

CHAPTER 1

Quiz Answers

1. (A) Property is described as the right or interest an owner might have in the thing he owns. It is also referred to as a "bundle of rights".
2. (C) Able holds a future interest in the estate known as an estate in reversion.
3. (C) Leases on agricultural lands are limited to a period of not more than 51 years.
4. (C) Seasonal crops are personal property once they have been harvested, mortgaged, or sold prior to harvesting.
5. (D) Since under ground waters do not flow in a defined channel, no one individual can claim it as his exclusive property. It belongs to all owners of land above the waters and each may take a reasonable amount.
6. (A) An estate of inheritance is another term used to define a fee estate.
7. (D) Baker will retain the life estate until Cady dies. If Baker dies before Cady, his interest passes to his heirs.
8. (B) A lease for a definite period of time is considered to be an estate for years, even if the lease is for only 20 days.
9. (D) Smith is no more than a trespasser at this stage and would be considered to hold an estate at sufferance.
10. (C) The owner of a less-than-freehold estate does not have title to the property and a leasehold estate would be classified as such.
11. (C) The statement of the question is a good definition of a percentage lease.
12. (D) The only way a landlord can evict a tenant is through court action. Only a three day notice is required if the tenant is delinquent in the rent.
13. (C) The statement of the question is a definition of ownership.
14. (B) A lease gives the lessee possession of the property and is the only "estate" listed in the choices.
15. (B) Since Able held only a life estate, the property can only be leased for the life of Able. His death cancels the life estate and the leasehold estate.
16. (B) During the life of "A", "B" holds an estate in remainder. Upon the death of "A", "B" acquires the title.
17. (D) The definition of a "fixture" is described in the statement of the question.
18. (B) Lateral support is the support given to a hillside lot owner from the property owner below. Any excavating on the hillside or underneath the ground cannot undermine the property above.
19. (D) Property that is not personal must be real property. Whether it is tangible or intangible tells us nothing.
20. (C) The statement of the question is a good definition of an estate for years.

CHAPTER 2

Quiz Answers

1. (B) Community property is that property owned by husband and wife.
2. (C) The word "severalty" means one. Severalty ownership would mean sole ownership.
3. (B) Escheat is the formal process in which property left by an individual who has no heirs or will, passes to the state.
4. (B) Since a married woman owns one half of the community property, she is permitted to will that one half to anyone that she may desire.
5. (C) A deed is not considered to have been delivered if there was never intent for it to be done by the grantor. A stolen deed would not be considered a valid deed.
6. (C) The four unities required under a joint tenancy are: Time, title, interest and possession.
7. (A) A joint tenant may sell or give away his interest in the property but is not permitted to will it.
8. (D) Each party involved in a tenancy in common has an equal right of possession.
9. (A) A holographic will is one in which the signature and the material provisions are in the handwriting of the maker.
10. (A) The party receiving real property under the terms of the will is known as a devisee and the real property received is known as a devise.
11. (C) There are no expressed or implied warranties in a quitclaim deed.
12. (D) Before a deed can transfer title it must be delivered. It need not be recorded or acknowledged.
13. (D) Real property cannot be deeded to a deceased person. If the grantee is not living at the time of the grant, the deed is void.
14. (C) If it can be shown that the grantor gave away the property to avoid paying the creditors, the creditors can have the gift deed set aside.
15. (C) To settle any question as to ownership between the adverse possessor and the former owner, a quiet title court action is usually required.
16. (A) The key characteristic is survivorship. An undivided interest and the equal right of possession exists in other types of co-ownership.
17. (C) The term "sufferance" refers to a tenant who lawfully went into possession of property and retains it unlawfully at the end of the tenancy. Title does not transfer by sufferance.
18. (B) The gradual build-up of soil is accretion. Avulsion is the tearing away of soil.
19. (A) Escheat is the process by which property reverts to the state when the owner has died and left no will or heirs.
20. (A) Since the deed is signed by the grantor, he or she is the only one that can declare, before the notary, that they signed the deed in the first place.

CHAPTER 3

Quiz Answers

1. (A) A lien resulting from a trust deed or mortgage is created by a voluntary act of the landowner. The others are involuntary liens.
2. (C) When a judgment has been recorded it becomes a general lien against all real property in the county where the judgment has been recorded.
3. (B) The statement of the question is a good definition of an attachment.
4. (C) Restrictions may be in the form of covenants or conditions. A breach of a condition may result in the loss of title by the owner (a forfeiture).
5. (B) The initials "C.C. & R's" stand for the words, Covenants, Conditions and Restrictions. They are generally used in deeds.
6. (B) The easement held by a public utility company is usually an easement in gross.
7. (A) The coverage provided under the standard form policy of title insurance is quite limited and would not include protection against encroachments.
8. (C) A homestead will protect against a judgment if the homestead is recorded prior to the recording of the abstract of judgment.
9. (C) The general contractor has 60 days to file a lien, all other parties have only 30 days.
10. (C) A lien is a money encumbrance.
11. (B) The title insurance company stands behind the insured and protects them against any recorded claim against the title.
12. (C) Insurance rates are set by the insurance companies. It is the job of the Commissioner to see that these rates are adequate to keep the companies solvent.
13. (B) A writ of execution is a court order to sell property to satisfy a judgment.
14. (D) An abstract of judgment is recorded to create a lien.
15. (D) A judgment is a lien for 10 years.
16. (B) Once acquired by deed, non-use will have no effect on the easement.
17. (B) The title plant is the collection records housed at the title company.
18. (C) These terms mean to "go in" and "go out" and refer to a type of easement.
19. (C) A prescriptive easement is created by adverse use for a 5 year period.
20. (D) The homestead would not protect against any of the liens listed.

CHAPTER 4

Quiz Answers

1. (B) The document used to transfer title to personal property is the bill of sale.
2. (B) Since the list of stock and fixtures may consist of thousands of items, a complete inventory would be required and these would not be enumerated in the contract of sale.
3. (A) Turnover refers to the number of times a given amount of inventory sells over a given period of time, usually a year.
4. (B) The Uniform Commercial Code is designed to cover many facets of commercial transactions including bulk sales.
5. (C) The debt is removed from the record by filing a release or a termination statement.
6. (C) The security agreement "secures" the loan on personal property.
7. (D) "Successor's liability" refers to unpaid sales taxes and would involve the State Board of Equalization.
8. (A) A sales tax must be paid on the furniture and fixtures transferred in the sale of a business opportunity.
9. (B) A sales tax permit is required of both wholesalers and retailers.
10. (D) The Department of Alcoholic Beverage Control handles the issuance of liquor licenses.
11. (B) A Topographical Survey would only show the contour of the land, not its size.
12. (A) The angles are taken from the compass direction which is a North or South point.
13. (B) A Metes & Bounds Description is usually quite complicated and can only be deciphered by a surveyor or engineer.
14. (A) Section 36 is in the lower right corner of the township; the Southeast corner.
15. (A) A township is 6 miles on each side. Section 4 takes one mile and section 34 takes a mile leaving only four miles between the two sections.
16. (D) All Meridian Lines run in a North and South direction.
17. (C) If the neighbor's fence were to fall down or be destroyed, you would lose your point of reference. A permanent marker or line should be used.
18. (A) The three survey points are Hombolt, Mt. Diablo and San Bernardino.
19. (A) A whole section is 640 acres; a half of a section is 320 acres.
20. (A) $1/2$ of a section = 320 acres; $1/2$ of a $1/2$ section (320 acres) = 160 acres.

CHAPTER 5

Quiz Answers

1. (B) A loan that does not call for any payment on the original amount of the loan is called a straight note.
2. (B) Under a contract of sale, the seller retains the title to the property until the entire contract has been paid off. This gives the buyer only an equitable title.
3. (B) A vendor is a seller.
4. (C) When a loan has been paid off and the title is to be returned to the trustor, the trustee issues a deed of reconveyance.
5. (C) A trust deed may be foreclosed in court or by Trustee's Sale.
6. (C) It takes a minimum of 3 months plus 21 days to sell under a trustee's foreclosure. The lender will receive his proceeds in approximately 4 months.
7. (C) The "naked legal title" is held by the trustee.
8. (C) Once the Notice of Default has been recorded, the loan can be reinstated up to within 5 business days of the sale.
9. (C) The first trust deed holder will receive his full \$16,000 and the balance will go to the second trust deed holder less foreclosure costs.
10. (C) If the clause in the deed of trust or note permits the owner to pay a stated amount of dollars per month "or more", he can pay as much as he would like and there would be no prepayment penalty.
11. (A) Under a trust deed, title to the property passes to a trustee. Under a mortgage, the borrower retains the title to the property.
12. (B) A deed of trust that is foreclosed in court follows the same procedure as a mortgage. There will be a one year period of redemption.
13. (C) Once the trustee has sold the property to satisfy the debt, the trustor/borrower has lost all rights of redemption or reinstatement.
14. (C) Purchase money in a broad sense is money borrowed and used to purchase real property.
15. (B) The beneficiary is the lender.
16. (D) The date of the recording of the trust deed sets the priority. The one that is recorded the earliest is the first trust deed and the one recorded thereafter is the second trust deed.
17. (D) The trustor, who is the borrower and owner of the property, has possession of the property.
18. (A) A lock-in clause prohibits the loan from being paid off at a date any earlier than that specified in the loan terms.
19. (A) Naked legal title to the property is given by the trustor to the trustee when the trustor signs the trust deed.
20. (C) Since the reconveyance deed transfers the title from the trustee to the trustor it must be signed by the trustee.

CHAPTER 6

Quiz Answers

1. (C) The Office of Thrift Supervision controls Federal Savings and Loan Associations.
2. (B) Conventional loan rates are generally the same as rates for FHA and DVA loans. These agencies no longer set interest rates and the rates follow market conditions.
3. (D) On loans above \$45,000, the guarantee is 40% of the loan or \$50,750 which ever is less. On this \$100,000 loan the guarantee is 40% or \$40,000.
4. (B) Banks generally prefer short term loans to keep themselves in a liquid position.
5. (C) Mortgage companies generally do not have loanable funds of their own so they operate as loan correspondents for other lenders.
6. (C) FNMA was created originally for the purpose of buying up FHA and GI loans.
7. (C) RESPA prohibits the payment of a "kickback". A "kickback" a fee that is charged to the borrower for a service that was not actually performed.
8. (B) A take-out loan is only issued after completion of the structure and this lender will not be at risk until the building has been completed.
9. (B) FHA loans are made by authorized lending institutions. These are the parties that should be contacted for an FHA loan.
10. (B) Although the property is the security for the loan, the lender wants to be sure that the borrower's income is adequate to make the loan payments.
11. (A) It is the lender who is primarily concerned with the completion of the project. It may help the contractor to get the loan but it really protects the lender.
12. (D) Federal Savings & Loan Associations are a primary source of real estate loan funds.
13. (B) This type of construction financing is referred to as obligatory advances.
14. (A) The CRV is the Certificate of Reasonable Value issued in conjunction with a DVA or GI loan.
15. (C) Impounds are reserves set aside for payment of property taxes and insurance.
16. (A) Loan to value refers to loan value to the appraised value.
17. (D) The word "synonymous" means "same". An interim loan is generally a construction loan.
18. (C) Most of our junior loans or second trust deeds today are made through private investors.
19. (B) An increase in the discount rate increases the cost of borrowing money and makes less money available for loan purposes.
20. (B) The state sells bonds to obtain the funds to operate the Cal-Vet loan program.

CHAPTER 7

Quiz Answers

1. (C) The Real Estate Law and the Real Estate Commissioner considers the relationship between the broker and the salesperson as an employer and employee.
2. (B) The salesperson is only permitted to receive a commission from his or her broker. The check may come from escrow but it must go through the broker's account.
3. (A) Conversion is spending someone else's monies, usually the client's.
4. (C) Although a real estate salesperson may be an officer in a real estate brokerage corporation, officers acting on behalf of the corporation must be licensed brokers.
5. (A) Our Real Estate Law or licensing law is found in the Business & Professions Code.
6. (B) Most documents must be kept three years by the broker.
7. (A) It is permissible to represent more than one party in a transaction provided all parties are advised of this fact.
8. (D) When the real estate licensee sells a trust deed and note the licensee must see that the trust deed is assigned.
9. (C) Second trust deeds negotiated for a term of three years or more can carry a commission of up to 15%.
10. (D) Secretarial work by a secretary does not require a real estate license. The other activities listed would require a license.
11. (C) The Commissioner's Regulations have the force and effect of law and become a part of the California Administrative Code.
12. (D) The real estate broker is required to retain this form for four years.
13. (A) Out-of-state timeshares are classified as real property securities and require a permit before they can be sold.
14. (B) All of our California laws originate in the Senate or Assembly and require an act of both of these legislative bodies.
15. (C) The first step is to issue an accusation within three years of the act.
16. (D) An 18 year old, non-resident, alien may obtain a salesperson's license.
17. (A) An individual may be considered to be "in the business" if he or she is involved in 8 or more real estate note transactions in one calendar year and would have to be a licensee, or must conduct the sale through a licensee.
18. (B) All activities in process come to a halt. The only thing the salesperson can do is get paid for work accomplished before the broker's license was suspended.
19. (D) A salesperson may sell a new or used mobilehome provided it is registered under Part 2 of Division 13 of the Health & Safety Code.
20. (A) For anyone to use the term "realtor" when they are not legally entitled to do so is in violation of the Real Estate Law.

CHAPTER 8

Quiz Answers

1. (C) The general partnership contract need not be in writing according to the Statute of Frauds.
2. (C) An offer will be terminated when rejected by the offeree or revoked by the offeror.
3. (B) An offer and an acceptance is a fine definition of a simple contract.
4. (D) The statute of limitations allows a judgment to be effective for a period of up to ten years.
5. (B) To rescind a contract means to terminate or cancel it.
6. (D) Only certain contracts as spelled out in the Statute of Frauds need be in writing.
7. (A) Consideration may be money, services or an exchange of promises.
8. (C) The Statute of Limitations specifies a three year limit for legal action on an encroachment.
9. (A) The statement of the question is a good definition of Novation.
10. (C) The legal age to enter a real estate purchase contract is 18 years of age unless that person is married.
11. (D) The Statute of Limitations specifies legal actions must be commenced within four years under any written contract.
12. (C) The Statute of Frauds requires leases for more than a year to be in writing.
13. (D) Two parties may enter into a contract but they may never fulfill (perform) their obligations.
14. (B) The party that was forced to sign the contract under duress has the right to void the contract, making it voidable.
15. (C) The property of the community can be held liable for a contract executed by either spouse without the consent of the other and it would be enforceable.
16. (B) An executory contract is one that is yet to be performed.
17. (D) Consideration for a contract may be money, a promise or property.
18. (A) Consideration is one of the essentials to a contract and without it the contract is void.
19. (B) A contract that is illegal is void and unenforceable.
20. (D) The injured party may rescind the contract or sue for damages or specific performance.

CHAPTER 9

Quiz Answers

1. (C) An option is a contract that keeps an offer open. It is not a purchase agreement or a lien.
2. (C) When the principal hires the broker, the broker becomes the agent of the principal and it creates a fiduciary relationship.
3. (C) The principal is liable for all authorized acts of his agent. In this instance he authorized the agent to accept the deposit and the principal could be liable for the loss.
4. (A) The broker that produces the buyer is the one who has earned a commission under an open listing; he is referred to as the "procuring cause".
5. (C) All open listings on the property would be cancelled when the property is sold.
6. (A) When the agent is not authorized to accept a deposit and he does so, he becomes the agent of the purchaser for that single act.
7. (D) Any party holding an option is an optionee and a principal. If the broker decides to sell his interest he must disclose this to the buyer.
8. (B) This answer is a good definition of an option.
9. (B) Even though this is a net listing and the broker will only earn \$200.00, all offers must be submitted to the seller.
10. (C) The listing broker automatically earns a commission under the Exclusive Right to Sell if the property is sold by anyone.
11. (C) If the agent is not authorized to perform a specific act for the principal but the agent does so anyway, he then becomes the agent of the buyer for that one act.
12. (C) The Real Estate Commissioner requires this of the broker under a net listing.
13. (B) The exchange of promises creates the bilateral contract. Since the contract is not yet fully performed it is also an executory contract.
14. (B) On an exclusive agency listing the owner reserves the right to sell the property himself and this broker therefore would have no right to collect a commission.
15. (C) The listing contract is usually a written contract but whether written or verbal, it is an express contract.
16. (D) Incapacity on the part of the principal or the agent will void an employment contract (a listing).
17. (D) The state recording laws do not permit the listing to be recorded by anyone. The fact that it has not been acknowledged is immaterial.
18. (D) There is nothing in this listing that would cause the broker to be disciplined under the Real Estate Law.
19. (B) For the broker to be protected against this type of activity, he must notify the seller in writing of his prospects.
20. (B) Since the broker misrepresented to the sellers the type of contract they were signing, the sellers would not be held liable for the commission.

CHAPTER 10

Quiz Answers

1. (C) First half of taxes become delinquent after December 10.
2. (D) Taxes become a lien on January 1 of each year.
3. (D) Once the taxes are delinquent and the property has become known as "tax defaulted property", the owner can remain in possession for a 5 year period.
4. (B) When the bill has been presented under the 1911 Street Improvement Act, the owner has 30 days in which to pay the bill.
5. (D) A room addition would be added to the cost basis of the property.
6. (C) Book value is the cost plus capital improvements less any depreciation taken or allowed.
7. (A) You are not permitted to deduct a loss on the sale of a single family residence.
8. (B) The cost basis is \$225,000. The assessed value and financing has nothing to do with tax basis for income tax purposes.
9. (C) The second installment becomes delinquent after April 10.
10. (D) Usually the party receiving "Boot" in an exchange will have to pay income taxes.
11. (C) The developer of a subdivision tract is usually considered a dealer and any sales of the homes would be considered ordinary income.
12. (D) A tax advantage could be received under any of the choices listed under "A", "B" or "C".
13. (C) Under present federal income tax laws, an owner is permitted to deduct his interest payments on the home loan.
14. (D) A peach tree orchard would be classified as property used in a business and is depreciable.
15. (A) An investor must be tax conscious before he makes any purchase of property.
16. (A) The amount of cash or note is the difference in the equities of the two owners.
The duplex with a value of \$200,000 and a loan of \$160,000 gives the owner a \$40,000 equity. The apartment with a value of \$225,000 and a loan of \$182,000 gives its owner a \$43,000 equity. The difference in the two equities is \$3,000.
17. (B) The first installment of county property taxes becomes due on November 1.
18. (A) The tax rate is set by the County Board of Supervisors.
19. (D) A loss on the sale of a residence is not deductible under the federal income tax laws.
20. (C) The tax year can be expressed as from July 1 to July 1 or from July 1 through June 30.

CHAPTER 11

Quiz Answers

1. (B) Condominiums are able to utilize a smaller space for more units and therefore will undoubtedly become more popular due to increased land values.
2. (D) It is possible to sell an interest in a syndicate of a real estate investment more readily than a typical type of ownership interest. This aspect provides liquidity to this type of investment.
3. (D) All of the choices listed under "A", "B" and "C" would indicate a material change and must be reported to the Commissioner.
4. (C) The Commissioner is concerned about the sale, leasing or financing and therefore would be concerned with the financial arrangements being made to insure completion of the facilities.
5. (D) The Department of Fair Employment and Housing is the agency that hears complaints for alleged violations of the Act.
6. (B) A prospective purchaser has a 3 day right of rescission.
7. (D) All of the laws indicated in the choices "A", "B" and "C" control the housing and construction industries.
8. (D) Complaints under the Rumford Act (California Fair Housing) are filed with the Department of Fair Employment and Housing.
9. (D) The Federal Open Housing Law was written to prevent discrimination in housing and any violation of the law would be unlawful and illegal.
10. (C) The Supreme Court case between Jones vs Mayer set down the new principles regarding discrimination in housing sales.
11. (B) The letter "M" indicates manufacturing or industrial use.
12. (B) Most syndicates in California are of the limited partnership type.
13. (D) The real estate law controls subdivisions when sold, leased or financed.
14. (C) Subdividers are subject to the California Real Estate Law as well as the Subdivision Map Act.
15. (D) The condominium unit includes the owner's air space only and not the undivided areas or areas owned in common.
16. (B) When using the Commissioner's Public Report it must be used in its entirety and cannot be highlighted or underscored for emphasis.
17. (D) The Corporations Commissioner has control over all types of real estate syndicates.
18. (D) Sanitation facilities in a new subdivision must be approved by the local health officer.
19. (D) An investor can limit his liability in a real estate syndicate created as a corporation, investment trust or limited partnership.
20. (D) The State Housing Law applies throughout the state. If local building codes are more restrictive, these will apply.

CHAPTER 12 ~ QUIZ ANSWERS

1. (C) Loan amount $\$2,500 \times 8\% = \200 per year
 $\$200 \div 12 = \16.67 for 1st year
2. (B) $\$37.50$ per month $\times 12 = \$450$ annual interest
 $\$450$ return divided by $.09$ (9%) = $\$5,000$
3. (B) $50' \times 110' = 5,500$ sq ft per lot. One acre = $43,560$ sq ft
 $43,560$ divided by $5,500 = 7$ full lots maximum
4. (B) Selling price $\$280,000 \times 6\% = \$16,800$ total commission
 $\$16,800 \times 40\% = \$6,720$
5. (D) Depth = area divided by frontage. To convert area of $1,080$ square yards into square feet multiply by 9 as there are 9 square feet in one square yard.
 $1,080 \times 9 = 9,720$ square feet
 $9,720$ square feet divided by $45' = 216$ feet depth
6. (C) 1 acre is $43,560$ sq ft. $43,560$ sq ft divided by 4 lots = $10,890$ sq ft per lot
 $10,890$ sq ft divided by $200'$ depth = $54+$ or 55 feet
7. (D) Interest rate is calculated on 1 year's interest
 $\$100$ (90 days, 3 mo or $1/4$ of year) $\times 4 = \$400$ per year
 $\$400$ annual interest divided by $\$5,000$ loan = $.08$ or 8%
8. (C) Answer is calculated on annual interest, not monthly.
 $\$125$ interest for 1 month $\times 12 = \$1,500$ annual interest
 $\$1,500$ interest divided by $.05$ (5%) = $\$30,000$ note
9. (C) $240' \times 1,089' = 261,360$ sq. ft.
 $261,360 \div 43,560$ (sq. ft. per acre) = 6 acres
10. (B) Selling price = Cost (100%) + 10% or 110% of cost.
Selling price $\$264,000 \div 110\% = \$240,000$
11. (D) To find the value, divide the rate of return into the net income.
Net income $\$87,500 \div 8\% = \$1,093,750$
12. (D) $\$75$ per month $\times 12 = \$900$ annual income
 $\$900$ divided by $.05$ (5%) = $\$18,000$
13. (C) 5 years' interest of $\$4,320$ divided by 5 years = $\$864$ per year
 $\$864$ annual interest divided by $.072$ (7.2%) = $\$12,000$
 $\$11,667$ is the closest answer
14. (D) $\$20,000$ total cost divided by $8 = \$2,500$ cost per lot
Selling price of $\$3,750 - \$2,500$ cost = $\$1,250$ profit
 $\$1,250$ profit divided by $\$2,500$ cost = 50%
15. (C) If you add $6''$ to each side of the building you will increase the dimensions to $25' \times 31'$
 $25' \times 31' = 775$ square feet
16. (C) Selling price (100%) less 5% = 95% or net to seller.
Net to seller $\$152,000 \div 95\% = \$160,000$
17. (B) $\$125.00$ per month $\times 12 = \$1,500$ per year
 $\$1,500 \div \$251,000 = .06$ or 6%

CHAPTER 12 ~ QUIZ ANSWERS

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18. (D) Area \div width = depth
16,500 sq. ft. \div 110' = 150' depth
19. (C) The selling price (\$35,200) = cost + 10% or 110%
\$35,200 divided by 110% = \$32,000 cost
\$35,200 selling price - \$32,000 cost = \$3,200 profit
20. (D) Cost of goods of \$9,300 x 33 1/3% mark-up = \$3,100 mark-up
\$9,300 (cost) + \$3,100 (mark-up) = \$12,400 selling price
\$12,400 selling price x 15% bad debt loss = \$1,860 loss
\$3,100 mark-up - \$1,860 bad debt loss = \$1,240 net profit

CHAPTER 13

Quiz Answers

1. (A) Depreciation does not contribute to the production of income but would reduce it. The four elements are Labor, Capital, Land and Coordination.
2. (C) The initials MAI indicate a Member of the Appraisers Institute.
3. (A) The first step is for the appraiser to define the appraisal problem.
4. (A) The word progression indicates that the value will increase and fits the statement in choice "A".
5. (C) Demand must be accompanied by purchasing power. Buyers without the financial ability to purchase the property will have no effect on the value of the property.
6. (C) Since the South-West corner is the shadiest during the entire day, this would be the most preferable corner.
7. (B) Market value is based upon "willing buyer - willing seller" concept.
8. (C) The narrative report is the most extensive and complete appraisal report.
9. (D) All of the factors listed would influence land's value.
10. (D) The greatest net return is what the appraiser looks for in establishing a lot's highest and best use.
11. (B) This quotation refers to the income approach to the valuation of real property.
12. (D) Regardless of the type of property, location is always the most important factor.
13. (A) Private restrictions could be an influence on the value but they are not considered one of the three great forces.
14. (A) The worth of an item is its value.
15. (A) The original cost of the item cannot be considered as an essential element to its value. Choice "A" therefore is the only correct answer.
16. (D) The original cost of a property has nothing to do with its value on today's market.
17. (A) Money spent on improvements merely reflects their cost. Their value or selling price today may be far above or below their original cost.
18. (D) Appraisers conducting appraisals for "federally related transactions" must be licensed by the California Office of Real Estate Appraisers not the Department of Real Estate.
19. (B) Amenities are pleasing features and influence the value of residential properties.
20. (B) The statement of the question is a definition of plottage. Assemblage is the act of putting the parcels together.

CHAPTER 14

Quiz Answers

1. (B) Old fashion architecture such as massive cornices would be classified as functional obsolescence.
2. (A) Since the depreciation is no factor, the cost approach is most accurate on new property.
3. (A) A Capitalization rate is the rate of return demanded by an investor on his real estate investment. If other investors are getting greater returns, he would expect his rate to increase also.
4. (A) The value of land is based upon its highest and best use. This would indicate the use that would produce the greatest new income.
5. (A) Since there would be no income on vacant land, you could not apply a gross multiplier.
6. (B) Since it would be quite costly to reconstruct the building to eliminate the internal columns, we would have to consider this incurable functional obsolescence.
7. (C) Depth tables are used to establish added value to lots of varying depths. Major fluctuations in value mainly occur on commercial property and not residential.
8. (D) The statement of the question is a good definition of economic life.
9. (A) One of the definitions of market value is that it is based upon the "willing seller-willing buyer" concept.
10. (A) The size of the structure certainly would have an effect on its value.
11. (A) The higher the risk the higher the capitalization rate.
12. (C) Rent schedules are based upon economic rent or rent being charged for comparable space within the immediate area.
13. (B) Since there are no similar properties that have sold recently and there is no income to capitalize, the cost method is the only approach available.
14. (C) These are three appraisal methods used in the cost approach.
15. (A) This is an outside influence and would be classified as economic obsolescence.
16. (B) Amenities are pleasing features in or about the property.
17. (B) Based on the thinking that no buyer would pay more for a property than it would cost to replace the exact same property, the cost approach sets the upper limit of value.
18. (A) Interest payments on mortgage loans are not considered when establishing the value of income property using the capitalization approach.
19. (C) Amenity type properties are single family residences and the market data method is most often used for these.
20. (C) An out-of-date designed building would suffer a loss in value known as functional obsolescence.

CHAPTER 15

Quiz Answers

1. - A

2. - B

3. - A

4. - C

5. - D

6. - B

7. - A

8. - A

9. - C

10. - B

11. - D

12. - A

13. - C

14. - B

15. - D

16. - A

17. - B

18. - C

19. - A

20. - B