

Real Estate Principles

Chapter 17 Quiz

1. A property manager's budget for the property will typically include which of the following operating expenses?
 - A. Reserves for replacement of built-ins
 - B. Depreciation allowance
 - C. Vacancies and bad debts
 - D. Management fees

2. The owner of a strip mall has a rental space available. A prospective tenant who planned to start a business but had no business experience contacted the landlord about leasing the space. The tenant's earnings were expected to grow in the years ahead. If the owner wanted a long-term lease with a fair market return, which of the following types of leases would be most appropriate?
 - A. Gross lease
 - B. Graduated lease
 - C. Net lease
 - D. Percentage lease

3. A quarterly summary statement given by a property manager to her client would contain all of the following, EXCEPT:
 - A. balance carried forward from last statement
 - B. rent receipts
 - C. itemized expenditures
 - D. a recent appraisal of the property

4. An agreement between a property manager and a property owner that sets forth all the terms and conditions of the management relationship is called a:
 - A. summary statement
 - B. listing agreement
 - C. management plan
 - D. management agreement

5. The difference between the fair market value and the debt that is owed against a property is called:
 - A. leverage
 - B. severance
 - C. equity
 - D. risk capital

6. An example of a liquid asset is a/an:
 - A. parcel of real estate
 - B. bond
 - C. certificate of deposit
 - D. None of the above

7. An investor wishing to apply the principle of leverage should invest using:
- A. as much of his personal funds as possible
 - B. a mix of personal and borrowed funds
 - C. borrowed funds as much as possible
 - D. funds borrowed only from family and friends
8. In real estate investment, "cash flow" refers to:
- A. net income minus taxes and management fees
 - B. gross income minus loss from vacancies
 - C. gross income minus any operating expenses, interest, and principal payments
 - D. gross income
9. In a sale-leaseback:
- A. the grantor becomes the grantee
 - B. the grantor frees up his capital without giving up possession of the property
 - C. the broker has purchased the property
 - D. the property is sold at a loss
10. Typical duties of a property manager include:
- A. handling tenant complaints
 - B. maintaining the premises
 - C. collecting rent
 - D. All of the above
11. What would a typical property management agreement obligate a property manager to do?
- A. Prepare a weekly expense report
 - B. Prepare a bi-monthly tax report
 - C. Prepare a semi-annual expense report
 - D. Prepare a summary statement regularly at pre-agreed intervals
12. Which of the following would NOT typically be a responsibility of a property manager?
- A. Maintain detailed financial records for all managed properties
 - B. Market the property
 - C. Periodically appraise managed properties and make detailed report to the owners
 - D. Negotiate leases and handle tenant relations
13. A lease in which the rent is set at a fixed amount and the landlord pays most or all of the operating expenses is called a:
- A. gross lease
 - B. net lease
 - C. ground lease
 - D. index lease
14. A lease that provides for rent adjustments based on changes in a price index, such as the Consumer Price Index, is called a/an:
- A. percentage lease
 - B. index lease
 - C. ground lease
 - D. net lease

15. A major department store leases a large space in a local mall, and it agrees to pay the mall owner, in addition to a base rent, a percentage of its gross earnings. What kind of lease has the store entered into?

- A. A percentage lease
- B. A gross lease
- C. A net lease
- D. A ground lease