Alabama Real Estate Salesperson Exam

Practice Examination - 50 Questions

Emphasis: Contracts, Agency, and Physical/Economic Characteristics of Real Estate

Instructions: Select the BEST answer for each question. This exam is aligned with the April 2025 Pearson VUE Content Outline for Alabama Real Estate Salespersons.

Question Distribution: Agency (15 questions), Contracts (20 questions), Physical/Economic Characteristics (15 questions)

1. *[Agency]* A fiduciary relationship in which the agent is held in a position of special trust and confidence by the principal is BEST described as:

A. A general agency
B. A universal agency
C. An agency relationship
D. A customer relationship

2. *[Agency]* The acronym COLD-AC represents the six common law fiduciary duties owed by an agent to the principal. What does the 'L' stand for?

A. Legality
B. Licensing
C. Loyalty
D. Liability

3. *[Agency]* A broker who represents only the seller in a transaction is practicing:

A. Dual agency
B. Single agency
C. Designated agency
D. Transaction brokerage

4. *[Agency]* When an agency relationship is created by the actions of the parties rather than a written or oral agreement, it is called:

A. Express agency
B. Implied agency
C. Ostensible agency
D. Gratuitous agency

5. *[Agency]* A listing agent learns that a prospective buyer intends to resell the property immediately for profit. Under the duty of disclosure, the agent MUST:

A. Keep this information confidential
B. Disclose this to the seller
C. Advise the buyer against this plan
D. Refuse to work with this buyer

6. *[Agency]* Which type of agent has the authority to represent the principal in a broad range of matters related to a particular business?

A. Special agent
B. Universal agent
C. General agent
D. Limited agent

7. *[Agency]* In a dual agency situation, what is required for the arrangement to be legal?

A. Written consent from the buyer only
B. Verbal consent from both parties
C. Informed written consent from both principals
D. Approval from the real estate commission

8. *[Agency]* A real estate licensee who assists both buyer and seller with paperwork but does NOT represent either party's interests is acting as a:

A. Dual agent
B. Designated agent
C. Transaction broker/facilitator
D. Sub-agent

9. *[Agency]* Which of the following would NOT terminate an agency relationship?

A. Death of either party
B. Completion of the agency's purpose
C. A change in market conditions
D. Mutual agreement to cancel

10. *[Agency]* The fiduciary duty that requires an agent to account for all funds and documents placed in the agent's care is called:

A. Care
B. Obedience
C. Accounting
D. Disclosure

11. *[Agency]* A buyer's agent learns that the seller is facing foreclosure and is highly motivated to sell. The agent should:

A. Keep this confidential from the buyer
B. Disclose this to the buyer client
C. Tell only the buyer's attorney
D. Refuse to continue with the transaction

12. *[Agency]* Designated agency is designed to accommodate:

A. Transactions involving commercial property
B. In-house sales where two agents from the same broker are involved
C. Sales involving multiple properties
D. Transactions with international buyers

13. *[Agency]* The principal in a real estate transaction for whom the broker acts as agent is called the:

A. Customer
B. Client
C. Prospect
D. Third party

14. *[Agency]* An undisclosed dual agency is:

A. Legal if both parties benefit
B. Permitted in commercial transactions
C. Strictly prohibited
D. Allowed with verbal consent

15. *[Agency]* Which fiduciary duty requires the agent to act according to the principal's legal instructions?

A. Care
B. Obedience
C. Loyalty
D. Confidentiality

16. *[Contracts]* A contract in which both parties promise to do something for the other is called a:

A. Unilateral contract
B. Bilateral contract
C. Executed contract
D. Void contract

17. *[Contracts]* The Statute of Frauds requires that real estate contracts be:

A. Notarized

B. Recorded
C. In writing
D. Witnessed by two parties

18. *[Contracts]* A contract that has been fully performed by all parties is called:
A. An executory contract
B. An executed contract
C. A valid contract
D. An express contract

19. *[Contracts]* Which of the following is NOT a required element of a valid contract?
A. Consideration
B. Legal purpose
C. Recording
D. Legally competent parties

20. *[Contracts]* When a buyer makes an offer and the seller changes the terms before accepting, this creates a:
A. Binding contract
B. Counteroffer
C. Void contract
D. Bilateral agreement

21. *[Contracts]* The buyer's interest in property after signing a purchase agreement but before closing is called:
A. Legal title
B. Equitable title
C. Fee simple title
D. Marketable title

22. *[Contracts]* A contract that appears valid but may be disaffirmed by one party based on some legal principle is:
A. Void
B. Voidable
C. Unenforceable
D. Executed

23. *[Contracts]* "Time is of the essence" in a contract means:
A. The contract can be performed at any time
B. The contract must be performed within the stipulated time

C. Time extensions are automatically granted
D. The closing date is flexible

24. *[Contracts]* A seller defaults on a real estate contract. The buyer may:
A. Only sue for damages
B. Only rescind the contract
C. Sue for specific performance or damages
D. Automatically take title to the property

25. *[Contracts]* Earnest money in a sales contract serves as:
A. The total down payment
B. Evidence of the buyer's intention to complete the transaction
C. Payment to the real estate agent
D. Insurance against property damage

26. *[Contracts]* The substitution of a new contract for an existing contract is called:
A. Assignment
B. Novation
C. Rescission
D. Reformation

27. *[Contracts]* A contract with a purpose that violates law is considered:
A. Voidable
B. Unenforceable
C. Void
D. Valid but illegal

28. *[Contracts]* When one party cancels a contract and returns the parties to their original positions, this is called:
A. Novation
B. Rescission
C. Assignment
D. Breach

29. *[Contracts]* A contract provision that must be satisfied before the contract is fully enforceable is called a:
A. Covenant
B. Contingency
C. Condition subsequent
D. Warranty

30. *[Contracts]* An option contract grants the right to buy property at a fixed price. This is an example of a:

A. Bilateral contract
B. Unilateral contract
C. Executed contract
D. Void contract

31. *[Contracts]* In a contract for deed (land contract), who holds legal title during the contract period?

A. The buyer/vendee
B. The seller/vendor
C. The escrow agent
D. The title company

32. *[Contracts]* A change to existing content of a contract is called an:

A. Addendum
B. Amendment
C. Appendix
D. Attachment

33. *[Contracts]* When earnest money is retained by the seller after the buyer breaches the contract, this is an example of:

A. Punitive damages
B. Compensatory damages
C. Liquidated damages
D. Consequential damages

34. *[Contracts]* For a contract to be valid, the parties must have "meeting of the minds," which means:

A. Both parties must be attorneys
B. Mutual assent or agreement on terms
C. The contract must be notarized
D. Both parties must be present at signing

35. *[Contracts]* The time limit within which to enforce contract rights through legal action is called the:

A. Statute of Frauds
B. Statute of Limitations
C. Laches doctrine
D. Parol evidence rule

36. *[Physical/Economic Characteristics]* Which of the following is a physical characteristic of land?

A. Scarcity
B. Situs
C. Immobility
D. Modification

37. *[Physical/Economic Characteristics]* The concept that no two parcels of land are exactly the same is called:

A. Immobility
B. Indestructibility
C. Non-homogeneity
D. Scarcity

38. *[Physical/Economic Characteristics]* Area preference, or the preference for a certain location, is also known as:

A. Immobility
B. Situs
C. Fixity
D. Scarcity

39. *[Physical/Economic Characteristics]* The economic characteristic of real estate that refers to the long-lasting nature of improvements is called:

A. Indestructibility
B. Permanence of investment (fixity)
C. Scarcity
D. Immobility

40. *[Physical/Economic Characteristics]* Which of the following is an economic characteristic of real estate?

A. Immobility
B. Indestructibility
C. Scarcity
D. Non-homogeneity

41. *[Physical/Economic Characteristics]* The physical characteristic that means land cannot be moved from one location to another is:

A. Indestructibility
B. Immobility
C. Non-homogeneity

D. Fixity

42. *[Physical/Economic Characteristics]* The concept that improvements to a property can affect its value is related to which economic characteristic?

A. Scarcity
B. Situs
C. Modification/Improvement
D. Fixity

43. *[Physical/Economic Characteristics]* Land is considered indestructible because:

A. It cannot be legally subdivided
B. Its geographic location is permanent
C. The earth itself cannot be destroyed in the common sense
D. Government regulations prevent its destruction

44. *[Physical/Economic Characteristics]* The bundle of rights in real property includes all of the following EXCEPT:

A. Right to possess
B. Right to use
C. Right to destroy
D. Right to transfer

45. *[Physical/Economic Characteristics]* Man-made structures permanently attached to land are called:

A. Emblements
B. Improvements
C. Fixtures
D. Appurtenances

46. *[Physical/Economic Characteristics]* The economic characteristic that relates to the limited supply of land in desirable locations is:

A. Situs
B. Permanence of investment
C. Scarcity
D. Modification

47. *[Physical/Economic Characteristics]* Surface rights in real estate include all of the following EXCEPT:

A. The ground
B. Natural things affixed to the ground

C. Improvements
D. Oil deposits beneath the surface

48. *[Physical/Economic Characteristics]* Real property is distinguished from personal property primarily by its:

A. Value
B. Attachment to the land
C. Age
D. Size

49. *[Physical/Economic Characteristics]* Which type of property rights extends from the surface of the earth upward to infinity?

A. Surface rights
B. Subsurface rights
C. Air rights
D. Riparian rights

50. *[Physical/Economic Characteristics]* The fact that a parcel's value depends heavily on its location is an example of which economic characteristic?

A. Scarcity
B. Permanence of investment
C. Modification
D. Situs (area preference)

ANSWER KEY WITH EXPLANATIONS

1. Answer: C *[Agency]*

Explanation: An agency relationship is defined as the fiduciary relationship between the principal and agent where the agent is held in a position of special trust and confidence.

2. Answer: C *[Agency]*

Explanation: COLD-AC stands for Care, Obedience, Loyalty, Disclosure, Accounting, and Confidentiality. Loyalty requires that the principal's interests come before the agent's.

3. Answer: B *[Agency]*

Explanation: Single agency means the broker represents either party, not both, in the same transaction. Any third party is a customer.

4. Answer: B *[Agency]*

Explanation: Implied agency is created when the actions of the parties indicate they have mutually consented to an agency, even without explicit agreement.

5. Answer: B *[Agency]*

Explanation: The duty of disclosure requires the seller's agent to inform the principal of the buyer's intention to resell the property for profit.

6. Answer: C *[Agency]*

Explanation: A general agent represents the principal in a range of matters related to a particular business or activity and can enter into contracts on behalf of the principal within their scope of authority.

7. Answer: C *[Agency]*

Explanation: Disclosed dual agency requires that both principals be informed and consent to the dual representation, understanding how it could affect their respective interests.

8. Answer: C *[Agency]*

Explanation: A transaction broker (also called facilitator, intermediary, or nonagent) helps both parties with formalities without representing either party's interests.

9. Answer: C *[Agency]*

Explanation: A change in market conditions does not terminate agency. Agency is terminated by completion of purpose, death/incapacity, property destruction, expiration, mutual agreement, breach, or operation of law.

10. Answer: C *[Agency]*

Explanation: The duty of Accounting requires the agent to account for all pertinent funds and documents placed in their care. Commingling or conversion of funds is illegal.

11. **Answer: B** *[Agency]*

    Explanation: A buyer's agent must disclose material information that could affect the buyer's decision, including the seller's motivation to sell.

12. **Answer: B** *[Agency]*

    Explanation: Designated agency allows two sales associates of the same broker to represent different parties in an in-house sale while minimizing conflicts of interest.

13. **Answer: B** *[Agency]*

    Explanation: The client is the principal in a real estate transaction for whom the broker acts as agent, while the customer is the third party or nonrepresented consumer.

14. **Answer: C** *[Agency]*

    Explanation: Undisclosed dual agency is strictly prohibited, even if the actions of the parties create an agency relationship where none was intended.

15. **Answer: B** *[Agency]*

    Explanation: Obedience requires the agent to act in good faith and according to the principal's instructions, as long as those instructions are legal and relate to the contract terms.

16. **Answer: B** *[Contracts]*

    Explanation: In a bilateral contract, both parties promise to do something for the other; it binds all parties and is enforceable against all parties.

17. **Answer: C** *[Contracts]*

    Explanation: The Statute of Frauds requires real estate contracts to be in writing to be enforceable.

18. **Answer: B** *[Contracts]*

    Explanation: An executed contract is one that has been fully performed. An executory contract still requires some performance before completion.

19. **Answer: C** *[Contracts]*

    Explanation: The essential elements of a valid contract are: voluntary agreement, legally competent parties, lawful consideration, and legal purpose. Recording is not required for validity.

20. **Answer: B** *[Contracts]*

    Explanation: When the seller changes terms, the original offer ceases to exist and a counteroffer is created, which the original offeror can accept or reject.

21. Answer: B *[Contracts]*

Explanation: After the contract is created but before the deed is delivered, the buyer holds equitable title and may have an insurable interest in the property.

22. Answer: B *[Contracts]*

Explanation: A voidable contract appears valid but may be disaffirmed or voided by one party based on some legal principle, such as being a minor.

23. Answer: B *[Contracts]*

Explanation: "Time is of the essence" means the contract must be performed within the stipulated time; failure to do so may constitute a breach.

24. Answer: C *[Contracts]*

Explanation: If the seller defaults, the buyer may sue for specific performance (forcing the sale) or sue for damages.

25. Answer: B *[Contracts]*

Explanation: Earnest money deposit is evidence of the buyer's intention to carry out the terms of the contract and shows good faith.

26. Answer: B *[Contracts]*

Explanation: Novation is the substitution of a new contract for an existing contract, releasing parties from the original agreement.

27. Answer: C *[Contracts]*

Explanation: A contract with an illegal purpose is void - it has no legal effect and was never a valid contract because it lacks the essential element of legal purpose.

28. Answer: B *[Contracts]*

Explanation: Rescission cancels the contract and returns the parties to their original positions; any monies exchanged must be returned.

29. Answer: B *[Contracts]*

Explanation: Contingencies are additional conditions that must be satisfied before a sales contract is fully enforceable, such as financing or inspection contingencies.

30. Answer: B *[Contracts]*

Explanation: An option is a unilateral contract where only the optionor (seller) is bound to perform if the optionee (buyer) decides to exercise the option.

31. Answer: B *[Contracts]*

Explanation: In a land contract, the seller/vendor retains legal title while the buyer/vendee receives possession and equitable title until the contract terms are met.

32. Answer: B *[Contracts]*

Explanation: An amendment is a change to existing content of a contract, while an addendum is an additional, new provision to a contract.

33. Answer: C *[Contracts]*

Explanation: Liquidated damages are a predetermined amount agreed upon in the contract to compensate for breach. Commonly, earnest money serves as liquidated damages if the buyer defaults.

34. Answer: B *[Contracts]*

Explanation: "Meeting of the minds" refers to mutual assent - both parties agree to the same terms and conditions through offer and acceptance.

35. Answer: B *[Contracts]*

Explanation: The Statute of Limitations sets the time limit within which to enforce rights; rights not enforced within this period are lost.

36. Answer: C *[Physical/Economic Characteristics]*

Explanation: The three physical characteristics of land are immobility, indestructibility (permanence), and non-homogeneity (uniqueness). Scarcity, situs, and modification are economic characteristics.

37. Answer: C *[Physical/Economic Characteristics]*

Explanation: Non-homogeneity (also called uniqueness or heterogeneity) means that no two parcels of land are exactly the same because each has a unique location.

38. Answer: B *[Physical/Economic Characteristics]*

Explanation: Situs refers to area preference - people's preference for certain locations over others, which affects property values.

39. Answer: B *[Physical/Economic Characteristics]*

Explanation: Permanence of investment (or fixity) is an economic characteristic referring to the long-term nature of real estate improvements and capital invested.

40. Answer: C *[Physical/Economic Characteristics]*

Explanation: The four economic characteristics are: Scarcity, Modification/Improvement, Permanence of Investment (Fixity), and Area Preference (Situs).

41. Answer: B *[Physical/Economic Characteristics]*

Explanation: Immobility means that a parcel of land cannot be moved from one site to another; its geographical location is fixed and cannot be changed.

42. Answer: C *[Physical/Economic Characteristics]*

Explanation: Modification/Improvement refers to how changes made to land and its use can positively or negatively affect its value and that of surrounding properties.

43. **Answer: C** *[Physical/Economic Characteristics]*

Explanation: Land is indestructible because one would have to remove a segment of the planet to destroy it. For this reason, land is also considered permanent.

44. **Answer: C** *[Physical/Economic Characteristics]*

Explanation: The bundle of rights includes: possession, use, transfer, encumber, and exclude. While one can modify property, the "right to destroy" is not part of the traditional bundle.

45. **Answer: B** *[Physical/Economic Characteristics]*

Explanation: Improvements are man-made structures that are permanently attached to the land, such as buildings, fences, streets, and sidewalks.

46. **Answer: C** *[Physical/Economic Characteristics]*

Explanation: Scarcity refers to the finite supply of land, especially in desirable locations, which affects property values.

47. **Answer: D** *[Physical/Economic Characteristics]*

Explanation: Surface rights apply to the ground, natural attachments, and improvements. Oil deposits beneath the surface are subsurface rights, which may be owned separately.

48. **Answer: B** *[Physical/Economic Characteristics]*

Explanation: Real property includes land and anything permanently attached to it. Personal property (chattels) is movable and not attached to the land.

49. **Answer: C** *[Physical/Economic Characteristics]*

Explanation: Air rights apply to the space above the surface boundaries of the parcel, extending upward (though limited for aircraft overflights that don't interfere with use).

50. **Answer: D** *[Physical/Economic Characteristics]*

Explanation: Situs (area preference) recognizes that location is a primary factor affecting real estate value - the same house could have vastly different values in different locations.