CALIFORNIA REAL ESTATE 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.

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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!

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Questions

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1. If a broker procures a loan for a principal for $89,000, the broker would provide which of the following documents?

A. A Broker's Loan Statement

B. A Real Property Security Statement

C. Both a and b

D. Neither a nor b

2. Which of the following would NOT affect the basis of real property?

A. Maintenance

B. New concrete patio

C. New roof

D. Remodeling

3. Which of the following is not necessary in a bill of sale?

A. Acknowledgment

B. Date

C. Mention of consideration

D. Signature of vendor

4. Which business structure leaves personal assets of principals available to creditors for satisfaction?

A. Corporation

B. Limited Partnership

C. Partnership

D. None of the above

5. What is the liability status of a general partner in a limited partnership?

A. Has limited liability

B. Has no limit to liability

C. Liability is restricted to the amount invested

D. No liability

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6. What should a buyer do if they find undisclosed issues with a property after purchase?

A. File a complaint with the Real Estate Commissioner

B. File a lawsuit for misrepresentation

C. Contact the property's previous owner

D. Ask for a refund

7. A home sold for $150,000 on which the seller was to pay a 6% brokerage fee. Additional costs were: 2% prepayment penalty on an existing loan balance of $102,800, escrow fees of $210, and new loan discount fee of $534. The seller's cost of sale will be what percent of gross equity?

A. 20.5%

B. 228%

C. 23.4%

D. 25%

8. If an appraiser observes wide cracks in the walls of a basement, the probable cause is:

A. Deterioration due to moisture

B. Normal curing of the concrete

C. Settling of the house

D. Weakening joists

9. A valid lease need NOT contain:

A. amount of payment

B. description of property

C. names of parties to lease and terms of lease

D. stipulated transfer fee

10. An appraiser's final step in estimating value is to correlate the three indications of value obtained through the cost, income, and market data approaches. The final estimate of value is obtained by:

A. averaging the three values

B. assigning weights to the three individual values and then averaging those values

C. both a and b

D. none of the above

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Answers

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

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Explanations

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1. If a broker procures a loan for a principal for $89,000, the broker would provide which of the following documents?

A. A Broker's Loan Statement

B. A Real Property Security Statement

C. Both a and b

D. Neither a nor b

A broker procuring a loan for a principal means that the broker is helping the principal secure a loan from a lender. As such, the broker would provide a Broker's Loan Statement, which serves as documentation of the broker's involvement in the loan process. Option B, a Real Property Security Statement, is incorrect because it is a statement related to the collateral or property being used to secure the loan, not the broker's role in facilitating the loan. Option C, both a and b, is incorrect because a Real Property Security Statement is not necessary for the broker's involvement in the loan process. Option D, neither a nor b, is incorrect because the broker would provide a Broker's Loan Statement in this scenario. Therefore, it is not accurate to say that neither a Real Property Security Statement nor a Broker's Loan Statement would be provided.

2. Which of the following would NOT affect the basis of real property?

A. Maintenance

B. New concrete patio

C. New roof

D. Remodeling

The basis of real property refers to the amount of investment in the property for tax purposes, including the purchase price and various costs associated with acquiring or improving the property. Maintenance refers to routine care and upkeep of the property, such as cleaning, repairs, and landscaping. While maintenance is essential for preserving property value, it does not add to the basis of the real property. This is because maintenance expenses are typically considered current expenses rather than capital improvements. Capital improvements, like a new concrete patio, new roof, or remodeling, enhance the property value or prolong its life, thereby increasing the property's basis. On the other hand, maintenance merely keeps the property in working condition and does not improve its overall value or functionality. Thus, maintenance does not impact the basis of real property, making it the correct choice for the question regarding which option would not affect the basis.

3. Which of the following is not necessary in a bill of sale?

A. Acknowledgment

B. Date

C. Mention of consideration

D. Signature of vendor

A bill of sale serves as a legal document that signifies the transfer of ownership of personal property. While certain elements are typically required for a bill of sale to be valid, not all of them are strictly necessary in every situation. In particular, an acknowledgment—meaning a formal declaration that the document's content has been understood and agreed upon by the parties—is not universally required. The essential components often include a date, identification of the buyer and seller, a description of the property being sold, mention of consideration (the value exchanged), and the signatures of both parties. The date is important to establish when the transaction occurred, and mentioning consideration shows the basis of the transaction. The signature of the vendor provides evidence that they consent to the sale. However, the absence of an acknowledgment does not invalidate a bill of sale as long as the other necessary elements are present. This distinction is why the acknowledgment is not deemed essential for the document's validity.

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4. Which business structure leaves personal assets of principals available to creditors for satisfaction?

A. Corporation

B. Limited Partnership

C. Partnership

D. None of the above

The answer is the option that indicates a business structure where personal assets of principals are at risk for satisfying business debts. In California and elsewhere, a corporation is recognized as a separate legal entity. This means that, generally speaking, the corporation itself is responsible for its debts and liabilities. However, in circumstances where individuals acting on behalf of the corporation engage in fraudulent activities or fail to follow corporate formalities, personal assets may become vulnerable, especially if the corporate veil is pierced. On the other hand, both a Limited Partnership and a general Partnership can expose the general partners to liabilities, as their personal assets can be targeted by creditors of the business. In a Limited Partnership, only the general partners have personal liability, while limited partners are only liable up to the amount of their investment in the partnership. Choosing the corporation as the answer might stem from a misunderstanding of the level of personal asset protection typically afforded by this structure; it is in fact intended to protect personal assets under normal circumstances, making it a misleading choice in this context. Understanding the nuances of liability across various business structures is crucial for making informed decisions in real estate and business operations.

5. What is the liability status of a general partner in a limited partnership?

A. Has limited liability

B. Has no limit to liability

C. Liability is restricted to the amount invested

D. No liability

The correct answer is that a general partner in a limited partnership has no limit to liability. In a limited partnership, there are two types of partners: general partners and limited partners. General partners actively manage the business and make decisions for the partnership, and they are personally liable for the debts and obligations of the partnership without limit. This means that they can be held accountable not only for the partnership's financial commitments but also for any potential losses, putting their personal assets at risk. In contrast, limited partners usually invest capital and have limited liability, meaning they are only liable for debts up to their investment in the partnership. This structure is designed to protect limited partners from personal liability beyond their investment while allowing general partners to control the business operations. Therefore, the differentiation in liability between general and limited partners is a critical aspect of limited partnerships, emphasizing the extensive legal responsibilities that general partners hold.

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6. What should a buyer do if they find undisclosed issues with a property after purchase?

A. File a complaint with the Real Estate Commissioner

B. File a lawsuit for misrepresentation

C. Contact the property's previous owner

D. Ask for a refund

If a buyer discovers undisclosed issues with a property after purchase, the appropriate action would be to file a complaint with the Real Estate Commissioner. This is because the Real Estate Commissioner has the authority to investigate and take action against real estate agents or brokers who engage in fraudulent behavior or fail to disclose pertinent information about a property. Filing a lawsuit for misrepresentation, option B, may be a costly and time-consuming process that may not result in a favorable outcome. Contacting the property's previous owner, option C, may not be effective as they are no longer legally responsible for the property. Asking for a refund, option D, also may not be a viable option as the buyer has already purchased the property and the seller may not be obligated to provide a refund. Therefore, option A is the most appropriate and effective course of action.

7. A home sold for $150,000 on which the seller was to pay a 6% brokerage fee. Additional costs were: 2% prepayment penalty on an existing loan balance of $102,800, escrow fees of $210, and new loan discount fee of $534. The seller's cost of sale will be what percent of gross equity?

A. 20.5%

B. 228%

C. 23.4%

D. 25%

*To determine the seller's cost of sale as a percentage of gross equity, it's important to first identify all associated costs and then compute the gross equity. The gross sale price of the home is $150,000. To calculate the seller's costs, we need to include the brokerage fee, prepayment penalty, escrow fees, and the new loan discount fee. 1. **Brokerage fee**: This is 6% of the sale price. - Calculation: 0.06 x $150,000 = $9,000 2. **Prepayment penalty**: This is 2% of the outstanding loan balance of $102,800. - Calculation: 0.02 x $102,800 = $2,056 3. **Escrow fees**: This is a fixed cost of $210. 4. **New loan discount fee**: This is another fixed cost of $534. Now, we add all these costs to determine the total cost of sale: - Brokerage fee: $9,000 - Prepayment penalty: $2,056 - Escrow fees: $210 - New loan discount fee: $534 Total costs = $9,000 + $2,*

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8. If an appraiser observes wide cracks in the walls of a basement, the probable cause is:

A. Deterioration due to moisture

B. Normal curing of the concrete

C. Settling of the house

D. Weakening joists

The presence of wide cracks in the walls of a basement is often indicative of deterioration due to moisture. When moisture seeps into the walls, it can cause the materials to swell and weaken over time, leading to substantial cracking. This deterioration is particularly common in basements, which are more susceptible to water intrusion. While normal curing of concrete can initially create minor cracks, they typically are small and do not represent the significant and wide cracks observed in this scenario. Settling of the house could lead to cracks, but these would generally appear more uniform and related to foundation issues rather than being concentrated in a specific area like the basement walls. Weakening joists may result in structural issues but would not directly cause wide cracks in the walls themselves. Hence, when wide cracks are noted in the basement, moisture-related deterioration is the most probable cause.

9. A valid lease need NOT contain:

A. amount of payment

B. description of property

C. names of parties to lease and terms of lease

D. stipulated transfer fee

In a valid lease agreement, it is essential to have certain basic components for it to be enforceable. Typically, a lease must identify the parties involved, provide a description of the leased property, and outline the terms of the lease, including the duration of the lease and payment obligations. While it's common for a lease to specify the amount of payment, California law does not strictly require a lease to contain an exact rent amount for it to be valid. Instead, a lease can be valid with terms indicating how the rent will be calculated or referencing a separate document that specifies the payment amount. Additionally, other terms, such as a stipulated transfer fee, may be included but are not fundamental requirements for a lease to exist. The absence of a specified rent amount does not make a lease invalid as long as the other essential elements are present. Therefore, a lease may still be enforceable without a clearly stated amount of payment, making this aspect non-essential compared to the core components necessary for a valid lease agreement.

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10. An appraiser's final step in estimating value is to correlate the three indications of value obtained through the cost, income, and market data approaches. The final estimate of value is obtained by:

A. averaging the three values

B. assigning weights to the three individual values and then averaging those values

C. both a and b

D. none of the above

The final estimate of value obtained by an appraiser involves considering the results from the three approaches: cost, income, and market data. While an appraiser may assess the three different indications of value, the process does not only rely on a straightforward averaging of the values. Instead, the appraiser often considers the context and relevance of each approach to the specific property being appraised, which can lead to the application of weights to better reflect the significance of each method in the final analysis. This nuanced approach—assigning weights based on the characteristics of the property and the current market conditions—ensures that the most accurate estimate of value is presented. Therefore, while the idea of averaging seems straightforward, it does not comprehensively capture the detailed evaluative process that appraisers typically employ. Ultimately, the choice that involves assigning appropriate weights to the individual values—and then potentially averaging them—represents a more accurate and thoughtful approach to arriving at a final value estimate. This method acknowledges that not all valuation methods hold equal relevance for each property type or market condition, leading to a more balanced and justifiable final appraisal figure.

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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://calirealestateexam.examzify.com

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

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