

DIAGNOSTIC TEST

1. A contract in which the intentions of the parties are shown by their actions is
 1. an expressed contract.
 2. an implied contract.
 3. an executory contract.
 4. a bilateral contract.
2. Which of the following is *NOT* an essential element of a contract?
 1. An earnest money deposit
 2. Legality of object
 3. Offer and acceptance (mutual assent)
 4. Competent parties
3. The lessee in a leasing agreement is the
 1. tenant.
 2. property manager.
 3. landlord.
 4. rental agent.
4. A lease that is signed by a person who is 17 years of age (still a minor) is
 1. unilateral.
 2. void.
 3. illegal.
 4. voidable.
5. Contracts for sale of real estate must be in writing to be enforceable, according to the
 1. statute of limitations.
 2. parol evidence rule.
 3. statute of frauds.
 4. real estate commission.
6. A broker lists a home for \$80,000. The broker brings an offer to the seller for \$78,000, which is rejected by the seller. The broker obtains another offer, for \$80,000, for the seller. Before she can deliver the offer, however, the offeror withdraws it by calling the broker at the seller's home. There is
 1. an implied contract.
 2. a unilateral contract.
 3. an executory contract.
 4. no contract.
7. You have entered into an option contract with an optionee who has 30 days to exercise his option. The option is what kind of contract?
 1. Voidable contract
 2. Unilateral contract
 3. Unenforceable contract
 4. Bilateral contract
8. Which of the following contracts are prohibited or discouraged in most states?
 1. Option
 2. Land contract
 3. Open listing
 4. Net listing
9. Without discussing price, you order dinner in a restaurant. You are required to pay for the dinner through what kind of contract?
 1. Bilateral
 2. Express
 3. Voidable
 4. Implied
10. A broker and a seller have signed an open listing contract. This agreement is an example of a(n)
 1. unilateral contract.
 2. executed contract.
 3. bilateral contract.
 4. unenforceable contract.
11. Which of the following correctly describes an open listing?
 1. The seller may employ any number of brokers.
 2. Only one broker is authorized to act as agent for the seller.
 3. The broker is entitled to a commission regardless of who sells the property.
 4. The broker's commission is based on the excess over the sales price stated in the listing.

12. A salesperson obtains a written offer to purchase a home that she has listed for sale. The seller accepts the offer, and the salesperson promptly telephones the purchaser to notify him of the acceptance. Because the purchaser lives in a nearby town, the salesperson informs him that she will deliver a copy of the contract in three days. The salesperson has an enforceable contract when
1. the seller signs the acceptance.
 2. the offer to purchase is presented to the seller.
 3. the acceptance is telephoned to the salesperson representing the purchaser.
 4. a copy of the contract is delivered to the purchaser in three days.
13. A contract that lacks legal object is considered to be
1. voidable.
 2. unenforceable.
 3. void.
 4. canceled.
14. Which of the following might *NOT* legally terminate a listing with a broker?
1. Bankruptcy of the client
 2. Insanity of the broker
 3. Inability of the broker to find a buyer within a reasonable amount of time
 4. An economic depression
15. A gave an option on her property for 90 days to B and received a cash consideration of \$100. B later assigned the option to C for a valuable consideration. Before expiration of the option, A stated that she no longer wanted to sell the property. Which of the following is *CORRECT*?
1. The option is void, because an option cannot be assigned.
 2. The option is not binding on A, for \$100 is not sufficient consideration.
 3. C would have a good chance in court to compel A to sell to him, if he exercises the option before its expiration date.
 4. A can refuse to sell, because the consideration paid by C was not in cash.
16. Both the buyer and the seller agree to wait until the broker's exclusive-right-to-sell listing has expired. They then have a third party buy the home. After a short while, the third party conveys ownership to the interested buyer, who was actually introduced to the owner by the listing broker. In this case,
1. the broker is not entitled to a commission because the listing expired.
 2. if the listing broker can prove collusion, he or she may collect a full commission.
 3. the broker may sue both the buyer and the seller for the commission.
 4. the broker is entitled to his commission because he performed the task for which he was hired.
17. Procuring cause would *NOT* be required for a broker to receive a commission in a(n)
1. open listing.
 2. exclusive-right-to-sell listing.
 3. net listing.
 4. exclusive agency listing.
18. When a broker sold a property, the sales contract contained the following statement: "Buyer to accept property in 'as is' condition." However, both the seller and the broker knew the plumbing was in a major state of disrepair but did not tell the buyer. Would an action for damages against the broker, based on fraud, be successful?
1. No. The "as is" provision in the contract is evidence of a meeting of the minds.
 2. No. The contract specifically stated that the property was being sold "as is."
 3. Yes. The duty to disclose a material fact cannot be avoided by an "as is" provision.
 4. Yes. "As is" refers only to exterior defects.

19. A broker brings a seller an offer-to-purchase contract for the listed price of \$114,500, with an additional stipulation that the seller must furnish a title insurance policy to prove marketable title. The seller refuses the offer. The broker
1. can collect full commission because sellers must always provide title insurance.
 2. can collect one-half of the commission.
 3. can collect nothing.
 4. can collect one-half of the first month's mortgage payment.
20. A seller listed her home with a broker. Shortly thereafter, the seller telephoned the broker and withdrew the exclusive-right-to-sell listing. A week later, she sold the home to her neighbor for a higher price than the price on the listing. In this situation, which of the following is *TRUE*?
1. The owner has the right to terminate the listing at any time without being liable for monetary damages incurred by the original listing broker.
 2. Under an exclusive right-to-sell listing, the broker is not entitled to a commission if the property doesn't sell.
 3. The broker is not entitled to a commission because the seller obtained a better price than she would have received through the broker's efforts.
 4. If the owner withdrew the listing, after the broker spent money on it, the owner is liable to the broker for damages.
21. A salesperson for a broker listed an owner's home under an exclusive-right-to-sell listing contract. Which of the following statements correctly describes this situation?
1. The listing belongs to the salesperson.
 2. If the principal sells his own house, he will not have to pay a commission.
 3. The listing belongs to the broker.
 4. The listing belongs to both the salesperson and the broker.
22. An owner gives an exclusive-right-to-sell listing to a broker for a six-month period. During the exclusive period, the owner also gives an open listing to another broker who produces a buyer. What is the owner's liability for payment of a commission?
1. Only one commission must be paid, which both brokers share on a 50/50 basis.
 2. The owner is liable only to the first broker for the payment of a commission.
 3. The owner is liable for payment of a commission to both brokers.
 4. The owner is liable only to the second broker for the payment of a commission.
23. A buyer has contracted with a seller to purchase property. The contract was ratified on January 10. The closing was on March 31. What is the status of the contract on April 1?
1. Void
 2. Anticipatory
 3. Executed
 4. Executory
24. An exclusive-right-to-sell contract is a unilateral contract and may be considered
1. a conveyance.
 2. an employment contract.
 3. an option.
 4. a contingency agreement.
25. A salesperson
1. may receive a commission directly from a principal.
 2. can carry out activities in his or her own name.
 3. is responsible primarily to the broker under whom she or he is licensed.
 4. may place a blind ad.
26. A buyer's offer requires that the seller pay for a licensed termite inspector to inspect a house. If active infestation exists, the buyer can either agree to have the property treated or walk. This part of an offer is *BEST* known as
1. a condition.
 2. a contingency.
 3. a chattel.
 4. a cloud.

27. An offer is made and presented to a seller for acceptance. After the offer is signed by the seller, it must be delivered to the buyer(s). Which response *BEST* describes proper delivery of the acceptance of an offer?
1. The seller's signature on the offer to purchase
 2. The buyer's agent's cell phone call to the buyer to say, "Congratulations"
 3. The buyer's agent's actual delivery of a copy of the signed agreement to the buyer
 4. The buyer's verbal acceptance of the offer over the phone
28. If a buyer offers to purchase a home for \$350,000 subject to the sale of the buyer's home, what is the subject to sale called?
1. Contingency
 2. Condition
 3. Cloud
 4. Cancellation
29. A tenant decided to purchase a farm on an installment land contract for deed with a ten-year balloon. During the ten years, what kind of title does the vendee have in the farm?
1. Legal
 2. Conditional
 3. Equitable
 4. Substantial

MATCHING QUIZ

The column on the right contains brief memory links to important terms in Chapter 9. Write the letter of the matching term on the appropriate line.

- | | |
|----------------------------|--|
| A. Consideration | 1. _____ In a real estate office these contracts are the property of the broker |
| B. Earnest money | 2. _____ Prior to acceptance these are considered offers |
| C. Expressed contract | 3. _____ A type of title also known as an insurable interest |
| D. Implied contract | 4. _____ Pumping gas prior to paying is an example of this type of contract |
| E. Unilateral contract | 5. _____ A type of title that one receives as the deed is delivered |
| F. Voidable contract | 6. _____ Notification and delivery to buyers of their signed offer by the seller |
| G. Specific performance | 7. _____ Requires contracts of sale such as purchase agreements to be in writing |
| H. Open listing | 8. _____ Type of listing stating, regardless of who procures the buyer, the listing broker gets paid |
| I. Exclusive right to sell | 9. _____ Only the real estate firm who procures the buyer gets paid by the seller |
| J. Net listings | 10. _____ A contract with a minor |
| K. Listing contracts | 11. _____ An option is an example of this type of contract |
| L. Statute of frauds | 12. _____ A court order requiring a promise made to be carried out |
| M. Equitable title | 13. _____ Because of the uncertainty of the selling price, this type of listing is prohibited in most states |
| N. Legal title | 14. _____ If specified in the contract, this can be used as liquidated damages |
| O. A purchase agreement | 15. _____ A legal requirement to create a valid contract that can be good and signed by an offeror or valuable |
| P. Acceptance | 16. _____ A contract in which the parties state the exact terms |
| Q. Optionor | 17. _____ This act by the offeree invalidates an original offer |
| R. Vendee | 18. _____ A termite inspection is an example of this prerequisite to settlement |
| S. Counteroffer | 19. _____ The person who owns the property and has a signed an option contract with a potential buyer |
| T. Contingency | 20. _____ The buyer in a land contract for deed |