

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

1. Cost estimates are useful only in the cost approach to value.  
True                      False
2. The cost estimates used in appraisals should reflect current cost levels, instead of actual or historic costs.  
True                      False
3. Replacement cost and reproduction cost are the same.  
True                      False
4. The cost approach is often emphasized when estimating the value of new or nearly new property.  
True                      False
5. The quantity survey method is the most practical and widely used method of estimating construction costs.  
True                      False
6. The unit-in-place method of estimating costs is most often used as a supplement to refine the square-foot method.  
True                      False
7. Direct cost elements include labor, materials, and design costs.  
True                      False
8. Indirect cost elements should not be included in cost estimates.  
True                      False
9. Increased floor area results in higher costs per square foot.  
True                      False
10. Some cost manual services provide on-line computer access.  
True                      False

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

1. As used in appraisal, all cost estimates relate to
  - a. "Book" costs
  - b. Wholesale costs
  - c. Cost of materials only
  - d. Current, typical costs
2. As distinguished from reproduction cost, *replacement* cost refers to
  - a. The cost of an exact replica building
  - b. The cost of a building that will serve the same purpose as the one being appraised
  - c. The cost of reproducing the subject building
  - d. None of these
3. Which of the following is not a typical purpose of the cost approach?
  - a. To appraise unusual properties not commonly found in the open market
  - b. To appraise older tract homes
  - c. To check against the values estimated from other approaches
  - d. To estimate the value of new property
4. Lenders may prefer reproduction cost estimates to replacement cost estimates because the former
  - a. Are less time consuming
  - b. Are more direct
  - c. Require separate judgments of any unique obsolescence
  - d. None of the above
5. Of the four methods of estimating cost, which is the most often used by appraisers?
  - a. Index method
  - b. Unit-in-place method
  - c. Comparative square foot method
  - d. Quantity survey method
6. When a basic cost calculation is adjusted to reflect extra features or refinements, which cost method is used?
  - a. The comparative square foot method
  - b. The unit-in-place method
  - c. The index method
  - d. None of the above
7. Estimating costs by detailed breakdown of labor, materials and indirect costs is using which of the following?
  - a. Index method
  - b. Quantity survey method
  - c. Comparative square foot method
  - d. Unit-in-place method

8. A unique structure under appraisal is known to have cost \$70,000 in 1976. Your construction cost index indicates that today's costs are 95% higher. What is the indicated reproduction cost today?
  - a. \$ 66,500
  - b. \$136,500
  - c. \$120,000
  - d. \$ 70,000
9. Which of these is considered an indirect cost?
  - a. Labor costs
  - b. Material and equipment costs
  - c. Interest on construction financing
  - d. Subcontractors' fees
10. Increasing the floor area of a structure has the usual effect of
  - a. Increasing the square foot cost
  - b. Decreasing the square foot cost
  - c. Reducing the utility
  - d. None of the above
11. Most cost manuals attempt to reflect cost differences for all but one of the following
  - a. Construction class and quality
  - b. Entrepreneurial profit
  - c. Size, shape, height
  - d. Cost refinements
12. Your cost manual suggests a current local base cost of \$75.00 per square foot for a good quality 2,000 S.F. house under appraisal. Additives amount to \$15,000. The garage is figured at \$25/S.F. for 400 square feet. Assuming no other adjustment, what would the total improvement cost be?
  - a. \$150,000
  - b. \$175,000
  - c. \$165,000
  - d. \$200,000