



REAL ESTATE SCHOOL

LICENSE LAW AND COMMISSION RULES PRACTICE EXAM



1. Which of the following do NOT require a real estate license?
 - A. Auctioning of Real Property
 - B. A firm selling its own property through the actions of its own employees
 - C. Offering to buy property for another as an agent
 - D. Offering to list property for another as an agent

2. An unlicensed salaried assistant of a real estate broker/firm is?
 - A. Allowed to be paid a percentage of the commissions earned by the broker as the method of determining their monthly compensation
 - B. Allowed to negotiate offers on behalf of the broker by whom they are employed
 - C. Allowed to show rental units that the firm has listed for property management for a client to a prospective tenant
 - D. Not allowed to show new construction homes built by the firm's owner at an open house

3. An unlicensed salaried assistant of a real estate broker is soliciting listings for her broker
 - A. This is legal as long as the broker does the actual listing presentation and contracting.
 - B. This is legal as long as the assistant is not paid any portion of the commission
 - C. It is not legal for the unlicensed assistant to solicit listings for her broker
 - D. This is not legal unless the assistant and the broker have permission from the Broker-in-charge

- 4. The North Carolina Real Estate Commission has the authority to:**
 - A. Regulate commissions or fees charge by licensees**
 - B. Discipline a Realtor® for breach of the code of ethics.**
 - C. Fine a licensee for violation of license law**
 - D. Fine a developer whose agent violates the North Carolina Time Share Act**

- 5. A Real Estate licensee obtains his/her real estate license in August. When will they first need to have continuing education?**
 - A. When a disciplinary action has commenced against the licensee**
 - B. When they renew their license the first time**
 - C. When they renew their license the second time**
 - D. Within 120 days of becoming a Broker-in-Charge and every five years thereafter**

- 6. A licensee must notify the North Carolina Real Estate Commission...**
 - A. Within ten days of a change of their residence address**
 - B. Of all criminal convictions by the time of license renewal**
 - C. Of a change of name within 30 days**
 - D. Of all disciplinary actions taken by any governmental licensing authority within 10 days of the action**

7. Carolyn is the owner of her firm that has a branch office in addition to the main office.

Which of the following is correct?

- A. Each of the offices must be supervised by its own broker-in-charge**
- B. Carolyn, as the firm's qualifying broker, is not allowed to serve as a broker-in-charge**
- C. Carolyn is allowed to designate a provisional broker as the broker-in-charge of one of the offices as long as she consents to this in written form to the Commission**
- D. Carolyn is allowed, as the owner, to serve as the broker-in-charge for both of the offices if she chooses**

8. Designated agency in North Carolina is

- A. Considered a form of Dual Agency**
- B. Mandatory if you practice Dual Agency**
- C. Legal between a provisional broker in an office with the broker-in-charge of that same office.**
- D. Not allowed when one of the designated agents possesses prior knowledge of material facts about the other person prior to becoming designated.**

9. Designated Agency can be practiced

- A. Between two separate firms**
- B. Between a broker-in-charge and a provisional broker in their office**
- C. By a broker who serves as both the listing and selling agent within a transaction**
- D. Between a provisional broker at one branch office and the broker-in-charge of one of**

- 10. A provisional broker licensee has deliberately misrepresented a material fact about a house that has been listed with her firm. Who has liability to the injured party in the case?**
- A. The provisional broker licensee
 - B. The provisional broker's Broker-in-Charge
 - C. The seller of the property
 - D. The firm only
- 11. A Broker-in-Charge may represent both the buyer and seller in the purchase and sale of a property if...**
- A. He acts in a designated agency capacity
 - B. Both parties agree in writing
 - C. Prior to the settlement the broker tells each party that he will be working in this capacity
 - D. This is never allowed under North Carolina Real Estate Commission Rules and Regulations
- 12. What is required in order to practice Designated Agency?**
- A. That no material facts have been learned by either party prior to the agent being named as designated agents.
 - B. A listing agent can practice designated agency with both his seller and buyer clients as long as both have consented in writing
 - C. That a provisional broker licensee cannot practice designated agency with any broker-in-charge in the same firm.
 - D. That the listing and sales brokers must be two separate individuals

- 13. Which of the following is true in regards to a North Carolina real estate firm's trust account?**
- A. All licensed real estate firms must maintain at least one trust account although they may maintain more than one if desired.
 - B. Trust accounts may be interest-bearing only as long as the interest earned is paid to the client
 - C. It can be maintained in an adjoining state if that state has an agreement that allows NC to obtain access to the banking records
 - D. If the firm is engaged in both sales and leasing activities the firm must maintain these functions in two separate trust accounts
- 14. Which of the following is an example of illegal commingling of trust monies?**
- A. Up to \$100 of the firm's money to cover bank service charges
 - B. Monies collected for final settlement
 - C. Property management fees that are not withdrawn within 30 days of the end of the lease period
 - D. Earned sales commissions that are partially paid at the settlement with the
 - E. remainder to be withdrawn from the earnest money deposit held by the firm.
- 15. A Buyer makes an offer in which the seller counteroffers for more money. The buyer verbally accepts but later refuses to sign the offer. The seller now disputes the return of the buyers deposit and demands the agent give him the money. What must the broker do with the deposit?**
- A. Return it to the buyer since there was no written contract
 - B. Give it to the seller once the seller signs a written release for the broker
 - C. Hold it in his trust account until he obtains written permission from the parties or court order
 - D. He should split the deposit equally and return it to the buyer and seller

- 16. What is the maximum amount of his personal funds that a broker can keep and maintain in his trust account?**
- A. None
 - B. \$100
 - C. \$200
 - D. Whatever amount the bank requires
- 17. How many days does a provisional broker licensee have to deposit earnest deposits in the trust account?**
- A. No later than three banking days from receipt
 - B. No later than three banking days from acceptance
 - C. The same day received
 - D. None
- 18. In order to place trust monies in an interest bearing account**
- A. The broker must have written permission from the buyer and seller
 - B. The written permission must stipulate who is to receive all or a portion of the interest
 - C. The broker is never allowed to keep the interest from a trust account
 - D. **If the written permission is contained within a sales or leasing contract the agreement must be written in a manner that separates it from the remaining text of the agreement (i.e. bold, underlined, italics, etc)**

- 19. Larry Agent has reviewed the “Working with Real Estate Agents” brochure with his buyer. The buyer verbally agrees to have Larry show him some houses as a Buyer Agent. Larry has located a house listed with his firm that the buyer wants to purchase. In addition to the offer they also prepare a written buyer agency as well as a written dual and designated agency agreement. Which of the following is true?**
- A. All Agency documentation must have been in writing at the time of first substantial contact
 - B. Larry must have had his Dual Agency Agreement in writing before showing the house
 - C. Larry should have entered into a verbal Dual Agency Agreement before showing the listing to the buyer
 - D. Larry has complied with all required agency disclosure and documentation requirements
- 20. Barney Buyer is visiting an open house held by Howard Perry and Walston Realty. He tours the house but decides this is not really the house for him. He thanks the agent as he starts to leave. Which of the following statements is correct regarding this situation?**
- A. First substantial contact never occurred and no further agency disclosure was required
 - B. First substantial contact occurred as soon as Barney entered the house and he should have been given the “Working with Real Estate Agents” brochure at the time.
 - C. The agent was required to have Barney sign a written Buyer Agency Agreement before allowing him to tour the home.
 - D. The agent was required to at least have an oral Buyer Agency Agreement with Barney before allowing him to tour the home

- 21. An agent must have the buyer sign a written agency agreement by what specific point in time?**
- A. At the time of first substantial contact**
 - B. At the time of first showing the property to the buyer**
 - C. At the time the agent will present an offer on the Buyer's behalf**
 - D. No later than the time of acceptance of the offer to purchase by the seller**
- 22. The broker-in-charge of an office has listed a house which is being shown by a provisional broker with the same firm and wants to practice as a designated agent.**
- A. This is allowed as long as the provisional broker is working from another branch office of the firm.**
 - B. The broker-in-charge will not be allowed to practice designated agency with a provisional broker from the same firm.**
 - C. A broker-in-charge is never allowed to practice designated agency**
 - D. The provisional broker is only allowed to practice designated agency with someone from his/her own branch office and is limited to dual agency all other times.**
- 23. A Broker has just discovered a major defect in one of his current listings even though the seller has indicated "No Representation" on the Residential Property Disclosure Statement. The listing broker does not inform the selling agent of the defect and since the defect is hidden, the selling agent does not discover or disclose the problem to his buyer. According to the North Carolina Real Estate Commission, who is held responsible for this non-disclosure?**
- A. The listing broker**
 - B. The listing broker and the selling broker**
 - C. The seller and the listing broker**
 - D. The seller**

24. Ricardo is showing the buyer a house in the capacity of Seller Sub-Agent. Prior to being shown any houses the buyer indicates to Ricardo that it is essential he have a fence erected around the back yard of any house he purchases. Ricardo finds the perfect house for the buyer but it does not have a fenced in backyard nor does the listing information sheet indicate whether fences are allowed or not. Ricardo does not inquire of the listing agent anything about a fence. The buyer purchases the house and later learns that he cannot erect a fence. Which of the following statements regarding these facts are true?

- A. The listing agent had duty to disclose in the listing information sheet that fences were not permitted
- B. Ricardo had a duty to determine if fences were permitted even though the listing information sheet did not indicate anything regarding fences.
- C. Since Ricardo and the listing agent are acting in the capacity of Seller Sub-Agent, they have no responsibility to determine if fences are permitted
- D. Since the buyer did not have a buyer agent in the transaction, it is solely his responsibility to check into the permissibility of having a fence.

25. A seller was so pleased with the manner in which a provision broker handled the listing and sale of her property that she decided to pay a bonus to the provisional broker of \$500. This is legal provided...

- A. The seller pays it directly to the provisional broker
- B. The provisional broker first obtains his brokers permission
- C. The broker shares in the commission
- D. The seller pays the bonus directly to the Broker-in-Charge who then pays the provisional broker

- 26. A buyer makes a written offer to purchase a property and includes a \$2,500 earnest money deposit. The seller counteroffers for more money. The buyer verbally accepts. The listing agent deposits the money in the trust account at this point in time. When the buyer receives the seller's counteroffer he refuses to sign even though he had verbally agreed earlier. The seller is angry and tells the buyer that he will not return the earnest deposit since the buyer had reneged on his word. In fact, the seller demands that the listing agent give him the deposit. What must the real estate agent do regarding the earnest money in this situation?**
- A. He must give it back to the buyer because the contract was not accepted in writing**
 - B. He must retain the deposit in the trust account until he obtains written permission from the buyer and seller or await court order.**
 - C. He must give it to the seller since the seller is his principal**
 - D. He must do what he thinks is ethical and reasonable in his judgment**
- 27. Don, a real estate broker, has agreed to prepare a deed for the seller in a transaction in which he is the listing agent. If he does not charge the seller a separate fee for this service...**
- A. He has done nothing illegal since he did not charge a separate fee for this service**
 - B. He may have his license suspended or revoked by the North Carolina Real Estate Commission**
 - C. He has not violated any rules or laws as long as he obtains consent from both parties prior to engaging in this act**
 - D. There is no violation as long as he has a broker's license**

- 28. A seller and a broker are engaged in a dispute over a forfeited earnest money deposit. The seller feels that he does not owe this broker a commission. In fact the seller has no reasonable basis for denying the broker his commission in this case. According to the North Carolina Real Estate Commission what should the broker do about the commission?**
- A. Take it out of the forfeited earnest money deposit and pay the remainder to the seller.
 - B. Pay the entire forfeited earnest money deposit to the seller and bring a separate legal action for the commission.
 - C. The Broker must maintain the disputed monies in the trust account until such time as the seller and Broker each sign a written release for its disposition or court order.
 - D. The broker should retain his commission amount and pay the remainder to the clerk
 - E. of court in the county where the property is located.
- 29. The right to occupy a property for five or more periods of time involving five or more years is considered a _____?**
- A. Long- term lease
 - B. Personal property right
 - C. Time-share
 - D. Eminent Domain
- 30. Five days after signing a contract to purchase a new time-share the buyer backs out of the deal. How long does the developer have to refund the purchaser's money?**
- A. He has no obligation to return it, as there is a contract
 - B. Thirty days from the date of purchase
 - C. Thirty days from the date of cancellation
 - D. Thirty days from the ten-day period in which these monies had to remain in the trust account

ANSWER KEY

License Law and Commission Rules

1.	B
2.	C
3.	C
4.	D
5.	C
6.	A
7.	A
8.	A
9.	D
10.	D
11.	B
12.	D
13.	C
14.	A
15.	C
16.	D
17.	D
18.	C
19.	C
20.	A
21.	C
22.	A
23.	A
24.	B
25.	D
26.	B
27.	B
28.	B
29.	C
30.	B



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