

Michael James Johnston  
Real Estate Essentials  
Chapters 9-11

Name \_\_\_\_\_

1. Debts that are incurred by an individual and become liens against the real property owned by that person are
  - a. general liens.
  - b. specific liens.
  - c. fiduciary encumbrances.
  - d. special assessments.
  
2. If an owner takes his property off the market for a definite period of time in exchange for some consideration, but he grants the right to purchase the property within that period for a stated price, this is called a(n)
  - a. option.
  - b. contract of sale.
  - c. right of first refusal.
  - d. installment agreement.
  
3. How many lots, each measuring 72.5 feet wide by 100 feet deep, could be made from a two-acre parcel of land?
  - a. 6
  - b. 7
  - c. 12
  - d. 14
  
4. The essential elements of a contract include all of the following EXCEPT
  - a. offer and acceptance.
  - b. notarized signatures.
  - c. competent parties.
  - d. consideration.
  
5. When a lien against a parcel of real estate may result from a lawsuit currently before the court, one examining the public records would look for
  - a. the chain of title.
  - b. a lis pendens.
  - c. a suit to quiet title.
  - d. a judgment lien.
  
6. Under which of the following types of liens can both the real property and the personal property of the debtor be sold to pay the debt?
  - a. Real estate tax lien
  - b. Mechanic's lien
  - c. Judgment lien
  - d. Assessment lien

7. A broker took a listing and later discovered that the client was previously declared legally incompetent. The listing is now
    - a. binding because the broker was acting as the owner's agent in good faith.
    - b. of no value to the broker because it is now void.
    - c. the basis for the recovery of a commission if the broker produces a buyer.
    - d. renegotiable.
  
  8. If the market value of a property is \$84,500 and the assessment ratio is 35%, what are the monthly taxes if the tax rate is 30 mills?
    - a. \$887.25
    - b. \$942.50
    - c. \$73.94
    - d. \$87.72
  
  9. How many acres are in a description reading, "The NW 1/4 of the SE 1/4 and the S 1/2 of the SW 1/4 of the NE 1/4 of Section 4"?
    - a. 40 acres
    - b. 50 acres
    - c. 60 acres
    - d. 80 acres
  
  10. The amount of earnest money deposit is determined by
    - a. the real estate licensing statutes.
    - b. an agreement between the parties.
    - c. the broker's office policy on such matters.
    - d. the acceptable minimum of 5 percent of the purchase price.
  
  11. The monthly taxes on a property are \$200. If the tax rate is \$4 per \$100 of assessed value, what is the assessed value?
    - a. \$12,000
    - b. \$90,000
    - c. \$60,000
    - d. \$240,000
  
  12. Strips of land six miles wide that run north and south are called
    - a. tiers.
    - b. ranges.
    - c. latitudes.
    - d. longitudes.
  
  13. After real estate has been sold by the state or county to satisfy a delinquent tax lien, the defaulted owner usually has a right to
    - a. have the sale canceled by paying the back taxes and penalties.
    - b. pay his or her creditors directly and have their liens removed.
    - c. redeem the property within the time specified by law.
    - d. record a notice of non-responsibility for the unpaid taxes.
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14. Which of the following is the best way to ensure that there are no encroachments and verify the boundaries of a parcel of land?
  - a. Write a legal description
  - b. Get a spot survey
  - c. Find the monuments
  - d. Verify the benchmarks
  
15. How many acres are in a lot that is  $\frac{1}{4}$  of a mile wide by  $\frac{1}{4}$  of a mile long?
  - a. 10
  - b. 120
  - c. 40
  - d. 80
  
16. A real estate sales contract becomes valid or in effect when it has been signed by
  - a. only the buyer.
  - b. the buyer and seller.
  - c. only the seller.
  - d. the broker and the buyer.
  
17. The current market value of a property is \$255,000 and it is assessed at 35 percent of its current market value with an equalization factor of 1.25. What is the amount of real estate tax due if the tax rate is \$3.50 per \$100 of assessed value?
  - a. \$2,756.25
  - b. \$3,445.31
  - c. \$3,904.69
  - d. \$4,880.26
  
18. The law that requires real estate contracts to be in writing to be enforceable is the
  - a. law of descent and distribution.
  - b. statute of frauds.
  - c. parole evidence rule.
  - d. statute of limitations.
  
19. A void contract is one that is
  - a. not in writing.
  - b. not legally enforceable.
  - c. rescindable by agreement.
  - d. voidable by only one of the parties.
  
20. Judgment liens are
  - a. specific liens.
  - b. voluntary liens.
  - c. statutory liens.
  - d. equitable liens.

21. Taxes levied on a property owner to pay to install sidewalks or sewers are called
  - a. ad valorem taxes.
  - b. general property taxes.
  - c. special excise taxes.
  - d. special assessments.
  
22. H agrees to purchase V's real estate for \$230,000, and deposits \$6,900 earnest money with Broker L. However, V is unable to clear the title to the property, and H demands the return of his earnest money as provided in the purchase contract. Broker L should
  - a. deduct his commission and return the balance to H.
  - b. deduct his commission and give the balance to V.
  - c. return the entire amount to H.
  - d. give the entire amount to V to dispose of as he decides.
  
23. G has defaulted in the payment of several of his debts, and the court has ordered his property sold to satisfy them. A title search revealed several outstanding liens against the property. Which of the following liens has first priority?
  - a. The outstanding first mortgage lien dated and recorded one year ago
  - b. The current year's real estate tax lien
  - c. The judgment lien rendered and recorded last month
  - d. The mechanic's lien for work started two months before the mortgage was recorded
  
24. If, upon the receipt of an offer to purchase his property under certain conditions, the seller makes a counteroffer, the prospective buyer is
  - a. bound by his original offer.
  - b. bound to accept the counteroffer.
  - c. bound by whichever offer is lower.
  - d. relieved of his original offer.
  
25. The current value of a property is \$40,000. The property is assessed at 40% of its current value, with an equalization factor of 1.5 applied to the assessed value. If the tax rate is \$4 per \$100 of assessed value, what is the amount of tax due on the property?
  - a. \$640
  - b. \$960
  - c. \$1,600
  - d. \$2,400
  
26. Which of the following best describes earnest money?
  - a. The consideration for the sale of the property
  - b. The money put up by the buyer at the time the offer is made
  - c. The commission to be paid to the broker
  - d. The money to be used for paying for some of the closing costs

27. "Beginning at the SE corner of the NE 1/4 of the section, then due west 5,280 feet more or less to the SW corner of the NW 1/4, the north along the west line of the section 2,640 feet more or less to the NW corner of said NW 1/4, then in a straight line to the point of beginning." How many acres does this parcel contain?
  - a. 80 acres
  - b. 160 acres
  - c. 240 acres
  - d. 320 acres
  
28. When a company furnishes materials for the construction of a house and is subsequently not paid, it may file a(n)
  - a. deficiency judgment.
  - b. lis pendens.
  - c. estoppel certificate.
  - d. mechanic's lien.
  
29. Normally, the priority of general liens is determined by
  - a. the order in which they are filed or recorded.
  - b. the order in which the cause of action arose.
  - c. the size of the claim.
  - d. the court.
  
30. Which of the following best describes a contract that is voidable?
  - a. The contract has no legal effect.
  - b. The contract is oral.
  - c. The contract may be valid.
  - d. The contract has not been signed.
  
31. The numbering of sections in a township begins in the section in the
  - a. northeast corner and then runs easterly.
  - b. northwest corner and then runs easterly.
  - c. northeast corner and then runs westerly.
  - d. northwest corner and then runs westerly.
  
32. Broker K arrives to present a purchase offer to D, an invalid, and finds her son and his wife also present. In the presence of Broker K, both individuals persistently urge D to accept the offer, even though it is much lower than the price she has been asking for her home. If D accepts the offer, she may later claim that
  - a. Broker K should not have brought her such a low offer for her property.
  - b. she was under undue duress from her son and daughter-in-law, and therefore, the contract is void.
  - c. Broker K defrauded her by allowing her son and his wife to see the purchase offer he brought to her.
  - d. her consumer protection rights have been usurped by her son and daughter-in-law.

33. The current market value of a property is \$35,000. For tax purposes, it is assessed at 40 percent of market value. The tax rate is \$4 per \$100 of assessed value. What is the amount of the tax due?
- \$560
  - \$625
  - \$705
  - \$740
34. When properly recorded in the county where the real estate of the defendant is located, a judgment becomes a(n)
- voluntary lien.
  - involuntary lien.
  - specific lien.
  - equitable lien.
35. At the time a buyer was negotiating the purchase of a lot on which to build a new home, the seller represented that the soil is firm enough to support the construction of a building when, in fact, the seller knew it is not. This contract is
- void.
  - voidable by the buyer because of fraud.
  - voidable by the seller because of the mistake.
  - voidable by neither party because no harm was done yet.
36. Which of the following is a lien on real estate?
- An easement
  - A recorded mortgage
  - An encroachment
  - A restrictive covenant
37. Which of the following is NOT a specific lien?
- Real estate taxes
  - Judgments
  - Mortgages
  - Mechanic's liens
38. The broker receives an earnest money deposit with a written offer to purchase that includes a ten-day acceptance clause. On the fifth day, before the offer is accepted, the buyer notifies the broker that she is withdrawing the offer and demands the return of the earnest money deposit. In this situation
- the buyer cannot withdraw the offer because it must be held open for the full 10 days.
  - the buyer has the right to revoke the offer at any time until it is accepted and recover the earnest money.
  - the seller and the broker have the right to each retain 1/2 of the deposit.
  - the broker declares the deposit forfeited and retains it for his services.

39. Which of the following liens does NOT need to be recorded to be valid?
- Mortgage lien
  - Real estate tax lien
  - Judgment lien
  - Mechanic's lien
40. A recorded subdivision plat is used in the
- geodetic survey system.
  - rectangular survey system.
  - lot and block system.
  - metes and bounds system.
41. The rectangular survey system section contains
- 36 townships.
  - 160 government lots.
  - 160 acres.
  - 640 acres.
42. A broker has an exclusive right-to-sell listing on a building. The owner is out of town when the broker gets an offer from a buyer to purchase the building providing the seller agrees to take a purchase money mortgage. The buyer must have a commitment from the seller before the seller is scheduled to return to the city. Under these circumstances the
- broker may enter into a binding agreement on behalf of the seller.
  - broker may collect a commission even if the transaction falls through because of the seller's absence from the city.
  - the buyer is obligated to keep the offer open until the seller returns.
  - the broker must obtain the signature of the seller to effect a contract.
43. How many linear feet of fence are needed along 1.5 miles of roadway?
- 7,920
  - 8,250
  - 13,430
  - 16,450
44. A lot with a depth of 80 feet and an area of 4,800 square feet was sold for \$350 per front foot. What was the total sales price?
- \$21,000
  - \$28,000
  - \$31,800
  - \$35,000

45. A breach of contract is a refusal or a failure to comply with the terms of the contract. If the seller breaches the purchase contract, the buyer may do all of the following EXCEPT
  - a. sue the seller for specific performance.
  - b. rescind the contract and recover the earnest money.
  - c. sue the seller for damages.
  - d. sue the broker for nonperformance.
  
46. When a prospective buyer makes a written purchase offer that the seller accepts, then the
  - a. buyer may take possession of the real estate.
  - b. seller grants the buyer ownership rights.
  - c. buyer receives legal title to the property.
  - d. buyer receives equitable title to the property.
  
47. The method of describing land by degrees, feet and monuments is known as the
  - a. angular system.
  - b. metes and bounds system.
  - c. rectangular survey system.
  - d. lots and blocks system.
  
48. After the buyer and seller have signed a sales contract, the seller changes his mind and defaults. The buyer sues the seller to force him to go through with the contract. This is known as a suit for
  - a. specific performance.
  - b. damages.
  - c. rescission.
  - d. forfeiture.
  
49. An offeree has the right to
  - a. reject an offer.
  - b. revoke an offer.
  - c. rescind an offer.
  - d. release an offer.
  
50. Which one of the following is NOT essential to the formation of a contract?
  - a. Offer
  - b. Acceptance
  - c. Consideration
  - d. Performance
  
51. The primary survey line running east and west in the rectangular survey system is the
  - a. township line.
  - b. base line.
  - c. range line.
  - d. principal meridian.

52. What is the difference between a general and a specific lien?
- A general lien cannot be enforced in court, while a specific lien can be enforced.
  - A specific lien is held by one person, while a general lien is held by at least two persons.
  - A general lien covers all of the debtor's property, while a specific lien is covers only a certain piece of real property.
  - A specific lien covers real estate, while a general lien covers personal property.
53. A metes and bounds legal description must
- cover an area larger than 10 acres.
  - be used in areas not covered by the rectangular survey system.
  - commence and finish at the same identifiable point.
  - always use north as the basis for directions.
54. Two salespeople working for the same broker obtained offers on a property listed with their firm. The first offer was obtained early in the day. A second offer for a higher purchase price was obtained later in the afternoon. The broker presented the first offer to the seller that evening. The broker did not inform the seller about the second offer so that the seller could make a decision about the first offer. Which of the following is true?
- The broker's actions are permissible provided the commission is split between the two salespeople.
  - After the first offer was received the broker should have told the salespeople that no additional offers would be accepted until the seller decided on the offer.
  - The broker has no authority to withhold any offers from the seller.
  - The broker was smart to protect the seller from getting into a negotiating battle over two offers.
55. Which of the following would NOT terminate an offer?
- Revocation of the offer before acceptance.
  - Death of the offeror before acceptance.
  - A counteroffer by the offeree.
  - An offer from a third party.
56. A mechanic's lien can be filed against an owner's real estate by a(n)
- real estate salesperson claiming part of the broker's commission.
  - lumber company furnishing materials ordered by the property owner.
  - real estate broker claiming a commission under a rejected offer.
  - individual who obtained a judgment against the property owner.

57. The real estate taxes are \$1200 a year. If the assessment rate is 20% and the tax rate is 120 mills, what is the current value of the property?
- \$120,000
  - \$80,000
  - \$250,000
  - \$50,000
58. To assign a contract for the sale of real estate means to
- record the contract with the county recorder's office.
  - permit another broker to act as agent for the principal.
  - transfer ones rights under the contract.
  - allow the seller and the buyer to exchange positions.
59. A contract agreed to under duress is
- voidable.
  - breached.
  - discharged.
  - void.
60. The legal proceeding or legal action brought by either the buyer or the seller under a purchase contract to enforce the terms of the contract is known as
- an injunction.
  - a lis pendens.
  - an attachment.
  - specific performance.
61. A property owner contracted to have a swimming pool installed on her property. When the pool was completed, she refused to pay for the improvement, and the contractor filed a lien for nonpayment. This lien was most likely a
- general lien.
  - special lien.
  - specific lien.
  - voluntary lien.
62. The primary survey line running north and south in the rectangular survey system is the
- township line.
  - base line.
  - range line.
  - principal meridian.
63. A court orders real estate to be sold to satisfy an unpaid lien in an action known as a(n)
- encumbrance.
  - attachment.
  - seizure.
  - foreclosure.

64. Which of the following gives the best evidence of the buyer's intention to carry out the terms of the real estate purchase contract?
- The "subject to" clause
  - The agreement to seek mortgage financing
  - The earnest money deposit
  - The provision that "time is of the essence"
65. When establishing priorities for liens
- a mechanic's lien is always first in priority.
  - the date on which the lien was recorded determines priority.
  - the date on which the debt was incurred determines priority.
  - a broker's lien is automatically first in priority.
66. A farmer owned Section #17 and sold the south one half. He then fenced in the northern one half. How many linear feet of fencing did he use if he had two 6 foot wide gates?
- 27,720
  - 15,828
  - 18,530
  - 14,250
67. An option
- requires the optionee to complete the purchase.
  - gives the optionee an easement on the property.
  - keeps the offer open for a specified time.
  - makes the seller liable for a commission.
68. In parts of the country where there are many lakes and rivers, the rectangular survey system designations will often include
- hyphenated sections.
  - meander-line sections.
  - mean water-line sections.
  - fractional sections.
69. Which of the following parcels of land is the smallest?
- Two sections
  - Five percent of a section
  - Two square miles
  - 1,280 acres
70. A bilateral contract is one in which
- only one of the parties is obligated to act.
  - the promise of one party is given in exchange for the promise of the other party.
  - something is to be done by one party only.
  - a restriction is placed in the contract by one party to limit the performance by the other.

71. The concept that requires that an injured party bring an action within a specific period of time after the injury is
- a variance.
  - the statute of limitations.
  - the statute of fraud.
  - a waiver.
72. A buyer makes an earnest money deposit of \$1,500 on a \$15,000 property and then withdraws her offer before the seller can accept it. The broker is responsible for disposing of the earnest money by
- turning it over to the seller.
  - deducting the commission and giving the balance to the seller.
  - returning it to the buyer.
  - depositing it in his or her trust account.
73. A section
- is one mile square.
  - contains 460 acres.
  - has a perimeter of 5,280 square feet.
  - can be numbered from 1 through 50.
74. If a broker deposits the buyer's earnest money in a trust account, at what time is the seller entitled to receive it?
- When the offer is presented to the seller
  - At the time of settlement
  - After the settlement
  - When the seller accepts the offer made by the buyer
75. A parcel of land described as "the NW 1/4 and the SW 1/4 of Section 6, T4N, R8W of the Third Principal Meridian" was sold for \$875 per acre. The listing broker will receive a 5 percent commission on the total sales price. How much will the broker receive?
- \$1,750
  - \$5,040
  - \$14,000
  - \$15,040
76. The following legal description contains how many acres: the South 1/2 of the SE 1/4 of the NW 1/4 of the NE 1/4 of Section 7?
- 2.5
  - 5
  - 10
  - 20
77. Mechanic's liens are based on
- federal law.
  - state law.
  - common law.
  - case law.

78. Every real estate contract must have a(n)
- grantor and a grantee.
  - offer and acceptance.
  - acknowledgment by a notary.
  - legal description.
79. A mechanic's lien would be properly classified as a(n)
- equitable lien.
  - voluntary lien.
  - general lien.
  - statutory lien.
80. A township contains
- 6 square miles.
  - 640 acres.
  - 23,040 square feet.
  - 36 sections.
81. In a option to purchase real estate, the optionee
- must purchase the property, but may do so at any time within the option period.
  - has no obligation to purchase the property.
  - is limited to a refund of the option consideration if the option is exercised.
  - is the prospective seller of the property.
82. The term "rescind" means
- change.
  - cancel.
  - substitute.
  - subordinate.
83. The system of legal description that defines a parcel of land by its perimeter is the
- geodetic survey.
  - rectangular survey.
  - lot and block system.
  - metes and bounds system.
84. When a valid purchase contract is signed by the seller and the buyer,
- the seller retains reversionary rights.
  - the buyer receives equitable title.
  - the seller transfers legal title.
  - the buyer forfeits possessory rights.
85. A metes and bounds legal description
- can be made only in areas excluded from the rectangular survey system.
  - is not acceptable in court in most jurisdictions.
  - must commence and finish at the same identifiable point.
  - is used to complete areas omitted from recorded subdivision plats.

86. If the buyer defaulted some time ago on a written contract to purchase a seller's real estate, the seller can still sue for damages if he is not prohibited from doing so by the
- statute of frauds.
  - law of agency.
  - statute of limitations.
  - broker-attorney accord.
87. On Monday the seller offers to sell his vacant lot to the buyer for \$12,000. On Tuesday, the buyer counteroffers to buy for \$10,500. On Friday the buyer withdraws the counteroffer and accepts the original offer of \$12,000. Under these conditions
- there is a valid agreement because the buyer accepted the seller's offer exactly as it was made.
  - there is not a valid agreement because the buyer's counteroffer was a rejection of the seller's offer and, once it was rejected, it cannot be accepted later.
  - there is a valid agreement because the buyer accepted before the seller advised the buyer that the offer is withdrawn.
  - there is not a valid agreement because the seller's offer was not accepted within 72 hours.
88. A person must accept an offer to enter into a contract before
- the payment of any money.
  - the death of the offeror.
  - the close of the 10th business day following the offer.
  - a similar offer is made to a third party.
89. A written real estate contract is assumed to be the complete agreement of the parties because of the
- statute of frauds.
  - parol evidence rule.
  - statute of limitations.
  - rule of contracts.
90. The section of land reserved for school purposes in the rectangular survey system is section
- 12.
  - 16.
  - 20.
  - 36.
91. The owner has a large parcel of land surveyed into lots and streets and files a subdivision plat. Each lot can be legally described by use of which of the following?
- Street address
  - Government survey
  - Metes and bounds
  - Lots and blocks

92. Which of the following is a voluntary lien?
- a. Mortgage lien
  - b. Estate tax lien
  - c. Real estate tax lien
  - d. Judgment lien