

Circle *True* or *False* as the better answer.

1. Demand and scarcity are both essential elements of value.  
True                      False
2. A strong demand can be effective without purchasing power.  
True                      False
3. The broad forces affecting value are physical, social, economic and political in nature.  
True                      False
4. Zoning is one of the economic forces affecting value.  
True                      False
5. Environmental protection and subdivision reform laws affect the availability and cost of vacant land.  
True                      False
6. Disposable income is the amount of family income available after paying rent or other housing costs.  
True                      False
7. The principle of substitution is basic to all three approaches to value  
True                      False
8. High valued properties are not generally affected by the proximity of lower valued ones.  
True                      False
9. The agents of production are responsible for both tangible and intangible benefits of real estate.  
True                      False
10. The principle of highest and best use, suggests that land must always be valued in its present use.  
True                      False

**Multiple Choice Questions. Indicate the best answer.**

1. The four essential elements of value are said to be:
  - a. Physical, social, economic, intangible
  - b. Demand, utility, scarcity, transferability
  - c. Cost, market, income, reconciliation
  - d. None of these
2. Which of the following are considered among the political forces that affect value?
  - a. Federal loan regulations
  - b. Local zoning laws
  - c. Public education
  - d. All of the above
3. Knowledge of economic trends should help the appraiser in
  - a. The analysis of sales
  - b. The prediction of income
  - c. The use of cost data
  - d. All of these
4. Real estate supply factors include all of the following except
  - a. Population
  - b. The volume of new construction
  - c. Availability of vacant land
  - d. The housing supply
5. Disposable income is often studied as a statistical indicator of demand for real estate. Which of the following best defines it?
  - a. Income after personal taxes
  - b. Gross Domestic Product
  - c. Money spent on recreation
  - d. Income spent on housing
6. Economic principles that relate to the marketability of real estate help us primarily in the
  - a. Income approach
  - b. Reconciliation process
  - c. Income and cost approaches
  - d. Sales comparison and cost approaches
7. Value is said to be the present worth of future benefits. This defines the principle of
  - a. Substitution
  - b. Change
  - c. Diminishing return
  - d. Anticipation

8. When supply and demand are in balance, value is theoretically equal to
  - a. The asking price
  - b. The cost of production
  - c. The loan appraisal
  - d. Value in use
9. Which of the four agents of production is said to be entitled to the “surplus” of productivity?
  - a. Labor
  - b. Capital
  - c. Land
  - d. Coordination or management
10. Maximum value results where there is a similarity in the use, size and style of properties. This follows the principle of
  - a. Anticipation
  - b. Highest and best use
  - c. Contribution
  - d. Conformity
11. The principle of increasing and decreasing returns says that maximum value results from adding to the agents of production
  - a. As long as you can afford to do it
  - b. To meet the competition
  - c. Until they are in balance
  - d. As long as the total dollar income increases
12. If the median housing price increases from \$114,400 to \$225,000 in ten years, what is the average annual increase?
  - a. 7%
  - b. 10%
  - c. 20%
  - d. 4%