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.

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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. Which statement is true about market value relative to investment value?

A. Market value is independent of the individual investor's cash flows and risk.

B. Market value depends on the investor's cash flows and risk.

C. Market value equals the investment value for all investors.

D. Market value is affected by replacement cost.

2. A property is sold with a broker, where the contract with the salesperson's broker is 40% of the full commission earned and the total commission is 6%. What is the salesperson's share of the commission?

A. 5,400

B. 8,100

C. 6,750

D. 4,500

3. In a price problem, the last step is to divide the net to be received by the decimal found in step 2. If the net to be received is $108,000 and the decimal from step 2 is 0.90, what is the final price?

A. $100,000

B. $108,000

C. $96,000

D. $120,000

4. In a price problem, after you have subtracted the percentage from 100%, you

A. convert that percent to a decimal

B. add 1

C. multiply by 100

D. divide by 10

5. How is price per square foot calculated?

A. Purchase Price / Total Gross Square Footage

B. Total Gross Square Footage / Purchase Price

C. Net Operating Income / Effective Gross Income

D. Purchase Price / Net Operating Income

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6. Which item is least likely to affect market value?

A. Recent sales of similar properties in the area.

B. The investor's required rate of return.

C. Current physical condition and location.

D. The owner's personal taste in décor.

7. Annual real estate taxes are 4,745. The seller pays taxes in arrears for the preceding calendar year. If closing occurs on July 15, what is the prorated tax amount the buyer owes at closing?

A. 0

B. 2,197

C. 3,000

D. 4,745

8. What DSCR threshold do lenders commonly require for commercial loans?

A. Greater than 1.60 to 2.00

B. Greater than 1.20 to 1.40

C. At least 1.50

D. Greater than 1.80

9. In a price problem, the last step is to divide the net to be received by the decimal found in step 2. If the net to be received is $150,000 and the decimal from step 2 is 0.75, what is the final price?

A. $200,000

B. $150,000

C. $160,000

D. $180,000

10. How do you account for vacancies and credit losses in a pro forma?

A. Subtract Vacancy Loss and Credit Loss from PGI to arrive at EGI

B. Add Vacancy Loss to EGI

C. Subtract Debt Service from NOI to arrive at EGI

D. Subtract Operating Expenses from PGI to arrive at EGI

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Answers

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

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Explanations

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1. Which statement is true about market value relative to investment value?

A. Market value is independent of the individual investor's cash flows and risk.

B. Market value depends on the investor's cash flows and risk.

C. Market value equals the investment value for all investors.

D. Market value is affected by replacement cost.

Market value is the price a property would bring in an open market, determined by what buyers are willing to pay under current conditions. This price isn't tailored to any one investor's finances, so it doesn't depend on that investor's cash flows or risk preferences. Investment value, on the other hand, is specific to an individual because it reflects that investor's own cash flows, financing, taxes, and risk tolerance. So market value being independent of an individual's cash flows and risk is the correct idea. Replacement cost is a separate concept used in some cost-based valuation approaches, and while it can influence value in those contexts, market value itself is driven by market demand and income/risk considerations, not by replacement cost. That's why the other statements don't fit.

2. A property is sold with a broker, where the contract with the salesperson's broker is 40% of the full commission earned and the total commission is 6%. What is the salesperson's share of the commission?

A. 5,400

B. 8,100

C. 6,750

D. 4,500

The main idea is chaining percentages to get the portion of the sale price that goes to the salesperson. The total commission is 6% of the sale price, and the salesperson receives 40% of that commission. So the salesperson's share is 0.40 × 6% = 2.4% of the sale price. Turning that into dollars requires knowing the sale price; with an implied sale price that makes 2.4% equal to $5,400, the sale price would be $225,000, and the salesperson's share would be $5,400. So the correct dollar amount corresponds to 2.4% of the sale price, which matches $5,400. Other options would correspond to different sale prices or different percentage shares.

3. In a price problem, the last step is to divide the net to be received by the decimal found in step 2. If the net to be received is $108,000 and the decimal from step 2 is 0.90, what is the final price?

A. $100,000

B. $108,000

C. $96,000

D. $120,000

The key idea is gross price versus net received. If the net amount you receive is 108,000 and that net represents 90% of the final price, you need to find the whole price that, when reduced to 90%, leaves 108,000. Do that by dividing the net by the decimal: 108,000 ÷ 0.90 = 120,000. So the final price is $120,000. This matches the concept that 90% of the final price equals the net received.

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4. In a price problem, after you have subtracted the percentage from 100%, you

A. convert that percent to a decimal

B. add 1

C. multiply by 100

D. divide by 10

When you're dealing with a discount, you first find the portion of the price that remains by subtracting the discount percentage from 100%. That remaining percent shows the fraction of the original price you'll actually pay. To apply it to money, convert that percent to a decimal (divide by 100) and multiply the original price by that decimal. For example, a 25% discount leaves 75% of the price, which converts to 0.75; multiplying $200 by 0.75 gives $150. That's why converting to a decimal is the natural next step. The other options don't produce a usable multiplier for the price: adding 1 would imply a gain rather than a discount, multiplying by 100 would leave you in percent, and dividing by 10 isn't the correct transformation for applying the discount.

5. How is price per square foot calculated?

A. Purchase Price / Total Gross Square Footage

B. Total Gross Square Footage / Purchase Price

C. Net Operating Income / Effective Gross Income

D. Purchase Price / Net Operating Income

Price per square foot represents how much you're paying for each square foot of space. To calculate it, divide the purchase price by the total gross square footage, yielding dollars per square foot. This lets you compare properties of different sizes on a common basis. The other formulas involve income metrics like net operating income or effective gross income, which relate to profitability rather than cost per unit of space, so they don't produce price per square foot. For example, a $600,000 purchase price with 2,400 gross square feet equals $600,000 ÷ 2,400 = $250 per square foot.

6. Which item is least likely to affect market value?

A. Recent sales of similar properties in the area.

B. The investor's required rate of return.

C. Current physical condition and location.

D. The owner's personal taste in décor.

Market value comes from what buyers are willing to pay based on objective property fundamentals, not personal tastes. Recent sales of similar properties in the area establish the going price for comparable homes. The current physical condition and location affect desirability and utility, which directly influence value. For investment properties, the investor's required rate of return translates future cash flows into present value, shaping what price is acceptable. The owner's personal taste in décor, however, is a subjective preference that can be changed by the buyer without altering the property's fundamentals, so it doesn't reliably set market value.

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7. Annual real estate taxes are 4,745. The seller pays taxes in arrears for the preceding calendar year. If closing occurs on July 15, what is the prorated tax amount the buyer owes at closing?

A. 0

B. 2,197

C. 3,000

D. 4,745

Prorate taxes based on the portion of the year the buyer owns the property after closing. Since taxes are paid in arrears, the buyer covers the period from the day after closing to year-end. Daily tax amount = 4,745 / 365 ≈ 13.00 Days buyer owns after closing (July 16–Dec 31) = 169 days Prorated amount = 169 × 13.00 ≈ 2,197 The buyer owes 2,197 at closing.

8. What DSCR threshold do lenders commonly require for commercial loans?

A. Greater than 1.60 to 2.00

B. Greater than 1.20 to 1.40

C. At least 1.50

D. Greater than 1.80

The main idea is how lenders measure a property's ability to cover its debt service: the debt service coverage ratio, which is net operating income divided by annual debt service. Lenders set a minimum DSCR as a cushion against vacancies, vacancies, and unexpected operating costs. In commercial lending, a common minimum falls in the roughly 1.2 to 1.4 range, meaning the property should generate at least 20% to 40% more income than the debt payments. That's why this range is the best fit: it reflects typical market standards, offering enough safety without making loans unnecessarily hard to obtain. For context, a DSCR of 1.25, for example, means NOI is 25% higher than the debt service, which is generally considered a comfortable buffer. If the NOI dropped or debt service rose so DSCR fell below the threshold, the loan wouldn't pencils out under lender criteria. Higher thresholds, like 1.6 or 1.8, indicate much larger cushions and are usually reserved for higher-risk deals or tighter lending standards, not the standard program.

9. In a price problem, the last step is to divide the net to be received by the decimal found in step 2. If the net to be received is $150,000 and the decimal from step 2 is 0.75, what is the final price?

A. $200,000

B. $150,000

C. $160,000

D. $180,000

When you have a net amount and you know what percent of the final price that net represents, you recover the full price by dividing the net by that percent (as a decimal). Here, the net to receive is 150,000 and the decimal from the step is 0.75, meaning you receive 75% of the final price. So the final price = 150,000 ÷ 0.75. Calculating, 0.75 is 3/4, so dividing by 3/4 is the same as multiplying by 4/3: 150,000 × 4/3 = 150,000 ÷ 3 × 4 = 50,000 × 4 = 200,000. You can check this by restoring the net: 200,000 × 0.75 = 150,000. Only the price that yields a net of 150,000 when multiplied by 0.75 is 200,000, since the other options would produce nets clearly not equal to 150,000. Therefore, the final price is 200,000 dollars.

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10. How do you account for vacancies and credit losses in a pro forma?

A. Subtract Vacancy Loss and Credit Loss from PGI to arrive at EGI

B. Add Vacancy Loss to EGI

C. Subtract Debt Service from NOI to arrive at EGI

D. Subtract Operating Expenses from PGI to arrive at EGI

Vacancies and credit losses reduce the cash actually collected, so you start with Potential Gross Income (assuming full occupancy and no bad debts) and subtract the expected losses from vacancies and uncollected rents. Doing this gives Effective Gross Income, the amount available before operating expenses. From there, you subtract Operating Expenses to get NOI, since debt service is a financing item and not part of EGI. The other options either add losses or subtract the wrong items from PGI, which doesn't reflect the real income after vacancies and credit losses.

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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://realestatemath.examzify.com

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

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