

# Supplement and Final Exam Answer Grid—Real Estate Appraisal and Valuation

Course Fee: \$39 6 hours CE Elective Credit

Name (PRINT) \_\_\_\_\_ E-Mail Address \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_  
Phone # ( ) — — — — — I began this course on: (date) \_\_\_\_\_

(please complete course within 6 months of starting)

## Course Content:

- Supplement and Final Exam Answer Grid (12 pages—**you must print these 12 pages from your printer**)
- ”Answers” to the Supplement (3 pages—printing *optional*)
- Final Examination (8 pages—printing *optional*)
- Study Manual (50 pages—printing *optional*)

## INSTRUCTIONS

1. You **must** print the Supplement and Final Exam Answer Grid from your computer printer. (12 pages total)
  2. Read Chapter #1 of the Course Study Manual.
  3. Answer the Chapter #1 Questions contained in the Supplement. Your handwriting must be legible. (Check your answers to the Supplement —see **Course Contents**, above.)
  4. Locate the Final Examination. Answer the Final Exam questions (usually 10 questions for each chapter of the Study Manual). This is an open-book final exam. Explore the Study Manual to discover the answers to the Final Examination. Place your answers on the Final Exam Answer Grid.
  5. Repeat steps 2-4 for each Chapter of the Study Manual
  6. Mail the Supplement and Final Exam Answer Grid (12 pages total) plus Course Fee of \$39 to:  
IA Real Estate Seminars, Box 1523, Waterloo Iowa 50704
- Taking several courses? Help our efficiency by mailing all course Supplements together for grading.

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No photocopies permitted.  
Your answers must be original ink  
And/or pencil.

### Part 1-- Questions

1. Rights in real property are referred to as: "Bundle of Rights." List three (3) examples below of the rights included in the "Bundle of Rights."

Write your answer here:

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2. There is a heavy personal and professional responsibility on the appraiser to be correct and accurate in opinions of value. True or False? Write your answer here: \_\_\_\_\_


3. Which of the following statements is a false statement?
- It is the appraiser's responsibility to keep the appraisal timely in a changing market.
  - An accurate appraisal will never reflect the force affecting value.
  - World events of the past several years resulted in interest rate and property appreciation spirals to historic highs, dramatic decline in construction, creative financing approaches to generate sales and extraordinary levels of foreclosure and bankruptcy.
  - The dynamics of a volatile market require the appraiser to keep abreast of new techniques and market forces.

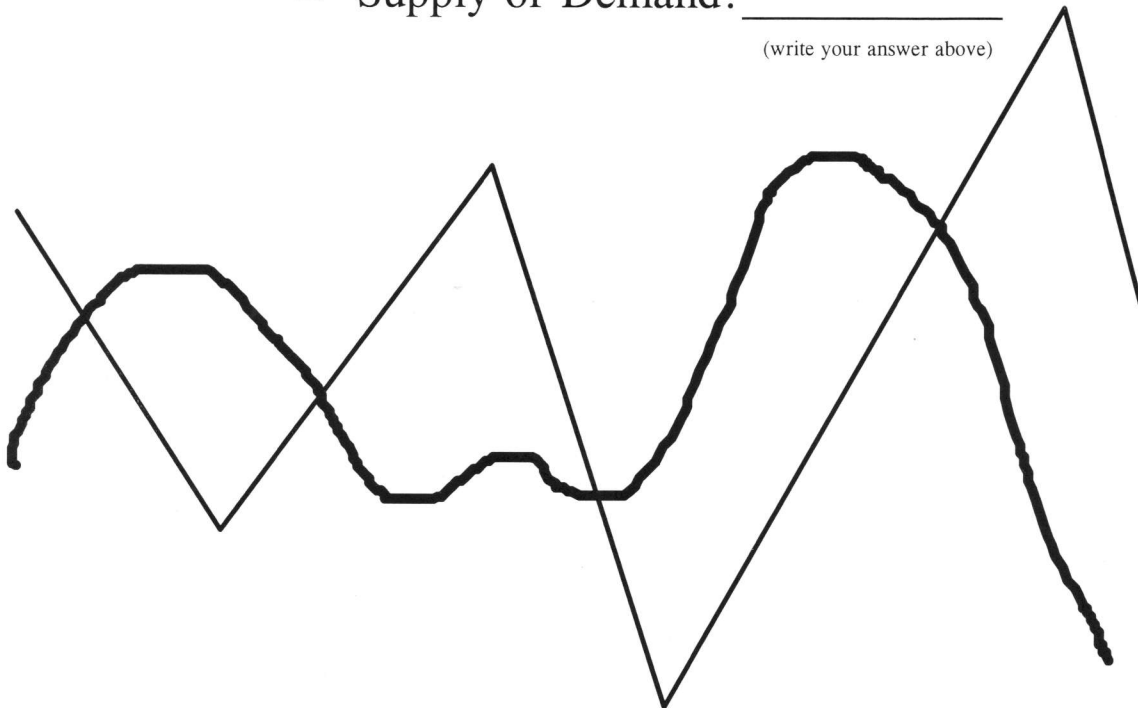
Questions 4. and 5.

Examine the chart below. Determine which line represents *supply* and which line represents *demand*. (Hint: to supply a real estate product to fulfill *demand* could take up to 120 days when building new homes/apartment complexes. However, demand for a real estate product can turn-down or shut off almost immediately, e.g., the newspaper indicates a sharp increase in interest rates or describes job lay-offs by a primary employer).

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 = Supply or Demand? \_\_\_\_\_  
(write your answer above)

 = Supply or Demand? \_\_\_\_\_  
(write your answer above)



Questions 6. and 7.

Examine the chart above, again. Suppose this chart represents the supply of *newly constructed* homes available on the market and the demand for these homes. Make a determination where it will be highly profitable for the homebuilders and where it will be highly unprofitable for the homebuilders. Draw and label circles on the chart indicating areas where the builder may pocket large *profits*. Draw and label circles on the chart indicating areas where the builder may sustain huge *losses*.

## Part 2-- Questions

1. Fill in the blanks: "Utility creates demand, but demand, to be effective, must be implemented by \_\_\_\_\_, otherwise a person desiring a product cannot acquire it.

2. To remember the "Forces Influencing Value" remember the word: P E G S.

List below what each letter represents.

P = \_\_\_\_\_

E = \_\_\_\_\_

G = \_\_\_\_\_

S = \_\_\_\_\_

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3. Which is false?

- The topography of undeveloped land is of importance, and consideration should be given to the cost of grading, if required.
- Industrial parks require plenty of parking space, storage facilities, excellent operating layouts, management services, and probably room to expand. These properties are frequently designed and equipped to meet needs of a specific occupant.
- Front foot valuations are still applicable in many downtown areas or locations where street-front measurements are desirable or customary.
- Trends and standards for residential dwellings seldom vary in the markets, especially for multi-family structures. Appraisers need not consider such things as the layout; adequacy of size; conveniences; safety features and comfort; adaptability for intended specific uses; and cost and ease of maintenance.

4. After gathering and analyzing the data, the appraiser should arrive at two (2) conclusions. Which of the following are those two conclusions?

- the appraiser should determine the lineal and the limited common elements of the neighborhood.
- the appraiser should determine the highest and best use, and the estimated worth of this use.
- the appraiser should determine the limited common elements and the gift causa mortis of the neighborhood.
- the appraiser should determine the first-year depreciation and the environmental impact statement for the neighborhood

5., 6. + 7.

**Competition:** Profits breed *competition*; excessive profits breed *ruinous competition*.

Study this definition of competition, above. Can you think of any business enterprise which originally turned high profits but attracted so much competition that is no longer profitable (or even in business) today?

*Example:*

- Name a business which, originally, was highly profitable. **Motel 6**
- What business industry did it serve? **low price overnite accommodations**

3. Name competitors who saw the excess profits and started to compete with the original leader.

**Super 8**

**Budget Inn**

**Comfort Inn**

**Excel**

**Red Roof**

**Fairfield (Marriott)**

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4. State (in your opinion) how that original business is doing today. **Marginal; I don't think they are making the money they once did.**

*Now do one on your own!*

Here are some suggested business industries which showed high profits ( hamburgers; discount lumber; video rentals; jewelers; mini storage warehouse; "all you can eat" food buffets; personal computers; real estate companies; real estate franchises, stationery stores; budget rent-a-car; etc.)

1. Name a business which originally was highly profitable. \_\_\_\_\_

2. What business industry did it serve? \_\_\_\_\_

3. Name competitors who saw the excess profits and started to compete with the original leader. (*name at least three competitors below:*)

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4. State (in your opinion) how that *original* business is doing *today*.

*Write your opinion here:*

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### Part 3-- Questions.

1. Which is true?

- I. A neighborhood may be defined as a group of similar land uses which are similarly affected by the operation of the four forces influencing value--utility, scarcity, demand and transferability.
  - II. In analyzing the neighborhood of the parcel to be appraised, a good starting point is to ascertain the community's identity and boundaries.
  - III. The neighborhood analysis is most important because the neighborhood delineation will tend to define the best search area for comparable market data.
  - IV. Quality of local government is inversely related to property values.
- a. I,II and III   b. I, II and IV   c. I, III and IV   d. All of the above.

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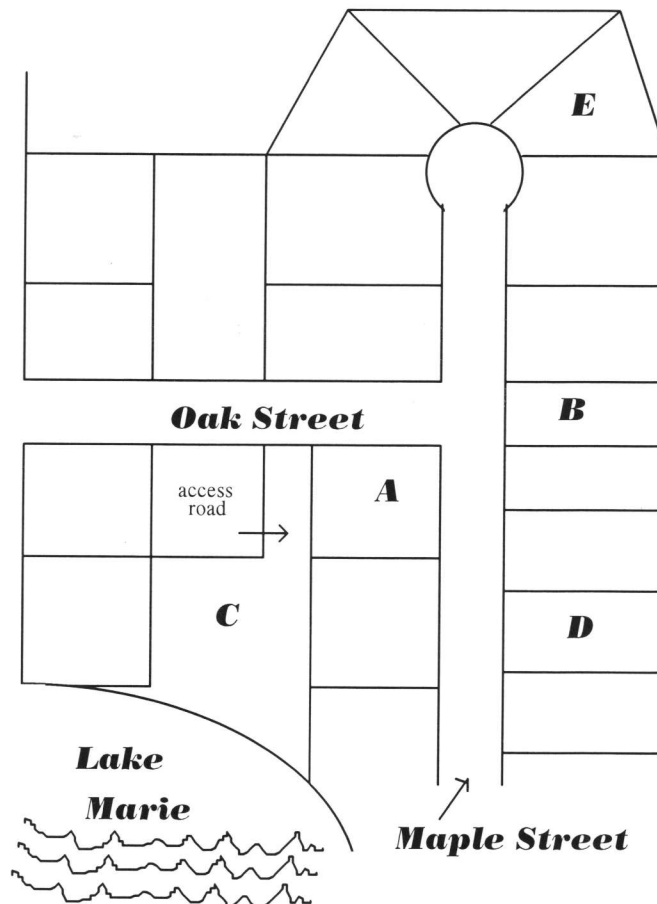
2. Which is false in reference to site analysis and valuation??

- a. In today's market, it has generally been found that corner single-family sites bring appreciably more than inside lots.
- b. The location of the site in relation to the neighborhood is one of the most important factors to be considered.
- c. Sometimes the highest and best use of land is limited by zoning restrictions.
- d. Public and private restrictions and easements, affecting the land, must be known.

3. **Site Analysis:** examine the lettered lots in their position below.

From the following list of names, label each lot with its appropriate name.

Interior lot = \_\_\_\_\_ Corner lot = \_\_\_\_\_ Flag lot = \_\_\_\_\_  
Cul-de-sac lot = \_\_\_\_\_ T-intersection lot = \_\_\_\_\_



Questions 4., 5., 6. and 7.

Determine the "Pros" and "Cons" of the lots in their positions above. The corner lot is done for you as an example: *see below*. (many answers can be correct for this question/ *use your imagination and experiences* from living in such neighborhood locations)

Lot A: Corner Lot

Pros: Garage access could be placed on either Oak or Maple street. Corner lots allow the house to be built facing either direction or even diagonally. Corner lot homes look bigger even if they are not bigger. Parking on both sides of the lot is an advantage if the owner has several cars, etc.

Cons: Double street assessment for paving or improvements. Noisy start and stop traffic at the corner. Unsightly fire hydrants are located here. Lack of privacy. Owner must shovel snow from front and side sidewalks, etc.

Lot B: T-intersection Lot

Pros: (list one or more advantages of owning a property located on this lot)

Write your answer here:

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Cons: (list one or more disadvantages of owning a property located on this lot)

Write your answer here:

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Lot C: Flag Lot

Pros: (list one or more advantages of owning a property located on this lot)

Write your answer here:

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Cons: (list one or more disadvantages of owning a property located on this lot)

Write your answer here:

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Lot D: Interior Lot

Pros: (list one or more advantages of owning a property located on this lot)

Write your answer here:

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Cons: (list one or more disadvantages of owning a property located on this lot)

Write your answer here:

Lot E: Cul-de-sac Lot

Pros: (list one or more advantages of owning a property located on this lot)

Write your answer here:

Cons: (list one or more disadvantages of owning a property located on this lot)

Write your answer here:

#### Part 4-- Questions

1. Which is true?
  - a. When using all three approaches to appraising, the final numbers from each approach should be averaged to arrive at the conclusion.
  - b. When using all three approaches to appraising, the highest and lowest numbers should be discarded and the remaining number is the most accurate conclusion.
  - c. Based on its adaptability to the specific problem, one method is usually given greater weight than the other approach methods.
2. "Each approach method is used independently to reach an estimated value. Then as a final step, by applying to each separate value a weight proportionate to its merits in that particular instance, conclusions are reached as to one appropriate value. This procedure is known as \_\_\_\_\_."
  - a. firm commitment
  - b. like-kind property
  - c. reconciliation
  - d. owelty
3. "Limitations on its reliability under rapidly changing economic conditions and in periods of high inflation and interest rates when property appreciation rates may cause hazardous value conclusions to be made.", is:
  - a. an advantage to the market data approach.
  - b. both an advantage and a limitation to the market data approach.
  - c. a limiting factor when using the market data approach.
  - d. an advantage to the income approach
4. If the comparable property is better than the subject property, the appraiser subtracts from the subject property.
  - a. true
  - b. false
5. If the comparable property is inferior to the subject property, the appraiser adds to the subject property.
  - a. true
  - b. false

In a recent editorial in *Real Estate Today*, an Illinois real estate broker condemned the appraisal industry by making numerous slanderous statements regarding the practices of appraisers. Please read a few selected paragraphs from this editorial.

*I can't get over my astonishment. A major component of the U.S. economy--housing--is dictated by appraising, a system of determining value that is unscientific, unpredictable, inaccurate, inconsistent, whimsical, subjective, and irrelevant.....*  
*....Although appraisers make major adjustments to the comparable on the basis of condition, they rarely visit a comparable. Instead, they rely on data from assessors' files, their own files from previous sales, or the current MLS listing.....*

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6. As you study the underlined section from the editorial, what sources of information is the writer omitting?

Write your answer here:

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The editorial continues.....

*If I show buyers 35 houses, and they make an offer on number 36, do I need an appraiser who hasn't been inside the comparables to tell them what the house is worth?  
They've seen more comparables than the appraiser.....*

7. What mistake is the writer of the editorial making when stating the above opinion?

Write your answer here:

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### Part 5-- Questions

1. Which is the proper order of steps to use in the cost approach?
  - a. subtract accrued depreciation, figure the building cost as if new, determine the value of the land as if vacant.
  - b. figure the building cost as if new, subtract accrued depreciation, determine the value of the land as if vacant.
  - c. determine the value of the land as if vacant, figure the building cost as if new, subtract accrued depreciation.
2. Which of the following methods will be fairly accurate since the height as well as area of the building is taken under consideration?
  - a. square-foot method      b. cubic-foot method
3. Which of the following methods will give a detailed accurate method generally used for checking on new construction units?
  - a. square-foot method      b. cubic-foot method

- c. quantity survey method   d. unit in place cost method
- 4. What type of obsolescence is this condition: "Termites eating the floor joists".
  - a. functional   b. physical
  - c. economic
- 5. What type of obsolescence is this condition: "Little or no insulations in the sidewalls".
  - a. functional   b. physical
  - c. economic
- 6. What type of obsolescence is this: "More buildings are torn down than fall down".
  - a. functional   b. physical
  - c. economic
- 7. The book value may be determined at any given time by:
  - a. adding the depreciated value of the improvement to the allocated value of the land.
  - b. subtracting the accrued depreciation from the improvement to the depleted land value.
  - c. adding the depreciated value of the land to the allocated value of the improvement.
  - d. none of the above.

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## Part 6-- Questions

1. The gross income for an income property is the potential or anticipated gross income from all sources including which of the following?

- I. economic rents
- II. services
- III. parking space fees and rentals
- IV. coin-operated equipment

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a. I only   b. I and IV only   c. all of the above   d. none of the above

2. "These expenses are incurred continually in order to maintain and give service to the property. They are variable depending upon the extent of occupancy, and include items such as utilities, management fees, security, costs of administration, maintenance and repairs for structures, grounds and parking area maintenance, contracted services and payroll." This is a description of what type of expense?

- a. fixed expenses      b. variable expenses
- c. reserves for replacements      d. net income expenses

3. Two apartment buildings are identical and located in the same neighborhood with a difference in their monthly net incomes of \$500. What is the difference in their values if capitalized at 7%?

- a. \$7,142.86   b. 71,428.60   c. \$85,714.29   d. \$8,571

Please look over this chart

# of Homes	Profit Per Home	Total Profit
0	0	0
1	\$10,000	\$10,000
2	\$15,000	\$30,000
3	\$12,000	\$36,000
4	\$10,000	\$40,000
5	\$8,000	\$40,000
6	\$6,000	\$36,000
7	\$4,000	\$28,000

4. Problem: You are a developer/subdivider/homebuilder. You purchase a ten-acre tract of land and are deciding the proper number of homes to build on this land. Presume the numbers above will be accurate for your subdivision. Using the principle of increasing and decreasing returns,

how many homes should you build to maximize "Profits Per Home"? (refer to the chart above)

Write your answer here:

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5. Using again the above chart, how many homes should you build to maximize "Total Profit"?

Write your answer here:

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## *Course Evaluation*

Real Estate Valuation and Appraising

Date: \_\_\_\_\_

Place a check mark (✓) behind each rating:

*Very good    Good    Average    Poor*

- 1) The overall rating of this course was:
- 2) The course format was easy to follow:
- 3) The course was comprehensive:
- 4) The course will be helpful to me as a licensee:
- 5) The organization of the course was:
- 6) The printing type size was:
- 7) The degree the advertised course objectives were met:
- 8) The stronger features of the course were:  
Comments:

- 9) The weaker features of the course were:  
Comments:

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# Answer Sheet

## *Real Estate Appraisal and Valuation*

**Instructions:**

#1 Locate the Final Examination. It is just before the Study Manual.

#2 Answer the questions to the final examination. Read the Study Manual to help you answer the Final Examination questions.

#3 Mark your answers to the Final Examination on the Answer Grid below.

You must score 48 questions correct (80%) to pass.

Some questions may have less than four possible answers.

The Final Exam questions may have changed since the last printing of this course.

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	A	B	C	D		A	B	C	D		A	B	C	D
1.	0	0	0	0	21.	0	0	0	0	41.	0	0	0	0
2.	0	0	0	0	22.	0	0	0	0	42.	0	0	0	0
3.	0	0	0	0	23.	0	0	0	0	43.	0	0	0	0
4.	0	0	0	0	24.	0	0	0	0	44.	0	0	0	0
5.	0	0	0	0	25.	0	0	0	0	45.	0	0	0	0
6.	0	0	0	0	26.	0	0	0	0	46.	0	0	0	0
7.	0	0	0	0	27.	0	0	0	0	47.	0	0	0	0
8.	0	0	0	0	28.	0	0	0	0	48.	0	0	0	0
9.	0	0	0	0	29.	0	0	0	0	49.	0	0	0	0
10.	0	0	0	0	30.	0	0	0	0	50.	0	0	0	0
11.	0	0	0	0	31.	0	0	0	0	51.	0	0	0	0
12.	0	0	0	0	32.	0	0	0	0	52.	0	0	0	0
13.	0	0	0	0	33.	0	0	0	0	53.	0	0	0	0
14.	0	0	0	0	34.	0	0	0	0	54.	0	0	0	0
15.	0	0	0	0	35.	0	0	0	0	55.	0	0	0	0
16.	0	0	0	0	36.	0	0	0	0	56.	0	0	0	0
17.	0	0	0	0	37.	0	0	0	0	57.	0	0	0	0
18.	0	0	0	0	38.	0	0	0	0	58.	0	0	0	0
19.	0	0	0	0	39.	0	0	0	0	59.	0	0	0	0
20.	0	0	0	0	40.	0	0	0	0	60.	0	0	0	0

**Acknowledgment:** I have completed this course and final examination by myself and am solely responsible for all answers found on this Supplement and Final Exam answer grid. If I received help completing this course, I participated in every detail of its completion.

\_\_\_\_\_  
(Signature and phone number)

Return this Supplement and Final Exam answer grid plus Course Fee of \$39 to:  
Iowa Real Estate Seminars  
Box 1523, Waterloo, Iowa 50704

No photocopies permitted.  
Your answers must be original ink  
And/or pencil.





## Answers to questions found in the Supplement

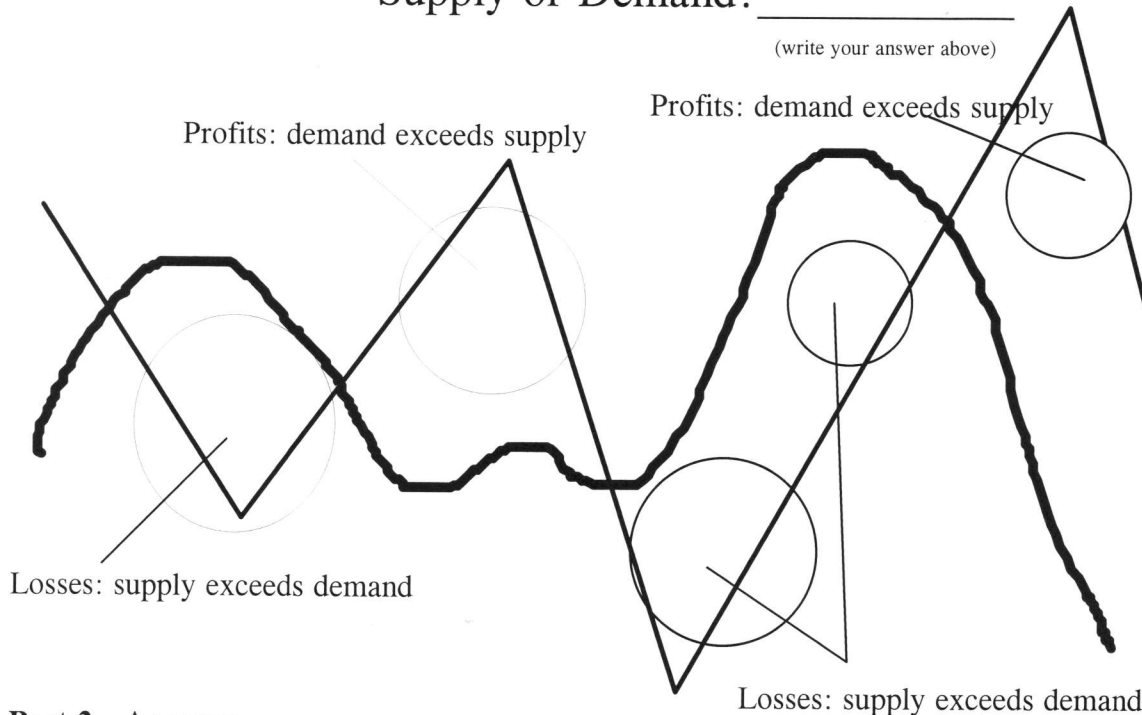
### Part 1--Answers

1. Right to occupy and use; the right to sell in whole or in part; the right to bequeath; the right to transfer by contract or for a period of time; the right not to do any of these actions.
2. True.
3. "b." is false
4. 5. 6 and 7. (see below)

Some students print this page to help check their answers to the Supplement

 = Supply or Demand? Supply  
(write your answer above)

 = Supply or Demand? Demand  
(write your answer above)



### Part 2-- Answers

1. "Utility creates demand, but demand, to be effective, must be implemented by purchasing power, otherwise a person desiring a product cannot acquire it.
2.
  - P = Physical
  - E = Economic
  - G = Government
  - S = Social
3. d.
4. b.
- 5., 6. + 7. Please review your own answers for correctness; if you need help, study the example given with this question.

### Part III-- Answers

1. a.

2. a.

3. Interior lot = D  
Corner lot = A  
Flag lot = C (*it kind of looks like an inverted flag, doesn't it?*)  
Cul-de-sac lot = E  
T-intersection lot = B

Some students print this page to help check their answers to the Supplement

4., 5., 6. and 7.

Lot A: Corner lot (already done for you as an example)

Lot B: T-intersection Lot

Pros: The long view down Oak Street.

Cons: Headlights from cars; errant drivers mistaking your house for a drive-in restaurant.

Lot C: Flag Lot

Pros: Flag lots normally lead to a scenic view or recreation area high on a hill or into a valley.

Cons: the access road must be maintained/ difficult to travel on this road during snow, ice or rainy periods of time.

Lot D: Interior Lot

Pros: Privacy; lower assessments for street paving compared to corner lots; shorter sidewalks to maintain.

Cons: if the lot is narrow, the garage will be off-set into the backyard requiring a long driveway. Older neighborhoods have alleys at the rear of the lot which can become unsightly with garbage cans, etc.

Lot E: Cul-de-sac Lot

Pros: Little or no traffic; safe for children; good view; no problem with neighbors parking in front of your home because of the narrow frontage. Small front yard to maintain. These lots are highly desirable and command higher prices than interior lots.

Cons: Because the lot is narrow at the front, it may be impossible to have an attached garage. Long driveways; no possibility of parking extra cars in front of the property; Snow plows push sand, salt and gravel onto your yard.

#### Part 4-- Answers

1. c.
2. c.
3. c.
4. b. (the appraiser subtracts from the comparable property.)
5. b. (the appraiser adds to the comparable property.)
6. the writer is omitting real estate agents and other appraisers, to name a few.
7. Buyers don't look at comparables (already sold properties); they look at properties that are currently on the market that have not been sold.

### Part 5-- Answers

1. c.
2. b.
3. d.
4. b.
5. a.
6. c.
7. a.

### Part 6-- Answers

1. c.
2. b.
3. c.

$\$500 \times 12 = \$6,000$  (step one; make the difference in rent and annual difference)

\$6,000 divided-by 7% (step two; divide the annual net rent difference by the desired cap. rate)

4. Answer: The "profit per home" increases dramatically as the builder decides to decrease the land size from a ten acre tract (he only builds one house) to five acre tracts (he builds two houses on ten acres). Logic would say that by making the tracts smaller and smaller (building more than two homes), profits would get larger and larger. As he continues to divide the land into smaller lots, however, profit per home gets smaller and smaller.

5. Answer: *Probably* four homes; *maybe* five. Even though the "*Profit per home*" increases until two homes are built and decreases for three (3) or more homes, total profits *increase* until four houses are built, and decrease with more than five homes. Building four homes would maximize profits, but building five homes might keep the builders crews busy for the winter (rather than loosing them to competing contractor).

Final Exam--Real Estate Appraisal and Valuation

**Instructions: Real Estate Agents**

- ✓ Complete the following questions.
- ✓ Transfer answers to the final exam ANSWER SHEET found on the last page of the SUPPLEMENT.
- ✓ Do NOT return this final exam; only return the SUPPLEMENT and final exam ANSWER SHEET.

**Instructions: Insurance Agents:** Transpose answers to the final exam to the Answer Sheet.

1. Those individuals working with real estate should have a good understanding of which of the following?
  - a. the theoretical concepts of value.
  - b. the forces which influence value.
  - c. the methods by which such value may be estimated most accurately.
  - d. all of the above.
2. Traditional approaches to appraisal include which of the following:
  - a. staging, the spin-off method and the pro-forma statement.
  - b. the nondisturbance method, normal wear and tear method and the limited common elements method.
  - c. the market data, cost and income approach.
  - d. the homogeneous method, estoppel method, and directional growth method.
3. What type of appraisal report is a complete document including all pertinent information about the area and the subject property as well as the reasons and computations for the value conclusion?
  - a. Letter form report.
  - b. Short form report.
  - c. Narrative report.
  - d. None of the above.
4. Transfer of ownership, financing and credit, taxes, condemnation, insurance----these all have one of the following in common.
  - a. They are all types of appraisal reports.
  - b. They are all principles of valuation.
  - c. They are all principles of appraisal.
  - d. They are all reasons to have and use an appraisal.
5. Which of the following principles of valuation is the basis of the income approach to value?
  - a. Anticipation.
  - b. Balance
  - c. Competition
  - d. Regression
6. Price varies directly, but not necessarily proportionately, with demand, and inversely, but not necessarily proportionately, with supply. This is the basis of which valuation principle?
  - a. Contribution
  - b. Progression
  - c. Supply and demand
  - d. Plottage

7. Which of the following is the best definition of "price"?
- A measure of past (or prospective) expenditures in money, labor, material or sacrifices of some nature in acquiring or producing the commodity.
  - What one pays for a commodity, regardless of pressure, motive or intelligence of the seller or buyer.
  - The combined factors of present and future anticipated enjoyment, or profit.
  - A person who buys property for another to conceal the identity of the true purchaser.
8. Which of the following are examples of different types of values?
- book value, tax value, market value, cash value.
  - sentimental value, capital value, speculative value, par value.
  - face value, leasehold value, sound value, sales value, cost value.
  - All of the above are examples of the differing types of values.
9. Elements which compose value are:
- Demand, utility, scarcity and transferability.
  - Intrinsic value, inverse condemnation, asset life and force majeure.
  - Forbearance, dedication, datum and debenture.
  - declaration, confession judgment, consequential value and anaconda speculative value.
10. The south and west sides of business streets are usually preferred by merchants, because the pedestrian traffic seeks the shady side of the street in warm afternoon weather, and merchandise displayed in the windows is not damaged by the sun. This traditional view in older commercial districts is somewhat offset by:
- Parking and convenience
  - New architectural concepts
  - Shopping centers.
  - All.
11. The increase in value brought about by acquiring contiguous or adjacent parcels is called:
- Obsolescence.
  - Plottage.
  - Character of Business climate.
  - Thoroughfare Conditions.
12. An orderly, systematic procedure developed by professional appraisers to arrive at an estimate of value is called the:
- like-kind procedure.
  - lien-theory countdown.
  - appraisal process.
  - misplaced improvement misnomer.
13. Which is false?
- Rights affect value because they set the limits within which the property may be used.
  - An appraisal merely estimates the rights of ownership.
  - The extent of the research and the valuation opinion will vary depending upon the rights which are involved.
  - A date of value may be for any time in the future.
14. The form and extent of the appraisal will depend upon which of the following?
- the purpose of the report.
  - the type of property being appraised.
  - the request of the client.
  - all of the above.

15. Which is true about economic trends affecting real estate values?
- a. National influences should be used in the general analysis of state and regional forces which in turn influence local property values.
  - b. The greater the severity and duration of any economic swing, the wider and deeper is its influence.
  - c. The appraiser is constantly concerned with the conditions and prospects of the local economy as the value of local real estate is largely determined by the health of the community (purchasing power, population changes, employment diversification and stability, etc.)
  - d. All of the above.
16. What type of architectural styling has the following description? "This style has protruding timber faces with stucco between the faces; lower story of heavy masonry; steep pitched roof; generally two stories; and, requires a large lot area."
- a. Colonial
  - b. English Half-timber
  - c. Regency
  - d. French Provincial
17. "Custom fireplaces, extensive wood or masonry trim, shake roofs, custom designed by architect" is a description of which of the following building qualities?
- a. Good quality
  - b. Average quality
  - c. Fair quality
  - d. none of the above
18. Good architecture is concerned with which of the following:
- I. exterior style   II. functional utility   III. room layout
- a. I only
  - b. I + II only
  - c. I, II, and III
  - d. I + III only
19. What is the ultimate test of functional utility?
- a. merchantable title
  - b. marketability
  - c. ease of condemnation
  - d. component depreciation
20. It is a good idea to have traffic pass through a long living room to reach other parts of the house.
- a. true
  - b. false
21. Fireplaces should be near traffic flow to provide additional oxygen flow to the combustibles.
- a. true
  - b. false
22. It is a good idea to have to go through one bedroom to reach another bedroom.
- a. true
  - b. false
23. Kitchens should have an exterior entrance and adjacent laundry facilities.
- a. true
  - b. false
24. For those using the kitchen, it is a good idea to have a bedroom opening directly to the kitchen.
- a. true
  - b. false
25. A private service yard for drying clothes and storage of refuse should be convenient to the kitchen.
- a. true
  - b. false

26. When viewing the lot characteristics including size, shape, topography, orientation and natural advantages, one should consider if the land is properly graded so that the structure is not damaged by water.

a. true b. false

27. It is generally conceded that there are how many approaches to consider in making a market value estimate?

a. 2 b. 3 c. 4 d. 5

28. Which is true?

a. Even though there are several methods to determine the value of a property, the appraiser should pick out the method that he feels most comfortable with and always use that one particular method.

b. Even though there are several methods to determine the value of a property, if the property is a rental property, the appraiser should always rely on the income approach and ignore the other methods of appraising.

c. Even though there are several methods to determine the value of a property, any single method by itself could be relied upon.

d. No single method by itself should be depended upon to produce a reliable estimate. Frequently, the knowledgeable appraiser will use all three methods in appraising a given property.

29. A lack of certain pertinent or up-to-date information may well eliminate an otherwise possible approach to appraising the property.

a. true b. false

30. The first step in any appraisal procedure is to have a clear understanding of the reasons for making the appraisal and the objective to be obtained.

a. true b. false

31. The principle of substitution is the basis of what approach?

a. market data comparison approach

b. parity approach

c. preemption approach

d. replevin approach

32. The greater the number of good comparable data used,

a. the more confusing the appraisal becomes.

b. the better the result, provided a proper analysis is made.

c. the less conclusive the results will be.

d. the more difficult the appraiser's job becomes.

33. If only a few comparisons are available to use for the appraisal,

a. the appraiser should look behind the sales and transfers to determine what influences may have affected the sales prices.

b. the appraiser should sort through his files several years back to find more comparables

c. the appraiser should contemplate not doing the appraisal.

d. none of the above.

34. Which of the following inspections should the appraiser not make in completing his appraisal?
- a. Inspection to determine the condition of the improvements at time of sale, not the condition as of date of inspection; inspection to determine room arrangement and room count so that the utility of the data may be compared to the subject property.
  - b. Inspection of the yard improvements to determine their influence upon the sales price; verify the sales price with the buyer or seller to determine if the sale was an arm's length or open market transaction;
  - c. Inspection to determine the racial make-up of the neighborhood.
  - d. None of the above inspections should be made in completing his appraisal.

35. For which of the following financing terms should the appraiser make adjustments?

- I. "Seller will carry 1st mortgage to qualified buyer"
  - II. "Large, assumable, low interest rate loan available"
  - III. "Contract sale--low downpayment"
- a. III only   b. I, II and III   c. I and III   d. I and II only

36. The price will most likely equal the value when the transaction is what type?

- a. a sale between relatives
- b. a deed in-lieu-of foreclosure
- c. a sale of a farm to a neighbor
- d. an arm's length transaction

37. In the market data approach, the less comparable properties are given the greatest weight and the comparable sales most compatible to the property being appraised are then eliminated.

- a. true   b. false

38. Which of the following are advantages of the market data approach?

- a. it is very applicable for appraisal purposes involving the sale of single family dwellings which constitute the bulk of properties being financed.
- b. it is the most easily understood method of valuation.
- c. it is the method most often used by brokers and salespeople.
- d. all of the above are advantages to the market data approach.

39. Which of the following are disadvantages of the market data approach?

- I. it is hard to locate enough "nearly-alike" properties which have recently sold or listed to indicate a value.
- II. older sales become less reliable in a changing market.
- III. adjusting amenities to make them comparable to the subject property can make them less reliable.
- IV. there is occasional difficulty in confirming the details of the transaction
- V. it is the most easily understood method of valuation and in most common practice among real estate brokers.

- a. all of the above   b. all of the above but III  
c. I, II, III, and V   d. all of the above except V.

40. Which of the following is the suggested order for making comparisons between the like properties in the market data approach?



- a. finance terms, sale conditions, physical characteristics, special considerations, time, location.
- b. finance terms, time, sale conditions, location, physical characteristics, special considerations.
- c. location, location, location.
- d. physical characteristics, location, sale conditions, time, finance terms.

41. Which is true about the reconciling process?

- I. the appraiser does not average the adjusted sales prices of the comparables unless all are equally good.
- II. reconciling means the same thing as correlating.
- III. the appraiser should eliminate the less comparable properties.

a. I, II and III   b. I and III only   c. III only   d. none of the above

42. If the comparable property is better than the subject property, the appraiser subtracts from the comparable property.

- a. true   b. false

43. If the comparable property is inferior to the subject property, the appraiser adds to the comparable property.

- a. true   b. false

44. The appraiser always makes adjustments to which of the following properties?

- a. the subject   b. the comparable

45. What approach to appraising tends to set the upper limit of value?

- a. the cost approach   b. the market data approach
- c. the income approach   d. they all set the upper limit of value

46. Which "COST NEW BASES" has the following advantages and disadvantages: Advantage: it has greater accuracy of duplicating the building in actual design and materials. Disadvantage: advances in building construction and methods, materials, and design, make cost estimates of obsolete building construction very difficult and wildly distorted for material no longer reasonably available or requiring large amounts of hand labor.

- a. Historic Cost Indexed to Cost New.
- b. Reproduction Cost New.
- c. Replacement Cost New

47. Which "COST NEW BASES" has the following advantages and disadvantages: Advantage: it uses readily available materials and it uses methods better understood by most people. Disadvantage: using current materials and methods for older properties can be subjective.

- a. Historic Cost Indexed to Cost New.
- b. Reproduction Cost New.
- c. Replacement Cost New

48. Which "COST NEW BASIS" is the most frequently used?
- a. Historic Cost Indexed to Cost New.
  - b. Reproduction Cost New.
  - c. Replacement Cost New
49. Which of the following methods is used by professional cost estimators?
- a. square-foot method      b. cubic-foot method
  - c. quantity survey method      d. unit in place cost method
50. Which of the following would not be considered "hard" costs?
- a. administration      b. labor
  - c. equipment      d. overhead and profit

An easy way to remember functional depreciation is if the property was "built that way" (4 bedrooms and only 1 bathroom). An easy way to remember physical deterioration is if the property "becomes" that way (a crack in the wall; it wasn't built that way but it got that way over a period of time). An easy way to remember economic obsolescence is if the property is being influenced by factors outside the property (heavy traffic from a busy street located outside the property boundaries).

For questions 51 through 55, label each deficiency either functional, physical or economic.

51. "You must walk through one bedroom to reach another bedroom".
- a. functional      b. physical
  - c. economic
52. "Hard to heat apartments with high ceilings".
- a. functional      b. physical
  - c. economic
53. "Sewage treatment plant nearby".
- a. functional      b. physical
  - c. economic
54. "narrow stairways".
- a. functional      b. physical
  - c. economic
55. Of the three types of depreciation mentioned in your manual, which type is normally classified as "incurable only?"
- a. functional      b. physical
  - c. economic
56. The best definition of "book value" is:
- a. "The principal conveyance document used by the owners or lessees of land on which condominiums are located."
  - b. "The time when an indebtedness, such as a mortgage note, becomes due and is extinguished if paid in accordance with the agreed upon schedule of payments."
  - c. "A legal action whereby a court issues a writ which forbids a

party defendant from doing some act."

d. "The current value for accounting purposes of an asset expressed as original cost plus capital additions minus accumulated depreciation."

57. Which of the following is not an advantage of the "Straight Line Method?"

- a. in actuality, buildings depreciate in a straight line pattern.
- b. the straight line method is easy to calculate.
- c. the straight line method is used by the IRS.
- d. it is easily understood by the layperson.

58. Safe rate      6%  
Risk rate        2%  
Management    2%  
Illiquidity      3%  
Total             13%

The above entries represent obtaining a capitalization rate by which of the below methods?

- a. direct comparison method.
- b. band of investment method.
- c. summation method.
- d. none of the above.

59. If the cap. rate is 8% and the yearly net income is \$100,000, what is the selling price?

- a. \$12,500   b. \$125,000   c. \$1,250,000   d. \$12,500,000

60. You earn \$250/month on an investment at 8 1/2% interest annually. How much is the investment?

- a. \$35,294.12   b. \$85,000   c. 37,000   d. 8,500

### **Instructions: Real Estate Agents**

- ✓ Transfer answers to the final exam ANSWER SHEET found on the last page of the SUPPLEMENT.
- ✓ Do NOT return this final exam; only return the SUPPLEMENT and final exam ANSWER SHEET.