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

1. Accrued depreciation can be defined in appraisal terms as the total loss in value from all causes.

   True False

2. Economic or external obsolescence is caused by factors outside the property.

   True False

3. Depreciation is usually classified as incurable if it is not economically feasible to correct the condition(s) causing the loss in value.

   True False

4. A misplaced improvement suffers from functional obsolescence.

   True False

5. Allowable deduction from book value is one of the four basic appraisal methods for measuring accrued depreciation.

   True False

6. The sales data or market method is the most direct way to estimate loss in value.

   True False

7. When you base your depreciation estimate on the "effective age" of the building rather than the actual age, you are comparing its marketability.

   True False

8. A gross rent multiplier is used to estimate loss in value by the cost-to-cure method.

   True False

9. The capitalized income method can be used to estimate either the amount of accrued depreciation from all causes, or that from a single cause.

   True False

10. A 50-year-old building with a total life expectancy of 100 years should be depreciated at 50%, regardless of its effective age.

    True False

Multiple Choice Questions. Indicate the best answer.

1. The measure of depreciation for appraisal purposes is different from that used in accounting. Which of the following best defines depreciation as used in appraisals?

    a. Deductible from book cost
    b. Estimated loss in value
    c. Proportionate to age
    d. None of the above

2. Accrued depreciation can be subdivided into two parts, curable and incurable, depending on

    a. The cost to cure
    b. The increase in value resulting from the cure
    c. Both a and b
    d. Neither a nor b

3. Economic or external obsolescence is generally found to be

    a. Curable
    b. Incurable
    c. Less than typical
    d. The same for all properties

4. Which type of value loss is attributed to causes lying within the property?

    a. Functional obsolescence
    b. Incurable depreciation
    c. Economic obsolescence
    d. None of the above

5. An over-improvement is generally said to suffer

    a. No depreciation
    b. Economic obsolescence
    c. Functional obsolescence
    d. Physical loss in value

6. The movement of incompatible land uses such as factories, into a residential neighborhood would often cause a loss in value. What kind of depreciation would be involved?

    a. Physical deterioration
    b. Economic (external) obsolescence
    c. Functional obsolescence
    d. Detrimental obsolescence

7. The cost-to-cure method of estimating depreciation is also known as

    a. The observed condition
    b. Sales data
    c. Rental loss
    d. None of the above

8. The age-life method of estimating accrued depreciation suggests that

    a. The age of the building depends on is life
    b. Annual value loss is proportional to the total life expectancy
    c. All buildings depreciate at the same rate
    d. Loss in value depends on market studies

9. Effective age is best defined as

    a. The actual age divided by the age-life
    b. The age of a building with similar condition and utility
    c. The average age
    d. The chronological age

10. A 25-year old property sells for $200,000. If the lot is worth $80,000 and the building would cost $160,000 to reproduce, what is the annual rate of depreciation?

    a. 1%
    b. 2%
    c. 5%
    d. ½%

11. When a proposed freeway is completed, Mr. Smith estimates he will lose a total of $1,000 per month in rents because of excess noise. If an annual gross rent multiplier of 8 is appropriate, what is the indicated total loss in value to his apartment building?

    a. $ 7,500
    b. $100,000
    c. $ 96,000
    d. $150,000

12. By the cost approach, estimate the value of a 40-year-old, 2,000 square foot house, based on the following:

House replacement cost	$80/SF
Garage cost (400 square feet)	$30/SF
Patio and yard improvements cost	$15,000
Physical deterioration	$27,000
Functional obsolescence (poor floor plan)	$20,000
Land value from comparable sales	$100,000

    As indicated by the cost approach, the value of this property is:

    a. $260,000
    b. $287,000
    c. $200,000
    d. $240,000