

**Multiple Choice**

*Identify the letter of the choice that best completes the statement or answers the question.*

- \_\_\_ 1. The most commonly used methods of real estate appraisal are
  - a. market data, income, and cost.
  - b. income, reproduction, and cost.
  - c. residual, cost, and market data.
  - d. comparison, income, and capitalization.
- \_\_\_ 2. When the appraiser has decided to use the market approach, which of the following conditions would disqualify a sale as a fair market value transaction?
  - a. Low down payment followed by below-average interest rates on the balance due
  - b. Seller who was not in a hurry to sell
  - c. VA sale
  - d. Neighbor's house sold for a higher amount
- \_\_\_ 3. The definition of fair market value requires, among other things, that the
  - a. property is exposed to the open market for a reasonable time.
  - b. seller can convey a fee simple title.
  - c. buyer is qualified for reasonable financing.
  - d. sale was free of high-pressure listing and sales agents.
- \_\_\_ 4. The best definition of fair market value is the
  - a. value as determined by a fee appraisal.
  - b. highest price a seller can get for his property.
  - c. tax assessed value.
  - d. price a willing buyer will pay and a willing seller will accept, given a reasonable amount of time to effect the sale.
- \_\_\_ 5. If an appraiser felt some comparable sales were better indicators of value than other comparables, he would assign more weight to them in the
  - a. adjusted sales price.
  - b. correlation process.
  - c. 4-3-2-1- rule.
  - d. replacement cost approach.
- \_\_\_ 6. In making an appraisal by the market comparison approach, an appraiser should
  - a. consider the physical and economic features of the subject property.
  - b. consider the yield of the subject's property with competitive rates of return.
  - c. make adjustments to the value of the subject property with competitive rates of return.
  - d. utilize comparable listings withdrawn from the market.
- \_\_\_ 7. A residential lot purchased 9 years ago for \$10,000 has doubled in value. The house on the lot cost \$40,000 and it increased \$20,000 in value. If the house and lot are sold at market value today, how much profit will be realized?
  - a. \$30,000
  - b. \$40,000
  - c. 33 1/3%
  - d. 100%
- \_\_\_ 8. The amount of money required to duplicate a property as of a certain date is called
  - a. reproduction cost.
  - b. depreciation cost.
  - c. duplication approach.
  - d. capital improvement.

- \_\_\_ 9. In valuing a fire station, an appraiser would most likely emphasize the
- market approach.
  - cost approach.
  - income approach.
  - capitalization approach.
- \_\_\_ 10. Which appraisal method would be most useful in appraising an unusual building which has a very limited and specific use?
- Cost approach
  - Net income
  - Capitalization
  - Market comparison
- \_\_\_ 11. Depreciation resulting from outmoded design is classed as
- functional obsolescence.
  - physical deterioration.
  - economic obsolescence.
  - social obsolescence.
- \_\_\_ 12. Which of the following in an old commercial building would most likely be a cause of incurable obsolescence?
- Lack of computer wiring
  - Closely spaced support walls
  - Lack of intercom system
  - Unattractive décor
- \_\_\_ 13. Depreciation resulting from the closing of a large business in a small town is classed as
- functional obsolescence.
  - physical deterioration.
  - economic obsolescence.
  - political obsolescence..
- \_\_\_ 14. When real property loses value due to social or economic changes, this loss is called
- obsolescence.
  - depreciation.
  - chattel loss.
  - recapture.
- \_\_\_ 15. Net operating income on rental property is computed by deducting expenses from
- net cash flow.
  - adjusted gross income.
  - net gross income.
  - rate of return.
- \_\_\_ 16. An office building is on a lot valued at \$40,000. It would cost \$150,000 to replace the building structure today, but the improvements have depreciated 20%. Using the cost approach, what is the value of the property?
- \$40,000
  - \$120,000
  - \$160,000
  - \$152,000

- \_\_\_\_\_ 17. The method used to compute a gross rent multiplier is
- averaging the net operating income of the subject property.
  - the sale price of the subject property divided by its original cost.
  - the sale price of similar properties divided by their rental income.
  - the maximum rent times twelve months.
- \_\_\_\_\_ 18. An apartment building sells for \$600,000 and has a gross income multiplier of 6.0. How much annual rent does the building produce?
- \$60,000
  - \$100,000
  - \$10,000
  - \$36,000
- \_\_\_\_\_ 19. What is the value of a property that has an effective gross income of \$600,000; an operating expense ratio of 40%; and a capitalization rate of 10%?
- \$6,000,000
  - \$2,400,000
  - \$3,600,000
  - \$7,200,000
- \_\_\_\_\_ 20. Which of the following operating expense ratios indicate one dollar of total operating expenses for every two dollars of effective gross income?
- 33.3%
  - 50%
  - 200%
  - 25%
- \_\_\_\_\_ 21. The operating expense ratio is
- operating expenses divided by effective gross income.
  - operating expenses divided by scheduled gross income.
  - operating expenses plus scheduled gross income divided by effective gross income.
  - reserves plus collection loss divided by effective gross income.
- \_\_\_\_\_ 22. When an appraiser has a property to evaluate, which of the following would he need to know first?
- Comparable properties
  - Amount of his fees
  - Assessed valuation
  - Highest and best use
- \_\_\_\_\_ 23. The value an item adds to the total property value is based on the principle of
- conformity.
  - supply and demand.
  - contribution.
  - highest and best use.
- \_\_\_\_\_ 24. The added value resulting from the combination of two or more parcels of land is called
- replacement value.
  - liquidation value.
  - plottage value.
  - subjective value.

- \_\_\_\_\_ 25. Value adjustments for differences in features in the Sales Comparison or Market Data Approach are based on
- cost.
  - contribution.
  - manner of attachment.
  - seller preference.
- \_\_\_\_\_ 26. Which of the following is NOT one of the three standard approaches to value?
- Income approach.
  - Cost approach.
  - List Price approach.
  - Market Data or Sales Comparison approach.
- \_\_\_\_\_ 27. To apply the market data approach, a real estate appraiser must collect all the following data on each comparable sale EXCEPT
- date of sale.
  - marketability of title.
  - financing terms.
  - sale price.
- \_\_\_\_\_ 28. Adjustments for advantageous financing would be made in the
- market comparison approach to appraisal.
  - cost approach to appraisal.
  - income approach to appraisal.
  - revised market price.
- \_\_\_\_\_ 29. The Sales Comparison Approach (or Market Data) is based on the principle of
- substitution.
  - contribution.
  - constitution.
  - restitution.
- \_\_\_\_\_ 30. The value of vacant land is commonly stated in any of the following terms EXCEPT value per
- square foot.
  - acre.
  - front foot.
  - square yard.