

Modern Real Estate Practice in Illinois, 6th Edition
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Chapter 19 Review Quiz

1. The income approach to value would be most important in the appraisal of a(n)
 - A. condominium.
 - B. office building.
 - C. single-family residence.
 - D. vacant residential lot.

2. In an old retail building, which of the following would most likely be an example of incurable functional obsolescence?
 - A. Deficient and inadequate lighting
 - B. Closely-spaced internal support columns
 - C. An unattractive store front
 - D. A decrease in the area's population

3. Which is *NOT* a characteristic of value?
 - A. Scarcity
 - B. Transferability
 - C. Obsolescence.
 - D. Utility

4. The fact that a still-serviceable building is torn down is an indication of
 - A. curable physical deterioration.
 - B. incurable physical deterioration.
 - C. the enforcement of building codes.
 - D. functional and external depreciation.

5. An appraiser is responsible for
 - A. finding value.
 - B. computing value.
 - C. determining value.
 - D. estimating value.

6. The term depreciation refers to the
 - A. value of real estate after the expiration of its useful life.
 - B. real estate's loss of value from any cause.
 - C. costs incurred to renovate or modernize a building.
 - D. capitalized value of lost rental income.

7. When appraising real estate, the first consideration of the appraiser should be the
 - A. asking price of the property.
 - B. highest and best use of the property.
 - C. original cost of the property.
 - D. selling prices of similar properties.

8. Which would be classified as external depreciation?
 - A. A leaking roof that needs to be completely replaced
 - B. Poorly maintained properties in the neighborhood
 - C. A poorly designed floor plan that could be modified
 - D. Convenient access to schools and recreational facilities

9. It is necessary to calculate a dollar value for depreciation when using which of the following?
 - A. The sales comparison approach to value
 - B. The cost approach to value
 - C. The income approach to value
 - D. Gross rent multipliers

10. The income approach as used by an appraiser makes use of which of the following?
 - A. Equalization
 - B. Depreciation
 - C. Appreciation
 - D. Capitalization

11. In the valuation of a large apartment complex, the most weight would be given to which approach to value?
- A. The cost approach
 - B. The income approach
 - C. The sales comparison approach
 - D. All approaches equally weighted
12. In the cost approach to value, the appraiser makes use of
- A. the owner's original cost of the building.
 - B. the estimated replacement cost of the building.
 - C. the sales prices of similar buildings in the area.
 - D. the assessed value of the building.
13. The sales comparison approach to value would be most important when estimating the value of a(n)
- A. existing residence.
 - B. apartment building.
 - C. retail location.
 - D. new residence.
14. In the income approach, the appraiser makes use of
- A. reproduction cost.
 - B. capitalization rate.
 - C. depreciation schedules.
 - D. replacement cost.
15. An appraiser who is using the sales comparison approach to value would use all of the following comparable properties *EXCEPT* a similar home that was
- A. sold in the last six months .
 - B. sold recently and is located in the same neighborhood.
 - C. sold by owners who were undergoing a foreclosure.
 - D. sold recently but is located on a much larger lot.

16. Using which of the following would require the value of the land to be calculated separately from the value of the improvements?
- A. The income approach
 - B. The cost approach;
 - C. The sales comparison approach
 - D. The gross rent multiplier
17. Reconciliation is best described as
- A. selecting the highest value given by the three approaches to value.
 - B. comparing comparable properties and identifying their amenities.
 - C. determining the final value by selecting one value from those given.
 - D. analyzing the results obtained from the three approaches to value.
18. A building is valued at \$215,000 and contains 4 apartments that rent for \$470 each per month. The owner estimates that the net operating income is 65 percent of the gross rental receipts. What is the capitalization rate?
- A. 3.7 percent
 - B. 6.8 percent
 - C. 10.5 percent
 - D. 14.2 percent
19. Which is *NOT* a step in the appraisal process?
- A. Gathering specific data on the subject property
 - B. Gathering general data for the area of the subject property
 - C. Considering the seller's estimate of the property's value
 - D. Applying the three approaches to value to the collected data
20. The gross rent multiplier is used as a guideline for estimating value based on
- A. the ratio of the gross rents to the net rents after expenses.
 - B. the proportion of rents due to the actual rents collected.
 - C. the capitalization of the annual gross rental income.
 - D. the relationship of the sales prices to the gross rental income.

21. Defined as a loss in value from any cause, depreciation is generally divided into three categories. The loss of value due to the normal wear and tear on a property is called
- A. external depreciation.
 - B. physical depreciation.
 - C. functional obsolescence.
 - D. economic deterioration.
22. To find the value of a property using the income approach to value, if the net operating income and the capitalization rate were known, the appraiser would
- A. multiply the net operating income by the capitalization rate.
 - B. multiply the effective gross income by the capitalization rate.
 - C. divide the net operating income by the capitalization rate.
 - D. divide the capitalization rate by the net operating income.
23. An appraiser has been employed to estimate the market value of a parcel of vacant land. The resulting appraisal report would include reference to all of the following *EXCEPT*
- A. the highest and best use of the parcel.
 - B. the listed price of the parcel.
 - C. the most probable price the parcel will bring.
 - D. the physical dimensions of the parcel.
24. When appraising a commercial property, the appraiser is most concerned with the
- A. accrued depreciation on the property.
 - B. income generated by the property.
 - C. sales prices of comparable properties.
 - D. total debt service on the property.
25. In the appraisal of an office building, which of the following would be classified as external depreciation?
- A. Termite damage to the structural components of the building
 - B. A poor architectural design resulting in a cluttered floor plan
 - C. An inadequate number of elevators and antiquated restroom facilities
 - D. A law requiring the building to be retrofitted with fire sprinklers

26. The period of time over which an improvement to the property will contribute to its value is known as its
- A. amortized life.
 - B. chronological life.
 - C. actual life.
 - D. economic life.
27. Which of the following would be considered specific data?
- A. The dimensions of the subject property
 - B. The employment opportunities in the area
 - C. The sales data for comparable properties
 - D. The gross rent multipliers for the area
28. When estimating the value of property using the cost approach, all of the following would be considered by the appraiser *EXCEPT* the
- A. loss of value due to uncollected delinquent rent.
 - B. estimated loss attributable to an outdated heating system.
 - C. quality of materials and workmanship in the original structure.
 - D. excessive amount of traffic noise outside the property.
29. The market price of real estate is generally the same as
- A. the sales price.
 - B. the market estimate.
 - C. the highest and best use.
 - D. the assessed value.
30. Reconciliation is an appraisal term used to describe
- A. the appraiser's determination of a property's highest value.
 - B. an average of real estate values for properties similar to the subject property.
 - C. the appraiser's analysis and comparison of the results of each appraisal approach.
 - D. the method used to determine the most appropriate capitalization rate for a property.

31. An appraiser has been hired to prepare an appraisal on a property that includes an elegant old mansion that is now used as an insurance company office. Which approach to value would the appraiser rely on most?
- A. Income approach
 - B. Gross rent multiplier approach
 - C. Sales comparison approach
 - D. Replacement cost approach
32. A house with outmoded plumbing is suffering from
- A. functional obsolescence.
 - B. curable physical deterioration.
 - C. incurable physical deterioration.
 - D. external depreciation.
33. By today's standards, a 4-bedroom house with 1 bathroom would be considered to be
- A. physically obsolete.
 - B. functionally obsolete.
 - C. economically obsolete.
 - D. diminished.
34. In the cost approach an appraiser uses which of the following?
- A. Sales prices of similar properties
 - B. The owner's original cost of construction
 - C. An estimate of the building's replacement cost
 - D. The property's depreciated value as used for income tax purposes
35. The purpose of an appraisal is to
- A. estimate the value of a property.
 - B. set the market price of a property.
 - C. determine the projected income of a property.
 - D. set the amount of consideration the seller should accept from a purchaser.

36. In the income approach, which of the following is NOT considered when calculating the net operating income?
- A. Real estate taxes
 - B. Management fees
 - C. Debt service
 - D. Utilities
37. A buyer is considering the purchase of an apartment building in an area where there is limited multi-family zoning. This situation would be BEST described by the economic characteristic of
- A. demand.
 - B. utility.
 - C. scarcity.
 - D. transferability.
38. An appraisal report must contain all of the following *EXCEPT*
- A. a reconciliation of value.
 - B. a copy of the sales contract.
 - C. the date of the appraisal.
 - D. report of final opinion.
39. The subject property has 3 bedrooms and 2 baths. A comparable property has 2 bedrooms and 1 bath. Which of the following is *TRUE*?
- A. The value of the subject property will be adjusted up.
 - B. The value of the subject property will be adjusted down.
 - C. The value of the comparable will be adjusted up.
 - D. The value of the comparable will be adjusted down.

IN ILLINOIS . . .

40. Who among the following *CANNOT* obtain appraiser licensure or certification in Illinois?
- A. An individual who wants to appraise only residential properties
 - B. A limited liability company engaged in licensed real estate activities
 - C. A person who wants to appraise all types of property
 - D. An individual who will sign appraisal reports on behalf of a business entity