Chapter 6 Multiple Choice Questions

1. In addition to the standard requirements for a contract to be valid, the statute of frauds requires contracts involving real estate
   a. to be for a lawful purpose.
   b. to provide adequate consideration from the buyer.
   c. to identify parties with capacity.
   d. to be in writing.

2. The _______ is a “gap filler,” which binds the agreement for a real estate purchase from the time the agreement is reached until the time of the closing.
   a. sales contract
   b. deed
   c. title contract
   d. closing agreement

3. The most frequently encountered and most important contingency associated with the typical residential sales contract is the
   a. payment of the earnest money.
   b. securing of mortgage financing.
   c. mutual assent of the parties.
   d. determination of the purchase price.

4. A _______ represents and exchange of promises between two or more persons, conditioned on certain events and enforceable by law.
   a. contract
   b. option
   c. clause
   d. escrow

5. All of the following are required elements of any valid contract involving real estate except
   a. mutual assent.
   b. reasonable consideration.
   c. parties with legal capacity.
   d. a lawful purpose.
6. An offer becomes an enforceable contract when it is accepted by the party who
   a. makes it.
   b. receives it.
   c. tenders it.
   d. delivers it.

7. Sometimes a party is interested in buying a property but is not yet ready to sign a sales contract. The _______ contract is one way to ensure that the property will not be sold to another buyer until the contract expires.
   a. right-of-first-refusal
   b. bill-of-sale
   c. right-of-last-refusal
   d. option to buy

8. The offeree creates a contract when he or she
   a. makes the offer.
   b. alters the offer.
   c. accepts the offer.
   d. counters the offer.

9. If the terms in the purported acceptance differ from those of the offer, then
   a. a temporary contract is formed.
   b. a contract is still formed.
   c. no counteroffer is made.
   d. a counteroffer is made.

10. Unless specifically stated in the provisions for a sales contract, when a buyer defaults, the earnest money usually goes to the
    a. seller.
    b. buyer.
    c. broker, if one is used.
    d. broker and the seller equally.

11. In real estate, who may sue for specific performance to have a contract fulfilled?
    a. Buyer’s broker
    b. Buyer
    c. Listing broker
    d. The seller and the listing broker together
12. Contracts may be all the following except
   a. expressed.
   b. written.
   c. expressed.
   d. oral.

13. As required in each state’s statute of _______, all contracts involving land or items attached to it must be in writing before a court will enforce them.
   a. limitations
   b. real property
   c. fraud
   d. real estate

14. The legal right to ownership of land is demonstrated in the
   a. lease.
   b. listing agreement.
   c. deed.
   d. sales contract.

15. Partial performance is the fulfillment of the terms of an agreement to such an extent that the existence of the agreement may be reasonably inferred
   a. even though no written contract exists.
   b. provided a written contract exists.
   c. provided a formal written contract exists.
   d. provided a formal written contract exists and is signed.

16. If the improvements on a piece of real property are destroyed by fire, wind or some other hazard during the time the sales contract is in effect, who suffers the loss during this time?
   a. The seller always
   b. The buyer always
   c. The seller and buyer equally
   d. The sales contract should specify the answer.

17. One would expect to find each of the following except _______ in the proration section of the sales contract.
   a. prepaid discount points
   b. any current taxes
   c. other special assessments
   d. prepaid property insurance premiums
18. _______ are examples of items which the seller may consider as personal property and should be specified as such in the sales contract.
   a. Built-in lighting fixtures and appliances
   b. Carpets and curtains
   c. Central heating and air-conditioning units
   d. Water heaters

19. A typical sales contract would state all of the following except
   a. purchase price.
   b. disposition of the earnest money.
   c. conditioning upon the buyer obtaining financing.
   d. the right of first refusal.

20. Bill owns a large tract of land in the area that is currently worth approximately $4,000 per acre, but will be worth much more if a proposed highway is built nearby. Sarah is willing to pay $12,000 per acre if the highway plans are finalized within 6 months, but if the decision to build the highway is postponed or rejected she will have no use for the property. What type of contract would be most appropriate from Sarah’s perspective?
   a. Right of first refusal
   b. Option to buy contract
   c. Earnest money contract
   d. Escrow arrangement

21. Which of the following is required for an option to buy contract to be binding?
   a. A specific price must be established
   b. The property owner must give the buyer some consideration for the option
   c. The property owner must pay the buyer a small fee to bind the buyer
   d. A specific day to exercise the option must be established

22. Which of the following uncertainties should a well-written sales contract contain provisions for?
   a. Inability of the seller to remove defects in the title
   b. Inability of the buyer to obtain financing
   c. Destruction of the premises prior to closing
   d. All of the above
23. Suppose Chuck and Barbara agree to purchase a vacant lot from Steve, the legal owner. Two days later, Steve’s father calls and informs them that Steve has changed his mind, as many precocious 16-year olds are apt to do. At the time the contract was signed, Steve did not reveal his age. What are Chuck and Barbara’s options?
   a. Accept Steve’s decision and look for another property
   b. Sue Steve on the basis of specific performance
   c. Sue Steve’s father for breach of contract
   d. Sue Steve for breach of contract

24. Suppose Jim makes a written offer to buy Carol’s property that expires two days later at 5:00 p.m. The next day, Jim finds a property he likes better and decides to withdraw his offer. Which of the following statements is true?
   a. Jim is well within his rights to withdraw the offer before it expires, even if Carol has signed it.
   b. Jim is well within his rights to withdraw the offer before it expires, provided Carol has not accepted it.
   c. Jim has no rights to withdraw the offer, and must hope Carol does not accept it before it expires automatically.
   d. Jim is well within his rights to withdraw the offer provided Carol has not notified Jim of acceptance.