Real Estate Principles
Chapter 1 Quiz

1. Who may refer to himself as a REALTOR®?
   A. Any real estate licensee
   B. A broker who is a member of a multiple listing service
   C. A member of the National Association of REALTORS®
   D. A licensee who has agreed to be bound by the Code of Ethics

2. When taking a listing, the agent should:
   A. let the seller know what to expect regarding open houses, signs, and the escrow process
   B. give instructions on preparing the house for sale
   C. explain how the keybox works
   D. All of the above

3. Which of the following is the customary method through which a buyer's agent may be compensated?
   A. Hourly rate
   B. Commission split with listing agent
   C. Flat fee paid by buyer
   D. Percentage of sales price, paid by buyer

4. If a salesperson is considered to be an independent contractor for purposes of income taxation, which of the following is true?
   A. The broker will still be liable for the misconduct of the salesperson
   B. The broker will withhold taxes and social security
   C. The salesperson must be paid a regular salary
   D. The broker will give the salesperson detailed instructions for marketing each property

5. A real estate salesperson's status as independent contractor is important in connection with:
   A. the extent to which the salesperson may work outside of the broker's control and supervision
   B. the broker's responsibility for the salesperson's actions
   C. withholding of social security and income taxes
   D. worker's compensation

6. Which of the following persons would be responsible to her employer for results only?
   A. Employee
   B. Independent contractor
   C. Agent
   D. Stockholder

7. The final step in a real estate transaction is:
   A. property inspections
   B. closing
   C. appraisal
   D. walk-through
8. A home sells for $375,000. The parties are represented by Listing Salesperson and Selling Salesperson. The seller pays a commission of 6% to Listing Broker, who has agreed to a 50-50 commission split with Selling Broker. If both brokers split their shares equally with their salespersons, how much does each salesperson receive?
   A. $22,500
   B. $11,250
   C. $5,625
   D. $2,812.50

9. A desk fee is:
   A. used to pay for office facilities and expenses
   B. usually charged in lieu of taking part of the agent’s commission
   C. collected by a brokerage on a monthly basis
   D. All of the above

10. Laws enacted by a legislative body are known as:
    A. case law
    B. administrative law
    C. constitutional law
    D. statutory law
Answer Key with Explanations

1. C
   Explanation: Only members of the National Association of REALTORS® are legally permitted to use the term REALTOR®.

2. D
   Explanation: Servicing the listing involves showing the seller how the keybox works, giving instructions on preparing the home for sale, and explaining to the seller how open houses, showings and escrow will work.

3. B
   Explanation: In most cases, a buyer's agent will be paid through a commission split, in which the buyer's agent receives a portion of the commission paid to the listing agent. All of the other options are allowable, but commonly used only if buying a property not listed with an MLS.

4. A
   Explanation: Even if a salesperson is an independent contractor rather than an employee, the salesperson's broker will still have supervisory responsibility over the salesperson, and liability for any misconduct by the salesperson.

5. C
   Explanation: If no social security or income taxes are to be withheld from a salesperson's earnings, then the salesperson must be working under a contract that states that she will be treated as an independent contractor, not an employee, for tax purposes.

6. B
   Explanation: An independent contractor is a person who sets her own schedule, works with little supervision, and is paid for each task accomplished, often by commission.

7. B
   Explanation: The final step is a real estate transaction is the closing, also known as settlement.

8. C
   Explanation: The commission shared between Listing Broker and Selling Broker is 6% of $375,000, or $22,500. Each broker thus gets $11,250, which they then split with their respective salespersons. Therefore, each salesperson receives $5,625.

9. D
   Explanation: A brokerage that does not collect part of the salesperson's commission may instead charge a monthly desk fee to cover office operating costs.

10. D
    Explanation: Statutory laws are enacted by federal, state, and local legislatures.