

Florida Real Estate Broker's Guide
Broker's Guide 8th Edition Form A

1. Which statement is TRUE regarding interest-bearing escrow accounts?
 - A. Brokers may make an office policy that all escrow funds must be placed in an interest-bearing account to help cover the costs of maintaining the account and are not required to disclose this in each sale contract because it applies to all transactions.
 - B. The broker must get written permission from all parties to the transaction before placing the funds into an interest-bearing account.
 - C. It is illegal for the broker to keep any interest earned on escrow funds.
 - D. Florida license law requires that the interest accrued on escrowed funds must be credited to the buyer because it is the buyer's earnest money deposit.

2. Which criteria below is one of three criteria that an owner is required to meet to qualify for the innocent landowner defense?
 - A. The landowner did not know that the property was contaminated at the time of purchase.
 - B. The owner at the time of purchase ordered and paid for an environmental impact study.
 - C. The owner paid full fair market value for the property at the time of purchase.
 - D. The owner was represented by legal counsel at the time of purchase.

3. Which statement is TRUE regarding Florida regulation of mold in buildings?
 - A. Sellers must give buyers a written disclosure concerning the health hazards of mold.
 - B. Sellers and landlords must give buyers and tenants the opportunity to test for the presence of mold.
 - C. Mold remediators are licensed under the DBPR.
 - D. The Florida office of the EPA is responsible for the oversight of mold-related services in Florida.

4. A brokerage firm's advertisement that states, "Our firm has been helping Ocala buyers and sellers for more than 45 years, and we can help you" is an example of
 - A. specific advertising.
 - B. institutional advertising.
 - C. the rifle approach to advertising.
 - D. managerial advertising.

5. An apartment building had net operating income last year of \$75,163. The annual debt service was \$63,145. Depreciation was \$16,457 and income taxes were \$6,836. What was the after-tax cash flow?
 - A. \$12,102
 - B. \$5,182
 - C. \$4,215
 - D. - \$11,275

6. Negative leverage occurs when the
 - A. overall capitalization rate is lower than the annual loan constant.
 - B. annual loan constant is lower than the overall capitalization rate.
 - C. overall capitalization rate is lower than the equity dividend rate.
 - D. overall capitalization rate is higher than the debt coverage ratio.

7. A real estate licensee from a mutual recognition state moved to Jacksonville Florida five months ago. The licensee requests a Florida sales associate license based on mutual recognition. The licensee
 - A. must simply register with the Florida Real Estate Commission (FREC) because she moved from a mutual recognition state.
 - B. is exempt from the prelicense course, however, she must pass a written Florida-specific real estate law exam.
 - C. must complete the prelicense course and pass the Florida state license exam because she is a resident of Florida.
 - D. must complete the prelicense course and pass the Florida state license exam because Florida no longer has mutual recognition agreements with other states.

8. A broker is NOT required by law to notify the Florida Real Estate Commission of conflicting demands in which situation?
 - A. Buyer refuses to close after receiving an inspection report. Seller and buyer both claim the earnest money deposit.
 - B. Sellers decide they do not want to sell the property and refuse to allow the broker to release the buyer's earnest money deposit.
 - C. Buyer finds another property at a lower price and demands a refund of the earnest money deposit. Seller refuses to sign the release of escrow funds.
 - D. Two days after signing the sale contract and reviewing the condominium documents, the buyers notify the broker that they want to cancel the contract.

9. A multifamily unit consists of 10 two-bedroom apartments that rent for \$900 per month and 15 three-bedroom apartments that rent for \$1,200 per month. The vacancy and collection loss is estimated to be 6%. Management is 5% of effective gross income. What is the vacancy and collection loss allowance for this property?
 - A. \$6,480
 - B. \$12,568
 - C. \$18,458
 - D. \$19,440

10. When a consumer files a complaint against a real estate licensee that contains facts indicating that a violation of rules of the Florida Real Estate Commission has occurred, the complaint is said to be
 - A. evidence.
 - B. formal.
 - C. legally sufficient.
 - D. prima facie evidence.

11. What information is NOT identified as part of determining the purpose of an appraisal?
 - A. The intended use of the appraisal
 - B. The definition of value to be used in the appraisal
 - C. The highest and best use of the property
 - D. The intended user of the appraisal

12. Who issues a recommended order?
 - A. Probable Cause Panel
 - B. Administrative Law Judge
 - C. Florida Real Estate Commission
 - D. DBPR Secretary

13. A man sold his home that he had owned for three years. He made a profit of \$125,000. His normal tax rate is 30%. How much income taxes must he pay on the gain?
 - A. \$38,750
 - B. \$35,000
 - C. \$25,000
 - D. \$0

14. Which requirement concerning the lead-based paint disclosure is waived for rental property?
 - A. EPA pamphlet
 - B. Disclose all known lead-based paint
 - C. Include warning language in lease
 - D. 10-day inspection period to test for lead

15. Where does a new institutional mortgage appear on the Closing Disclosure?
 - A. Page 2 on borrower's side
 - B. Page 3 on borrower's side and seller's side
 - C. Page 3 on borrower's side only
 - D. Page 2 on borrower's side and seller's side

16. Which brokerage disclosure notice must be signed or initialed by the buyer or seller before implementation?
 - A. Single agent
 - B. No brokerage relationship
 - C. Transition to transaction broker
 - D. All brokerage disclosure notices regardless of the brokerage relationship chosen must be signed or initialed before implementation

17. Which statement about net listings is FALSE?
- A. The broker may work for no commission if the owner accepts an offer below the minimum stipulated in the listing agreement.
 - B. A net listing is created when an owner states a minimum amount she will accept and a broker agrees to market the property at a higher price.
 - C. Selling a property with a net listing that gives the broker substantially more than a customary commission could be considered unjust enrichment.
 - D. Florida law prohibits a broker from accepting a net listing.
18. Comparable A sold for \$596,900. The comparable is a four-bedroom, two and one-half bath home with a loft and swimming pool. The loft is worth \$80,000. The pool is worth \$35,000. The subject property is a four-bedroom, two and one-half bath home. What is the adjusted sale price of Comparable A?
- A. \$436,900
 - B. \$481,900
 - C. \$676,900
 - D. \$711,900
19. The brokerage relationship disclosure requirements in Chapter 475, Florida Statutes, do NOT apply to which transaction?
- A. A contract to purchase a vacant residential site.
 - B. A contract to purchase five acres of undeveloped agricultural property.
 - C. A lease-option contract to purchase a single-family home.
 - D. An agreement between broker and seller to auction a residential property.
20. A brokerage office had 175 sales last year. After paying sales commissions to the associates, there was \$132,600 remaining. The firm's monthly expenses are expected to be \$17,000 for the next year, and the broker wants to make \$5,400 monthly profit. Assuming no change in the company dollar percentage, how many transactions must the firm have each month to meet the broker's goal?
- A. 3
 - B. 11
 - C. 17
 - D. 30
21. Which statement regarding a real estate office under the Americans with Disabilities Act is TRUE?
- A. Real estate offices of fewer than 10 sales associates are exempt from ADA compliance.
 - B. The dimensions and location of accessible parking spaces is mandated by Florida statute.
 - C. Disabled employees are allowed to make modifications to their work areas but are responsible for the cost.
 - D. If a broker leases her office space, the landlord is obligated by law to incur the cost of making the space ADA compliant.

22. The calculated interest rate on an adjustable rate mortgage, limited by the interest rate cap, is the result of adding the
- A. caps to the margin.
 - B. margin to the interest.
 - C. index to the margin.
 - D. cap to the index.
23. A group license
- A. provides an exception to the rule that a sales associate or broker associate may have more than one employer.
 - B. allows a broker to operate several real estate offices under different fictitious names.
 - C. allows a broker to hold licenses for multiple branch offices.
 - D. is issued to a sales associate or broker associate who works for an owner-developer who owns properties in the name of several entities.
24. Which individual is NOT exempt from real estate licensure?
- A. A person who rents lots in a mobile home park
 - B. A business broker who negotiates commercial leases
 - C. A salaried on-site manager of an apartment complex
 - D. A mortgage broker
25. In lien theory states,
- A. the lender has title to the property and the borrower has a lien.
 - B. the borrower has title to the property and the lender has a lien.
 - C. the lender has equitable title but not legal title the property.
 - D. the lender or a trustee has legal title to the property until the mortgage is paid.
26. Which statement is TRUE regarding the federal telemarketing law?
- A. Real estate licensees may advertise their residential listings by faxing promotional flyers to a list of local businesses and hospitals.
 - B. Real estate licensees are exempt from the telemarketing laws.
 - C. Real Estate licensees representing a potential buyer may call a for-sale-by-owner seller who is listed on the do-not-call registry, but only if the licensee has an actual buyer interested in the property and to negotiate a sale.
 - D. Real estate licensees are not required to search the national registry before making telemarketing calls to solicit listings.
27. Chapter 475 of the Florida Statutes delegates which duty to real estate licensees regardless of the brokerage relationship chosen?
- A. Obedience
 - B. Account for all funds
 - C. Use skill, care, and diligence
 - D. Present all offers and counteroffers

28. John is a salaried manager of the 120-unit Plaza Towers Condominiums. John does not handle rentals for any of the owners. Based on this situation, John
- A. must have a real estate broker license.
 - B. must be a Certified Property Manager because the property has more than 100 units.
 - C. must have a Community Association Manager license.
 - D. need not have any type of license for these duties.
29. A lawsuit was brought against a seller and her broker alleging that they did not disclose that a homicide occurred in the home four years earlier. The buyer argued that this was a material fact that affected the value of residential property and should have been disclosed. Which is correct?
- A. The broker may be held liable for damages, but the seller had no duty to disclose.
 - B. Both the broker and the seller may be held liable.
 - C. The parties both have civil liability, and the broker has violated Chapter 475, F.S.
 - D. The court will dismiss the case.
30. How is prorated rental income paid in advance normally entered on a Closing Disclosure?
- A. Expense item
 - B. Debit seller and credit buyer
 - C. Debit buyer and credit seller
 - D. Debit to buyer on broker's statement
31. An office building was purchased for \$1,984,000. Land represented 21% of the price. What is the typical annual depreciation income tax deduction for the property?
- A. \$11,278
 - B. \$40,189
 - C. \$59,360
 - D. \$68,187
32. An owner rents out a duplex in St. Augustine. The owner does not have a real estate license. When tenants give him a security deposit along with the first month's rent, he deposits the check into his personal checking account without posting a surety bond. When the tenant moves out, he returns the security deposit with a check from his personal account. This practice
- A. is a violation of the Landlord Tenant Act.
 - B. is legal only for owners of single-family homes or duplexes.
 - C. requires that he have a tenant letter agreeing to the situation.
 - D. is acceptable because he is not a real estate broker.

33. A sales associate receives an earnest money deposit on Wednesday morning and turns it over to her broker that afternoon. Assuming no legal holidays are involved, the broker has until the end of business on which day to place the earnest money in escrow?
- A. Thursday
 - B. Friday
 - C. Monday of the next week
 - D. Tuesday of the next week
34. An investor can best reduce static risk by
- A. careful analysis of the economy.
 - B. making sure that leases are signed by all tenants.
 - C. reviewing the financial statements carefully.
 - D. buying an all-perils insurance policy.
35. A real estate broker does NOT have to report to the Florida Real Estate Commission conflicting demands regarding escrowed property if the escrowed funds are maintained by which method?
- A. Florida credit union
 - B. Title company trust account
 - C. Florida savings association
 - D. The broker must report conflicting demands regardless of where the funds are escrowed
36. An owner has a commercial property for sale at \$723,000. The owner is approached by a broker who wants to list the property for a 9% commission. The owner tells the broker that while he doesn't mind paying other costs of the sale, he wants \$723,000 net to him after paying the broker's commission. At what price must the broker sell the property in order to get exactly 9% commission?
- A. \$797,810
 - B. \$794,505
 - C. \$791,094
 - D. \$788,070
37. A buyer is considering making an offer to purchase a commercial retail center. The buyer and seller have requested that Andrew, a licensed real estate sales associate, work as a single agent representative for both of them. Which statement applies to this situation?
- A. The broker can appoint Andrew as a designated sales associate for either the buyer or the seller, but not for both.
 - B. Because this is a nonresidential transaction, the buyer and seller may request that Andrew represent them as their designated sales associate.
 - C. For Andrew to be a designated sales associate for the buyer and seller they must sign statements indicating that they each have assets in excess of \$1 million.
 - D. Andrew must secure written permission from his broker before acting as a designated sales associate for the buyer and the seller.

38. A real estate broker may accept which appraisal assignment?
- A. An assignment to appraise a residential condominium unit for the purpose of refinancing through a federally chartered savings association
 - B. An assignment to appraise a single family home to be used by a couple applying for an FHA mortgage through a branch office of a national bank
 - C. An assignment to appraise a duplex for an attorney's client concerning an estate liquidation
 - D. An assignment to appraise a retail store for a federally chartered bank
39. The financial statement that shows the financial position of a company at a specific time is the
- A. asset statement.
 - B. income statement.
 - C. balance sheet.
 - D. P&L statement.
40. A building has six stories. Exterior measurements are 124 feet x 65 feet. The owner occupies the entire top floor and there is a small cafe with 2,000 sq feet on the ground floor. What is the gross floor area of this building?
- A. 8,060 square feet
 - B. 40,100 square feet
 - C. 40,300 square feet
 - D. 48,360 square feet
41. Buyers who intend to live in their new home for less than three years should
- A. buy down their mortgage interest rate by paying extra points.
 - B. select a fixed-rate mortgage and pay higher front-end costs.
 - C. not consider purchasing.
 - D. consider an adjustable-rate mortgage.
42. An owner's home is appraised at \$265,000. Value for ad valorem taxes is \$235,000. His existing FHA mortgage has a balance of \$164,300. He applies for a home equity loan, and the lender explains that the maximum loan-to-value ratio for all loans is 80%. How much can he borrow?
- A. \$43,685
 - B. \$45,685
 - C. \$47,700
 - D. \$212,000
43. A study designed to assess the likelihood that hazardous substances may be present on a particular site is referred to as
- A. a soils analysis.
 - B. a contamination assessment.
 - C. an environmental site assessment.
 - D. an environmental impact study.

44. A candle store occupies space in the mall. Under its percentage lease, the base rent is \$100,000 annually and the percentage rent is 5%. If the sales for last year were \$2.4 million, which statement is TRUE?
- A. The sales threshold is \$2,000,000 and the overage rent is \$20,000.
 - B. The sales threshold is \$100,000 and the overage rent is \$5,000.
 - C. Total rent including the overage is \$124,000.
 - D. The tenant is due a rent refund from the landlord.
45. A licensee is preparing a CMA on a four-year-old, three-bedroom, two-bath brick home with 2,400 square feet in popular Garden Grove subdivision. The best comparable sale for inclusion in a CMA would be
- A. an 18-year-old, three-bedroom, two-bath brick home with 2,300 square feet and a pool in Garden Grove subdivision.
 - B. a five-year-old, four-bedroom, two-bath brick home with 2,500 square feet in Garden Grove subdivision.
 - C. a 21-year-old, three-bedroom, two-bath brick home with 2,350 square feet in Shady Oaks subdivision.
 - D. a 15-year-old, three-bedroom, three-bath home with 4,100 square feet and a pool in Garden Grove subdivision.
46. What is the legal effect of a witness' signature on a promissory note?
- A. The borrower's signature becomes invalid.
 - B. The original borrower can be sued, but the witness cannot.
 - C. Both the witness and the borrower are cosigners and are liable.
 - D. The witness becomes primarily responsible for the note and the original borrower is relieved of liability.
47. Which statement is TRUE regarding a real estate office under the Americans with Disabilities Act?
- A. Any alteration of an existing building and all new public accommodations and commercial facilities must comply with the ADA's accessibility guidelines.
 - B. Real estate offices of fewer than five sales associates are exempt from ADA compliance.
 - C. Accessibility guidelines and specifications for real estate offices are available from the Department of Business and Professional Regulation.
 - D. If a broker leases his office space, the landlord is obligated by law to incur the cost of making the space ADA compliant.

48. A buyer makes an offer to purchase a listed property and gives the listing broker a \$1,000 earnest money deposit check that is postdated. Which statement applies to this situation?
- A. Florida Statutes prohibit postdated checks.
 - B. The broker would violate the fiduciary duty to the seller-principal if he accepted the postdated check.
 - C. The seller's approval must be obtained before accepting the postdated check.
 - D. The broker should require the buyer to make the deposit check payable to the seller to relieve the broker of personal liability in the event the check does not clear.
49. The MOST likely clause to be invoked by a mortgagee in case the mortgagor becomes seriously in arrears in mortgage payments is
- A. the cognovit clause.
 - B. the penalty clause.
 - C. the acceleration clause.
 - D. the exculpatory clause.
50. Net operating income is \$45,624. Effective gross income is \$65,025. Depreciation is \$12,845. If the debt service coverage ratio is 1.35, a lender will make the loan if the annual debt service does not exceed
- A. \$9,881
 - B. \$33,796
 - C. \$50,019
 - D. \$59,311
51. Which procedure, when implemented by a property manager, avoids the risk rather than transferring it?
- A. Establish policies such as no aggressive dogs on the property
 - B. Purchase insurance
 - C. Have hazardous work done by contractors who have their own insurance
 - D. Have tenants sign an agreement to hold the owner and manager harmless in case of loss
52. Which section of a comparative market analysis will show the most likely appraisal value of a home?
- A. Currently on the market
 - B. Expired listings
 - C. Sold within the previous 12 months
 - D. Median list price
53. Oral agreements for the sale of real property are not enforceable under the statute of frauds unless a partial payment has been made and the buyer has either
- A. moved into the property or has applied for a mortgage loan.
 - B. applied for a mortgage loan and paid the mortgage application fee.
 - C. taken physical possession of the property or made improvements to the property.
 - D. taken physical possession of the property and made full application for a mortgage.

54. A property owner owes \$98,200 on a first mortgage recorded on February 8, 2010, and \$18,000 on a second mortgage recorded on July 18, 2011. In 2011, the city certified a special assessment lien for sidewalks. Which is the correct order of the liens on this property?
- A. Property taxes, first mortgage, second mortgage, special assessment
 - B. Property taxes, special assessment, first mortgage, second mortgage
 - C. Property taxes, first mortgage, second mortgage, special assessment lien
 - D. Special assessment lien, property taxes, first mortgage, second mortgage
55. A business that sold for \$1,545,000 had sales of \$600,000, gross profit of \$145,000, and net operating income of \$140,000. What was the capitalization rate for this business?
- A. 8.72%
 - B. 9.06%
 - C. 9.61%
 - D. 50%
56. Which type of value is associated with an income-producing property that includes intangible assets associated with the business's reputation and name recognition?
- A. Insurance
 - B. Investment
 - C. Liquidation
 - D. Going-concern
57. A broker has a property management agreement with a property owner. A licensed sales associate for the broker calls the owner to inform him that the associate has found a tenant for the property. The owner asks the associate, "Are they Jewish?" How should the sales associate reply?
- A. Answer the question truthfully.
 - B. Answer the question truthfully but also explain that refusing to rent to the prospective tenant, if based on religion, is a violation of the Fair Housing Act.
 - C. Respond that the tenant's religion is of no relevance, and furthermore, to base the decision of whether to rent to a prospective tenant based on religion is a violation of fair housing laws.
 - D. Inform the owner that the company is canceling the property management agreement immediately and then forward the property owner's name and address to HUD.
58. A Florida real estate broker became involuntary inactive 13 months ago. The broker is in the second renewal cycle of the license. What education is required to renew the broker's license?
- A. Post-license course
 - B. FREC Course II
 - C. 14-hour continuing education course
 - D. 28 hours of a Commission-prescribed reactivation education course

59. A limited partnership plans to purchase an apartment building that has a monthly net income of \$5,200. Monthly expenses total \$1,400. If the partnership is to get a 12% return on its investment, what should it pay for the property?
- A. \$43,333
 - B. \$62,400
 - C. \$350,500
 - D. \$520,000
60. The date of a real estate contract for enforcement purposes is the date the
- A. buyer signed the contract and delivered the good faith deposit.
 - B. three day recission period ends.
 - C. last of the parties signed the contract.
 - D. seller signed the first offer or counteroffer.
61. Which statement is unique to the transaction broker relationship?
- A. The customer is not responsible for the acts of the licensee.
 - B. The agent has the duty of obedience.
 - C. The licensee must disclose all known facts that materially affect the value of the real property.
 - D. The buyer or seller must give written consent to enter into the brokerage relationship.
62. A dispute arises between the buyer and seller regarding the disposition of escrowed funds. The buyer and seller agree in writing with the broker that the matter should be turned over to a third party for the purpose of attempting to reach a negotiated settlement. This settlement procedure is referred to as
- A. litigation.
 - B. mediation.
 - C. escrow disbursement.
 - D. arbitration.
63. A buyer was defrauded by a real estate licensee. The buyer is awarded a judgment against the licensee in the amount of \$20,000 damages plus \$4,300 for attorney's fees and \$2,000 in court costs. The buyer has been unable to collect on the judgment, however it is determined that the buyer is eligible to file a claim from the Real Estate Recovery Fund. How much can the buyer recover from the fund?
- A. \$20,000
 - B. \$24,300
 - C. \$26,300
 - D. \$50,000

64. In order to enlarge your home by extending the back wall of your home beyond the rear setback, you must first obtain
- A. a special exception.
 - B. a zoning change.
 - C. an impact review.
 - D. a variance.
65. An investor's marginal income tax rate is 25%. The investor has owned a vacant lot for 6 months and 10 days and then sells it for a profit of \$10,000. At what rate will the gain be taxed?
- A. 10%.
 - B. 15%.
 - C. 20%.
 - D. 25%.
66. When preparing a CMA for a 25 year-old property with 1,240 square feet, it would be appropriate for a licensee to use as a comparable property one that
- A. is in a different socio-economic neighborhood.
 - B. is new construction.
 - C. has five bedrooms with 2,600 square feet.
 - D. is 22 years old, with 1,300 square feet located one block distant.
67. A development that because of its magnitude or location would have a substantial effect on the health, safety, or welfare of citizens in two or more counties is referred to as
- A. multi-county development.
 - B. a development of regional impact.
 - C. expansion in various sectors.
 - D. planned growth management.
68. A display advertisement in the local newspaper shows a photograph of the main offices of Landrews Realty. It describes the length of time the company has been in business, the qualifications of its personnel, and several customer testimonials. This is an example of
- A. product Advertising.
 - B. specific advertising.
 - C. the shotgun approach.
 - D. institutional advertising.

69. An owner sells her home that is subject to a first mortgage. She takes back a second mortgage for \$35,000. The buyer of the home later defaults on the first mortgage. At the foreclosure sale, the property sells for \$65,000. If the first mortgage at the time of sale has a principal balance of \$45,000, unpaid interest of \$5,400, and the lender has \$6,000 in legal fees, how much will the second mortgage holder get from the sale?
- A. \$20,000
 - B. \$14,600
 - C. \$14,000
 - D. \$8,600
70. Which statement is FALSE concerning deducting real estate passive losses from wages and salary income?
- A. An active participant whose gross income is less than \$100,000 can deduct up to \$25,000 of passive losses.
 - B. If an investor's passive losses are greater than can be deducted currently from other passive income, the investor can use the losses to offset passive income in the future.
 - C. Full-time real estate professionals can deduct a maximum of \$50,000 in passive losses from nonpassive income.
 - D. Full-time real estate professionals may deduct the entire operating loss from any other income, including nonpassive income.
71. The factor by which annual income before expenses from a commercial project is multiplied to obtain an estimate of the property's value is called the
- A. rental index.
 - B. net rent multiplier.
 - C. commercial rent multiplier.
 - D. gross income multiplier.
72. A buyer obtained a judgment against a real estate licensee for negligent conduct involving a real estate brokerage transaction. The licensee had an inactive license at the time that the negligence occurred. If the buyer is unable to collect on the judgment, can the buyer receive relief from the Real Estate Recovery Fund?
- A. Yes, provided the amount of the claim does not exceed \$50,000.
 - B. Yes, because it involved a real estate transaction.
 - C. No, because the real estate licensee was negligent.
 - D. No, because the real estate license was inactive.
73. The accepted sequence of percentage adjustments when applying the sales comparison approach adjusts for
- A. location before adjusting for market conditions.
 - B. financing as the final step.
 - C. financing before adjusting for physical characteristics.
 - D. market conditions after location.

74. A landlord has a tenant who is 10 days late paying the rent. When the tenant leaves the house to go to work, the landlord changes the locks and puts a "no trespassing" sign on the door. What is correct about this situation?
- A. The landlord can do this only when a residential tenant is over 10 days late with rent.
 - B. The landlord has committed an illegal act and may be liable to the tenant for a minimum of three month's rent.
 - C. This is a legal practice, but only if the posted three-day notice disclosed that changing the locks would be done on the 10th day.
 - D. This is a legal practice for a private owner but not for a real estate broker.
75. Which violation is a third degree felony?
- A. Conversion of escrow funds
 - B. Failing to provide current rental information for a fee
 - C. Falsifying information on a DBPR license application
 - D. Broker failing to place trust funds into an escrow account
76. A small neighborhood restaurant is allowed to continue to operate even though current zoning ordinances do not allow commercial use. What type of exception to the zoning code does the property owner have?
- A. Special exception
 - B. Variance
 - C. Nonconforming use
 - D. Commercial permit
77. Which information must be disclosed to prospective buyers regarding a listed property?
- A. Student/teacher class ratios for the public K-12 schools assigned to the neighborhood's district.
 - B. The fireplace chimney has cracks in it that are a fire hazard.
 - C. The neighborhood residents comprise several ethnic groups.
 - D. The seller's wife was diagnosed with immune deficiency syndrome.
78. To find the current mortgage balance of a customer's home, the licensee would
- A. check the tax appraiser's files.
 - B. verify the information in the public records.
 - C. send a status letter to the mortgagee.
 - D. review the owner's property tax bill.
79. Which statement is TRUE regarding real estate brokerage general partnerships?
- A. The liability of a general partner is limited to the amount of the investment made by that partner in the business.
 - B. Real estate sales associates may serve as general partners.
 - C. The partnership files an income tax return and pays taxes on the earned income.
 - D. If the only active broker in the general partnership dies or resigns, the vacancy must be filled within 14 calendar days.

80. The type of accounting that recognizes expenses when paid, rather than when incurred is called
- A. accrual basis.
 - B. cash basis.
 - C. last-in, first-out.
 - D. average method.
81. Which independent board of the Appraisal Foundation is responsible for the development and interpretation of the *USPAP*?
- A. Appraisal Standards Board
 - B. Fannie Mae
 - C. Appraisal Qualifications Board
 - D. Appraisal Underwriting Board
82. A developer gave the city a strip of land for the purpose of maintaining the entry street to the subdivision. The city will maintain the street. This is referred to as
- A. charity.
 - B. escheat.
 - C. dedication.
 - D. eminent domain.
83. John Smith makes a good living by putting down only token consideration on real estate option contracts. In his current transaction, he paid \$10 for a three-month option contract for \$55,000 on a parcel of land. He has contracted to sell the land for \$76,000. When he exercises his option to purchase, the seller refuses, then sells directly to the new buyer for \$76,000. Which statement is correct about this situation?
- A. John has a legally binding contract with the owner and may force the owner to honor the option contract.
 - B. Because the contract was for only a token consideration, John does not have a true option. The owner's action was legal.
 - C. The practice violates Chapter 475, F.S.
 - D. John does not have a valid option. He may receive only a customary commission on the transaction.
84. A real estate school received a citation and a \$100 fine for failing to provide a course roster to the Division of Real Estate. The citation was issued in error. What should the school's permit holder do?
- A. Disregard the citation because it was issued in error
 - B. File a written objection within 30 days explaining that the citation was issued in error
 - C. Pay the fine to avoid the filing of an administrative complaint against the licensee
 - D. Telephone the call center at the Department of Business and Professional Regulation to explain the error

85. A married couple purchased a home early this year and financed the purchase with a new mortgage. If they file taxes jointly, their interest deduction will be limited to home acquisition debt up to
- A. \$250,000.
 - B. \$500,000.
 - C. \$750,000.
 - D. \$1,000,000.
86. The appraiser gathers information regarding the neighborhood in which the subject property and the comparable properties are located. The appraiser observes that there is a reasonable amount of similarity among the properties in terms of square footage, amenities, and architectural design. Which principle of value applies to this situation?
- A. Substitution
 - B. Increasing and decreasing returns
 - C. Conformity
 - D. External diseconomies
87. A licensed real estate sales associate wants nonresident license status. The licensee must
- A. notify the Florida Real Estate Commission within 60 days of change in residency.
 - B. file a mutual recognition form.
 - C. request voluntary inactive status within 30 days.
 - D. notify the local post office of the change of address within 10 days.
88. A homeowner may NOT deduct for income tax purposes
- A. interest on an acquisition loan on a personal residence.
 - B. interest on a second home.
 - C. ad valorem taxes.
 - D. interest on a personal loan.
89. The price per square foot for three comparable lots is as follows: Lot 1: \$15.25; Lot 2: \$16.10; and Lot 3: \$16.70. Based on inspection of the properties and considerations such as shape and location, the appraiser decides to use a weighted averaging technique of 20% weight for Lot 1 and 40% weight each for Lots 2 and 3. What is the average price per square foot?
- A. \$16.02
 - B. \$16.10
 - C. \$16.17
 - D. \$16.21

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90. A duplex cost \$149,500 to build. The building has an estimated economic life of 60 years. Using the age-life method, what is the amount of depreciation if the building's effective age is five years and its chronological age is seven years? (Round answer to nearest dollar.)
- A. \$1,658
 - B. \$8,292
 - C. \$11,608
 - D. \$12,458
91. Which expense is NOT subtracted from potential gross income to derive the net operating income of a commercial property?
- A. Hazard insurance
 - B. Vacancy and collection loss
 - C. Reserve for replacements
 - D. Mortgage payment
92. The formula for calculating the equity dividend rate is
- A. $\text{equity} \div \text{net operating income}$.
 - B. $\text{net operating income} \div \text{equity}$.
 - C. $\text{annual debt service} \div \text{equity}$.
 - D. $\text{before-tax cash flow} \div \text{equity}$.

Closing Disclosure Problem

Directions: After reading the case study below, answer questions 93 through 100.

A home located at 1323 Spruce Street has been sold for \$400,000. The buyer has given the broker \$5,000 as earnest money. The seller will pay the 6% real estate brokerage commission, the buyer's title insurance in the amount of \$1,460, the \$250 wood-destroying organism inspection fee, and the documentary stamp tax on the deed.

The buyer will finance the purchase with a new 80% mortgage and will pay all documentary stamp taxes and intangible taxes related to the mortgage. The buyer will pay \$70 to record the mortgage, the \$20.50 recording fee for the deed, and \$450 for a survey.

Closing is August 20. Ad Valorem taxes are \$2,460 and will be prorated using the 365-day method, with the day of closing charged to the buyer. Homeowners' association fees of \$980 were paid in advance for the year on January 1.

93. How much is the buyer's new mortgage and where is it entered on the Closing Disclosure?
- A. \$320,000; on page 3 on both the Buyer's side and the Seller's side
 - B. \$320,000; on page 2 on the Buyer's side and the Seller's side
 - C. \$320,000; on page 3 on the Buyer's side only
 - D. \$320,000; on page 3 on the Buyer's side, and \$63,200 on page 3 on the Seller's side
94. What are the normal charges to the buyer and the seller for the documentary stamp taxes on the deed and the note, and the intangible taxes on the mortgage? Where does this information appear on the Closing Disclosure?
- A. Credit the seller \$2,240; debit the buyer \$884.80; page 2
 - B. Debit the seller \$2,800; debit the buyer \$1,760; page 2
 - C. Debit the seller \$2,800; debit the buyer \$1,120; page 2
 - D. Credit the seller \$2,800; debit the buyer \$1,760; page 3
95. How does the binder deposit appear on the Closing Disclosure?
- A. \$5,000 debit the seller; page 3
 - B. \$5,000 credit the buyer; page 3
 - C. \$5,000 debit the seller; \$5,000 credit the buyer; page 2
 - D. \$5,000 debit the buyer; page 2
96. Where is the sale price entered on the Closing Disclosure?
- A. Debit the seller only; page 3
 - B. Debit the seller; credit the buyer; page 3
 - C. Credit the seller; debit the buyer; page 3
 - D. Credit the seller only; page 2

97. What is the proration for taxes, and where does this information appear on the Closing Disclosure?
- A. \$1,556.88 debit the seller; \$1,556.88 credit the buyer; page 2
 - B. \$1,556.88 debit the seller; \$903.12 credit the buyer; page 3
 - C. \$1,556.88 debit the seller; \$1,556.88 credit the buyer; page 3
 - D. \$903.12 debit the seller; \$903.12 credit the buyer; page 3
98. How is the brokerage fee entered?
- A. \$28,000 credit the seller only; page 3
 - B. \$28,000 debit the seller only; page 2
 - C. \$28,000 debit the seller; \$28,000 credit the buyer; page 2
 - D. \$24,000 debit the seller only; page 2
99. How is the proration of homeowner association fees entered?
- A. Credit the seller, debit the buyer \$359.78; page 3
 - B. Debit the seller, credit the buyer \$359.78; page 3
 - C. Debit the seller, credit the buyer \$620.22; page 3
 - D. Credit the seller, debit the buyer \$620.22; page 3
100. Where are the totals of the buyer's and the seller's expenses entered?
- A. Page 3 only
 - B. Page 2 only
 - C. Pages 2 and 3
 - D. Pages 1, 2, and 3