

Real Estate Principles

Chapter 10 Quiz

1. A buyer makes an offer and gives a good faith deposit to the broker, who deposits the funds into her trust account. Later, the buyer calls the broker to say that he is revoking his offer and thus demanding his deposit back. Instead of attempting to resolve the disposition of the deposit money, the broker turns the funds and the issue over to a court. The resulting court proceeding is called:
 - A. a surrender
 - B. an assignment
 - C. an interpleader action
 - D. an equitable disposition

2. A broker negotiates the sale of a property. He is to receive a \$500 commission from the seller at closing. A week before closing, he receives a \$5,000 cash deposit. He is permitted to do which of the following?
 - A. Place the entire \$5,000 in escrow, accompanied by instructions to send the \$500 commission to the broker
 - B. Place the entire \$5,000 in escrow
 - C. Keep \$500 cash as commission and place the \$4,500 balance in escrow
 - D. Deposit \$500 of the cash into a trust account and place the \$4,500 balance in escrow

3. Which of the following would NOT be an example of commingling?
 - A. Depositing a real estate commission into a trust account
 - B. Depositing an advance fee into a general operating account
 - C. Depositing a security deposit on a broker-owned property into a trust account
 - D. Depositing trust funds into an interest-bearing account on the principal's request

4. Which of the following statements about a blind ad is true?
 - A. It is misleading because it fails to state the asking price
 - B. It fails to identify the advertiser as a real estate agent
 - C. It doesn't indicate the location of the property
 - D. It's an ad directed at low-income buyers

5. Which of the following would be a violation of the Sherman Antitrust Act?
 - A. Establishing a commission schedule within a group of brokers
 - B. Charging a higher commission than is customary for the area
 - C. Sharing a commission with a licensee who works for another broker
 - D. Charging a below market commission rate for the purpose of attracting customers

6. The federal antitrust law that prohibits any agreement that has the effect of a restraint on trade, such as price fixing, is called the:
 - A. Uniform Commercial Code
 - B. Sherman Act
 - C. Federal Fairness in Business Act
 - D. Fairness in Lending Act

7. An escrow agent deposits its own funds into a trust account to take care of bank charges. This is an example of:
- A. conversion
 - B. collusion
 - C. commingling
 - D. constructive fraud
8. Trust accounts are used to:
- A. facilitate the disbursement of funds and fees to the broker and escrow agent
 - B. maximize the amount of interest earned on client funds
 - C. keep broker funds and client funds separate
 - D. protect the broker from an attachment lien
9. A licensee is taking a listing. In her discussion with the seller, which of the following statements suggests a violation of the Sherman Antitrust Act?
- A. "My office typically charges a 6% commission for this type of transaction"
 - B. "I cannot charge less than the commission rate established by the local MLS"
 - C. "You will owe me a commission, even if another agent finds a buyer"
 - D. "My company's commission rates are lower than those charged by other companies"
10. A licensee is sanctioned for committing conversion, which means she:
- A. failed to make a full disclosure of material facts
 - B. misrepresented information
 - C. commingled trust and broker funds
 - D. misappropriated client funds
11. After a real estate sales contract is signed, but before the transaction is complete, the buyer and seller have a dispute and the buyer demands a full refund of her earnest money deposit. The seller instructs the broker to turn the earnest money over to him. What is the appropriate course of action for the broker?
- A. Comply with the seller's request
 - B. Refund the deposit to the buyer
 - C. Keep half the deposit as liquidated damages and return the balance to the buyer
 - D. File an interpleader action in court
12. To qualify as an associate broker, an applicant must:
- A. meet the same qualifications as a real estate broker
 - B. have at least three years of experience as a real estate salesperson
 - C. have at least two years of experience as the branch manager of a brokerage
 - D. work for a corporation that is licensed as a real estate broker

13. A salesperson negotiates a sale late in the afternoon on Friday. He collects an earnest money deposit from the buyer. He's going to be out of town over the weekend and doesn't want to chance losing the money so he deposits it in his personal account. On Monday he writes a check for the earnest money to his broker for placement in the broker's trust account. Which of the following is true?

- A. The salesperson is guilty of conversion
- B. The salesperson is guilty of commingling
- C. The salesperson is guilty of constructive fraud
- D. The salesperson did nothing wrong because the money was placed in a trust fund on Monday

14. J, a broker, is entitled to a commission of \$10,000 from a client. The commission will come out of his trust account for that client. J has an advertising bill in the amount of \$10,500. He deposits \$500 of his own money into the trust account and then writes a check for \$10,500 out of the trust account to the advertiser. Which of the following is TRUE?

- A. J is subject to disciplinary action for commingling
- B. This is permissible, since J was entitled to the money for his commission
- C. This is lawful, but confusing for the advertiser, who receives a trust fund check
- D. As long as J kept accurate records, his actions were legal

15. A multiple listing service issues a listing agreement form with a pre-printed commission rate. This would be considered:

- A. price fixing
- B. a group boycott
- C. a tie-in arrangement
- D. false advertising