

Michael James Johnston
Real Estate Essentials
Chapter 1 to 3

Name _____

Here is a review of our first three chapters. Lets see how well you can do!!

Please select only ONE answer from each of the following questions.

1. M listed her real estate for sale at \$100,000. If her cost was 80 percent of the listing price, what will her percentage of profit be if her real estate is sold for the listing price?
 - a. 10 percent
 - b. 15 percent
 - c. 20 percent
 - d. 25 percent

2. According to law, a trade fixture is
 - a. a fixture.
 - b. an easement.
 - c. personalty.
 - d. a license.

3. The study and description of the people in a community is called
 - a. population.
 - b. demographics.
 - c. family lifestyles.
 - d. households.

4. The owner of a house wants to fence the yard for her dog. When the fence is erected, the fencing materials are converted to real estate by
 - a. severance.
 - b. annexation.
 - c. immobility.
 - d. indestructibility.

5. After the construction of a building over a railroad right-of-way, the trains can
 - a. operate as usual.
 - b. no longer use the tracks under the building.
 - c. use the tracks under the building only if they cause no problem for the building's occupants.
 - d. use the tracks under the building as long as they first obtain the building owner's permission.

6. A broker showed an owner-occupied property that had window screens, venetian blinds and a wall bed. The broker secured a buyer whose offer was accepted by the owner, and the transaction was placed in escrow. Before the close of escrow, the seller may remove
 - a. all of the identified items as they are trade fixtures.
 - b. only the venetian blinds as personal property.
 - c. only the wall bed because it is real property.
 - d. none of the identified items.

7. Which of the following would NOT affect supply?
 - a. Population
 - b. Construction costs
 - c. Government controls
 - d. The labor force

8. An important characteristic of land is that it may be modified or improved at any given time. Depending on its type, an improvement may increase the value of real estate greatly. Which one of the following would NOT be considered to be an improvement?
 - a. Sewers
 - b. Crops
 - c. Buildings
 - d. Roads

9. Real property can become personal property by
 - a. severance.
 - b. purchase.
 - c. hypothecation.
 - d. attachment.

10. In the event that a homeowner's insurance policy provides coverage for less than 80 percent of the full replacement cost of the dwelling, then the loss of the residence will be settled for
 - a. the market value of the property less the land value.
 - b. the lowest repaid bid.
 - c. either the actual cash value or the prorated repair cost.
 - d. the total replacement cost.

11. Which of the following is NOT a category of the uses of real property?
 - a. Residential
 - b. Developmental
 - c. Agricultural
 - d. Industrial

12. A rancher owns a parcel of land on which oil was discovered. If the rancher has not previously conveyed the oil rights, who owns the oil?
 - a. The rancher
 - b. The tenant to whom the property has been leased
 - c. The state government
 - d. The federal government

13. Generally, personal property can be distinguished from real property by its
 - a. greater variety.
 - b. mobility.
 - c. price.
 - d. multiplicity of use.

14. Which of the following would NOT affect demand?
 - a. Population
 - b. Demographics
 - c. Wage levels
 - d. Fiscal policy

15. Which of the following is NOT an economic characteristic of land?
 - a. Scarcity
 - b. Permanence of investment
 - c. Uniqueness
 - d. Area preference

16. A longer mortgage loan term will
 - a. decrease the number of loans being made.
 - b. result in lower monthly mortgage payments.
 - c. prevent many individuals from owning homes.
 - d. cause interest rates to increase.

17. Which of the following is NOT a physical characteristics of land?
 - a. Indestructibility
 - b. Uniqueness
 - c. Immobility
 - d. Scarcity

18. Which of the following is considered to have the greatest impact on the value of a property?
 - a. Area preference
 - b. Permanence of investment
 - c. Scarcity
 - d. Uniqueness

19. Land is considered to be
 - a. indestructible.
 - b. a wasting asset.
 - c. immune to the forces of supply and demand.
 - d. subordinate to real property rights.

20. Which of the following is NOT meant by the word "improvement"?
 - a. Streets
 - b. A sanitary sewer system
 - c. Trade fixtures
 - d. The foundation

21. Which of the following is NOT a test for determining a fixture?
 - a. Intent of the parties
 - b. Size of the item
 - c. Method of attachment of the item
 - d. Adaptation of the item to the real estate

22. A homeowner who wishes coverage greater than that provided by a basic insurance policy may choose a broad-form policy for coverage of which of the following additional perils?
 - a. Flood or earthquake
 - b. War of nuclear explosion
 - c. Falling objects
 - d. Volcanic eruption

23. One factor that would NOT affect the desirability of the location of a residence would be
 - a. retirement prospects.
 - b. employment opportunities.
 - c. social services.
 - d. cultural advantages.

24. The foremost consideration in the purchase of a home is its affordability. What is the second?
 - a. Construction specifications
 - b. The age of the improvements
 - c. The location of the property
 - d. The landscaping and exterior

25. T leases store space to K for a restaurant, and K installs his ovens, booths, counters and other equipment. When do these items become real property?
 - a. When they are installed
 - b. When K defaults on his rental payments
 - c. When the lease takes effect
 - d. When the lease expires

26. Which of the following is NOT included in one's right to control their property?
 - a. The right to invite people on the property for a political fundraiser
 - b. The right to exclude the utilities' meter reader
 - c. The right to erect "no trespassing" signs
 - d. The right to enjoy pride of ownership

27. Which of the following is NOT described as personal property?
 - a. Chattels
 - b. Trade fixtures
 - c. Emblements
 - d. Fixtures

28. A licensed real estate professional acting as a point of contact between two or more people in negotiating the sale, rental or purchase of a property is known as a(n)
- sales affiliate.
 - broker.
 - property manager.
 - appraiser.
29. Mr. and Mrs. H have been living in their condominium at the shore for the past 3 years and leasing the house that they bought 25 years ago to a tenant. When they sell their house, how much of the capital gain will be taxable?
- 0 percent
 - 40 percent
 - 50 percent
 - 100 percent if it is less than \$500,000
30. Fixtures are
- real property.
 - chattels.
 - removable by a tenant before the expiration of the lease.
 - removable by a tenant after the expiration of the lease.
31. A broker responsible for maintaining a client's property while maximizing income return is
- a rental agent.
 - a building maintenance specialist.
 - a property manager.
 - an investment counselor.
32. Which of the following is NOT covered in a basic homeowner's policy?
Damage caused by
- fire and lightning.
 - earthquake and volcanic action.
 - windstorm and hail.
 - flooding waters.
33. The value that an owner has in the property that exceeds the amount of the mortgage debt is called
- equality.
 - escrow.
 - surplus.
 - equity.
34. Federal income tax regulations allow a homeowner to reduce his or her taxable income by amounts paid for
- repairs and maintenance.
 - hazard insurance premiums.
 - real estate taxes.
 - principal and interest.

35. Which of the following is considered to be personal property?
- Wood-burning fireplace
 - Awnings
 - Bathtubs
 - Patio furniture
36. The point at which supply and demand are balanced is known as
- highest and best use.
 - balance.
 - conformity.
 - equilibrium.
37. Federal income tax law excludes gain realized on the sale of a primary residence for singles and couples. The amount of the lifetime exclusion is (single/couple):
- \$100,000/\$200,000
 - \$125,000/\$250,000
 - \$250,000/\$500,000
 - \$300,000/\$600,000
38. One of the expenses the homeowner may NOT deduct when preparing his annual income tax return is
- real estate taxes.
 - mortgage interest on a first home.
 - mortgage interest on a second home.
 - mortgage interest on a third home.
39. When the supply of a commodity decreases
- prices tend to rise.
 - prices tend to drop.
 - demand tends to rise.
 - demand tends to drop.
40. When demand decreases and supply remains the same
- prices tend to rise.
 - prices tend to fall.
 - prices are not affected.
 - the market becomes stagnant.
41. The phrase "bundle of legal rights" is properly included in
- the definition of real property.
 - a legal description.
 - real estate transactions.
 - leases for less than one year.
42. K is interested in a house that fits most of her needs, but it is located in a busy downtown area where she is not sure she wants to live. Her concern about the property's location is called
- physical deterioration.
 - area preference.
 - permanence of investment.
 - immobility.

43. The geographic location of any parcel of land
 - a. can be changed as some substances are removable from the land.
 - b. can never be changed.
 - c. can be changed because the topography can be changed.
 - d. can be changed only under certain legal circumstances.

44. The federal tax provisions allowing for the exclusion of a certain level of capital gain from taxation applies if the home is
 - a. single family.
 - b. condominium.
 - c. part of a pud.
 - d. any of these.

45. The real cost of owning a home includes certain costs or expenses that many people overlook. Which of the following is NOT such a cost/expense?
 - a. The income lost on cash invested in the home
 - b. The interest paid on borrowed capital
 - c. Maintenance and repair expenses
 - d. Personal property taxes

46. The rights of ownership of real property do NOT include the right of
 - a. disposition.
 - b. exclusivity.
 - c. control.
 - d. compatibility.

47. Which of the following does NOT affect how quickly the forces of supply and demand work?
 - a. Degree of standardization of the product
 - b. Mobility of the product
 - c. Degree of standardization of the product's price
 - d. Mobility of the parties to the transaction

48. The selling price of a property is \$96,000. This can be financed if the buyer can put 10 percent down and pay a loan origination fee of 1.5 percent. How much cash must the buyer produce to complete this transaction?
 - a. \$10,080
 - b. \$10,896
 - c. \$11,040
 - d. \$11,084

49. The buyer of a \$125,000 home has paid \$2,000 as earnest money and has a loan commitment for 70 percent of the purchase price. The balance of the cash the buyer needs to complete the transaction is
 - a. \$3,500.
 - b. \$35,500.
 - c. \$37,000.
 - d. \$37,500.

50. Most homeowner's insurance policies contain which of the following clauses?
- A property improvement clause
 - A coinsurance clause
 - A co-ownership clause
 - A property devaluation clause
51. Legally, the term *improvements* when referring to real estate would include
- shrubbery.
 - trees.
 - sidewalks.
 - lawns.
52. The physical characteristics of land include which of the following?
- Uniqueness
 - Scarcity
 - Permanence of investment
 - Adaptation
53. The Ls sold their vacation home for \$88,000. If they made a profit of 10 percent, what was the original cost of the property?
- \$61,000
 - \$79,000
 - \$79,200
 - \$80,000
54. Certain items on the premises that are installed by the tenant and are related to the tenant's business are called
- fixtures.
 - emblems.
 - trade fixtures.
 - casements.