

Modern Real Estate Practice in Illinois, 6th Edition
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Chapter 11 Review Quiz

1. A void contract is one that is
 - A. not in writing.
 - B. not legally enforceable.
 - C. rescindable by agreement.
 - D. voidable by only one of the parties.

2. The legal proceeding or legal action brought by either the buyer or the seller under a purchase contract to enforce the terms of the contract is known as
 - A. an injunction.
 - B. a lis pendens.
 - C. an attachment.
 - D. a suit for specific performance.

3. The essential elements of a contract include all of the following *EXCEPT*
 - A. offer and acceptance.
 - B. notarized signatures.
 - C. competent parties.
 - D. consideration.

4. If, upon the receipt of an offer to purchase his property under certain conditions, the seller makes a counteroffer, the prospective buyer is
 - A. bound by his original offer.
 - B. bound to accept the counteroffer.
 - C. bound by whichever offer is lower.
 - D. relieved of his original offer.

5. The amount of earnest money deposit is determined by
 - A. the real estate licensing statutes.
 - B. an agreement between the parties.
 - C. the broker's office policy on such matters.
 - D. the mandatory IRS minimum of 5 percent of the purchase price.

6. A buyer defaulted some time ago on a written contract to purchase a seller's real estate. Can the seller sue for damages?
 - A. No. According to statute of frauds, a seller can never sue the buyer.
 - B. No. According to the law of agency, only the broker can sue the buyer.
 - C. Yes, if the seller is not prohibited from doing so by the statute of limitations.
 - D. Yes, if the real estate broker gives permission.

7. A written real estate contract is assumed to be the complete agreement of the parties because of the
 - A. statute of repose.
 - B. parol evidence rule.
 - C. statute of limitations.
 - D. rule of contracts.

8. Which of the following gives the best evidence of the buyer's intention to carry out the terms of the real estate purchase contract?
 - A. The "subject to" clause
 - B. The agreement to seek mortgage financing
 - C. The earnest money deposit
 - D. The provision that "time is of the essence"

9. The term "rescind" means
 - A. change.
 - B. cancel.
 - C. substitute.
 - D. subordinate.

10. Which of the following is *NOT* essential to the formation of a contract?
 - A. Offer
 - B. Acceptance
 - C. Consideration
 - D. Performance

11. An option
- A. requires the optionee to complete the purchase.
 - B. gives the optionee an easement on the property.
 - C. keeps an offer open for a specified time.
 - D. makes the seller liable for a commission.
12. When a prospective buyer makes a written purchase offer that the seller accepts, then the
- A. buyer may take possession of the real estate.
 - B. seller grants the buyer ownership rights.
 - C. buyer receives legal title to the property.
 - D. buyer receives equitable title to the property.
13. Hank agrees to purchase Veda's real estate for \$230,000, and deposits \$6,900 earnest money with Broker Louise. However, Veda is unable to clear the title to the property, and Hank demands the return of his earnest money as provided in the purchase contract. Broker Louise should
- A. deduct his commission and return the balance to Hank.
 - B. deduct his commission and give the balance to Veda.
 - C. return the entire amount to Hank.
 - D. give the entire amount to Veda to dispose of as she decides.
14. A bilateral contract is one in which
- A. only one of the parties is obligated to act.
 - B. the promise of one party is given in exchange for the promise of the other party.
 - C. something is to be done by one party only.
 - D. a restriction is placed in the contract by one party to limit the performance by the other.
15. A buyer makes an earnest money deposit of \$1,500 on a \$15,000 property and then withdraws her offer before the seller can accept it. The broker is responsible for disposing of the earnest money by
- A. turning it over to the seller as liquidated damages.
 - B. deducting the commission and returning the balance to the buyer.
 - C. returning \$1,500 to the buyer.
 - D. depositing it in his or her trust account.

16. Broker Kyle arrives to present a purchase offer to Darla, an elderly invalid, and finds her ex-husband also present. In the presence of Broker Kyle, the ex-husband persistently urges Darla to accept the offer, even though it is much lower than the price she has been asking for her home. If Darla accepts the offer, she may later claim that
- A. Broker Kyle should not have brought her such a low offer for her property.
 - B. she was under undue duress from her former husband, and therefore, the contract is void.
 - C. Broker Kyle defrauded her by allowing her ex-husband to see the purchase offer.
 - D. her consumer protection rights have been usurped by her former husband.
17. The law that requires real estate contracts to be in writing to be enforceable is the
- A. law of descent and distribution.
 - B. statute of frauds.
 - C. parol evidence rule.
 - D. statute of limitations.
18. If an owner takes his property off the market for a definite period of time in exchange for some consideration, but he grants the right to purchase the property within that period for a stated price, this is called a(n)
- A. option.
 - B. contract of sale.
 - C. right of first refusal.
 - D. installment agreement.
19. Which of the following best describes earnest money?
- A. The consideration for the sale of the property
 - B. The money put up by the buyer at the time the offer is made
 - C. The commission to be paid to the broker
 - D. The money to be used for paying for some of the closing costs
20. Money that serves to compensate a seller in the event a buyer defaults is known as
- A. actual damages.
 - B. escrow
 - C. earnest money.
 - D. liquidated damages.

21. To assign a contract for the sale of real estate means to
- A. record the contract with the county recorder's office.
 - B. permit another broker to act as agent for the principal.
 - C. transfer one's rights under the contract.
 - D. allow the seller and the buyer to exchange positions.
22. When a valid purchase contract is signed by the seller and the buyer
- A. the seller retains reversionary rights.
 - B. the buyer receives equitable title.
 - C. the seller transfers legal title.
 - D. the buyer forfeits possessory rights.
23. Which of the following is essential to a real estate contract?
- A. Grantor and a grantee
 - B. Offer and acceptance
 - C. Acknowledgment by a notary
 - D. Legal description
24. Two salespeople working for the same broker obtained offers on a property listed with their firm. The first offer was obtained early in the day. A second offer for a higher purchase price was obtained later in the afternoon. The broker presented the first offer to the seller that evening. The broker did not inform the seller about the second offer so that the seller could make a decision about the first offer. Which of the following is true?
- A. The broker's actions are permissible provided the commission is split between the two salespeople.
 - B. After the first offer was received the broker should have told the salespeople that no additional offers would be accepted until the seller decided on the offer.
 - C. The broker has no authority to withhold any offers from the seller.
 - D. The broker was smart to protect the seller from getting into a negotiating battle over two offers.

25. A broker has an exclusive right-to-sell listing on a building. The owner is out of town when the broker gets an offer from a buyer to purchase the building providing the seller agrees to take a purchase money mortgage. The buyer must have a commitment from the seller before the seller is scheduled to return to the city. Under these circumstances, the
- A. broker may enter into a binding agreement on behalf of the seller.
 - B. broker may collect a commission even if the transaction falls through because of the seller's absence from the city.
 - C. buyer is obligated to keep the offer open until the seller returns.
 - D. broker must obtain the signature of the seller to effect a contract.
26. A broker took a listing and later discovered that the client was legally incompetent and had been living in a mental institution for many years, believing himself to be President Taft. The listing is now
- A. binding because the broker was acting as the owner's agent in good faith.
 - B. of no value to the broker because it is now void.
 - C. the basis for the recovery of a commission if the broker produces a buyer.
 - D. renegotiable.
27. On Monday the seller offers to sell his vacant lot to the buyer for \$112,000. On Tuesday, the buyer counteroffers to buy for \$110,500. On Friday the buyer withdraws the counteroffer and accepts the original offer of \$112,000. Under these conditions
- A. there is a valid agreement because the buyer accepted the seller's offer exactly as it was made.
 - B. there is not a valid agreement because the buyer's counteroffer was a rejection of the seller's offer and, once it was rejected, it cannot be accepted later.
 - C. there is a valid agreement because the buyer accepted before the seller advised the buyer that the offer is withdrawn.
 - D. there is not a valid agreement because the seller's offer was not accepted within 72 hours.
28. In an option to purchase real estate, the optionee
- A. must purchase the property, but may do so at any time within the option period.
 - B. has no obligation to purchase the property.
 - C. is limited to a refund of the option consideration if the option is exercised.
 - D. is the prospective seller of the property.

29. The broker receives an earnest money deposit with a written offer to purchase that includes a ten-day acceptance clause. On the fifth day, before the offer is accepted, the buyer notifies the broker that she is withdrawing the offer and demands the return of the earnest money deposit. In this situation
- A. the buyer cannot withdraw the offer because it must be held open for the full 10 days.
 - B. the buyer has the right to revoke the offer at any time until it is accepted and recover the earnest money.
 - C. The seller and the broker have the right to each retain 2 of the deposit.
 - D. The broker declares the deposit forfeited and retains it for his services.
30. At the time a buyer was negotiating the purchase of a lot on which to build a new home, the seller represented that the soil was firm enough to support the construction of a building. In fact, the seller knew that any new construction would very likely sink up to fifteen feet below the surface. This contract is
- A. void.
 - B. voidable by the buyer because of fraud.
 - C. voidable by the seller because of the mistake.
 - D. voidable by neither party because no harm was done yet.
31. After the buyer and seller have signed a sales contract, the seller has a change of heart and defaults. The buyer sues the seller. Is this action legal?
- A. Yes. The buyer can sue for specific performance.
 - B. Yes. According to the statute of frauds, the buyer can sue.
 - C. No. Only the broker would have the right to sue the seller.
 - D. No. The buyer cannot sue the seller under any circumstances.
32. The concept that requires that an injured party bring an action within a specific period of time after the injury is
- A. a variance.
 - B. the statute of limitations.
 - C. the statute of fraud.
 - D. waiver.

33. Which statement is correct regarding the acceptance of an offer?
- A. Death of the offeror does not affect the status of the offer.
 - B. An offer can be rescinded at any time prior to acceptance.
 - C. In real estate, once an offer has been accepted, the offeror has three days to rescind the contract.
 - D. Destruction of the premises will not affect the status of the offer.
34. A contract agreed to under duress is
- A. voidable.
 - B. breached.
 - C. discharged.
 - D. void.
35. A real estate sales contract becomes valid or in effect when it has been signed by
- A. only the buyer.
 - B. the buyer and seller.
 - C. only the seller.
 - D. the broker and the buyer.
36. Which of the following will *NOT* terminate an offer?
- A. Revocation of the offer before acceptance
 - B. Death of the offeror before acceptance
 - C. A counteroffer by the offeree
 - D. An offer from a third party
37. If a broker deposits the buyer's earnest money in a trust account, at what time is the seller entitled to receive it?
- A. When the offer is presented to the seller
 - B. At the time of settlement
 - C. After the settlement
 - D. When the seller accepts the offer made by the buyer

38. An offeree has the right to _____ an offer.
- A. reject
 - B. revoke
 - C. rescind
 - D. release
39. Which statement best describes a contract that is voidable?
- A. The contract has no legal effect.
 - B. The contract is oral.
 - C. The contract may be declared void.
 - D. The contract has not been signed.
40. Who among the following would have equitable title to property?
- A. The buyer in a sales contract and the vendor in a land contract
 - B. The buyer in a sales contract and the vendee in a land contract
 - C. The seller in a sales contract and the vendor in a land contract
 - D. The seller in a sales contract and the vendee in a land contract
41. What is the status of an option contract that has been exercised?
- A. unilateral contract
 - B. bilateral contract
 - C. executed contract
 - D. voidable contract

IN ILLINOIS . . .

42. At what age is an Illinois resident considered to be of legal age?
- A. 16
 - B. 18
 - C. 21
 - D. 24

43. In Illinois, a deed or contract executed on a Sunday or legal holiday is
- A. void.
 - B. invalid.
 - C. voidable and unenforceable.
 - D. valid and enforceable.
44. Broker Hannah is about to present a form contract to her client. The contract is intended to become a binding real estate contract as soon as the client signs it. How must the contract be headed, under Illinois law?
- A. binding real estate contract
 - B. real estate sale contract
 - C. contract
 - D. offer to purchase
45. Under the administrative rules established by the OBRE, all brokers must
- A. establish separate, individual escrow accounts for each earnest money deposit received.
 - B. place all earnest money deposits in the broker's personal, interest-bearing account.
 - C. pay over any interest earned on earnest money escrow accounts to the Real Estate Education fund.
 - D. establish a special escrow account for the deposit of all earnest money received.
46. A buyer and a seller sign a binding sales agreement. Three days before closing, the property is destroyed by a tornado. Under Illinois law, which of the following is true?
- A. The buyer bears the risk of loss under the common law and must complete the transaction.
 - B. The seller cannot enforce the contract and must return all earnest money to the buyer.
 - C. If the buyer has possession of the property, he or she is not required to pay the full contract price.
 - D. once a seller has accepted an offer, he or she is no longer liable for any damages to the subject property.