

1. None of the following groups of items would be classified as strictly real property except: (A) Mineral rights, underground water, leasehold estates in real property; (B) Harvested crops, unextracted oil, land; (C) Lumber, growing corn, land; (D) Land, growing crops, running stream.
2. Mr. Able has a fee simple estate. It will become a less-than-freehold estate when he does which of the following: (A) Assigns all oil and mineral rights to his bank; (B) Gives a right-of-way to his neighbor; (C) Assigns a 50-year lease for agricultural purposes; (D) None of the above.
3. Lacking any information to the contrary, the holder of a life estate, based on the holder's life, may do any of the following, EXCEPT: (A) Lease the property to another; (B) Encumber the property; (C) Sell the property to another; (D) Devise the property.
4. Which of the following would be a less-than-freehold estate: (A) Mortgaged property; (B) A lease; (C) Fee simple estate; (D) A property with several deed restrictions.
5. A lease that has been executed: (A) Would grant or convey an interest in land; (B) Would be illegal if the property were community property and only the husband had signed it; (C) Must contain the words "let and demise" to be valid; (D) Must be recorded if the property is owned by the federal government.
6. A valid lease must contain which of the following: (A) A grant or conveyance; (B) A sufficient description of the property; (C) Terms of the lease and the amount of rent to be paid; (D) All of the above.
7. Which of the following answers best identifies the three phases normally involved in a single-family dwelling: (A) Construction proposal, map approval and buyer qualification; (B) Land acquisition, development and construction; (C) Financing, building and resale; (D) Syndication, subdivision and recordation.
8. Willson has entered into a lease that contains an escalator clause providing that periodic adjustments of the monthly rental amount be made in line with the cost of living index published by the U.S. Bureau of Labor Statistics. This type of lease would most nearly be called: (A) A graduated lease; (B) An index lease; (C) A percentage lease; (D) An escalator lease.
9. Which of the following is required in order to create an enforceable lease on real property for a term longer than one year: (A) The signature of the lessee; (B) An adequate description of the real property; (C) A notary's seal by the lessor's signature; (D) All of the above.

10. Able leased his real property to Cain. Cain leased the property to Black with the consent of Able. In the event that Cain dies, which of the following would be a true statement: (A) Black's leasehold is still valid; (B) Cain's lease would be automatically terminated; (C) Black must re-negotiate the lease; (D) Black's lease is no longer valid.

11. John Gibson sued his former tenant, Bill Andrews for one months rent, claiming that Andrews left without giving the 30-days notice required by statute. Andrews asserted that he had notified Gibson to repair a broken water pipe, but the request had been ignored, and therefore did not need to give the 30-day notice. Assuming only these facts, the court will probably decide: (A) Andrews is liable, because he failed to make the repair himself or order it done and deduct the cost from the rent; (B) Despite the defect, Andrews was required to give the 30-days notice, and therefore must pay; (C) Andrews is not liable for the 30 days rent, since Gibson's failure to make necessary repairs is sufficient grounds for termination of the tenancy without notice; (D) Andrews is not liable, since a month-to-month tenancy can be terminated by either party without giving prior written notice.

12. An unlawful detainer action may be instituted against any of the following, except: (A) A tenant who commits a nuisance on the property; (B) A tenant who holds over beyond the term of the lease; (C) A tenant who does not pay his rent when it is due; (D) An occupant of a property who fails to make his contractual payments after exercising an option to purchase the property.

13. When a landlord and a tenant mutually agree to terminate an existing lease on the property, and the tenant relinquishes possession to the landlord, those events together constitute: (A) A profit a pendre; (B) A reformation of the contract; (C) An amendment of a lease; (D) A surrender.

14. Definitions: (1) A sudden and dramatic loss of land by the action of water; (2) The addition of soil, by gradual deposit, through natural causes; (3) The gradual loss of land by the operation of water or wind; (4) Soil deposited on the shore or bank of a river or ocean by action of the water. Choose the answer which arranges the words in the same order as the definitions: (A) Accretion, erosion, avulsion, alluvion; (B) Avulsion, accretion, erosion, alluvion; (C) Erosion, avulsion, accretion, alluvion; (D) Erosion, alluvion, avulsion, accretion.

15. Real property would be all of the following, except: (A) Easements that are appurtenant; (B) Realty; (C) A leasehold interest in real property; (D) Airspace above real property.

16. Waters which are below the ground but are not restricted to a bed or well-defined channel would be known as: (A) Percolating waters; (B) Alluvion; (C) A subterranean lake; (D) Non-riparian waters.

17. Which of the following can be said to "run with the land": (A) Easements; (B) Stock in a mutual water company; (C) Covenants; (D) All of the above.

18. Which of the following would not terminate a two-party joint tenancy estate: (A) One of the joint tenants having his interest foreclosed; (B) One of the joint tenants selling his interest; (C) One of the joint tenants deeding his interest to a third party; (D) The recording of a trust deed or mortgage on the interest of one of the joint tenants.

19. Cain and Able have purchased a property as joint tenants. Cain immediately encumbered the property with a lien by borrowing money on his interest. If Cain should die: (A) Able's property would be encumbered; (B) Cain's heirs would be indebted for the amount that Cain borrowed; (C) Able must pay off the encumbrance, or forfeit any claim to that portion of the property that has been borrowed on; (D) The lender would have no recourse against the surviving joint tenant, Able.

20. In which of the following forms of co-ownership would it be most difficult for a co-owner to sell his or her interest without the consent of the other co-owners: (A) Tenancy in common; (B) Joint tenancy; (C) Community property; (D) Tenancy in partnership.

21. If Bill and Mary Wilson wish to take title in such a manner so that their property would be equal, and encumbered only with the consent of the other, they would hold title in: (A) Tenancy in common; (B) Joint tenancy; (C) Tenancy in partnership; (D) Community property.

22. In an income and expense statement for an apartment complex, expenses for real estate taxes and fire insurance would most accurately be listed as: (A) Capital expenses; (B) Operating expenses; (C) Fixed expenses; (D) Variable expenses.

23. If a man dies intestate and with no known heirs: (A) Title to his real property will vest in the state immediately and automatically if the state makes a claim; (B) The property will escheat to the state through legal proceedings; (C) Anyone can claim the property by paying the taxes that are delinquent on it; (D) Title to his real property will vest in the state if no heirs come forward for 10 years after that person's death.

24. To perfect a claim to title by adverse possession, all of the following are required, except: (A) Payment of taxes for a continuous 5-year period; (B) Open and notorious use of the property; (C) Color of title, or a claim of right; (D) That the land be for public use; owned by governmental agencies regardless of how the title is taken.

25. All of the following would be considered examples of the use of police power by the government EXCEPT: (A) The enactment of building codes; (B) The establishment of rent control; (C) The creation of subdivision ordinances; (D) The establishment of taxation rights.

26. Which of the following would best exemptly "police power": (A) Escheat; (B) Condemnation; (C) Zoning regulations; (D) Eminent domain.
27. An owner of property which was located near an airport was constantly bothered by the noise of low flying aircraft. He wanted to bring a court suit and force the city to condemn the property because of the noise. This would be an example of: (A) Condemnation; (B) Inverse condemnation; (C) Escheat; (D) Eminent domain.
28. Mr. Smith sold his home to Mr. Jones. At the time of the sale, Mr. Smith gave Mr. Jones a grant deed to the property, and Mr. Jones agreed to assume the existing first trust deed. In the grant deed, the seller included certain reservations. These reservations create certain rights and privileges for the benefit of the: (A) Grantor; (B) Grantee; (C) Beneficiary; (D) All of the above.
29. Among the essentials of a valid deed is the designation of a grantee. A deed would be void from its inception if the grantee is: (A) Described under an assumed name; (B) A fictitious person; (C) An unincorporated association; (D) Not named in the deed, but is sufficiently designated or described.
30. Mr. Jones sells his property to Mr. Smith. By agreement, Jones retains possession of the property for six months after close of escrow. At the close of escrow, Smith received a grant deed, but did not record it. Later, Jones sells the property to Green who had no knowledge of the previous transaction. Green secured new bank financing and recorded his deed and took possession of the property. Under these circumstances: (A) Jones owns the property; (B) Smith can sue Green for fraud; (C) Green owns the property; (D) The trust deed the bank holds is void.
31. Of the following, which term correctly identifies preliminary architectural drawings and sketches such as elevations, plot plans, etc.: (A) Plottage; (B) Subdivision maps; (C) Consolidation agreements; (D) Schematics.
32. Which of the following would be a valid acknowledgment: (A) An acknowledgment taken out of state by a notary who was commissioned in California; (B) An acknowledgment of a deed that has been drawn and acknowledged out of the State of California by a notary who is commissioned in that other state; (C) An acknowledgment taken by a notary who notarizes a deed in which he is the grantor; (D) All of the above.
33. A purchaser of real property received a grant deed and a standard policy of title insurance. Which of the following items would be warranted by the seller, but not insured by the title policy: (A) That the grantor was indeed the owner of the property; (B) That there were no undisclosed liens against the property suffered by the grantor; (C) That there are no forged deeds in the chain of title; (D) That the grantor is competent to convey the property.

34. An encumbrance may be which of the following: (A) A freehold estate; (B) An estate for years; (C) A homesteaded property; (D) Fee simple absolute.

35. A charge against real property which is then used as security for the charge, is defined as: (A) A subdivision restriction; (B) An easement; (C) A lien; (D) Zoning and planning regulations.

36. Because Mr. Cain failed to declare any added income from rents he had received from 2 apartment houses that he owned, the Internal Revenue Service filed a lien against him for unpaid taxes. This lien would be classified as: (A) A general lien; (B) A specific lien; (C) An attachment lien; (D) All of the above.

37. At the insistence of a holder in due course, a collector is trying to collect a note. The best defense for the maker of the note would be: (A) Lack of consideration to the maker; (B) Fraud in the inducement of the note; (C) The note has been materially altered; (D) All of the above.

38. A broker negotiated a second trust deed loan for \$7,000, payable \$50 per month including 6% interest, for a period of 1 1/2 years. This loan would be: (A) A straight loan; (B) A partially amortized loan; (C) A fully amortized loan; (D) None of the above.

39. Whenever there is an appurtenant easement, it belongs to and affects certain parcels of land. Which of the following statements is true: (A) The parcels of land may be abutting and involve two separate properties; (B) The parcels of land may be contiguous and have separate ownership; (C) One parcel must be a dominant tenement which has an advantage, and the other parcel a servient tenement on which is imposed a burden; (D) All of the above.

40. Prentice has been driving daily across Marsh's farm for six years to get to his farm. Marsh has often asked him not to do so. If the court decided that Prentice had a valid easement, the easement would have been created by: (A) Ratification; (B) Necessity; (C) Implied grant; (D) Prescription.

41. All of the following methods will always terminate an easement, except: (A) Merger; (B) Nonuse; (C) A quitclaim deed from the holder of the dominant tenement; (D) Destruction of the servient tenement.

42. The imposition of restrictions on a new large subdivision is most practically achieved by: (A) Including them as covenants in the deed to each individual parcel; (B) Duly recording them with adequate reference made thereto in the deed to each parcel; (C) Including them in the body of the Real Estate Commissioner's final subdivision public report; (D) Publishing them in a newspaper of general circulation 10 days prior to sale and posting a copy on each parcel of the subdivision.

43. An apartment building which was erected prior to the enactment of a zoning ordinance which does not permit multiple family units within the area where the building is situated is: (A) In violation of the zoning law; (B) In violation of the municipality applicable master plan; (C) A nonconforming use; (D) A variance.
44. Permission obtained from governmental zoning authorities to build a structure or conduct a use which is expressly prohibited by the current zoning laws is: (A) Redlining; (B) A variance or spot zoning; (C) Rehabilitation; (D) Non-conforming use.
45. When a real estate licensee negotiates a two-year cash loan in the amount of \$8,000, secured by a first trust deed on the borrower's residence, the licensee may legally charge a commission of: (A) 5% of the amount borrowed; (B) 10% of the amount borrowed; (C) 15% of the amount borrowed; (D) Any amount, since there is no commission limit on such loans.
46. All of the following statements concerning a trustee's sale under a trust deed are true, except: (A) If request for notice of default is recorded, the trustee must notify the beneficiary of the trust deed; (B) If the trustor does not reinstate within three months, the trustee will publish a notice of intent to sell; (C) The trustee has a three-week publication period; (D) The trustor has a right to reinstate the loan until the date of the sale.
47. Which of the following is least correct about in-house sales: (A) The listing broker always works on behalf of the seller when conducting negotiations; (B) A broker can make an offer on one of the broker's own listings; (C) Brokers cannot sell their own in-house listings; (D) A broker can sell one of his or her own listings to a buyer.
48. A borrower defaults on a note. The lender decides to foreclose through court action and the court issues a judgment in favor of the lender and decrees the sale of the property. At the sale, the property was sold for its market value but this netted less than the amount owed to the lender. If the lender wants to obtain a deficiency judgment against the borrower for the difference, he must file an application in the court for the deficiency judgment within: (A) 1 year of the default on the note; (B) 1 year of the beginning of the foreclosure action; (C) 3 months of the foreclosure sale; (D) None of the above.
49. When comparing first and second trust deeds, second trust deeds often: (A) Are for a shorter term; (B) Call for a balloon payment; (C) Can be purchased at a higher discount; (D) All of the above are true.
50. After a subdivider's final map has been approved, but before he has received the Commissioner's final report, the maximum number of parcels that may be used to secure a loan, before the loan is considered a blanket encumbrance, is: (A) One; (B) Two; (C) Three; (D) Four.

51. The Real Estate Commissioner has regulations requiring the impounding of deposit monies in subdivisions. Which of the following is one of the reasons for such impounding? (A) This would protect the buyer against any mechanic's liens; (B) This would protect the buyer's legal title until a proper release is obtained from any existing blanket encumbrance; (C) This would protect the subdivider's money; (D) This would protect a lender of any blanket encumbrance.

52. Roberts, the holder of a \$70,000 first trust deed note, desires to borrow \$25,000 to build a house. If the note is used as security for that loan, the arrangement would be regarded as: (A) A chattel mortgage; (B) A pledge; (C) A subordinated trust deed; (D) An illegal security agreement.

53. Mr. Baker purchased a residential building lot from Able paying 10% down and financing the balance with a first trust deed. Because Mr. Baker intends to borrow construction money, he should insist that the following clause be placed in the first trust deed agreement: (A) An acceleration clause; (B) An alienation clause; (C) A subordination clause; (D) A building clause.

54. Buyer Oswald received a standard policy of title insurance on a farm which he bought. Six months after the purchase, Oswald died, and his heir, Nell, presented a claim to the title insurance company because of a title defect that was not revealed. The title insurer rejected the claim, claiming that it insured only Oswald's interest in the property. Given these facts, it is likely that: (A) The title insurance company will have to pay because title policies are valid for a minimum of 3 years from the date of issuance; (B) The title insurance company will have to pay because it protects heirs and successors of the insured; (C) Nell will lose the case because he was not named as an insured on the policy; (D) Nell will lose because title insurance is valid only during the life of the insured.

55. An attachment may be released or discharged by all of the following ways, except: (A) By a signed release by the plaintiff which is properly acknowledged and recorded; (B) By a judgment for the plaintiff; (C) By an order of the court; (D) By a release signed by the officer who levied the writ which is properly acknowledged and recorded.

56. The holder of a life estate cannot file a homestead on the property, and only a fee simple estate can be homesteaded: (A) Both statements are true; (B) The first statement is true, and the second statement is false; (C) The first statement is false, and the second statement is true; (D) Both statements are false.

57. When an agent is accused of "putting" the agent might have been guilty of which of the following: (A) Trying to convince a potential seller of his wide popularity among local people; (B) Convincing the appraiser to assign a higher value to the property than is justified by the comparable recent sales in the area; (C) Exaggerating the features of the property and/or neighborhood when showing the property to prospective buyers; (D) Convincing a seller to offer a higher commission than is customary for that type of property.

58. When Broker Bill solicits lenders to fund second trust deeds, he often says "If the borrower defaults, you can always recover your money from the property." He is currently trying to arrange a loan for his son-in-law, John, who is about to default on a loan on highly-leveraged commercial property. He has assured the potential lender that the property is worth 20% more than John paid for it one year ago, although the property has not appreciated in that time. His actions in this matter probably constitute: (A) Acceptable conduct; (B) Unethical conduct; (C) Unlawful conduct; (D) Beneficial conduct.

59. Title insurance companies issue policies that insure: (A) The validity of an easement; (B) The owner of a leasehold of the validity of his interest in the described property; (C) The owner of an option of the validity of his interest in the described property; (D) All of the above.

60. Of the following, who would normally pay for a policy of title insurance: (A) The trustee; (B) The trustor; (C) The beneficiary; (D) The broker.

61. If a buyer wishes to be protected against unrecorded encumbrances in the purchase of real property, he would: (A) Obtain an ALTA policy; (B) Ask the seller for a warranty deed; (C) Have a provision for extended coverage put in the deposit receipt; (D) Obtain a CLTA extended coverage policy.

62. Which of the following would require a real estate license: (A) A person who purchases a trust deed each month for his own investment return; (B) A man who sells six or more parcels to a real estate broker; (C) A man who bought five land sales contracts, has collected payments on them for four years, and now wishes to sell them all at one time; (D) None of the above.

63. Which of the following legal instruments cannot be assigned without an agreement of the parties involved: (A) A lease; (B) A trust deed; (C) An option to purchase; (D) A power of attorney.

64. Good property management is said to begin: (A) Prior to the property being acquired; (B) After the property is acquired; (C) After the property is acquired, but prior to any expenditures being made; (D) None of the above.

65. If Broker Able allows his license to expire, the salesmen in his office can do any of the following, except: (A) Cease functioning as real estate salesmen; (B) Transfer their licenses to another broker; (C) Close all their pending transactions as soon as possible; (D) Reinstatement with Broker Able when the matter is corrected.

66. By law, a broker must provide Worker's Compensation insurance coverage for which of the following: (A) Only those employees who are between 21 and 65; (B) Only those who earn more than the minimum wage; (C) Only office employees; (D) All employees, regardless of age, position, or amount of compensation.

67. A broker licensee is found guilty of misrepresentation in a real estate transaction. He could be: (A) Subject to disciplinary action by the Commissioner; (B) Subject to a civil action; (C) Subject to a criminal action; (D) All of the above.

68. When a prepaid rental listing services desires to relocate its offices, adequate notice of the new address and telephone number must be provided to all its clients: (A) No later than three working days after the relocation; (B) Prior to the relocation; (C) As soon as practical following the relocation; (D) Within ten calendar days of the relocation.

69. Broker Smith offered his personal residence for sale for \$75,000. He found a prospective purchaser who wanted to buy it, but he had only \$7,500 available for the down payment. The broker and the buyer agreed upon the terms of the sale. In order to complete the transaction, they drew up a set of papers which stated the sales price at \$85,000 for the purpose of obtaining a higher loan from a lender. Which of the following statements is true: (A) If the buyer's background and current income qualify him for the higher loan, no harm would be done; (B) The Real Estate Law would not apply since the broker was acting as a principal; (C) The broker could be subject to disciplinary action by the Real Estate Commissioner; (D) Since the buyer would be benefited by the loan, only he would be subject to legal action.

70. In a sales transaction, Broker Jones acted as the agent for both the buyer and the seller and collected a commission from both of them. However, he did not disclose to either of them that he was receiving a commission from the other party. Which of the following could happen after the close of escrow: (A) The broker could be disciplined by the Real Estate Commissioner; (B) The buyer could rescind the purchase; (C) Both the seller and the buyer could refuse to pay the commissions agreed upon; (D) All of the above.

71. California Real Estate Law requires that a broker who holds an option to purchase a property must reveal to each potential buyer of such property that he is acting in this transaction as: (A) An optionor; (B) A trustor; (C) A principal; (D) A beneficiary.

72. Which of the following would best describe a "blind ad": (A) The licensee gave an unlisted telephone number; (B) The property address was not shown; (C) The price of the property was not listed; (D) The licensee placing the ad was not identified as a licensee.

73. Which of the following premises is the basis for the principle of substitution: (A) A disadvantage attends any excess or deficiency in the supply of the agents of production; (B) The value of a replaceable property tends to be indicated by the value of an equally desirable substitute property; (C) The value of an under-improved property advances towards the value level of conforming properties; (D) Excess profits breeds ruinous competition.

74. A buyer gave a broker a deposit with an offer to purchase. Which of the following is true concerning the deposit: (A) It never belongs to the broker; (B) The broker must give the deposit to the seller, immediately; (C) The deposit is always returnable to the buyer; (D) If the sale is canceled by either party, the broker must decide what is to be done with the deposit.

75. Most real estate offices will spend money for advertising. In budgeting the advertising dollar, little money would be spent on: (A) Classified ads of exclusive listings in the local newspaper; (B) Attractive "for sale" signs showing the broker's firm name and telephone number; (C) Display advertising in the local newspaper concerning open listings; (D) Membership fees for a multiple listing service.

76. When a loan against personal property is subject to division 9 of the Uniform Commercial Code, the financing statement may be released from the public records by: (A) The death of the trustor; (B) Recording a reconveyance deed; (C) Payment of the debt in full; (D) Filing a termination of statement.

77. A real estate salesperson received a \$3,000 check as an earnest money deposit with an offer to purchase a residential property. Upon talking with the agent holding the listing on that property, the salesperson discovered that the offer could not be presented for 5 days because of the seller's absence from the area. The salesperson must: (A) Hold the check uncashed until the offer is accepted; (B) Return the check to the buyer; (C) Give the offer and the deposit to the listing agent so that it will be the first offer considered; (D) Immediately deliver the funds to his/her broker.

78. When opening an account to deposit and hold funds received on behalf of others, a real estate broker must: (A) File a signature card with the signature of the principal for whom he is holding such funds; (B) Obtain a fidelity bond; (C) Designate the account with the depository institution as a trust account; (D) Select a financial institution which pays the prevailing rate of interest on funds in the account.

79. According to the California Civil Code, the payment on a loan secured by a deed of trust can be subject to a late charge when it is received by the lender: (A) One day after the due date; (B) Seven days after the due date; (C) On the tenth day after the due date; (D) More than ten days after the due date.

80. Broker Stone negotiated a cash loan for a client secured by a second deed of trust on the client's personal residence. The note was for \$4,000, payable \$98.13 per month including interest at 8 1/4% per annum. The loan was to be paid in full in 4 years. The maximum amount that the broker can charge the client for commissions, costs, and expenses is: (A) \$400; (B) \$600; (C) \$990; (D) None of the above.

81. According to the Mortgage Loan Broker Law, amortized loans for six years or less on an owner-occupied dwelling: (A) Can only be purchase-money encumbrances; (B) Are exempt from the provisions of this law; (C) Cannot have any installment which is greater than twice the amount of the smallest installment; (D) Are illegal.

82. The reciprocal of 8% is: (A) .125; (B) 1.25; (C) 12.5; (D) 125.

83. It is illegal in California to violate anti-trust laws. In the field of real estate, which of the following would be such a violation: (A) Paying referral fees to agents licensed in another state; (B) A salesperson working for more than one broker; (C) Declining to share a listing on real property through the local Multiple Listing Service; (D) Setting and enforcing a specific commission rate.

84. A broker may not: (A) Place salesmen in offices according to race; (B) Have minority licensees deal with minority customers only; (C) Place salesmen with associates of the same minority group exclusively; (D) Do any of the above.

85. In which of the following situations would the real estate commissioner most likely issue a subdivision public report: (A) The subdivision failed to show that all improvements have been installed prior to making the first sale, although financial arrangements to insure that installation have been made; (B) The subdivision failed to show that the parcels can be used for the purpose for which they are offered; (C) The subdivision failed to provide an adequate listing of the liens and conditions which are claims against the title to the real property being offered; (D) Subdivider has failed to provide for the impounding of purchase monies on lots subject to a blanket encumbrance.

86. The promoting of panic selling of real estate by making written or oral statements creating fear and alarm in order to induce the sale or lease of real property on the basis of the prospective entry of persons of another race, color, sex, religion, ancestry, or national origin is prohibited by: (A) Federal Fair Housing Laws; (B) California State Law; (C) Both (A) and (B); (D) Neither (A) nor (B).

87. In the matter of financing, which of the following would be most interested in a "line of credit": (A) The borrower; (B) The financing market; (C) The beneficiary; (D) A seller.

88. Which of the following best exemplifies an investment that was purchased as a hedge against inflation: (A) A risk-free investment; (B) An income-producing investment that will maintain its value; (C) An investment that will afford a high degree of liquidity; (D) An investment that will have the characteristics of an annuity.

89. Real estate investments have which of the following advantages when compared with an investment in securities: (A) Better capital gains treatment; (B) Appreciation in value; (C) Depreciation; (D) None of the above.

90. During normal economic times, investors who make long-term investments: (A) Have less risk than those who make short-term investments; (B) Have more risk than those who make short-term investments; (C) Have a temporary solution to their money problems; (D) Are wasting their money.

91. Mr. Dorman purchased his residence recently. In order to purchase the property, he borrowed money from the Independent Life Insurance Company giving them a first trust deed. In this particular transaction, the loan could be described as: (A) An institutional loan; (B) A purchase-money loan; (C) Neither (A) nor (B); (D) Both (A) and (B).

92. An undivided interest in land, coupled with the right of exclusive occupancy of an apartment thereon, defines a: (A) Condominium; (B) Planned development; (C) Community apartment; (D) Stock cooperative.

93. The primary purpose of establishing the Federal Home Loan Bank Board in 1932 was to: (A) Allow for central control of both federally and state chartered savings and loan associations; (B) Provide a greater reserve for savings and loan associations; (C) Restore confidence in the savings and loan industry; (D) None of the above.

94. A mortgagee, when analyzing an FHA application, would consider which of the following: (A) What motivates the person to purchase the property; (B) What is the person's credit rating; (C) What available funds does the buyer have for the transaction; (D) All of the above.

95. Of the following federal entities, which one would most likely be involved in buying and selling government securities in the open market: (A) The Federal Housing Administration; (B) The Federal Open Market Committee; (C) The Securities and Exchange Commission; (D) The U.S. Army.

96. Which of the following lenders would tend to charge a buyer the greatest number of points during a tight money market: (A) FHA; (B) A mortgage company; (C) VA; (D) Cal-Vet.

97. When comparing the advantages of corporate ownership over private ownership of real property, which of the following is a true statement: (A) The corporation does not have to pay taxes, only the stockholders do; (B) The corporation owner can move title to property without ever having a tax liability; (C) The corporation owner would be taxed at a lower rate than a private owner in the higher tax brackets; (D) The corporation would not be permitted to own real property, only the stockholders can.

98. According to the bankruptcy code, the debts that are discharged are those that exist: (A) On the day of the publication of notice of bankruptcy; (B) On the day when the bankruptcy petition was filed; (C) On the day of the discharge; (D) On the day when the bankruptcy case is closed.

99. The seller of a residence in a California subdivision uses a land contract of sale that contains a lock-in clause. Which of the following is true: (A) The vendee must honor his contract; (B) Under no circumstances could the contract be paid off within a year; (C) This clause makes the contract void; (D) The vendee can ignore the lock-in clause.

100. Which of the following would have an equitable title to real property: (A) The vendee, under a land contract; (B) The trustee, under a trust deed; (C) The beneficiary, under a trust deed; (D) Both (A) and (B).


101. Which of the following statements is true concerning the recording of an installment sales contract: (A) Recording the contract is a greater benefit to the vendor than the vendee; (B) Under all circumstances, the vendee can record the contract; (C) The vendee could record the contract and it would be to his advantage especially if he does not plan to take immediate possession of the property; (D) An agreement by the vendee to not record the contract is enforceable.

102. Mr. Johnson is considering purchasing an industrial property. He is given the following information by the agent. Listing price, \$948,000; gross income, \$143,000; expenses, \$57,200; net income, \$85,800. He wants an overall return of at least 8%. His agent should advise him in which of the following ways? (A) Purchase the property since the capitalization rate is approximately 1.1% greater than required; (B) Purchase the property since the capitalization rate is approximately 7% greater than required; (C) Not purchase the property since the capitalization rate is approximately 3% less than required; (D) Not purchase the property since the capitalization rate is approximately 5% less than required.

103. Under the Truth-in-Lending Act, if the security is a principal residence of the borrower, he would have a right to rescind in all of the following situations, except: (A) A junior trust deed and note used to borrow money which is used to purchase an automobile; (B) A first trust deed used to finance the purchase of an owner-occupied residence; (C) A second trust deed given to the real estate broker to finance a college education; (D) A third trust deed and note given to a building contractor to pay for remodeling.

104. When Truth-in-Lending Laws apply to the advertising of real properties for sale, which of the following would be mentioned: (A) Specific terms under which payment must be made; (B) A specific amount of down payment; (C) A specific time period within which payment must be made; (D) All of the above.
105. The Truth-in-Lending Law affects the broker: (A) In hiring salespeople; (B) In the manner in which he advertises property for sale; (C) In closing the sale; (D) By giving the right of rescission to the buyer.
106. On an FHA loan, the interest rate is set by: (A) Market conditions; (B) FHA; (C) Agreement between the buyer and the lender; (D) The lender.
107. Sometimes a quiet title action is used to: (A) Enforce the collection of delinquent rent; (B) Clear the title of the seller under a recorded contract of sale that is in default; (C) Protect the tenants from noisy neighbors; (D) Remove the seller's novation in a purchase contract.
108. Ultimately, the lender's primary security in lending money on residential property is: (A) The debt/income ratio of the borrower; (B) The loan-to-value ratio; (C) The property value; (D) The borrower's income.
109. An owner purchased his residence several years ago, using a conventional loan, and now desires to refinance using the VA guaranteed loan program. The lender who will make the loan will require the veteran to pay loan discount points. In such a case, the VA: (A) Will refuse to guarantee the refinancing of a conventional loan; (B) Will not guarantee a loan from a lender who charges the veteran discount points; (C) Will guarantee the loan only if the lender does not charge more than one point origination fee; (D) Will guarantee the loan and the veteran may pay reasonable discount points.
110. Which would be most likely to be decided later in escrow: (A) Terms of the agreement; (B) Vesting of title; (C) Who would pay taxes; (D) Whether to buy "subject to," or to "assume" the loan.
111. In many ways the government home financing programs are similar and in many ways they are different. Of the following statements, which is a correct statement: (A) A veteran can obtain VA financing to purchase a house which he does not intend to occupy; (B) A veteran who has a Cal-Vet loan on the home which he occupies must obtain written permission from the Department of Veterans Affairs in order to rent his home; (C) FHA will make the same type of loan to a borrower who intends to occupy the residence as it will to a borrower who intends to rent the residence; (D) FHA will not make a loan to a person who intends to rent the residence.

112. When purchasing a residence, a buyer agreed to pay \$3,500 cash down and agreed to a deposit of \$500. The buyer also agreed to assume a first trust deed loan with a balance of \$20,000. The loan would appear on the seller's closing statement as a: (A) Credit to the seller; (B) Debit to the seller; (C) Credit to the buyer; (D) Debit to the buyer.
113. Which of the following items would appear as a debit on a seller's closing statement: (A) Sales price; (B) Prepaid rent; (C) Taxes the seller paid in advance; (D) Prepaid fire insurance.
114. In the absence of an agreement to the contrary, which of the following may not be assigned: (A) The rights of a mortgagee; (B) The rights of an insured under a fire insurance policy; (C) The rights of a lessee in a lease; (D) The rights of an optionee.
115. The Real Estate Settlement Procedures Act provides for all of the following, except: (A) A limitation on the buyer's cost for the lender preparing the uniform settlement disclosure statement; (B) The imposition of a penalty of up to three times the cost of the title insurance, if the seller conditions his acceptance of the buyer's offer upon the buyer purchasing a title insurance policy from a specific title company; (C) A prohibition upon kickbacks; (D) The establishing of a commission split between cooperating brokers.
116. The Real Estate Settlement Procedures Act requires the disclosure settlement statement to be delivered by the lender to the borrower in the absence of a waiver by the borrower: (A) Within 5 days of receiving the loan application; (B) On or before the settlement date; (C) 1 day prior to the settlement date; (D) At least 3 days prior to the settlement date.
- THE FOLLOWING STORY REFERS TO THE NEXT SIX QUESTIONS:**
- Five men decided to form a syndicate and to invest in an 8-acre parcel of land. They entered into a joint venture with each man contributing \$10,000. They spent \$40,000 for the parcel and deposited the balance into a savings account at the bank which drew interest. Three years later they decided to sell the parcel and to dissolve their partnership. They contacted a broker who found a buyer and negotiated a sale of the property for \$8,000 per acre. When the partnership was dissolved, the following facts were determined: The partnership paid \$2,825.05 for real estate taxes during the time it owned the parcel. The property earned \$305.05 in rental fees and the savings account accumulated interest of \$1,200. The selling expenses of the parcel included a broker's commission of 6%, legal fees of \$225, escrow fees and incidental expenses of \$275, a recording fee of \$15, and a policy of title insurance for \$325.
117. When the partnership was terminated, how much was available for distribution to all 5 partners: (A) \$50,000; (B) \$58,000; (C) \$64,000; (D) \$68,000.

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118. When the partnership was terminated, each individual member received: (A) \$8,000; (B) \$11,600; (C) \$12,800; (D) \$13,600.

119. The net costs of the ownership and sale of this parcel amounted to: (A) \$1,505.05; (B) \$6,000; (C) \$7,505.05; (D) None of the above.

120. The amount of profit for each individual, based on his original investment, amounted to: (A) \$1,200; (B) \$3,600; (C) \$13,600; (D) It is impossible to calculate from the information given.

121. The rate of return per year on the original investment amounted to: (A) 12%; (B) 36%; (C) 60%; (D) 120%.

122. When the group originally formed the joint venture, what could they have done in order to best protect their individual interests in the venture: (A) Have separate certificates of ownership drawn up and recorded; (B) Have a partnership agreement drawn up and recorded; (C) Record a deed indicating all the owners and establish a joint bank account in the names of all five owners; (D) Purchase a CLTA title insurance policy.

123. Barker, finding a cabin in the mountains that has been abandoned, has met all of the legal requirements for adverse possession. In order to perfect his title to the property, Barker will find he can do so by: (A) Collecting and submitting his evidence to a title insurance company; (B) Recording a lis pendens at the county recorder's office; (C) Initiating and completing a quiet title action; (D) Doing nothing, since title in his name is automatic once he has completed the legal requirements.

124. Which of the following is NOT a test used to determine whether an article of personal property has, in fact, become real property: (A) The intention of the party affixing the item to real property; (B) The adaptability of the article to the use of the property; (C) The date on which the article was affixed; (D) The relationship of the parties.

125. Broker Jones took a listing providing for a 5% commission on the sales price of \$41,000. A buyer offered the listed price, but failed to complete the transaction. The seller declared a forfeiture of the 3% deposit under a provision in the deposit receipt which provided that the broker would receive half of the buyer's deposit in the event of the buyer's default. Under these circumstances, the broker is entitled to: (A) \$615; (B) \$1,025; (C) \$1,230; (D) \$2,050.

126. The clause in a real estate purchase contract that sets forth a definite amount of damages to be paid by the party breaching the contract which requires both buyer and seller's initials to be placed in the designated places on that contract is known as: (A) Caveat emptor clause; (B) Risk clause; (C) Liquidated damages clause; (D) Seller's protection clause.

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127. If a sales agreement contained a contingency stating that the sale was subject to the buyer securing proper zoning for a specific intended use and he was unable to secure the proper zoning, the most logical action would be for the buyer to: (A) Sue the sellers and make them take back the property; (B) Appeal the zoning decision to the planning commission; (C) File a new subdivision map; (D) Rescind the sale.
128. The legal meaning of the word "waiver," as it is applied to real estate transactions, most nearly means: (A) Estoppel; (B) The justifiable reliance by one party upon the intentional act or omission of another; (C) A unilateral act and its legal consequences; (D) Detrimental reliance.
129. A real estate licensee, in his capacity as an agent, is liable to third parties for: (A) Actions committed by a duly appointed sub-agent; (B) A written contract made in the name of his principal; (C) His own torts; (D) A tort committed by his principal.
130. A real estate broker could be entitled to a commission after the expiration of the term of the listing under certain circumstances. To provide for this, which of the following clauses should the broker have in the listing agreement: (A) A use diligence clause; (B) The risk clause; (C) A safety clause; (D) A liquidated damages clause.
131. Because of the difficulty of selling a particular property, the real estate broker insisted that he receive a 16% commission based upon the selling price and the seller agreed to pay that amount. The property has been sold and the broker has been paid the 16% commission. Under these circumstances, which of the following is true: (A) The payment of such a large commission is illegal; (B) This commission falls under the usury laws; (C) This commission would be a direct violation of Real Estate Law; (D) Real estate commissions are negotiable and the broker has done nothing wrong.
132. An agency relationship may be terminated by all of the following, except: (A) A fire destroying the property which is the subject of the agency contract; (B) The principal's refusal of an offer to purchase presented in the name of a third person; (C) Mutual agreement of both the principal and the agent prior to the original termination period; (D) The renunciation of the contract by the agent.
133. A salesman gives the broker \$4,000 in earnest money for a sale that is to close in one week. \$500 is the agreed-upon commission. The seller requested that the money be put into escrow. The broker should: (A) Keep \$500 and put \$3,500 into escrow; (B) Put \$4,000 into escrow; (C) Put \$3,500 into escrow and \$500 in a separate fund; (D) Put \$4,000 into escrow with instructions that \$500 be put into a separate fund for anticipated expenses and commissions.
134. Of the following, which is not required of a licensee under agency legislation: (A) Election; (B) Disclosure; (C) Confirmation; (D) Representation.

135. The Statute of Frauds provides certain contracts are unenforceable unless they, or some note or memorandum, are in writing. Which of the following contracts would not be enforceable in court: (A) An oral agreement between two brokers to share a commission; (B) An oral exclusive listing to sell a business opportunity; (C) An exclusive listing taken orally by a broker to sell a single-family residence; (D) An oral agreement to pay a broker a commission for negotiating the exchange of two businesses.
136. When does an option to buy real property become a mutually binding contract: (A) When the option is given to the buyer by the owner; (B) When the consideration for the option is given; (C) When the prospective purchaser exercises the right to purchase; (D) When any of the above happens.
137. Fraud can occur in many different ways. Which of the following would best illustrate an act of fraud: (A) A broker who sells the property for more than the listed price; (B) A broker who promises a buyer that the home he is looking at is a good buy and will always be a good sound investment; (C) A broker who fails to tell the seller of real property the selling price of the property when the broker sold it under a net listing; (D) A broker who deceives a buyer into thinking that a proposed business opportunity is operating at a profit and causes the buyer, after he purchases the business opportunity, to suffer a financial loss.
138. A bilateral contract involves: (A) An act for a promise; (B) A promise for an act; (C) A promise for performance of an act; (D) A promise for a promise.
139. A roof with four sloping sides is called: (A) A mansard roof; (B) A gambrel roof; (C) A gable roof; (D) A hip roof.
140. A percolation test may be required by the local building authorities if you wish to install a: (A) Well; (B) Water main; (C) Cesspool; (D) Built-in coffee maker.
141. When leasing a commercial property that is merely a "shell" space, the landlord often agrees to spend a specific amount for a qualified tenant. This amount is properly designated as: (A) A rent abatement; (B) A tenant improvement allowance; (C) A security deposit; (D) Earnest money deposit.
142. Which of the following would be most important to a manufacturing plant when deciding whether or not to relocate: (A) Taxation; (B) Labor relations; (C) Climate; (D) Employee housing.
143. When Salesperson Miller shows a residence owned by Owens and listed by his employing broker Park, Salesperson Miller is related to seller Owens as: (A) An independent contractor; (B) A direct employee; (C) A subagent of the seller; (D) An agent of the seller.

144. Economic obsolescence most nearly means which of the following: (A) Functional obsolescence; (B) Physical obsolescence; (C) Social obsolescence; (D) Outdated fixtures.

145. A building that is an improper improvement to its site exemplifies: (A) Curable physical obsolescence; (B) Curable functional obsolescence; (C) Incurable functional obsolescence; (D) Incurable physical obsolescence.

146. Which of the following statements is least related to depreciation: (A) A decline in value because of the action of the elements; (B) An obsolescence due to neighborhood infiltration of unharmonious property usage; (C) The ability of the inventive mind of man to design, resulting in inadequacy or over adequacy due to style, size, or age; (D) A value resulting from inflation or special supply and demand forces concerning specific properties.

147. An appraiser, when using the cost approach method to obtain the correct depreciation factor, would use: (A) Economic life of the property; (B) Effective age of the property; (C) Chronological age; (D) Actual age.

148. An appraiser is justified in selecting straight line depreciation in the capitalization of income, based upon which of the following assumptions: (A) The income imputable to the buildings will decline at a fixed annual rate, commensurate with the fixed annual decline in market value; (B) The market value of the buildings will decline at a fixed annual rate, based upon their remaining useful life; (C) The land value remains constant and the income imputable to the land is level in perpetuity; (D) All of the above.

149. The total amount due to all of the beneficiaries of a trust account must, by law, at all times be at least equal to the trust fund bank account: (A) Fidelity bond coverage; (B) Shortage; (C) Overage; (D) Balance.

150. Which would be given the least consideration when establishing a capitalization rate: (A) Depreciation; (B) Taxes; (C) Return of investment; (D) Return on investment.

151. Which of the following is not a deductible item from the gross income when determining spendable income: (A) Operating expenses; (B) Depreciation; (C) Principal and interest payments; (D) All of the above.

152. The activities of the money market are extremely important to the real estate industry. For example, as interest rates increase, the capitalized value of income property: (A) Is stabilized; (B) Increases; (C) Decreases; (D) Is unaffected over the short run.

153. The easiest method of calculating reproduction cost of improvements is: (A) The cubic foot method; (B) Unit-in-place; (C) Square foot method; (D) Quantity survey.

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154. An appraiser would use the "building residual technique" to establish the value of the building; (C) Value of the land; (D) Net income after depreciation.

155. When an appraiser uses the comparison approach to value, he would assume that: (A) Normal financing is available which could be used by a typical buyer; (B) The seller is willing to take back secondary financing; (C) There is no mortgage on the property and that the seller would receive all cash; (D) Most buyers use an FHA or VA loan.

156. The oldest, easiest to learn, most adaptable, and quickest method of appraising is which of the following: (A) The capitalization approach; (B) The cost approach; (C) The market data approach; (D) The income approach.

157. When using the market data approach to appraising, the purchase price of properties purchased by the state or county government should not be used because: (A) The government never pays the fair price; (B) These prices are not a matter of public record; (C) These prices do not appear in the multiple listings; (D) Condemnation violates the willing buyer/willing seller concept.

158. There are three standard approaches to appraising real property. Which of these would be considered to be the most accurate and exact in the same way that physical sciences are: (A) Income approach; (B) Cost approach; (C) Market data approach; (D) None of the above.

159. A corner lot that was zoned for business contained an excellent house. It was recommended by an appraiser, after reviewing the situation, that the house be bulldozed off because: (A) Of economic obsolescence; (B) More houses are torn down than fall down; (C) The traffic made it unwise to have a house located in a business area; (D) It did not reflect the highest and best use of the property.

160. Sometimes appraisers refer to different principles of appraising. One of these principles states that a reasonable degree of homogeneity in such factors as social, political, economic, and physical aspects: (A) Creates a lower value. This is the principle of regression; (B) Creates maximum value. This is the principle of conformity; (C) Tends to destroy values because inharmonious elements infiltrate the neighborhood; (D) Is not required in order to maintain maximum values.

161. The "Street Improvement Act of 1911" provides the following payment methods for property owners when the improvement charge has gone to bond: (A) Bond holder must include interest only on his income tax report; (B) The bond holder must include the principal and interest on his income tax; (C) The owner can deduct interest charges only from his yearly income tax; (D) The owner can deduct principal and interest amounts from his yearly income tax.

162. Which of the following federal laws requires public accommodations to be made accessible: (A) The Americans with Disabilities Act; (B) The Fair Accommodations Act; (C) The Fair Labor Standards Act; (D) The Federal Depositors Insurance Act.

163. Increased demand for homes is generally followed by an increase in: (A) Price; (B) Construction; (C) Quality of construction; (D) Both (A) and (B).

164. The most detailed form of real estate appraisal report would be: (A) Short form; (B) Unit-in-place; (C) Narrative; (D) Letter.

165. A good appraiser is aware of the influence of governmental regulations and actions affecting the value of real property. If an appraiser identifies a community or an area which has a heavy bonded indebtedness resulting in high property taxes, he would come to which of the following conclusions: (A) That there are better schools and services in the area; (B) That new construction and industry would tend to shift away from the area; (C) That assessment bonds, created under the Street Improvement Act of 1911, would be readily available for purchase; (D) That large sums for new investment would tend to be attracted to this area.

166. A person should consult a real estate appraiser when he intends to do which of the following: (A) Sell or buy; (B) Remodel or rehabilitate; (C) Lease or rent; (D) Any of the above.

167. A balloon payment would be necessary on which of the following loans? (A) \$22,500 with interest at 14.25% per year payable \$320 a month for 10 years; the total interest is \$19,827.60; (B) \$40,000 with interest at 13.5% per year payable \$519.34 a month for 15 years; the total interest is \$53,481; (C) \$25,000 with interest at 12% per year payable \$556.17 a month for 5 years; the total interest is \$8,370; (D) None of the above.

168. A parcel of land is described as the NW $\frac{1}{4}$ of Section 12, MDBM. Approximately how many square one-acre parcels could be obtained from this parcel of land if the square one-acre parcels all touch Section 11: (A) 6; (B) 12; (C) 18; (D) 24.

169. When it is necessary to amend a Real Property Transfer Disclosure Statement, the buyer, upon receipt of the amendment, has a right to: (A) Rescind the offer-to-purchase; (B) Receive a monetary award of damages; (C) Choose either a rescission of the contract or an award of damages; (D) None of the above.

170. An owner of an apartment house deducted \$6,000 from the gross income for depreciation on his federal income tax return. The basis of the property is therefore: (A) Unaffected; (B) Increased by \$6,000; (C) Adjusted only when the property is sold; (D) Reduced by \$6,000.

171. A lady made a monthly payment of \$114.60 on her loan that had a balance of \$16,500. If \$32.13 of the payment was applied to the principal, the interest rate on the loan was most nearly: (A) .5%; (B) 6%; (C) 8%; (D) 10%.

172. Rental property was improved with a building that cost \$240,000. The annual net income from the property is \$19,200, which represents a return of 6% on the total investment of the property. From these facts, an appraiser would logically conclude that the value of the land is: (A) 1/4 the cost of the building; (B) 1/3 the cost of the building; (C) 1/2 the cost of the building; (D) Equal to the cost of the building.

173. Mr. Smith wanted to buy a vacant lot and applied to the bank for a loan. The bank approved a loan of \$28,250 which they considered to be 80% of the value of the property. The value of the property was: (A) Less than \$33,000; (B) More than \$33,000, but less than \$35,000; (C) More than \$35,000, but less than \$36,000; (D) More than \$36,000.

174. Mr. Sampson bought an income property for \$375,000. If the land value was \$100,000 and Mr. Sampson used straight line depreciation over a 27.5 year basis, the annual depreciation would be: (A) \$9,000; (B) \$10,000; (C) \$13,425; (D) \$15,000.

175. In which of the following appraisal methods is the land and improvements appraised separately: (A) Comparison approach; (B) Cost approach; (C) Income approach; (D) All of the above.

176. A row of townships running north and south is called a: (A) Section; (B) Range; (C) Tier; (D) Meridian.

177. Michael owns 80 acres of land. It is 1/2 mile long by 1/4 mile wide. He wants to determine the topography of the land and so he asks Jones to clear 4 strips, each one 50 feet wide. One strip will run the length of the land and 3 strips will run the width of the land. If Jones charges \$60 per acre of cleared land, he will receive: (A) \$348; (B) \$380; (C) \$444; (D) \$520.

178. A clearance receipt for a business opportunity transaction will protect the purchaser from: (A) Unsecured creditors; (B) Prepayment of taxes; (C) Successor's liability; (D) Secured creditors.

179. A lump-sum expenditure which is required because of overdue repairs would be known as: (A) Development payments; (B) Economic obsolescence; (C) Functional obsolescence; (D) Deferred maintenance.

180. If a buyer fails to file a "Notice of Intended Sale" in the sale of a business opportunity with inventory involved: (A) The seller's creditors could attach the inventory; (B) The sale is void in every respect; (C) The sale is valid in every respect; (D) The sale is illegal.

181. A licensee should clarify the seller's preferred terms of payment: (A) When the preliminary title report is ordered; (B) When escrow instructions are signed; (C) After the offer has been accepted, but before escrow is opened; (D) At the time the listing contract is filled out.

182. In taking a listing on a retail business, the best way to establish the gross sales of the business would be to: (A) Check the balance sheet; (B) Establish the cost of the goods sold; (C) Check last year's profit and loss statement; (D) Verify the sales tax receipts.

183. Which documents are required in the creation of a condominium project: (A) Bylaws; (B) Deeds; (C) Declaration of restrictions; (D) All of the above.

184. The prior written approval of the Real Estate Commissioner is required for which of the following: (A) The transfer of a salesperson from a licensed individual broker to a licensed real estate corporation; (B) A change in the private restrictions affecting the rights of prospective owners of five or more new condominium units; (C) The formation of a partnership between two real estate brokers; (D) The incorporation of a firm that is made up of real estate brokers.

185. Mr. Johnson has listed nine acres of land with a broker at a listing price of \$78,300. A friend of his wants to buy part of the land measuring 100 feet by 145.2 feet. The purchase price of the smaller parcel will be based on the listed price and will be: (A) Less than \$2,500; (B) More than \$2,500 but less than \$3,000; (C) More than \$3,000 but less than \$3,500; (D) More than \$3,500.

Of the following types of funds, which one does not have to be placed in the broker's trust fund account: (A) Rents collected for the owner on properties managed by the broker; (B) Unpaid commissions owed to salespersons; (C) Advance fees received to cover marketing costs; (D) Funders received from a borrower to cover appraisal fees and credit report costs.

187. Real property in California is assessed at: (A) 1% of the taxable values; (B) 10% of the taxable values; (C) 25% of the taxable values; (D) 100% of the taxable values.

If the current highest and best use of a property is expected to change, the current use is referred to as: (A) The temporary use; (B) The transitional use; (C) The probable use; (D) The interim use.

A broker is obligated by law to keep a copy of the deposit receipt for a minimum of 3 years from the date of: (A) The first date on the deposit receipt; (B) From the closing of the transaction; (C) The recording of the deed; (D) Which-ever of the above is earliest.

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190. Over the past decades, subdividers, developers, and builders have realized large profits by taking large land holdings and subdividing them into smaller and smaller tracts. Which of the following reasons would explain why they have been so successful: (A) Industrialization; (B) Migration; (C) Urbanization; (D) All of the above.

191. The property taxes on residential real property are determined annually by the: (A) State Board of Equalization; (B) Board of Supervisors; (C) County assessor; (D) County treasurer.

192. Developing zoning regulations is primarily the responsibility of the: (A) County or city engineer's office; (B) Planning commission; (C) County tax assessor; (D) State Board of Equalization.

193. The Uniform Building Code applies to: (A) Alterations of an existing structure; (B) Demolition or moving of a building; (C) The power of eminent domain and condemnation; (D) "A" and "B" above.

194. There are certain exceptions to the California Environmental Quality Act, specifying certain developments which are not subject to this law. Which of the following types of development projects would be exempt from this law: (A) Conversion from existing multi-family rentals to condominiums; (B) Commercial and industrial construction; (C) Properties developed under conditional use permits; (D) Apartment buildings and hotels with over 100 units.

195. Which of the following best describes "boot": (A) Decrease in basis; (B) Increase in basis; (C) Net mortgage relief in an exchange; (D) No change in basis.

196. If the possession of the property does not transfer to the buyer when the title to the property transfers, the real estate agent should make sure there is: (A) An assignment of rents; (B) A novation; (C) A quitclaim deed; (D) An interim occupancy agreement.

197. In which of the following approaches to value is a separate evaluation of the land more important: (A) Income; (B) Cost; (C) Comparison; (D) All of the above.

198. Which of the following would an owner of a 20-unit apartment building not use as an income tax deduction: (A) The interest on liens on the property; (B) The cost of building a fence on the property; (C) The manager's salary; (D) The depreciation of the building.

199. Of the following, which one would receive the most favorable income tax treatment: (A) Property held for sale to customers; (B) Income property held; (C) Property held for investment; (D) Real estate held for a use in a trade or a business.

Able exchanged his property valued at \$130,000 with a depreciated tax basis of \$80,000 for a like property valued at \$165,000, paying an additional \$35,000 in cash to equalize the exchange. For federal income tax purposes, Able's basis on the new property will be: (A) \$130,000; (B) \$165,000; (C) \$115,000; (D) \$50,000.



1. (D) Of the choices given, only "D" contains items which are all classified as real property.

2. (D) Regardless of Mr. Able's assignments, the ownership is still a fee simple estate.

3. (D) If the life estate is based on the life of the holder, it will end when that person dies. Therefore, the person could not will (devise) it.

4. (B) A lease is an estate for years and is classified as a less-than-freehold estate.

5. (A) An executed lease would grant or convey an interest in land. It does not have to be signed by both parties if it is community property; also, the words "let and demise" do not have to be included for validity.

6. (D) All of the choices are included in a valid lease.

7. (B) The three stages involved in building a residence are land acquisition, development and construction.

8. (B) This type of lease is called an index lease because it is tied to an index--in this case, the cost of living index.

9. (B) A lease for longer than a year must be in writing. It must adequately describe the property being leased. If the lessee moves in and pays rent, these actions indicate that he has agreed to the lease and he will be bound by it whether he signs the lease or not. Notarization is only required on documents that are recorded, and while a lease may be recorded they are usually not.

10. (A) Statement of fact.

11. (C) When a property becomes untenantable (a broken water pipe qualifies), the tenant must notify the landlord. If the landlord does not repair the property within a reasonable time the tenant may either have it fixed and deduct the costs from the rent (up to one month's rent) or may vacate the property. If the tenant chooses to vacate the property he has no further obligations under the rental agreement.

12. (D) An unlawful detainer court action pertains to landlords and tenants, not optionors or optionees.

13. (D) The mutual termination of a lease, together with relinquishment of possession, is appropriately called a surrender.

14. (B) These are the definitions for avulsion, erosion, accretion, alluvion. Be sure to memorize the one for avulsion and you will get the right answer.
15. (C) Leasehold interests are personal property, also known as chattel real.
16. (A) Such waters are accurately described as "percolating."
17. (D) All of the choices can be said to run with the land and are considered real property.
18. (D) Recording does not alter a two-party joint tenancy estate as between the parties.
19. (D) Surviving joint tenants are not liable to creditors of the deceased who hold unforclosed liens.
20. (C) If a husband or wife sells community real property without the other's consent, the injured spouse has one year to void the sale.
21. (D) Statement of fact.
22. (C) Taxes and insurance are classified by appraisers as fixed expenses. They must be paid whether the property is rented or not.
23. (B) When a person dies with no heirs and no will, the title to the property will revert to the state and may be sold two years after the death.
24. (D) With adverse possession, the land does not need to be used for public purposes.
25. (D) Taxes come under the government's power of taxation, not police power.
26. (C) Zoning regulations are an example of police power.
27. (B) When the government exercises their power to take property for public use, this process is called condemnation. When an individual brings action against the city for condemnation, this is known as inverse condemnation.
28. (A) The seller is the grantor.
29. (B) Since one of the essentials of a valid deed is the designation of a grantee capable of receiving the deed, a fictitious person, being nonexistent, would make the deed void.

30. (C) Although recording is not necessary for validity, recording will protect the rights of the grantee. Since Mr. Smith did not record his interest, and Mr. Green did, Mr. Green would own the property. Mr. Smith would have to take court action against Mr. Jones. Lacking any notice, the first to record is first in right.

31. (D) The other three choices obviously do not refer to elevations and plot plans.

32. (B) Notaries are commissioned to perform in their own state only.

33. (B) A grant deed contains two implied warranties; one, that the grantor has not already conveyed title to any other person, and two, that the estate is free from undisclosed encumbrances.

34. (B) An estate for years is a lease and burdens the title.

35. (C) A lien is a money claim against the property.

36. (A) An income tax lien is a lien on any and all property owned by the debtor. Thus, it would be termed a general lien.

37. (C) The best defense for a maker would be that the note has been materially altered. The fact that there has been a lack of consideration or fraud does not defeat the claim of the holder in due course.

38. (B) $\$50 \times 12 = \$600 \times 11\frac{1}{2} \text{ years} = \$6,900$. Since the loan could not be fully paid off in $11\frac{1}{2}$ years even if the entire payment were principal (which it isn't), the loan is partially amortized.

39. (D) All of the choices are correct.

40. (D) A prescriptive easement is created by open and notorious use which is uninterrupted for five years and hostile to the true owner's title.

41. (B) Non-use will only terminate an easement acquired by prescription and then, only if the non-use is for a period of five years or more.

42. (B) Recording with adequate reference made to the deed to each parcel is the most practical way of imposing restrictions.

43. (C) Improvements erected prior to the enactment of zoning laws are considered to have a nonconforming use. If the improvements, for example, burn down, they could not be rebuilt in violation of the current zoning laws.

44. (B) A variance is a change of a portion of zoning requirements without changing the zoning.

45. (A) Article 7, which regulates the commission which can be legally charged on such loans, specifies that the commission on a first trust deed loan of less than 3 years can be no more than 5% of the amount borrowed.
46. (D) The trustor has the right to reinstate the loan only five days prior to the sale.
47. (C) A broker can sell his or her own in-house listings.
48. (C) Statement of fact.
49. (D) All of the above choices are correct and reflect the fact that second trust deeds have a higher risk factor than first trust deeds.
50. (A) Statement of fact.
51. (B) Statement of fact.
52. (B) When an existing note is used as the security for another loan, it is called a pledge agreement. The note is pledged for repayment of the new loan.
53. (C) A subordination clause will allow the construction lender to take priority over the first trust deed temporarily until the project is completed. Thereafter, a take-out loan would be instituted.
54. (B) Title insurance protects not only the person who purchases the property but also that person's heirs and successors.
55. (B) A judgment for the defendant releases an attachment, not a plaintiff.
56. (D) Neither statement is correct.
57. (C) Putting is making exaggerated claims for the property or the neighborhood.
58. (C) Broker Bill is misleading the potential lender. That is fraud, which is illegal.
59. (D) All of the choices can be insured by title insurance policies.
60. (B) The trustor, or borrower of the money, would pay for a title insurance policy to benefit the lender.
61. (D) A CLTA extended coverage policy protects against unrecorded encumbrances.

- 62. (D) None of the choices would require a real estate license.
- 63. (D) A power-of-attorney is given to a specific person only.
- 64. (A) Statement of fact.
- 65. (C) If the broker of a salesperson allows their license to expire, the salesperson's license is considered to be cancelled.
- 66. (D) The law requires that all employees be covered by Worker's Compensation.
- 67. (D) Statement of fact.
- 68. (B) When a prepaid rental listing service relocates, the new address and telephone number must be given to the clients prior to the relocation.
- 69. (C) The Real Estate Commissioner would be interested anytime a broker or any licensee commits any misrepresentations concerning real estate.
- 70. (D) All of the choices are correct because the broker may not commit a divided agency; that is, the broker may not act for more than one party in a transaction without the knowledge and consent of all parties.
- 71. (C) The broker would be a principal because the broker would have an interest in the property.
- 72. (D) Statement of fact.
- 73. (B) This is the definition of the principle of substitution.
- 74. (A) Statement of fact.
- 75. (C) Since open listings are not exclusive, display advertising of open listings would be on a very low priority for a real estate office advertising budget.
- 76. (D) This is referring to loans on personal property used in a trade or business. When the loan is created a financing statement is filed with the state. To get it released one would submit a termination statement.
- 77. (D) The salesperson must give the deposit to his/her broker at once.
- 78. (C) In setting up an account to receive and hold trust funds, the broker is required to designate it as a trust account.

79. (D) Only when the payment is received more than ten days after the due date is it subject to a late charge.

80. (C) (1) Commission = $15\% \times \$4,000 = \600

(2) Costs = minimum, \$390

(3) $\$600 + \$390 = \$990$

81. (C) Any installment which is greater than twice the amount of the smallest installment is a balloon payment. No balloon payments are allowed on amortized loans for six years or less on owner-occupied dwellings, according to the Mortgage Loan Broker Law.

82. (C) To find the reciprocal of a percentage, you first convert it into a fraction ($8\% = 8/100$). You then reverse the numerator and the denominator of the fraction ($100/8$). 100 divided by $8 = 12.5$.

83. (D) Collusion to set and enforce a uniform commission rate would subject the participating brokers to charges of violating the anti-trust laws.

84. (D) A broker must be color blind and not favor one race over another at any time.

85. (A) The commissioner will issue a final public report if the subdivider can show that he has made financial arrangements to insure that all the improvements will be completed. Thus, the subdivider can sell the first houses even though a common area swimming pool hasn't been built but the money has been put aside to build it.

86. (C) Both federal and state laws prohibit the promoting of panic selling of real estate.

87. (A) The borrower would be most interested in a line of credit to obtain funds when needed.

88. (B) An investment that will maintain its value is the best hedge against inflation. Real estate tends to maintain its value better than most other investments.

89. (C) Investments in improved real estate can provide income tax depreciation deductions for the owner. Securities can't.

90. (B) There is more risk because rates of return can vary a great deal over the long-term and the investor is locked into a set rate of return.

91. (D) Life insurance companies are institutional lenders, and one of the definitions of the purchase-money loan is a loan for the purpose of buying 4 or less owner-occupied residential units.

92. (C) Statement of fact.

93. (B) Although savings and loan associations obtain most of their money from individual depositors, the Federal Home Loan Bank Board was established to provide a greater reserve for savings and loan associations.

94. (D) All of the choices are considerations for a lender when analyzing an FHA application.

95. (B) The Federal Open Market Committee of the Federal Reserve Board buys and sells government securities to control the flow of money in the marketplace.

96. (B) FHA and VA are not lenders, and with a Cal-Vet loan, the State of California is the lender.

97. (C) Statement of fact.

98. (B) According to the bankruptcy law, the debts that exist on the day that the bankruptcy petition is filed are the debts that are discharged.

99. (D) Lock-in clauses are not allowed on owner-occupied residential property of 4 units or less. However, for tax purposes, the seller may prohibit prepayment for a one-year period only.

100. (A) In a land contract, equitable title refers to the right to use and possess. The vendee can and should record the contract to protect himself. The vendee cannot waive this right to record.

102. (A) $\$85,800$ divided by $\$948,000 = 9.05\%$. If he buys for the listed price he would have a return of 9.05% .

103. (B) A loan to finance the purchase of the borrower's principal residence carries no right of rescission.

104. (D) With respect to advertising, all specific terms must be included in the advertising or none at all.

105. (B) (Under Regulation Z), the broker is limited in the manner in which he advertises property for sale.

106. (C) Under current laws, FHA interest rates are set by agreement between the buyer and the lender. Of course, in the real world the lender usually decides the interest rate to be used but technically, according to the books, the rate is set by agreement of the parties.

107. (B) A quiet title action would remove the cloud on title created by a recorded contract of sale which has been defaulted on by the buyer.

- 108. (C) The lender's basic security is the value of the property.
 - 109. (D) On a refinance loan the VA allows the veteran to pay reasonable discount points.
 - 110. (B) The manner in which the parties wish to take title can be determined late in the escrow period. A licensee should never advise as to what manner title should be taken. This is the job for an attorney.
 - 111. (B) Written permission from the Department of Veterans Affairs is required in order for a veteran who has a Cal-Vet loan to rent his home.
 - 112. (B) The assumed loan would appear on the seller's closing statement as a debit. It would appear on the buyer's closing statement as a credit since it reduces the amount of cash the buyer would have to deposit in order to close the sale.
 - 113. (B) Prepaid rent would appear as a debit on the seller's closing statement because it is monies that the seller would have to transfer to the buyer's account.
 - 114. (B) Generally speaking, fire insurance policies are not assignable unless there is an agreement to the contrary.
 - 115. (D) RESPA is not concerned with commission splits.
 - 116. (B) Statement of fact.
 - 117. (D) INCOME
 - 117. (D) EXPENSES
- | | |
|---------------------------------|--------------------|
| \$10,000.00 - savings account | \$75,505.05 |
| 1,200.00 - interest | 64,000.00 |
| 305.05 - rental fees | - sales price |
| <u>64,000.00</u> | <u>\$75,505.05</u> |
| \$2,825.05 - taxes | |
| 3,840.00 - commission | |
| 225.00 - legal fees | |
| 275.00 - escrow | |
| 15.00 - recording | |
| <u>325.00</u> - title insurance | |
| | <u>\$7,505.05</u> |
- \$75,505.05 - \$7,505.05 = \$68,000.
 - 118. (D) \$68,000 divided by 5 = \$13,600.
 - 119. (C) Refer to expenses in answer #117 - \$7,505.05.
 - 120. (B) \$13,600 - \$10,000 invested = \$3,600.
 - 121. (A) (1) \$3,600 divided by \$10,000 = 36%
 - (2) 36% divided by 3 years = 12% per year

- 122. (C) Statement of fact.
- 123. (C) In adverse possession, title is perfected by filing a quiet title action to ask the court to place title in the claimant's name.
- 124. (C) The date or time of annexation is not a test of a fixture.
- 125. (A) (1) $\$41,000 \times 3\% = \$1,230$
(2) $\$1,230 \text{ divided by } 2 = \615
- 126. (C) Liquidated damages are those damages agreed to beforehand.
- 127. (D) The most logical action would be for a rescission of the sale.
- 128. (C) The word "waiver," as applied to a real estate transaction, most nearly means a unilateral act and its legal consequences. One party "waives" certain rights.
- 129. (C) A tort is a civil wrong committed against person or property independent of any contractual agreement.
- 130. (C) With a safety clause, if the broker has submitted a written list of names of people to whom he has shown the property to the seller, and the seller then enters into a sales agreement with any of the people on the list within a certain period of time, the broker is due a commission.
- 131. (D) Since real estate commissions are negotiable between the broker and the seller, no wrong has been done.
- 132. (B) An agency relationship will not be terminated by the principal's refusal of an offer to purchase presented in the name of a third person.
- 133. (B) The \$4,000 should be put into escrow, and the \$500 agreed-upon commission should be paid out of that escrow.
- 134. (D) The steps involved in creating an agency relationship are election of the type of agency, disclosure to the principals and confirmation in writing.
- 135. (C) Since a single-family residence is real property, it comes under the Statute of Frauds provisions. Businesses are considered to be personal property, and thus, are exempt from the Statute of Frauds.
- 136. (C) An option to purchase becomes a mutually binding contract when the prospective purchaser exercises the right to purchase.
- 137. (D) Misrepresentation is an act of fraud.

138. (D) A promise for an act would be a unilateral contract; a promise for a promise would be a bilateral or two-party contract.
139. (D) Statement of fact.
140. (C) A cesspool can be installed only in soil which is porous, which would be determined by a percolation (soils) test.
141. (B) The tenant improvement allowance permits the tenant to designate specific features to be added to the bare space. Such items will be paid for by the landlord.
142. (A) Although all of the choices are important to a manufacturing plant, when deciding whether or not to relocate, the property tax structure would be the most important.
143. (C) The salesperson in such a scenario is a subagent of the seller.
144. (C) Economic obsolescence most nearly means social obsolescence or things that affect the property which are outside the property lines.
145. (C) Physical obsolescence results from decay, dry rot, wear and tear and deferred maintenance types of items. Functional obsolescence results from poor architectural style, lack of modern facilities, incompatible orientation, changes in construction style and similar items. Incurable refers to the fact that the improvement may be too expensive or physically impossible to correct.
146. (D) Depreciation is least concerned with inflation or supply and demand forces.
147. (B) The effective age is influenced by quality of construction and care of improvements.
148. (D) Statement of fact.
149. (D) What is due to the beneficiaries must be equal to what is in the trust fund bank account.
150. (B) Taxes are important when arriving at net income, but not when establishing a capitalization rate.
151. (B) To arrive at spendable income from gross income, first deduct the vacancy factor, all operating expenses, and principal and interest payments, as well as any personal expense. Depreciation is not a deductible item to arrive at spendable income.

152. (C) The increase of interest rates will cause an increase in the risk. The higher the risk, the higher the capitalization rate; the higher the capitalization rate, the lower the capitalized value of the income property.

153. (C) Statement of fact.

154. (B) The building residual technique establishes the value of the building by capitalizing the land and improvements separately.

155. (C) Financing is not an important factor when using the comparison approach to value.

156. (C) Statement of fact.

157. (D) The market data approach utilizes market sales prices which utilize the willing buyer/willing seller concept. Condemnation violates this concept.

158. (D) Although the appraisal process uses facts to arrive at a determinate value, it is in no way the exactness that can be achieved through physical sciences.

159. (D) The highest and best use is the use which will most likely produce the greatest net return over a given period of time. It would result in the best use of land.

160. (B) A homogeneous neighborhood tends to create the maximum value.

161. (C) Statement of fact.

162. (A) The Americans with Disabilities Act requires that certain public buildings be constructed and equipped with certain features to make them accessible to those with disabilities.

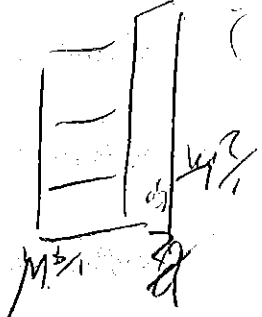
163. (D) Increase in demand does not necessarily result in increased quality.

164. (C) The short form appraisal report is used by lenders, and the letter form is a brief appraisal report; hence, the narrative form is the most detailed.

165. (B) New construction in industry tends to shift away from areas of high property taxes.

166. (D) Obtaining an opinion of value is important for any of the choices given.

167. (A) (1) $\$320 \times 12 \times 10 = \$38,400$ payments
(2) $\$22,500 + 19,827.60 = 42,327.60$ amount owed



168. (A) (1) 1 section has 1 mile per side
 (2) 1/4 of 1/4 section has 1/4 mile per side
 (3) 1/4 mile = 1,320 feet
 (4) 1 acre is approximately 209 feet x 209 feet
 (5) 1,320 divided by 209 = 6.3 parcels
169. (A) The buyer can cancel the purchase, but has no automatic right to damages.
170. (D) The basis is adjusted periodically to reflect the depreciation claimed on the income tax return.
171. (B) (1) $\$114.60 - \$32.13 = \$82.47$ monthly interest
 (2) $\$82.47 \times 12$ months = $\$989.64$ yearly interest
 (3) $P \times R = I$
 (4) $\$16,500 \times R = \989.64
 (5) $R = 6\%$
172. (B) (1) $\$19,200$ divided by $6\% = \$320,000$ value of the property
 (2) $\$320,000 - \$240,000 = \$80,000$ value of the land
 (3) $\$80,000$ divided by $\$240,000 = 1/3$
173. (C) (1) $\$28,250 = 80\% \times \text{value}$
 (2) $\$35,312.50 = \text{value}$
174. (B) (1) $\$375,000 - \$100,000 = \$275,000$
 (2) $\$275,000$ divided by $27.5 = \$10,000$
175. (B) Land and improvements are appraised separately in the cost approach method of appraisal.
176. (B) Statement of fact.
177. (C) (1) $50 \times 2640 = 132,000$ sq. ft.
 (2) $50 \times 1320 = 66,000 \times 3 = 198,000$ sq. ft.
 (3) $132,000 + 198,000 = 330,000$ sq. ft.
- Then there are 3 squares of land measuring 50 ft. by 50 ft. where the strips crossed that we have counted twice, so we need to subtract them.
- (4) $50 \times 50 \times 3 = 7,500$ sq. ft.
 (5) $330,000 - 7,500 = 322,500$ sq. ft.
 (6) $322,500$ divided by $43,560 = 7.404$ acres
 (7) $7.404 \times \$60 = \444.24
- Handwritten notes:*
 Cleared land
 1/4 mi
 1/4 mi
 1/2 mi

178. (C) A clearance receipt from the seller of the property protects the purchaser from successor's liability in the purchase of a business opportunity and the resultant tax collected by the State Board of Equalization. The buyers of such a business opportunity should make certain that they receive a copy of the State Board of Equalization receipt, not just a receipt from the seller.

179. (D) Overdue repairs are referred to as deferred maintenance.

180. (A) The sale would be valid as between the parties, but invalid as to the creditors, and the creditors could attach the inventory.

181. (D) It helps to know, in writing up the listing contract for the seller to sign, what terms of payment are preferred by the seller.

182. (D) Gross sales would best be verified by checking the sales tax receipts.

183. (D) All of the choices are required in the creation of a condominium project.

184. (B) The Real Estate Commissioner requires prior written approval on any material change in a subdivision. Since there is a change in private restrictions affecting the rights of prospective owners of 5 or more new condominium units, this is a material change.

185. (B) (1) $100 \times 145.2 = 14,520$ sq. ft. divided by $43560 = 1/3$ acre
 (2) $\$78,300$ divided by $9 = \$8,700$ per acre
 (3) $\$8,700$ divided by $3 = \$2,900$

186. (B) Unpaid commissions owed to salespersons are not deposited in the trust account; the other three types of funds must be so deposited.

187. (D) It is assessed at 100% of the taxable value. It is taxed at 1% of market value.

188. (D) This is an example of interim use.

189. (B) The requirement for record retention is as of the date of the closing of the transaction.

190. (D) Statement of fact.

191. (C) The county assessor, who determines the assessed value of the property, determines the amount of the tax obligation.

192. (B) Every city and county in California must have a planning commission, and, as part of their duties, they develop zoning regulations.

193. (D) The Uniform Building Code applies to building alterations, demolition and moving.

194. (A) According to this law, the conversion of rental property to a condominium is a categorical exception.

195. (C) Boot includes cash, other unlike property, and/or mortgage relief received at the time of the tax-free exchange.

196. (D) The interim occupancy agreement is used to detail the seller's right to remain in possession after the close of escrow (after title passes to the buyer). It can also be used to allow the buyer to occupy the property before escrow closes.

197. (B) When using the cost method of appraising, the land is valued separately from the building and then added to the depreciated value of the building.

198. (B) The building of a fence on the property would be a capital improvement, and, thus, would not be used as an income tax deduction, but instead, would be added to the cost basis.

199. (D) The most favorable income tax treatment would be given for real estate held in a trade or business.

200. (C) (1) $\$130,000 - \$80,000 = \$50,000$
 (2) $\$165,000 - \$50,000 = \$115,000$

Handwritten notes:
 165K
 35K Cash 7/31
 130K
 80K

11/11/2020

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