Chapter 10 Multiple Choice Questions

1. The primary function of the real estate brokerage industry is to
   a. match properties and customers.
   b. guide buyers and sellers through the complexities of real estate transactions.
   c. provide legal representation to clients.
   d. a and b only

2. The _______ is the contract that defines the relationship between the property owner and the real estate broker.
   a. listing agreement
   b. buyer representation agreement
   c. MLS clause
   d. a and b only

3. The listing agreement defines the relationship between
   a. the property owner and the buyer.
   b. the real estate broker and the buyer.
   c. the real estate broker and the salesperson.
   d. the property owner and the real estate broker.

4. The listing is the written agreement between
   a. a property owner and a real estate broker.
   b. a property owner and a real estate salesperson.
   c. a property owner and a real estate employee.
   d. a buyer and a real estate broker.

5. The process of evaluating a prospective buyer’s ability to purchase a listed property is called
   a. negotiation.
   b. qualifying.
   c. presentation.
   d. agency.

6. Which of the following statements is not true about brokers?
   a. Brokers serve as an intermediary in a transaction.
   b. Brokers receive compensation in the form of commission for their services.
   c. Brokers often specialize in certain property types.
   d. Brokers take ownership of the item being transferred for at least a brief moment in time.
7. The primary difference between a real estate broker and a real estate salesperson is that
   a. real estate salespersons are not “brokers” in the general sense of the word.
   b. real estate salespersons need not be licensed by the government, but brokers must be licensed.
   c. real estate salespersons must work for licensed real estate broker rather than operate their own brokerage operation.
   d. real estate brokers need not be licensed by the government, but salespersons must be licensed.

8. A state license is required for anyone who
   a. sells their own property.
   b. sells property for other people.
   c. a and b
   d. none of the above

9. Violations of state laws regulating the real estate profession may lead to
   a. revocation of a license.
   b. suspension of a license.
   c. a and b
   d. none of the above

10. In the legal relationship known as “agency,” the _______ is authorized by the _______ to transact business on his or her behalf.
    a. principal, agent
    b. agent, principal
    c. seller, broker
    d. broker, agent

11. Which of the following arrangements does not qualify as an agency relationship in real estate transactions?
    a. A seller hires a broker to help locate a buyer.
    b. A broker hires a salesperson to help locate buyers for properties or properties for buyers.
    c. A buyer hires a broker to help locate a property for purchase.
    d. A seller has a relative unlock a property so a prospective buyer can examine it.
12. In the typical agency relationship between a seller and a broker, the broker is a _______ of the seller, and must protect their client’s best interest at all times.
   a. fiduciary
   b. subagent
   c. principal
   d. agency

13. Of the elements listed below, which of the following is not a criterion of fraud?
   a. No intention to mislead
   b. Making a false statement material to a transaction
   c. Client justifiably relies on a statement
   d. Injury results to the client

14. When a single broker represents both parties in a real estate transaction, a _______ agency may exist.
   a. fiduciary
   b. buyer/seller
   c. dual
   d. fiduciary

15. Under what conditions does a single individual normally receive all of the sales-agent commission?
   a. Never
   b. With permission of the buyer
   c. With permission of the seller
   d. When the same person is both listing agent and selling agent

16. Which of the following is not a necessary element of misrepresentation?
   a. Intention to mislead
   b. Making a false statement material to a transaction
   c. Client justifiably relies on a statement
   d. Injury results to the client

17. The broker-owner agency relationship may be terminated without liability when which of the following occurs?
   a. The listed property is sold
   b. The property is damaged by a hurricane
   c. A party unilaterally terminates the relationship
   d. The parties mutually agree to terminate
18. A local brokerage firm that pays a fee and a percentage of gross receipts in order to be affiliated with a national brokerage firm is called a
   a. multiple listing service (MLS).
   b. franchise.
   c. relocation service.
   d. national, multiple-listing firm.

19. A sales contract specifies a 6% commission. 40% of this commission goes to the listing agent, 20% goes to the selling agent and 40% goes to the brokerage firm. How much commission will the seller pay when his or her property sells for $65,000?
   a. $3,120
   b. $1,560
   c. $3,900
   d. $2,340

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21. Commissions in the real estate brokerage industry tend to be
   a. larger in absolute size on residential properties.
   b. larger as a percentage on residential properties.
   c. larger as a percentage on commercial properties.
   d. the same regardless of property size, type, or value.

22. The commission paid in the real estate brokerage industry is normally
   a. a percentage of the mortgage.
   b. a fixed dollar amount per transaction.
   c. percentage of the gross sales price.
   d. included as discount points paid at the closing.
23. Which step in the sales process determines whether prospects are ready, willing and able to buy a particular property?
   a. Listing
   b. Qualifying
   c. Negotiating
   d. Closing

24. Which of the following notions best explains the continued existence of the real estate brokerage industry?
   a. Complexity, size and long-term nature of transactions
   b. Frequency and ease of sales of individual properties
   c. Common public knowledge of markets and law
   d. Need for standardization of commissions

25. Which of the following statements describe the multiple-listing service (MLS)?
   a. A service where a broker contracts with an individual seller to sell several properties at one time
   b. An arrangement in which the participating brokers make their listings available to other members
   c. The type of listing from which a broker receives the entire commission
   d. A communications network linking brokers by computer in order to facilitate referrals

26. When the parties agree to terms on a specific property, a contract spelling out the agreement is drawn up and signed by
   a. the broker and the seller.
   b. the broker and the buyer.
   c. the salesperson and the seller.
   d. the buyer and the seller.

27. A listing agreement whereby the seller reserves the right to sell the property himself without having to pay a commission and also allows other real estate agencies to sell the property and earn a commission best describes an _______ listing.
   a. open
   b. exclusive agency
   c. exclusive
   d. exclusive right-to-sell
28. A multiple listing is most often used in conjunction with a(n) _______ listing.
   a. open
   b. exclusive right-to-sell
   c. by-owner
   d. exclusive agency

29. The listing agreement will **not** usually contain the
   a. asking price.
   b. selling price.
   c. location of the property.
   d. authority granted to the broker.

30. An agent does **not** owe the duty of
   a. loyalty to the principal’s best interests.
   b. loyalty to the customer’s best interests.
   c. informing the client of all known facts and rumors regarding the property.
   d. following directions of the principal.

31. Which of the following statements apply to a provision in a listing agreement
    stating that the broker is entitled to a commission when a ready, willing and able
    buyer is found and introduced to the seller?
    a. This provision is a subrogation clause
    b. This provision is a commission-on-sale clause
    c. A broker may earn a commission even though no sale occurs
    d. A broker may not earn a commission even though a sale occurs

32. The least common type of listing agreement used today is the _______ listing.
   a. open
   b. exclusive right-to-sell
   c. net
   d. exclusive-agency

33. Which of the following statements about an open listing is **not** correct?
   a. The owner reserves the right to authorize other brokers to locate potential buyers.
   b. The seller may sell the property without the aid of any broker.
   c. The listing broker is always entitled to the stated commission.
   d. The seller must pay a commission if any broker sells the property.
34. If you were the listing broker, which of the various listings would you most prefer?
   a. Open listing
   b. Exclusive-agency listing
   c. Multiple listing
   d. Exclusive right-to-sell listing

35. If you were the listing broker, which of the following types of listings would you least prefer?
   a. Open listing
   b. Exclusive-agency listing
   c. Multiple listing
   d. Exclusive right-to-sell listing

36. ________ refers to the illegal practice of showing minority buyers only those properties that are located in areas dominated by minorities.
   a. Blockbusting
   b. Qualifying
   c. Steering
   d. Redlining

37. ________ refers to the illegal practice of encouraging owners to sell their properties for lower prices when minorities begin moving into a neighborhood.
   a. Blockbusting
   b. Steering
   c. Prospecting
   d. Qualifying

38. The commission on a buyer broker agreement may be either a percentage of the transaction amount or
   a. a fixed fee.
   b. paid by the seller.
   c. paid by the broker.
   d. an amount set by state law.

39. A buyer’s agent owes a prospective seller
   a. a fiduciary duty.
   b. a duty of agency.
   c. fair dealing, but no loyalty.
   d. the duty under dual agency.