices in the industry, making the statement that it must be included in the manual true.

**6. For an intermediary transaction to occur, how many companies must be involved?**

- A. Two**
- B. One**
- C. None**
- D. As many as the transaction requires**

In the context of agency law, an intermediary transaction refers to a scenario where a licensed real estate broker represents both the buyer and the seller in a transaction, creating a dual agency situation. For this type of transaction to take place, only one brokerage firm or company is involved that acts as the intermediary between the parties. The brokerage must have established the necessary agreements to facilitate this representation, ensuring both parties understand and consent to the dual role the broker is undertaking. Therefore, the correct answer highlights that just one company can handle the intermediary role, serving both sides in the transaction. While involving two companies might provide the scenario for separate representation, it does not align with the definition of an intermediary transaction, which emphasizes the single brokerage's capacity to represent multiple clients simultaneously. Other options do not accurately reflect the nature of intermediary transactions, as they either suggest involvement of multiple companies or none at all, which does not align with the principles governing these types of real estate dealings.

**7. What should be disclosed to customers regarding a property?**

- A. The market value**
- B. The condition of the property**
- C. The seller's financial status**
- D. Potential future developments**

Disclosing the condition of the property to customers is essential in real estate transactions. This involves providing honest and clear information about any known defects, structural issues, or maintenance needs that could affect the property's usability and safety. Buyers rely on this information to make informed decisions, and failing to disclose it can lead to legal liabilities for the seller and the agent involved. In contrast, while market value can provide insight into pricing, it is subject to opinion and fluctuations in the market; disclosing the seller's financial status is generally considered irrelevant and intrusive in respect to the transaction; and potential future developments, while important, may not always be known or relevant to the current condition of the property. Therefore, the condition of the property remains a concrete element that must be transparently shared with clients to ensure ethical practices and protect all parties involved in the transaction.

**8. What term refers to a false statement of fact made by one party that induces another party into a contract?**

- A. Fraud**
- B. Misrepresentation**
- C. Contract breach**
- D. Deception**

The term that refers to a false statement of fact made by one party which induces another party into a contract is misrepresentation. It is essential to differentiate misrepresentation from other terms, as it specifically involves an assertion that is untrue and affects the decision-making of the other party regarding the contract. In a legal context, misrepresentation can be classified into different categories, such as innocent, negligent, or fraudulent, depending on the intent and knowledge of the party making the statement. Regardless of the type, the key element is that the false statement directly influences the other party to enter into the contract. Fraud, while related, usually involves intentional deception with the aim of securing unfair or unlawful gain, which could encompass misrepresentation but encompasses a wider scope of wrongful acts. Contract breach involves the failure to perform obligations established in a contract rather than the misleading or false statements leading up to it. Deception is a broader term that could apply to various forms of misleading behavior and does not specifically address the aspect of inducing a contract through false facts. Thus, misrepresentation is the most precise term for the scenario described.

## 9. What crucial information must agents provide to their clients according to ethical standards?

- A. Only positive aspects of the property
- B. All material facts related to the transaction**
- C. Only agent background information
- D. The commission structure involved

Agents have an ethical obligation to provide all material facts related to the transaction to their clients. This requirement is rooted in the principles of transparency and honesty, which are essential for maintaining trust in the client-agent relationship. By disclosing all relevant information about the property, including any potential issues or negative aspects, agents enable their clients to make informed decisions. Material facts may include information such as the condition of the property, zoning regulations, any liens or encumbrances, and other details that could significantly affect the value or desirability of the property. Failing to disclose such information could lead to legal repercussions for the agent and result in a breach of fiduciary duty. While agents may have various responsibilities regarding commission structures and their backgrounds, these do not carry the same ethical weight as the obligation to disclose material facts associated with the transaction. Providing only positive aspects of a property would be misleading and contrary to the agent's responsibility to act in the best interests of their clients. Thus, disclosing all material facts is paramount to fostering a fair and transparent real estate environment.

## 10. What is the relationship called when one party grants authority to another?

- A. Contractual relationship
- B. Agency relationship**
- C. Partnership relationship
- D. Employment relationship

The correct answer, which identifies the relationship where one party grants authority to another, is referred to as an agency relationship. In this context, the principal is the party that grants authority, while the agent is the individual who receives that authority to act on behalf of the principal. This relationship is foundational in various sectors, particularly in real estate, where agents represent clients in transactions and negotiations. Agency relationships are characterized by their fiduciary nature, meaning the agent is obligated to act in the best interests of the principal. This includes duties such as loyalty, obedience, disclosure, and accounting. The clear delineation of authority and responsibility in an agency relationship allows the agent to make decisions, enter contracts, and carry out actions that legally bind the principal. The other options—contractual, partnership, and employment relationships—do not fully encapsulate this specific dynamic. While a contractual relationship may involve obligations between parties, it does not necessarily imply that one party has granted authority to another. A partnership involves a shared ownership and management structure, and an employment relationship typically denotes a different kind of authority in which an employer directs the work of an employee. However, neither of these captures the essence of the authority grant inherent in agency relationships.

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://treclawofagency.examzify.com>**

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

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