

## Real Estate Principles

### Chapter 9 Quiz

1. A prospective buyer submitted an offer to Broker Randolph that met the asking price. As Randolph was on his way out of the office to present the offer to the seller, one of Randolph's salespersons brought in another offer on the same property that was \$5,000 less. Randolph should:
  - A. inform the salesperson that the property already has sold on the seller's terms and conditions
  - B. present the offers in the order they were received
  - C. present the two offers at the same time
  - D. present the second offer only if the first offer is turned down
2. An agency relationship may be created in all of the following ways, except:
  - A. appointment by the principal
  - B. voluntary offer by an agent
  - C. oral contract
  - D. agreement without consideration
3. In an in-house transaction, all of the following are true EXCEPT:
  - A. A broker can present an offer on one of his own listings
  - B. The broker will negotiate only on behalf of the seller
  - C. The broker must obtain both parties' written consent
  - D. The broker owes certain fiduciary duties to each party
4. An agency would not terminate in which of the following situations?
  - A. The principal refuses an offer to purchase that is presented by an agent
  - B. The agent unilaterally renounces the agreement
  - C. The principal dies
  - D. The subject property is destroyed by a flood
5. In a dual agency relationship, the agent owes fiduciary duties to both the buyer and the seller. Therefore, a dual agency is permissible:
  - A. under no circumstances
  - B. if the buyer consents
  - C. if the seller consents
  - D. if both the buyer and seller consent
6. A broker who accepts a listing to sell real estate owes a fiduciary duty to:
  - A. the buyer only
  - B. the seller only
  - C. both the buyer and the seller
  - D. the general public

7. 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
8. A listing agreement creates which of the following?
- A. A vicarious relationship
  - B. An adversarial relationship
  - C. A fiduciary relationship
  - D. An open-end relationship
9. If a house was built prior to \_\_\_\_\_, the sellers must disclose information about lead-based paint to prospective buyers.
- A. 1960
  - B. 1968
  - C. 1978
  - D. 1985
10. Renunciation of an agency occurs:
- A. automatically, when the agency term expires
  - B. after a reasonable time
  - C. when the agent unilaterally terminates the agency
  - D. when the agency contract is breached before the term expires
11. Which of the following is not a way in which an agency can be created?
- A. By express agreement
  - B. By implication
  - C. By prescription
  - D. By ratification
12. Agency law is concerned with the duties and rights among:
- A. agent and principal
  - B. agent and third party
  - C. principal and third party
  - D. All of the above
13. If a property owner takes action that demonstrates approval of a real estate salesperson's earlier unauthorized acts, that would be an example of agency created by:
- A. estoppel
  - B. express agreement
  - C. ratification
  - D. implied reservation

14. A broker, in dealing with the public, may not:
- A. delegate responsibilities to other persons
  - B. receive a commission from both buyer and seller
  - C. refuse to take a listing
  - D. remain silent as to material facts about the property that are known only to the broker
15. A broker knows that the roof on a house that she is showing will soon need massive repairs. She:
- A. must tell the buyer even if the buyer doesn't ask, since this is a latent defect
  - B. must tell the buyer unless there is an "as is" clause in the deposit receipt
  - C. does not need to tell the buyer since the repairs are not yet necessary
  - D. does not need to tell the buyer since the responsibility to inspect falls primarily on the buyer

## Answer Key with Explanations

1. C

Explanation: An agent has the fiduciary duty to present all offers to the principal. The agent must present all offers promptly; it is up to the principal to decide which offer to accept.

2. B

Explanation: An agency relationship cannot be created unilaterally by one party's offer. The principal would need to accept the agent's offer, for instance, through an express agreement or a ratification. The agreement does not require consideration, and it is not required to be in writing, although it must be in writing to be enforceable.

3. B

Explanation: In an in-house transaction, the broker will negotiate on behalf of both parties. The broker owes fiduciary duties to each party, and must obtain written consent from both parties.

4. A

Explanation: Rejection of an offer terminates the offer, but it does not terminate the agency relationship between principal and agent.

5. D

Explanation: A dual agency is lawful only where the buyer and seller have been informed of the situation and have consented to it.

6. B

Explanation: A broker who accepts a listing is a seller's agent, and owes fiduciary duties to the seller only. The broker also owes certain other duties to all parties, such as the duty of honesty and good faith and the duty to disclose latent defects. The fiduciary relationship is between the broker and the seller, however.

7. 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.

8. C

Explanation: A fiduciary relationship is one where one party owes the other loyalty and a higher standard of good faith than is owed to third parties.

9. C

Explanation: Houses built before 1978 are subject to federal lead-based paint disclosure laws.

10. C

Explanation: Just as a principal can revoke unilaterally, an agent can renounce the agency unilaterally.

11. C

Explanation: Prescription is a means of creating an easement, not an agency relationship. Express agreement, implication, and ratification are all means of creating an agency.

12. D

Explanation: Agency law governs all relationships among agents, principals, and third parties.

13. C

Explanation: An agency is created by ratification when the principal gives approval after the fact to: (1) acts by a person who was without authority to act for the principal, or (2) acts by an agent who exceeded the scope of her authority. (In this case, where the principal has ratified the actions of a salesperson, the agency relationship would be created between the principal and the salesperson's broker.)

14. D

Explanation: The broker's duty to disclose material facts is an affirmative duty, and a broker may not remain silent about material facts. While a broker may not refuse to take a listing for discriminatory reasons, there are many other reasons a broker may refuse a listing, such as a seller's insistence that the broker conceal latent defects.

15. A

Explanation: The broker has the duty to inform prospective buyers of all known latent defects.