

Florida Real Estate Broker's Guide
7th Edition Classroom - Form A

1. 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. (4-117)

2. A commercial property has a potential gross income (PGI) of \$150,000. Vacancy and collection losses are 5 percent of PGI. Operating expenses total \$36,500. Payments on the first mortgage are \$3,000 per month. Using a capitalization rate of 10 percent, which amount is an accurate estimate of the property's value?
 - A. \$615,789
 - B. \$695,250
 - C. \$700,000
 - D. \$1,060,000 (7-221)

3. Which statement is FALSE regarding criminal self-reporting?
 - A. Licensees must self-report within 30 days a felony conviction.
 - B. A plea of nolo contendere to a crime must be reported to the DBPR.
 - C. Licensees do not have to self-report a criminal offense if adjudication was withheld. (5-148)
 - D. Chapter 455, F.S., authorizes the FREC to discipline a license for failure to timely notify the DBPR of a crime.

4. A home is foreclosed and sold at public auction. After the governmental expenses of sale are paid, there is \$235,615 remaining. There is a first mortgage of \$197,210, a second mortgage of \$22,516, and a third mortgage of \$18,725. The borrower also owes \$19,789 of credit card debt. How much can the holder of the third mortgage expect to receive?
 - A. \$0
 - B. \$13,725
 - C. \$15,889 (12-320)
 - D. \$20,100

5. A real estate company has three licensed brokers. Checks disbursed from the escrow account are signed by the company's accountant. Which statement is TRUE regarding this arrangement?
- A. The broker is in violation of Florida license law.
 - B. All three brokers must be designated as signatories on the escrow account, however, only one of the brokers is required to sign all of the checks disbursed from the escrow account.
 - C. Only one of the brokers must be designated as a signatory on the escrow account and that designated broker must sign all checks disbursed from the escrow account.
 - D. Only one of the brokers must be designated as a signatory on the escrow account, however, the broker can designate the accountant to sign checks that are disbursed from the escrow account.
6. An investor sells property he has owned for five years for \$2,750,000. The investor has taken depreciation of \$26,547 for each of those five years. What is the amount of tax owed because of depreciation recapture?
- A. \$20,988
 - B. \$27,984
 - C. \$33,184
 - D. \$39,178
7. A husband and wife are real estate licensees. Their real estate licenses are in good standing when the wife joins the Navy. The wife is immediately sent to and stationed in California where she is on active duty for four years. Both make no effort to renew their Florida real estate licenses and do not engage in real estate activity during the active-duty period. What period of time does the couple have to renew their licenses after the wife has been discharged from active duty?
- A. 30 days
 - B. 3 months
 - C. 6 months
 - D. 2 years
8. A three bedroom, two bath home sold for \$546,000. A four bedroom two bath home in that neighborhood sold for \$570,000. All other things being equal, the value of the extra bedroom is
- A. \$11,000.
 - B. \$21,000.
 - C. \$24,000.
 - D. \$32,000.

(4-102)

(14-397)

(1-16)

(8-233)

9. A realty is the exclusive representative of the developer of a new subdivision. The broker's sales staff will temporarily work out of a mobile home that the developer has placed in the subdivision until the model home is completed. Transactions will be closed at the broker's main office. The mobile home will be used to distribute brochures and provide maps regarding unsold units. Does the broker need to register the mobile home as a branch office? (2-51)
- A. The broker must make the mobile home stationary before registering it as a branch office.
 - B. License law prohibits the use of mobile homes as temporary shelters.
 - C. The broker must register the branch office and pay a fee before assigning any sales staff there.
 - D. The mobile home is a temporary shelter and therefore is not considered to be a branch office.
10. A computer company is relocating to an office building. The owner of the building seems to have financial difficulties, helping to make the lease rates very attractive. The tenant's lease may be at risk if the building is foreclosed by the lender, unless (15-420)
- A. the owner can get an additional advance from the lender.
 - B. the tenant has the title checked to ensure that the owner owns the property.
 - C. the lender agrees to subordinate the mortgage to the lease.
 - D. the tenant pays a deposit and moves in to the building.
11. Which type of depreciation is associated with lack of maintenance? (7-208)
- A. Physical deterioration
 - B. External obsolescence
 - C. Age-life deterioration
 - D. Functional obsolescence
12. What is the description of a supply/demand situation when the available units outnumber potential tenants? (18-489)
- A. Landlord's market
 - B. Overpricing
 - C. Economic oversupply
 - D. Technical oversupply
13. A new diamond engagement ring is advertised for \$8,900. This figure is the ring's (6-168)
- A. cost.
 - B. price.
 - C. investment value.
 - D. market value.
14. Insurable risk associated with fire, storm, or flood is (15-423)
- A. static.
 - B. dynamic.
 - C. capital.
 - D. financial.

15. 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. Depreciation

7 - (217-220)

16. 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.

(16-248)

17. 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.

(14-27)

18. To be positioned properly for selling a home within a reasonable time, a seller who reviews a CMA would normally price a property just above "sold" section, and just below the homes shown on the section called

- A. currently on the market.
- B. expired listings.
- C. previous selling price of the subject property.
- D. median home value for the region.

(8-230)

19. A written contract for sale and purchase of commercial property that utilized designated sales associates failed to close. Is the broker required to retain the brokerage relationship disclosure documents, and if so, for how long?

- A. The broker is required to retain disclosure documents only for contracts that go to title closing.
- B. The broker must retain the disclosure documents for 90 days to give ample opportunity for the parties to close the deal.
- C. The broker must retain the disclosure documents for two years even if a nonresidential transaction fails to close.
- D. The broker must retain the disclosure documents for five years even if a nonresidential transaction that utilized designated sales associates fails to close.

(10-246)

20. If a property manager does not intend to file a claim on part of a residential tenant's security deposit, how many days does the manager have to return the tenant's deposit?
A. 7
B. 14
C. 15
D. 30
21. How much is the state intangible tax on a new mortgage of \$245,000?
A. \$440
B. \$490
C. \$1,207.50
D. \$1,715
22. Comparable A sold for \$596,900. The comparable is a 4-bedroom, 2 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 4-bedroom, 2 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
23. Who issues a recommended order?
A. Probable Cause Panel
B. Administrative Law Judge
C. Florida Real Estate Commission
D. DBPR Secretary
24. The final payment in a partially amortized mortgage is called a
A. participation.
B. balloon.
C. reduction option.
D. buydown.
25. An apartment building had net operating income last year of \$98,163. The annual debt service was \$76,145. Depreciation was \$26,457 and income taxes were \$9,836. What was the after-tax cash flow?
A. \$12,102
B. \$12,182
C. \$14,215
D. negative \$12,182

(18-478)

(13-367)

(7-198,201)

(5-136)

(12-419)

(15-425)

26. A man has been an active real estate broker in another state for 15 years. The nonresident out-of-state licensee is licensed in a state that has a mutual recognition agreement with Florida. Which statement applies to this situation?
- A. The out-of-state licensee may apply for a Florida real estate broker license without completing any education or exam requirements.
 - B. The out-of-state licensee is exempt from the pre-license education requirements but must pass the broker license exam.
 - C. The out-of-state licensee is required to pass a Florida-specific real estate law exam.
 - D. The out-of-state licensee is exempt from the broker post-license education course.
27. 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.
28. 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.
29. The payment of two discount points should reduce the mortgage's interest rate by approximately
- A. 1/8 of 1%
 - B. 1/4 of 1%
 - C. 3/8 of 1%
 - D. 1/2 of 1%
30. 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.
31. Which item is included in a reconstructed operating statement?
- A. Mortgage interest
 - B. Depreciation allowance
 - C. Maintenance and repairs
 - D. Federal income tax payments

32. Which requirement concerning lead-based paint disclosure requirements applies to purchase and sale transactions ONLY?
A. Include standard warning language regarding lead-based paint in the contract
B. Disclose all known lead-based paint hazards in the dwelling
C. Allow 10 days to test for the presence of lead
D. Give the buyer or renter a copy of the EPA pamphlet
33. The broker followed the directions issued in an escrow disbursement order that became the subject of a lawsuit. The consumer-plaintiff obtained a judgment against the licensed real estate broker. It is determined that the consumer is eligible to make a claim from the Recovery Fund. The fund may NOT reimburse which expense?
A. Broker-defendant's attorney's fees
B. Broker-defendant's court costs
C. Plaintiff's attorney's fees
D. Punitive damages
34. Which approach to value would be most appropriate if a business is no longer a going concern?
A. Cost
B. Comparable sales
C. Liquidation
D. Income
35. A broker may legally prepare which document for another party?
A. Mortgage
B. Note
C. Sales contract
D. Deed
36. What action will be taken against a broker's license when a claim NOT associated with an escrow disbursement order is paid from the Real Estate Recovery Fund?
A. The broker will be placed on probation until the fund is reimbursed.
B. The broker's license will be suspended for the maximum period allowed which is 10 years.
C. Mandatory revocation of the broker's license.
D. Mandatory suspension of the license until the licensee has reimbursed the fund, including interest.
37. 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.

(17-464,467)

(5-147)

(9-252)

(11-291,292)

(5-145)

(10-273,274)

38. Which statement is TRUE regarding radon gas?
- A. Florida law requires radon testing for homes built prior to 1978.
 - B. Brokers should consult radon level maps when advising buyers regarding radon testing.
 - C. Florida law requires mandatory radon disclosure before or at the time a person enters into a contract for sale and purchase. (17-462)
 - D. Sellers are required to install radon gas remediation equipment if unsafe levels of radon gas are present in residential property.
39. A married couple filing taxes jointly has just sold their residence for a substantial gain. Which is NOT correct about their ability to exclude the gain from taxes?
- A. They must have occupied the residence for two of the last five years.
 - B. They may exclude up to \$1 million of the gain. (14-385)
 - C. The ownership and use periods need not have been continuous.
 - D. They may exclude up to \$500,000 of the gain.
40. Last year, a brokerage firm had 220 sales. After paying sales commissions to the associates, the company had \$325,000 remaining. The firm's monthly expenses are budgeted at \$29,000 for next year, with a goal of \$19,000 monthly profit. Assuming no change in the company dollar percentage, how many transactions must the company have each month to meet its goal?
- A. 14
 - B. 18
 - C. 32 (3-84)
 - D. 259
41. A broker runs ads in the newspaper that describe the company's history, quality of service, and expertise of sales associates. This is
- A. product advertising.
 - B. specific advertising.
 - C. institutional advertising. (3-79)
 - D. the rifle approach.
42. In lien theory states, the
- A. lender has title to the property and the borrower has a lien.
 - B. borrower has title to the property and the lender has a lien. (12-319)
 - C. lender has equitable title but not legal title the property.
 - D. lender or a trustee has legal title to the property until the mortgage is paid.
43. An unwritten contract is
- A. unenforceable.
 - B. a parol contract. (11-286)
 - C. not valid for listings.
 - D. always executory.

44. Which statement is TRUE regarding S corporations?
A. S corporations may issue common stock and preferred stock.
B. S corporations are limited to a maximum of 100 shareholders.
C. Nonresident aliens can be stockholders in an S corporation.
D. A disadvantage of S corporations is that they are double taxed. (2-42)
45. Preclosing inspections should verify that
A. there are no encroachments.
B. the property has no encumbrances.
C. repairs and maintenance work required by the contract have been completed. (13-302)
D. the property conforms to local zoning.
46. If an investor wants to be assured that operating costs will not get too far out of line in an office building, the investor should
A. use expense stops in the lease agreement. (15-414)
B. require a right of first refusal in the lease agreement.
C. offer more rent concessions.
D. require a right of first offer in the lease agreement.
47. A sales associate receives an earnest money deposit on Thursday morning and turns it over to the broker Friday afternoon. Assuming no legal holidays are involved, the broker has until when to place the earnest money in escrow?
A. The next business day.
B. End of business on Monday of the next week.
C. End of business on Tuesday of the next week. (4-103,104)
D. When the sale contract is executed.
48. 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. (1-22)
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.
49. A dress shop rents space in the Willow Brook Regional Mall and pays a base rent of \$5,000 and 5% of their monthly sales. Above what annual sales level would the store have to pay additional rent over the base rent?
A. \$72,000
B. \$76,320
C. \$1,200,000 (15-412)
D. \$1,245,435

Florida Real Estate Broker's Guide
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50. 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
51. Which statement regarding a real estate office under the Americans with Disabilities Act is TRUE?
- 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.
52. Under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), liability is joint and several, meaning:
- A. the government need only show that an individual falls within the definition of a potentially responsible person.
 - B. that a property owner is held solely responsible for any contamination.
 - C. that any one or more of a group of potentially responsible persons can be sued for the cost of cleanup.**
 - D. both present and past owners are liable for clean-up cost.
53. 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**
54. An appraiser is calculating the reproduction cost new of a home, using the comparative square-foot method. The appraiser measured the exterior dimensions of the home, which were 35 feet by 60 feet, plus a detached garage measuring 23 feet by 24 feet. The appraiser consults an accepted cost manual and estimates the reproduction cost for heated and air-conditioned living area to be \$115.50 per square foot and the finished free-standing garage to be \$78 per square foot. What is the reproduction cost new of the improvements?
- A. \$199,325
 - B. \$242,550
 - C. \$285,606**
 - D. \$306,306

14-394

2-54

17-453

1-17

7-207

55. Which action does NOT terminate a single agent brokerage relationship with the seller?
A. Death of a seller's broker
B. Bankruptcy of the principal
C. Withdrawal of an offer to purchase
D. Fulfillment of the brokerage relationship's purpose (10-280)
56. Developers of new subdivisions are required to submit to the local planning agency
A. a deed restriction.
B. a subdivision plat map.
C. a zoning conformance affidavit.
D. an environmental impact statement. (16-440)
57. 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. (1-21)
58. The brokerage relationship disclosure requirements in Chapter 475 apply to which transaction?
A. Lease of a single family home
B. Sale of a 150-unit condominium complex
C. Sale of a coffee shop in a residential neighborhood
D. Sale of three vacant lots zoned for single family use (10-265)
59. The purpose of an appraisal is best described as
A. what appraiser certification is required.
B. the relevant principles of value.
C. how to conduct the appraisal and the type of value to be estimated.
D. which approach to value is most appropriate. (6-164)
60. William is shopping for a new \$150,000 mortgage. He expects to live in his new home for about four years. He can get a 30-year 5.75% fixed-rate mortgage with principal and interest payments of \$875.36 with no points. He can also get a 5.25% mortgage loan with principal and interest payments of 828.31 if he pays three points. Ignoring the time value of money, how many months will it take for William to break even if he takes the lower interest rate loan?
A. 88
B. 96
C. 92
D. 104 (12-348)

Florida Real Estate Broker's Guide
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61. Real estate option contracts do NOT require
- A. that both parties perform.
 - B. the contract to be written.
 - C. adequate consideration.
 - D. a legal purpose.
- (11-310)
62. Which type of cost is calculated using similar but not identical building materials resulting in the equal utility as compared with the subject property?
- A. Reproduction
 - B. Replacement
 - C. Accounting
 - D. Insurance
- (7-205)
63. Under the Interstate Land Sales Full Disclosure Act, a purchaser of subdivided lands who receives the property report before signing a contract for purchase has the right to cancel the contract
- A. up until 24 hours prior to the scheduled closing.
 - B. within 3 days.
 - C. within 7 days.
 - D. within 15 days.
- (16-447)
64. A broker's license is revoked for fraudulent real estate activity. What will happen to the licenses of the 60 sales associates registered under this broker?
- A. The sales associate's licenses will be suspended immediately and they will be given an opportunity to request reconsideration before the Florida Real Estate Commission.
 - B. The sales associate's licenses will be revoked because they were subagents of the broker and therefore receive the same disciplinary action as the broker.
 - C. The sales associate's licenses will be automatically placed on inactive status until they register under a new employer.
 - D. No action will be taken against the sales associate's licenses.
- (5-143)
65. The words "time is of the essence" is in a contract for sale and purchase, and the buyer is required to make an additional \$1,000 earnest money deposit within ten days of the contract's effective date. If the buyer gives the deposit 12 days after the effective date the
- A. buyer may cancel the contract for nonperformance.
 - B. buyer has defaulted and may lose his earnest money deposit.
 - C. buyer will not be in default if he had a good reason for the late deposit.
 - D. licensee should turn over the earnest money deposit immediately to the sellers because of the obvious default.
- (294-5)

66. Which statement is TRUE regarding designated sales associates?
A. The real estate value must exceed \$1 million
B. The broker serves as an advisor to the buyer and the seller
C. The buyer and seller must each have assets of \$1 million or more
D. The real estate licensee must give the customer a transaction broker notice (10-278)
67. 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. (12-318)
68. The valuation method for a business that estimates the anticipated proceeds from the sale of all assets after deducting the liabilities of that business is called
A. sales comparison.
B. liquidation value. (9-253)
C. income capitalization.
D. cost-depreciation approach.
69. An apartment property has net operating income of \$1,350,000. Expenses were \$900,000, including reserves for replacements of \$100,000. Interest was \$900,000, and depreciation was \$225,000. What is the property's taxable income?
A. \$225,000
B. \$325,000 (14-363)
C. \$450,000
D. \$600,000
70. If a buyer refuses to include an earnest money deposit with an offer to purchase, the broker
A. must present the offer. (11-250)
B. must convince the buyer to give a good faith deposit or submit the offer at full price and terms.
C. may require that the buyer at least sign a promissory note before he presents the offer.
D. should refuse to present the offer because all contracts require monetary consideration.
71. When canned peaches are delivered to a grocery store, the clerk stocks the new cans in front of the old. If each can sold is accounted for as to its cost, the inventory accounting method is
A. FIFO (first-in-first-out).
B. LIFO (last-in-first-out). (9-24, 34)
C. average.
D. random.

72. 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.
73. The price per square foot for three comparable lots is as follows: Lot 1: \$35.30; Lot 2: \$36.10; and Lot 3: \$36.70. Based on inspection of the properties and considerations such as shape and location, the appraiser decides to use a weighted averaging technique of 30 percent weight for Lot 1, 20 percent weight for Lot 2, and 50 percent weight for Lot 3. What is the average price per square foot?
- A. \$36.16
 - B. \$36.03
 - C. \$35.89
 - D. \$35.70
74. Points paid to obtain a mortgage are deductible for income tax purposes in the year paid only if the purpose of the loan is for
- A. the acquisition of a principal or second residence.
 - B. the acquisition or refinance of a nonresidential property.
 - C. the acquisition of a principal residence.
 - D. the acquisition of any type real estate.
75. While preparing a CMA, a broker sees that the subject property has an extra bedroom, but the comparable does not. The broker estimates that the extra bedroom affects value by \$14,000. The broker would make an adjustment of
- A. + \$14,000 to the subject.
 - B. + \$14,000 to the comparable.
 - C. - \$14,000 to the subject.
 - D. - \$14,000 to the comparable
76. The going concern value of a business is
- A. equal to the value of its real estate holdings.
 - B. equal to the total value of all of its assets and liabilities.
 - C. the worth of the business as an operating enterprise.
 - D. equal to working capital plus cash flow.
77. A woman buys an office building on a 2-acre site for \$860,000. She pays the following costs for the acquisition: appraisal \$4,000, survey \$700, title insurance \$2,400. The land represents 20% of the total. What is the depreciable basis of her building?
- A. \$867,100
 - B. \$695,100
 - C. \$693,680
 - D. \$691,436

18-487

6-182

14-393-398

8-239

2-164

14-394

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78. A builder buys a building site from a developer, who finances the purchase with a first mortgage. If the builder wants to get a construction loan from a bank, what clause must be in the developer's mortgage to allow the bank to have higher priority than the developer?
- A. Novation
 - B. Due-on-sale
 - C. Acceleration
 - D. Subordination
79. A one-story home has a foundation with dimensions of 46 feet by 65 feet, including a 26 foot by 22 foot garage. What is the gross living area of the property?
- A. 3,240 square feet
 - B. 2,418 square feet
 - C. 2,569 square feet
 - D. 2,115 square feet
80. The financial statement that shows a company's financial position at a specific point in time is the
- A. cash flow statement.
 - B. income statement.
 - C. balance sheet.
 - D. profit and loss statement.
81. 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.
82. 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.

(12-320)

(8-235, 236)

(9-244)

(16-447, 448)

(4-118)

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83. 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.

(4-104)

84. Within how many days must a licensee take corrective action when issued a notice of noncompliance for a minor violation?
- A. 5
 - B. 10
 - C. 15
 - D. 30

(5-146)

85. Which statement is TRUE regarding the federal telemarketing law?
- A. Real estate licensees are exempt from the telemarketing laws.
 - B. Real estate licensees may advertise their residential listings by faxing promotional flyers to a list of local businesses and hospitals.
 - C. Real estate licensees may call a for-sale-byowner seller to solicit listings even if the seller is listed on the do-not-call registry.
 - D. Real estate licensees may contact their former customers for up to 18 months following the closing of a transaction, even if those customers' numbers are on the national registry.

(2-63)

86. Land uses that existed prior to current zoning laws and are no longer allowed to be created under current zoning laws are termed
- A. variances.
 - B. legally nonconforming uses.
 - C. special exceptions.
 - D. hardship zoning.

(16-44)

87. A real estate option contract
- A. requires the optionee to sell a property if the option is exercised.
 - B. gives the optionee a right of first refusal to purchase the property.
 - C. is initially a bilateral contract.
 - D. gives the optionee the right to buy the property for a specified price during a specified period.

(11-310)

88. Which phrase would best illustrate institutional advertising?
- A. Voted the number one brokerage firm in Punta Gorda four years in a row!
 - B. Lovely six bedroom home on the intracoastal.
 - C. Office for rent near the hospital.
 - D. Desks, computers, and other office equipment for sale this weekend.

(3-78)

89. Which statement regarding a limited real estate partnership is TRUE?
- A. All of the general partners who deal with the public must be licensed as active brokers.
 - B. Limited partners may participate in management activities of the limited partnership.
 - C. The real estate limited partnership must file a certificate of limited partnership with the DBPR.
 - D. Limited partners are personally liable for the debts of the partnership.
90. Which type of depreciation is associated with inefficient architectural design?
- A. Physical deterioration
 - B. External obsolescence
 - C. Age-life deterioration
 - D. Functional obsolescence
91. A divorced woman purchases a house in her name. Her estate is called
- A. sole and separate owner.
 - B. owner in severalty.
 - C. tenancy in common.
 - D. tenancy by the entireties.
92. Reserves for replacements are
- A. tax deductible.
 - B. included as an operating expense.
 - C. deductions from cash flow.
 - D. rarely used in investment analysis.

(2-39)

(7-208,209)

(11-298)

(15-425)

Closing Disclosure Problem

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

A home located at 1860 Hickory Street has been sold for \$450,000. The buyer has given the broker \$5,000 as earnest money. The seller will pay the 6 percent real estate brokerage commission, buyer's title insurance in the amount of \$1,836, the \$100 wood-destroying organism inspection fee, and the documentary stamp tax on the deed.

The buyer will finance the purchase with a new 75 percent 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 \$22.50 recording fee for the deed, and \$440 for a survey.

B (3104 - 319)

Closing is April 22. Ad valorem taxes are \$2,980 and will be prorated using the 365-day method, with the day of closing charged to the buyer. Homeowners' association fees of \$800 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. \$337,500; On page 3 on both the Buyer's side and the Seller's side
 - B. \$337,500; On page 2 on the Buyer's side and the Seller's side
 - C. \$337,500; On page 3 on the Buyer's side, and \$52,750 on page 3 on the Seller's side
 - D. \$337,500; On page 3 on the Buyer's side only
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 \$3,150; debit the Buyer \$1,181.25; Page 2
 - B. Debit the Seller \$3,150; debit the Buyer \$2,250.00; Page 2
 - C. Debit the Seller \$3,150; debit the Buyer \$1,856.25; Page 2
 - D. Credit the Seller \$3,150; debit the Buyer \$1,423.70; 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; \$3,000 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. \$906.25 debit the Seller; \$2,073.75 credit the Buyer; Page 2
 - B. \$906.25 debit the Seller, credit the Buyer; Page 3**
 - C. \$906.25 debit the Seller; \$1,144.74 credit the Buyer; Page 3
 - D. \$2,073.75 debit the Seller, credit the Buyer; Page 3
98. How is the brokerage fee entered?
- A. \$27,000 credit the Seller only; Page 3
 - B. \$27,000 debit the Seller only; Page 2**
 - C. \$27,000 debit the Seller; \$27,000 credit the Buyer; Page 2
 - D. \$31,500 debit the Seller only; Page 2
99. How is the proration of homeowner fees entered?
- A. Credit the Seller, debit the Buyer \$556.71; Page 3**
 - B. Debit the Seller, credit the Buyer \$556.71; Page 3
 - C. Debit the Seller, credit the Buyer \$243.29; Page 3
 - D. Credit the Seller, debit the Buyer \$243.29; Page 3
100. Where are the totals of the buyer's and the seller's expenses entered?
- A. Page 3 only
 - B. Pages 2 and 3**
 - C. Page 2 only
 - D. Pages 1, 2, and 3

13 (364-379)



72-Hour Broker's Guide

End-of-Course Examination A Answer Key

The following shows the question number, correct answer, [unit] reference, and (page) number.

1. D [4] (117)	26. C [1] (10)	51. A [2] (54)	76. C [6] (164)
2. D [7] (221)	27. A [18] (496-7)	52. C [17] (455)	77. C [14] (394)
3. C [5] (148)	28. C [17] (458)	53. D [1] (17)	78. D [12] (320)
4. C [12] (320)	29. B [12] (331)	54. C [7] (207)	79. B [8] (235-6)
5. D [4] (102)	30. C [6] (165-8)	55. C [10] (280)	80. C [9] (244)
6. C [14] (397)	31. C [7] (216-7)	56. B [16] (440)	81. B [16] (447-8)
7. D [1] (16)	32. C [17] (464, 467)	57. D [1] (21)	82. B [4] (118)
8. C [8] (233)	33. D [5] (147)	58. D [10] (265)	83. C [4] (104)
9. D [2] (51)	34. C [9] (252)	59. C [6] (164)	84. C [5] (140)
10. C [15] (420)	35. C [11] (291-2)	60. B [12] (348)	85. D [2] (63)
11. A [7] (208)	36. D [5] (147)	61. A [11] (310)	86. B [16] (441)
12. D [18] (489)	37. A [10] (273-4)	62. B [7] (205)	87. D [11] (310)
13. B [6] (168)	38. C [17] (462)	63. C [16] (447)	88. A [3] (78)
14. A [15] (429)	39. B [14] (385)	64. C [5] (143)	89. A [2] (39)
15. D [7] (217-20)	40. C [3] (84)	65. B [11] (294-5)	90. D [7] (208-9)
16. B [10] (268)	41. C [3] (79)	66. C [10] (278)	91. B [11] (295)
17. D [14] (327)	42. B [12] (319)	67. C [12] (318)	92. B [15] (425)
18. A [8] (230)	43. B [11] (286)	68. B [9] (253)	93. D [13] (364-79)
19. D [10] (266)	44. B [2] (42)	69. B [14] (393)	94. C [13] (364-79)
20. C [18] (478)	45. C [13] (362)	70. A [11] (296)	95. B [13] (364-79)
21. B [13] (367)	46. A [15] (414)	71. B [9] (246-7)	96. C [13] (364-79)
22. B [7] (198, 201)	47. C [4] (103-4)	72. C [18] (487)	97. B [13] (364-79)
23. B [5] (136)	48. A [1] (22)	73. A [6] (182)	98. B [13] (364-79)
24. B [12] (419)	49. C [15] (412)	74. C [14] (393-5)	99. A [13] (364-79)
25. B [15] (425)	50. B [14] (394)	75. B [8] (239)	100. B [13] (364-79)

72-Hour Broker's Guide Math Solutions Key – Form A

2.

$\$150,000 \text{ PGI} \times .05 \text{ rate} = \$7,500 \text{ vacancy and collection loss};$
 $\$150,000 - \$7,500 = \$142,500 \text{ EGI};$
 $\$142,500 - \$36,500 \text{ expenses} = \$106,000 \text{ NOI};$
 $\$106,000 \times .10 = \$1,060,000 \text{ value}.$

4.

Subtract the first and second mortgages from the proceeds from the sale.
 $\$235,615 - \$197,210 - \$22,516 = \$15,889.$

6.

Multiply the annual depreciation times five years to get total depreciation. The tax rate is 25%, so multiply that by the total depreciation.
 $\$26,547 \times 5 \text{ years} = \$132,735.$
 $\$132,735 \times .25 = \$33,184$

8.

The extra sales price can be attributed to the difference in size.
 $\$570,000 - \$546,000 = \$24,000.$

21.

$\$245,000 \times \$0.002 = \$490.$

22.

$\$596,900 - \$80,000 \text{ (loft)} - \$35,000 \text{ (pool)} = \$481,900$

25.

$\$98,163 \text{ net operating income} - \$76,145 \text{ annual debt service} - \$9,836 \text{ income taxes} =$
 $\$12,182.$

40.

$\$325,000 \text{ company dollar} \div 220 \text{ sales} = \$1,477 \text{ company dollar per sale}.$
 $\$48,000 \text{ (29,000 expenses} + 19,000 \text{ profit)} \text{ required company dollar per month} \div$
 $\$1,477 = 32 \text{ transactions required per month}.$

49.

$\$5,000 \text{ monthly base rent} \times 12 \text{ months} = \$60,000 \text{ annual base rent}.$
 $\$60,000 \text{ annual base rent} \div .05 \text{ sales percentage} = \$1,200,000.$

50.

The building represents 79% of the total (100% - 21%):
 $\$1,984,000$ total value \times .79 building percentage = $\$1,567,360$ building value.
 $\$1,567,360 \div 39$ years = $\$40,189$.

54.

35 feet \times 60 feet = $2,100$ square feet living area \times $\$115.50$ = $\$242,550$;
 23 feet \times 24 feet = 552 square feet garage area \times $\$78.00$ = $\$43,056$;
 $\$242,550 + \$43,056 = \$285,606$ reproduction cost new.

60.

$\$150,000$ loan amount \times .03 = $\$4,500$ cost of points;
 $\$875.36$ payment at 5.75% - $\$828.31$ payments at 5.25% = $\$47.05$;
 $\$4,500 \div \$47.05 = 95.64$ rounded to 96 months

69.

$\$1,350,000$ net operating income + $\$100,000$ reserves - $\$900,000$ interest - $\$225,000$ depreciation = $\$325,000$.

73.

$\$35.30$ Lot 1 \times .30 = $\$10.59$; $\$36.10$ Lot 2 \times .20 = $\$7.22$;
 $\$36.70 \times .50 = \18.35 ; $\$10.59 + \$7.22 + \$18.35 = \36.16 per square foot.

77.

$\$860,000$ total price + $\$4,000$ appraisal + $\$700$ survey + $\$2,400$ title insurance = $\$867,100$ total acquisition cost;
 $\$867,100 \times .80$ allocated to building = $\$693,680$

79.

46 feet \times 65 feet = $2,990$ total square feet; 26 feet \times 22 feet = 572 square feet in the garage;
 $2,990 - 572 = 2,418$ square feet gross living area.

Closing Disclosure Problem – Form A Solutions

93.

New mortgage: $\$450,000 \times 0.75 = \$337,500$ Buyer's side, page 3

94.

Seller: Documentary stamp taxes on the deed:

$$\$450,000 / 100 \times .70 = \$3,150 \text{ Debit to Seller, Page 2}$$

Buyer: Documentary stamp taxes on the note:

$$\$450,000 \times .75 / 100 \times .35 = \$1,181.25$$

Intangible taxes on the mortgage:

$$\$450,000 \times .75 \times .002 = \underline{\$ 675.00}$$

$$\text{Total debit for Buyer:} = \$1,856.25 \text{ Debit to Buyer, Page 2}$$

97.

Taxes $\$2,980 / 365 \times 111 \text{ days} = \906.25 , Debit Seller, credit Buyer, page 3

98.

$\$450,000 \times .06 = \$27,000$, Debit Seller only; page 2

99.

$\$800 / 365 \times 254 \text{ days left in year} = \556.71 debit Buyer, credit seller, page 3

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