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2022 PRACTICE QUESTIONS DETAILED SOLUTIONS

The detailed solutions for the Practice Questions have been published in order to assist candidates in preparing for the Real Estate Trading Services Licensing examination. No attempt should be made to memorize each solution. Please note that these detailed solutions correspond to the **2022 version of the Practice Questions, which may be different from previous years.**

The Real Estate Division at the University of British Columbia has made every attempt to ensure the accuracy of the solutions, as of the date of publication. However, there may be typographical errors and errors contained in the solutions will not form the basis of a successful appeal of your examination grade. Therefore, if for any reason you doubt the accuracy of the answer to any questions, you should either consult your course materials or contact the Real Estate Division student tutorial line to confirm the current answer.

Please note that should you require assistance on any question, please contact a tutor.

The solutions in this guide are listed numerically. To find a specific solution in this guide you can scroll through the pages or use the **find** function (Ctrl-F/Command-F) and type in "Question XXX". For example, if you wanted to go to question 704 you would open the find function and type in "Question 704" (without the quotes) and then press enter. This will take you directly to question 704.

Question 1

Answer: 4

Option (4) is correct because a latent defect is a defect which is not immediately discoverable upon a reasonable inspection of the property. Option (1) is incorrect because a defect immediately visible to the eye is a patent defect. Option (2) is incorrect because a latent defect is required to be disclosed by the seller not the buyer. Option (3) is incorrect because a latent defect is the responsibility of the seller to disclose.

Question 2

Answer: 3

Option (3) is correct because the immobility of land renders real property more subject real property to the effects of externalities than most assets. An owner cannot move his or her real property to a more desirable location with beneficial externalities. Similarly, an owner cannot move his or her property away from a location subject or negative externalities. This characteristic of land has the greatest effect on the value of a real property asset. Options (1), (2), and (4) are therefore incorrect.

Question 3

Answer: 1

Option (1) is correct because construction of a building is not a real estate service under the *Real Estate Services Act*. Option (2) is incorrect because collecting rents from tenants is defined as “rental property management services” which fall under “real estate services” in the *Real Estate Services Act*. Options (3) and (4) are incorrect because selling or assisting in the sale of properties is defined as “trading services” which fall under “real estate services” in the *Real Estate Services Act*.

Question 4

Answer: 4

Option (4) is correct; corporations are subject to income tax as a separate legal entity. Options (1) and (2) are incorrect because both sole proprietors and partners need to report their business income on their personal income tax returns. Option (3) is incorrect because corporations have different tax liability from proprietors and partners in that corporations are taxed as a separate legal entity.

Question 5

Answer: 2

Option (2) is correct because a real estate agency relationship depends on mutual consent, and therefore either party can terminate the relationship at will. An agent's authority can be revoked orally or by conduct, and an act of the principal that is inconsistent with the continuation of authority terminates the relationship. Options (1) and (4) are incorrect because these scenarios do not terminate the agency relationship. They relate to the principal's duty to pay real estate commission to the agent. Option (3) is incorrect because an agent's offer to personally purchase the principal's property is a conflict of interest. While such conflicts should be avoided, they do not terminate the agency relationship.

Question 6

Answer: 4

Find the payments, rounded up to the nearest dollar, based on the terms of the mortgage contract that is given in the question.

Press	Display
7 ■ NOM%	7
1 ■ P/YR	1
■ EFF%	7
12 ■ P/YR	12
■ NOM%	6.784974
170000 PV	170,000
0 FV	0
240 N	240
PMT	-1,296.15607

Question 7

Answer: 4

Option (4) is correct because a municipal council will hold a public hearing before adopting, amending or repealing a bylaw. Options (1) and (2) are incorrect because the power to zone has been delegated to the municipality by the Province, and the Province has not retained the right to decide zoning matters. Option (3) is incorrect because a municipal council typically issues notice of a public hearing to neighbouring properties, but no specified written notice is required.

Question 8

Answer: 1

Option (1) is correct because the subject of a real property appraisal is the particular rights of ownership vested in a certain piece of real estate. Air space rights are a legal interest in real property. Options (2), (3), and (4) are incorrect because these do not describe legal interests in real property.

Question 9

Answer: 3

Option (3) is correct because the plaintiff may originate an action either in the jurisdiction where the circumstances giving rise to the claim arose, or in the jurisdiction where the defendant resides or carries on business. Options (1), (2), and (4) are incorrect for this reason.

Question 10

Answer: 4

Option (4) is correct and (1), (2), and (3) are incorrect because the principle of indefeasibility means that if a person is named on a certificate of title as the owner of the fee simple estate in land, then that is conclusive proof, as far as the world is concerned, that he or she is entitled to that fee simple estate.

Question 11

Answer: 3

Option (3) is correct because if the landlord notifies the tenant of entry to re-let the premises, he will not lose his rights against the tenant. Option (1) is incorrect because the doctrine of frustration only applies when events outside of the control of the parties fundamentally change the subject matter of the contract. In this case, an abandonment of commercial premises would not frustrate the contract. Option (2) is incorrect because even if the landlord did not provide notice, the tenant would not have grounds for an action in trespass, as the landlord has a right to enter incidental to the right to levy a distress. Option (4) is incorrect because the covenant of quiet enjoyment protects the tenant's right to the premises. Here, the tenant has abandoned the premises and the landlord would not be breaching the covenant by entering the premises.

Question 12

Answer: 4

Option (4) is correct because the amount of property insurance does not affect the risk to the lender, and therefore will not be considered in determining the appropriate rate. Options (1) and (2) are incorrect because the borrower's credit rating and the type of property affect the risk of the loan to the lender. Option (3) is incorrect because a lender will set an appropriate rate of return based on the risk of lending, as well as the amount of administrative work required.

Question 13

Answer: 1

Option (1) is correct because a commercial lease for a fixed term terminates at the end of the term, on the specified end date. Options (2), (3), and (4) are incorrect for this reason.

Question 14

Answer: 3

Option (3) is the correct answer because it is not a possible meaning of the term "common law". The body of laws created by the Federal government (i.e., by the federal legislature) is referred to as statute law. Option (1) is incorrect because the term "common law" often broadly refers to the law created by the courts, based in either common-law or equitable principles. Option (2) is incorrect because another possible meaning of "common law" is the original set of court-developed principles, which evolved separately from equitable principles, before these two courts merged. Option (4) is incorrect because the doctrine of *stare decisis* underlies the binding nature of precedent within the common law.

Question 15

Answer: 2

Option (2) is the correct answer because it is false. Separate consideration needs to be given to create an option agreement and keep the offer open. Option (1) is incorrect because it is true – revocation of an offer can happen at any time prior to the expiration of the offer. Option (3) is incorrect because any changes that Harvey makes to the offer would be considered a counter-offer. A counter-offer must be accepted by Mary, so it effectively terminates her original offer. Option (4) is incorrect because revocation must actually be communicated to Harvey. There is no "postal acceptance rule" with regards to revocation.

Question 16

Answer: 2

Find the new PV, given that the payments remain at \$1,413, but the market value of the mortgage changes because the new rates are 12% per annum, compounded semi-annually. This rate is higher than the contract rate; therefore, we would expect the PV of the loan to be lower. Also, we only have 8 years, or 96 N, left on the mortgage.

Press

12 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 96 N
 1413 +/- PMT
 0 FV
 PV
 + 50000 =

Display

12
 2
 12.36
 12
 11.710553
 96
 -1,413
 0
 87,795.457654 (market value of mortgage)
 137,795.457654 (market value of the offer)

The market value of the offer is \$137,795.

Question 17

Answer: 4

Option (4) is correct because an omnibus clause allows the mortgagee to pay monies to be paid by the mortgagor (e.g., property taxes or strata charges) if unpaid and such amounts are added to the principal secured. Options (1), (2), and (3) are incorrect as these clauses are not applicable in such a situation.

Question 18

Answer: 2

Option (2) is the correct answer because the form is compatible across mobile devices, therefore it is not an example of a technological capability issue. Options (1), (3), and (4) are all examples of technological compatibility issues and are therefore incorrect.

Question 19

Answer: 2

Option (2) is correct because there is a seven day rescission right whereby the purchaser can serve written notice of rescission seven days after giving a written statement that they have read the disclosure statement. Options (1), (3), and (4) are incorrect for this reason.

Question 20

Answer: 4

Option (4) is true because the ceiling price of a buyer is subjective and could be any value; for example, far above the appraised value. Option (1) is incorrect as there are no licensing requirements for real estate appraisers. Option (2) is incorrect because the recognized margin of error for an appraisal of an usual property or a market with few participants will likely be much higher than 5% to 10%. Option (3) is incorrect as there is no legal requirement for a specific appraisal license or designation that would prevent a qualified licensed real estate representative from performing an appraisal.

Question 21

Answer: 1

Option (1) is correct because Peter has ratified the contract, which means he has consented to the unauthorized acts of the agent. Therefore, Peter is bound by the contract just as if Alan had been authorized to make it in the first place. He cannot sue for breach of warranty of authority. Option (2) is incorrect because revocation refers to terminating authority, not creating it. Option (3) is incorrect because apparent authority arises from agency by estoppel. Agency by estoppel is not present here, as there was no representation made by Peter, reliance by a third party and an alteration of the third party's position based on that reliance. Option (4) is incorrect because Option (1) is true.

Question 22

Answer: 3

Option (3) is correct because a positive adjustment of \$6,700 for bathrooms indicates that the comparable has one less bathroom than the subject property (3 bathrooms), and a positive adjustment of \$5,500 for the air conditioner indicates that the comparable does not have an air conditioner. Options (1), (2), and (4) are incorrect for this reason.

Question 23

Answer: 1

Option (1) is correct because an appeal from small claims court is to the British Columbia Supreme Court. Options (2), (3), and (4) are incorrect for this reason.

Question 24

Answer: 4

The maximum loan granted will be the lower amount of the loan-to-value constraint and the DCR constraint.

Using the DCR constraint, calculate the maximum allowable payments.

$$\text{DCR} = \frac{\text{NOI}}{\text{Payments}}$$

$$\text{therefore; Payments} = \frac{\text{NOI}}{\text{DCR}} = \frac{\$360,000}{1.35} = \$266,666.67$$

$$\text{Yearly payments} = \$266,666.67$$

Based on these payments, find the corresponding PV.

Press	Display
7 I/YR	7
1 ■ P/YR	1
266666.67 +/- PMT	-266,666.67
20 N	20
0 FV	0
PV	2,825,070.50078

The maximum loan under the DCR is \$2,825,000, rounded to the nearest \$1,000.

Loan-to-value constraint: $0.60 \times \$5,550,000 = \$3,330,000$

Take the lower of the two constraints: since $\$2,825,000 < \$3,330,000$, the maximum loan is \$2,825,000.

Question 25

Answer: 3

Option (3) is relevant and therefore correct because although Herb offered a case of wine as present consideration, the cleaning of the gutters was past consideration. Since past consideration is no consideration, no contract formed between Herb and Zelda. Option (1) is incorrect because an invitation to treat is typically an advertisement or other statement from one party inviting another party to make a legal offer. No invitation to treat appears in this scenario. Option (2) is incorrect because there is no voidable contract to be repudiated on the facts. Option (4) is not relevant because the issue is whether there was consideration to give rise to a valid contract in the first place.

Question 26

Answer: 4

Option (4) is correct because the cost principle states that a company must record the value of an asset as the price paid at the time of acquisition. Option (1) is incorrect because the objectivity principle states that all values must be objective and verifiable. Option (2) is incorrect because the consistency principle states that once a company adopts a certain accounting policy, they should continue to use that same policy. Option (3) is incorrect because the revenue recognition principle states that revenue must be recorded when it is earned, not when cash is received.

Question 27

Answer: 1

Option (1) is correct because a contractual relationship does not need to exist between the parties when a negligent misrepresentation is made. For example, a licensee acting for a seller could be held liable for negligent misrepresentation for a statement made to a buyer despite having no contractual relationship with the buyer. Option (2) is incorrect because the statement made may be fact or opinion as the representative is a skilled person and the other party may reasonably rely on it. Option (3) is incorrect because there is a requirement of reliance on the statement and resulting damage from that reliance to establish a claim of negligent misrepresentation. Option (4) is incorrect because a representative can make a clear disclaimer that they will not be liable for the accuracy of the statement.

Question 28

Answer: 2

Option (2) is the correct answer as it is the only option listed that does not affect the legal rights of ownership of the property. Options (1), (3), and (4) represent legal interests or charges that will affect the appraiser's estimate of market value.

Question 29

Answer: 1

Option (1) is correct because the book value of an asset is calculated as the purchase price of the asset, less all of the accumulated depreciation to date. Options (2) and (3) are incorrect as they both refer to the market value of the asset, and Option (4) is incorrect as it refers to the appraised value of an asset.

Question 30

Answer: 1

Option (1) is correct because the duty to mitigate damages means that the innocent party must try to reduce the loss suffered as a result of the breach. In this case, reducing the loss of income from the rent would occur by re-renting the premises as soon as possible. Options (2), (3), and (4) are incorrect as they refer to other legal principles.

Question 31

Answer: 3

Option (3) is correct because cryptomizing information protects it by encrypting it into an unreadable format. Only those with a secret key or code can decipher the information. Options (1), (2), and (4) are incorrect for this reason.

Question 32

Answer: 2

Option (2) is correct as it describes a mortgage. Options (1) and (4) are incorrect because a mortgage does not necessarily need to be registered to be effective between the parties. This principle is embodied in section 20(1) of the *Land Title Act*. Option (3) is incorrect because a mortgage is not a loan. It is an interest in land created by contract as security for a loan made by a lender to the borrower.

Question 33

Answer: 1

Option (1) is false and therefore correct, because the allowable margin of error is 10%, and the \$3,000 error falls within this margin. Options (2), (3), and (4) are incorrect because these statements are all true.

Question 34

Answer: 2

Option (2) is correct. Land is not considered to be a depreciable asset and thus, depreciation expense is never taken on land. Depreciation expense is only taken on the building.

Book Value = Cost – Accumulated Depreciation

Book Value = \$1,700,000 – (\$50,000 × 10) = \$1,200,000

Question 35

Answer: 4

Option (4) is correct because a licensee is required to provide a Disclosure of Interest in Trade form when there is an offer by the licensee to directly or indirectly acquire real estate. An offer by Chad's friend is neither of these. Option (1) is incorrect because an offer by a corporation in which Chad owns over 5% of the shares is an offer to indirectly acquire real estate. Option (2) is incorrect because an offer by Chad's wife is also an offer to indirectly acquire real estate. Option (3) is incorrect because it is a direct offer to acquire real estate. In these three situations, Chad must provide a Disclosure of Interest in Trade form.

Question 36

Answer: 1

Find the nominal rate per year based on the given PV and FV.

Press	Display
2 ■ P/YR	2
200000 +/- PV	-200,000
0 PMT	0
6 N	6
280985.6 FV	280,985.6
I/YR	11.660105

Question 37

Answer: 2

Option (2) is correct and Options (1), (3), and (4) are incorrect because a revocation of an offer is only effective when it is communicated to the offeree.

Question 38

Answer: 3

Option (3) is correct because “public law” deals with the Constitution and matters between private individuals and the state. Options (1) and (2) are incorrect because these fall under the category of “private law”.

Question 39

Answer: 3

Option (3) is correct because the occupation of the parties is not required in a notice of the end of the tenancy agreement by a tenant. Options (1), (2), and (4) are incorrect they are all required in a notice of the end of the tenancy agreement.

Question 40

Answer: 4

Option (4) is the correct answer as the depreciation approach is not a method of appraisal. Options (1), (2), and (3) all represent valid appraisal approaches and are therefore incorrect.

Question 41

Answer: 3

Option (3) is correct because there is a duty on the real estate licensee to tell his or her client everything relevant to the transaction within the agent’s knowledge. In this case, because the licensee has a personal interest in the transaction, he must disclose it to the client, but the transaction is not automatically prohibited. Options (1), (2), and (4) are therefore incorrect.

Question 42

Answer: 1

Option (1) is correct because First Nation reserve land constitutes an exclusively federal undertaking under the *Constitution Act, 1867*, and therefore, provincial legislation such as the *Strata Property Act* (“SPA”) generally does not apply on such lands, subject to the leasehold landlord provisions in the SPA. Option (2) is incorrect because while the owners may apply to the Civil Resolution Tribunal (CRT) to make binding decisions when a dispute arises, the CRT’s role does not involve proactive efforts such as random audits to ensure compliance. Option (3) is incorrect because all strata corporations are required to hold annual general meetings to comply with the SPA, regardless of their size. There are, however, options for strata corporations to waive the requirement to hold an annual general meeting. Option (4) is incorrect because the same fundamental legal principles apply to all strata developments, and commercial and industrial strata developments are not subject to enhanced compliance requirements under the SPA.

Question 43

Answer: 2

A property possesses latent value if its current state does not represent its highest and best use. Option (2) possesses latent value as the property would have more value if the single-family home was removed and a commercial use building was developed. Options (1), (3), and (4) are incorrect, as these properties are currently being utilized at their highest and best use.

Question 44

Answer: 3

Option (3) is false and therefore correct, because the representations covered by section 52 can be by “any means whatsoever” and can include oral representations. They are not limited to just print and digital representations. Options (1), (2), and (4) are true statements and are therefore incorrect.

Question 45

Answer: 4

Option (4) is correct as it describes the term “unit entitlement”. Options (1), (2), and (3) are false because unit entitlement refers to determining each owner’s proportionate, undivided ownership share of the common property in the strata plan. It is used to determine the share of the strata corporation’s expenses and liabilities for which each strata lot owner is responsible.

Question 46

Answer: 2

$$\text{LTV} = 80\%$$

$$\text{Lending Value} = \$270,000$$

$$\text{Maximum loan under lender's LTV criteria} = 0.80 \times \$270,000 = \$216,000$$

Question 47

Answer: 3

Find the minimum borrower’s income necessary given the monthly payments of \$1,120 and annual property taxes of \$2,500.

$$\begin{aligned} \text{Minimum income} &= \text{PIT} \div \text{GDSR} \\ &= [(\$1,120 \times 12) + \$2,500] \div 0.32 \\ &= \$15,940 \div 0.32 \\ &= \$49,812.50 \end{aligned}$$

Question 48

Answer: 2

Option (2) is correct because the BC Financial Services Authority (BCFSA) may only use funds from administrative penalties for educational purposes, and specifically, to educate the public, licensees, and other participants in the real estate industry about the operation and regulation of the industry and issues related to real estate and real estate services. The remaining options are incorrect because BCFSA has authority to exercise those powers.

Question 49

Answer: 4

Option (4) is correct because it is an example of an inefficient use in heating. Large windows and doors facing south are desirable to make a home as energy efficient as possible. Options (1), (2), and (3) represent characteristics of an energy efficient home and are therefore incorrect.

Question 50

Answer: 2

Option (2) is correct because it describes a mortgage. A mortgage is not a loan itself; it is an interest in land that provides security for the loan. Option (1) is incorrect because the first registered mortgage provides the lender with a legal (rather than an equitable) right of redemption. This is subject to the *borrower's* equity of redemption, which allows the borrower to repay the mortgage after the contractual date for payment. Option (3) is incorrect because a mortgage lender can lose its priority over certain charges even though the mortgage was registered first. Examples of these include builders liens, *Strata Property Act* judgments, property tax liens, wage claim certificates and workers compensation claims. Option (4) is incorrect because retaining the mortgagor's duplicate certificate of title to the land creates an equitable mortgage. The lender cannot register this equitable mortgage as a charge at the land title office.

Question 51

Answer: 1

Option (1) is correct. The first registered mortgage is a legal mortgage, while any subsequent registered mortgage will be an equitable mortgage charging the borrower's equity of redemption. Option (2) is therefore incorrect. Option (3) is incorrect because an assignment of a first mortgage is done by the lender to a third party, who is then entitled to enforce the lender's rights directly against the borrower. Option (4) is incorrect because a vendor take-back mortgage occurs only where a purchaser of property grants a mortgage interest to the vendor of that property.

Question 52

Answer: 3

Option (3) is correct because originally, the word "fee" meant that the estate could be inherited, and the word "simple" meant that there was no qualification on the type of heir that could inherit. Option (1) is incorrect because a fee simple estate is a greater interest in land than a leasehold estate, which time-limited. Option (2) is incorrect because if the owner of the estate in fee simple does not dispose of a property by will, the owner's heirs will inherit the estate in fee simple. Option (4) is incorrect because the concept of fee simple was created before the Torrens system of registration.

Question 53

Answer: 4

Option (4) is correct. The form the subject matter of a grant, the easement must be capable of reasonably exact definition, and the party who grants and whose land benefits from the easement must have the necessary capacity to be grantor and grantee. Option (1) is incorrect because an easement can be either positive or negative in nature (in comparison to a restrictive covenant, which must be negative in nature). Option (2) is incorrect because the easement must accommodate the dominant tenement, not the servient tenement. Option (3) is incorrect because one party can own both the dominant and servient tenement provided that they are two different parcels of land.

Question 54

Answer: 3

Option (3) is correct because mortgage lenders may pre-approve a potential borrower for a mortgage based on his or her current financial situation and a satisfactory credit review. Options (1), (2) and (4) are incorrect.

Question 55

Answer: 4

Option (4) is correct because a pulp mill in Squamish is likely very unique without any comparable properties, so the cost approach must be used. Options (1), (2), and (3) are incorrect because these are likely inappropriate methods to appraise such a property, given its unique character.

Question 56

Answer: 3

Option (3) is correct because the overriding principle of specific performance is that it will not be exercised when damages are an adequate remedy. Options (1), (2), and (4) are incorrect because they are irrelevant to the determination of an award of specific performance.

Question 57

Answer: 2

Option (2) is correct because the act of test driving the car and having it inspected is necessary in order to enable Tim to carry out the express authority and is incidental to that authority. It is therefore an example of implied authority. Option (1) is incorrect because it is an example of express authority. Option (3) and (4) are incorrect because they are examples of acts that Tim does not have actual or apparent authority to do. Therefore, authority cannot be implied for these acts.

Question 58

Answer: 4

Option (4) is the correct answer because consumers should clearly be able to differentiate a licensee's own listings from other available properties. Option (1) is incorrect because the name of the brokerage must appear in a prominent and easily readable form on all internet and social media advertising vehicles. Option (2) is incorrect because licensees should NOT advertise other licensees' listings directly on their own website without the approval of the listing licensee. Option (3) is incorrect because if a licensee is a member of a team, the team name has to be included in social media advertising as well as on the licensee's website.

Question 59

Answer: 4

Option (4) is correct because section 1 of the *Strata Property Act* defines common property as any property not designated as strata lots on a strata plan. Options (1), (2), and (3) are incorrect because common property is owned by the members of the strata corporation, each in the proportion set out in the Schedule of Unit Entitlement.

Question 60

Answer: 4

Option (4) is the correct answer; Options (1), (2), and (3) are all included in the residential borrower qualification process. Lenders engage in many types of analysis to qualify a borrower to reduce the risk of lending.

Question 61

Answer: 4

Option (4) is correct because none of the other statements accurately describe the requirement of writing. Option (1) is incorrect because an unwritten contract or disposition of land can be enforced against a party who has done or acquiesced in an act that indicates that contract or disposition has been made. It can also be enforced if the person alleging the contract or disposition has changed his position in reliance on such an act and it would be inequitable not to enforce the contract or disposition. Given this, Option (2) is also incorrect. Option (3) is incorrect because there is no requirement that a contract for the sale of land be contained in one written document.

Question 62

Answer: 2

Option (2) is correct. Option (1) is false as the date on which adjustments are made between the parties for property taxes, interest, rent and other appropriate items is known as the adjustment date. Option (3) is false because the possession date is not always the same date as the completion date. Registration (performed on the completion date) takes some time to effect, so to set the possession date on the same date as the completion date may not be ideal. Option (4) is false because the buyer assumes responsibility for risk of loss or damage to the property on the completion date, when the buyer is registered on title at the Land Title Office.

Question 63

Answer: 2

Option (2) is correct because the term of a mortgage is the contractual period for which a borrower will make constant payments to the lender. Option (1) is incorrect because a partially amortized mortgage would not require payment of an outstanding balance at the end of the term. This is only required in the instance where a mortgage is fully amortized and the term length equals the amortization period. Option (3) is incorrect because incorrect because the term length of a partially amortized mortgage would be less than the amortization period. Option (4) is incorrect because the term length of a fully amortized mortgage would be equal to the amortization period.

Question 64

Answer: 2

Option (2) is correct because a building scheme is defined in the *Land Title Act* as a set of restrictive covenants imposed on two or more lots within a particular subdivision, generally used to maintain uniformity of the lots to protect their value. Option (1) is incorrect because building schemes are used to impose restrictions on all owners of the affected properties, while easements are granted to confer rights to the dominant tenement. Option (3) is incorrect because the restrictive covenants in a building scheme will disallow the buyer from building to their own tastes if these contravene the covenants. Option (4) is incorrect because a building scheme is registered by a Declaration of Creation of a Building Scheme which is separate from any required disclosure statement.

Question 65

Answer: 4

Calculate the required payments according to the loan contract, then calculate the cost of funds advanced using a present value that is net of commission, appraisal, survey, and legal fees.

Press	Display
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16
12 ■ P/YR	12
■ NOM%	7.869836
240000 PV	240,000
180 N	180
0 FV	0
PMT	-2,275.567074
2275.57 +/- PMT	-2,275.57
228400 PV	228,400 (\$240,000 - \$8,000 - \$2,000 - \$600 - \$1,000)
I/YR	8.696795 (j_{12})
■ EFF%	9.051965 (j_1)

Question 66

Answer: 4

Option (4) is correct and Options (1), (2), and (3) are incorrect because the three requirements for a statutory assignment are that it is in writing, it is absolute and unconditional, and notice of the assignment is given to the original promisor.

Question 67

Answer: 2

Option (2) is correct because in the comparable property has 1 fewer bedroom and 1 fewer bathroom. Therefore, in relation to the subject property, this comparable will need an adjustment of +\$3,200 for 1 bedroom and +\$5,700 for 1 bathroom. Options (1), (3), and (4) are incorrect for this reason.

Question 68

Answer: 3

Press	Display
6 I/YR	6
12 <input checked="" type="checkbox"/> P/YR	12
75000 PV	75,000
75000 +/- FV	-75,000
1 N	1
PMT	-375

Alternative Solution

Press	Display
6 ÷ 12 =	0.5
%	0.005
× 75000 =	375

With an interest only loan, all periodic payments until the end of the term of the loan are interest payments and are identical. Ally will make monthly interest only payments of \$375.

Question 69

Answer: 1

Option (1) is correct because the salesperson likely has a duty of care towards Kim when coming onto her property and demonstrating something to her. He may be found to have breached the standard of care by failing to take reasonable precautions not to damage her property. Option (2) is incorrect because the salesperson is not an occupier, and the *Occupiers Liability Act* deals only with liability to an occupier. Option (3) is incorrect because the fact that the salesperson is a trespasser does not bar Kim from recovering damages stemming from his conduct on her property. Option (4) is incorrect because the salesperson's actions are more akin to trespass than private nuisance. The fact that the salesperson entered onto Kim's land and placed something upon it and that it was an isolated occurrence point towards trespass rather than private nuisance.

Question 70

Answer: 2

Find the property's loan-to-value ratio using the value of the mortgage and the property's lending value.

$$\frac{\$84,000}{\$120,000} = 70\%$$

Question 71

Answer: 4

Option (4) is correct and Options (1), (2), and (3) are incorrect because each strata lot, together with the strata lot owner's share in the common property, is deemed to be a separate parcel of land and is assessed and taxed individually.

Question 72

Answer: 2

$$DCR = \frac{NOI}{PMT}$$

$$PMT = \frac{NOI}{DCR} = \frac{\$600,000}{1.4} = \$428,571.43 \text{ (annual payment)}$$

This loan calls for quarterly payments:

$$\$428,571.43 \div 4 = \$107,142.86$$

Press

5.5 ■ NOM%

1 ■ P/YR

■ EFF%

4 ■ P/YR

■ NOM%

107142.86 +/- PMT

 $20 \times 4 = N$

0 FV

PV

Display

5.5

1

5.5

4

5.39007

- 107,142.86

80

0

5,226,047.27465

The amount that would be borrowed is \$5,226,000, rounded to the nearest \$1,000.

Question 73

Answer: 1

Option (1) is correct because product positioning refers to the position a product or service holds within the minds of its consumers. Options (2), (3), and (4) are incorrect for this reason.

Question 74

Answer: 2

Find the market value using the cost method of appraisal.

Site Value: \$900,000

+ Cost of Improvements = $\$48 \times 50,000 = \$2,400,000$

- Depreciation $\$2,400,000 \times 0.10 = \$240,000$

Market value = $\$900,000 + \$2,400,000 - \$240,000 = \$3,060,000$

Question 75

Answer: 1

Option (1) is correct because depreciation expense cannot be deducted from taxable income. Instead, the *Income Tax Act* permits a capital cost allowance deduction from taxable income. Option (2) is therefore incorrect. Option (3) is incorrect because taxable income is used to calculate income taxes payable. Option (4) is incorrect because any declared dividends are important for taxation, as corporations receive special tax treatment for declaring and paying cash dividends.

Question 76

Answer: 4

Option (4) is correct because the owners of Green Acres, as “occupiers”, owe a duty to take reasonable care to ensure that persons entering their property will be reasonably safe. Despite being away on vacation, the owners of Green Acres are “occupiers” for the purposes of the *Occupiers Liability Act* because they maintain responsibility for, and control over, their property even while physically absent. Ensuring the safety of persons entering onto their property may have required the owners of Green Acres to take steps to address the hazard posed by the old, overhanging tree branch. If this is the case, the owners will be liable to Gheeta for her injury. Option (1) is incorrect because the risk of the tree hurting someone who comes onto the property only needs to be reasonably foreseeable, not known by the owners of Green Acres. Option (2) is incorrect because it is irrelevant whether the owners of Green Acres were home or not at the time of the injury. Option (3) is incorrect because Gheeta was injured on Green Acres and those who fall under the definition of an “occupier” of Green Acres under the *Occupiers Liability Act*, such as the owners of Green Acres, may also be liable to Gheeta for damages.

Question 77

Answer: 2

Option (2) is correct because if a bidder’s ceiling price is \$30,500, then this is the highest he will bid — he’s hit the ceiling. If an owner’s floor price is \$32,500, then this is the lowest the owner will go. Therefore, a sale cannot take place because there is no price the bidder is willing pay that the owner will accept. Option (1) is incorrect because the ceiling and floor prices are the highest and lowest that the parties will go, respectively. A sale price cannot be negotiated outside of each party’s price range. Option (3) is incorrect for this reason. Option (4) is incorrect because there is no indication that the parties are behaving unreasonably.

Question 78

Answer: 4

Option (4) is correct because a misrepresentation is not required to be in writing. Options (1), (2), and (3) are incorrect because the requirements to establish misrepresentation in contract law are that it must be an assertion of fact, it must be false, and it must have been material to the formation of the contract (i.e., it must have reasonably induced the other party to enter into the contract).

Question 79

Answer: 2

Option (2) is correct because a website that is not compatible with mobile devices may be penalized in search engine results that originate from mobile devices. Option (1) is incorrect because SEO refers to how easily a website can be found in unpaid (NOT paid) search results. Option (3) is incorrect because SEO stands for Search Engine Optimization. Since Options (1) and (3) are false, Option (4) is incorrect.

Question 80

Answer: 4

Option (4) is correct because Avon would not be liable in any of the previous scenarios. Option (1) is incorrect because it is an example of ameliorating waste. Avon is not liable for ameliorating waste because his life tenancy has been granted “without impeachment for waste.” Option (2) is also incorrect for this reason, as it is an example of permissive waste. Option (3) is incorrect because it is an example of voluntary waste.

Question 81

Answer: 2

Option (2) is correct because the principal of substitution in the comparative approach of appraisal states that a property's value should not exceed the cost of purchasing an alternate property that can provide similar utility. Therefore, similar properties that have recently sold are comparable. Option (1) is incorrect because the value to owner is highly subjective and likely differs from market value. Option (3) is incorrect because it is impossible to find identical properties; however, it is usually possible to find lots with enough common characteristics to regard them as similar for the purpose of appraisal. Option (4) is incorrect because it describes the cost approach, not the comparative approach of appraisal.

Question 82

Answer: 1

Option (1) is correct because each strata lot gets one vote. If two or more persons share one vote because they own the strata lot together, only one of them may vote on a given matter. Option (2) is incorrect because votes are allocated one per strata lot, not by unit entitlement. Option (3) is incorrect because votes are allocated one per strata lot, not by individual owner. Option (4) is incorrect because the strata lot is entitled to one vote, regardless of the type of resolution being made.

Question 83

Answer: 1

Option (1) is correct because it is an example of frustration, rather than a breach of contract. Option (2) is incorrect because it is an example of a breach of contract. After the contract was agreed to, Quin did not fulfil his promise under the contract. Option (3) is incorrect because after the contract was agreed to, Fred did not fulfil his promise under the contract. Option (4) is incorrect because after the contract was agreed to, Adrian did not fulfil his promise under the contract.

Question 84

Answer: 2

Option (2) is correct because interest paid on a mortgage is not considered an operating expense. Options (1), (3), and (4) are incorrect because these are all included in operating expenses, which are paid by the landlord.

Question 85

Answer: 3

Option (3) is correct because a fixed term tenancy cannot be terminated by the landlord before the end of the fixed term (i.e., December 31). The earliest that Bing can require Diana to leave is December 31, by serving Diana with a Two Month Notice to End Tenancy for Landlord's Use of Property on October 31. Options (1), (2), and (4) are incorrect for this reason.

Question 86

Answer: 3

Option (3) is correct because an appraiser will not be able to obtain the buyer's expected rent and expense forecasts, as this is not publicly-accessible data. Options (1), (2), and (4) are incorrect because an appraiser valuing a commercial property can obtain documents, filings, and market data outlining things such as current lease conditions at the time of sale of the property, the amount of any registered mortgages, and the physical characteristics of the building.

Question 87

Answer: 3

Option (3) is correct because a board of variance is a local government board that determines whether a zoning bylaw creates undue hardships on property owners. It can grant a minor variance, provided it does not conflict with the local government's policies. Option (1) is incorrect because a board of variance is not a provincial board. Option (2) is incorrect because a board of variance does not have the power to amend property assessments. Option (4) is incorrect because while a board of variance may grant minor variances to zoning bylaws, it does not settle property line disputes between private parties.

Question 88

Answer: 3

Find his monthly principal and interest payment given Jeff's income, taxes, and his gross debt service ratio of 30%.

$$\frac{P + I + \$200}{\$3,000} = 0.30$$

$$P + I = (\$3,000 \times 0.30) - \$200 = \$700$$

Question 89

Answer: 2

Option (2) is correct because real estate as a product is generally unique and complex, requiring expert skills and knowledge for an accurate appraisal. Option (1) is incorrect because no license is required to conduct an appraisal. Option (3) is incorrect because real estate is unique, and therefore cannot be classified as a homogenous commodity. Option (4) is incorrect because the low turnover of real estate makes it difficult to collect information regarding recent sales.

Question 90

Answer: 4

Option (4) is false and is therefore the correct answer. The unity of interest requires that all joint tenants have the same estate or interest in land; the extent, nature, and duration must be identical. Option (1) is incorrect in certain scenarios, a joint tenancy can be severed by one of the joint tenants even if the other joint tenant(s) is unaware of the action of the joint tenant severing the joint tenancy. Option (2) is incorrect because in a joint tenancy, the co-owners each have an undivided share in the property. By definition, joint tenants are co-owners of the same interest, whatever that interest may be. Finally, Option (3) is incorrect because a defining feature of joint tenancy is the right of survivorship. This means that when one joint tenant dies, that joint tenant's estate automatically vests in the surviving joint tenant(s).

Question 91

Answer: 3

Option (3) is correct because central, gas-fired, forced air heating systems require ductwork under the floor, which makes it difficult and expensive to install after the house is already built. Options (1) and (2) are incorrect because these types of heating systems are advantageous in that they also provide air filtration and have a fast response time to temperature changes. Option (4) is incorrect because these types of heating systems transmit heat through convection.

Question 92

Answer: 2

Option (2) is correct because it is true. Option (1) is false because a listing contract is a specialized form of agency contract. It is a contract between the seller and a real estate brokerage. The brokerage promises to try to find a buyer and the seller promises to pay a stated amount of commission if the brokerage is successful. Option (2) is true. Designated Agency eliminates the conflict that previously arose when two licensees in the same brokerage represented both the seller and the buyer in a transaction. Option (3) is false because real estate brokerages can work on behalf of a seller or a buyer on a real estate transaction. Option (4) is false because an agent's authority to bind his or her principal can arise: (1) expressly; (2) by implication; (3) as a result of the doctrine of estoppel; or, (4) by ratification by the principal of the agent's acts done on the principal's behalf.

Question 93

Answer: 1

Option (1) is correct and Option (2) is incorrect because under section 59 of the *Law and Equity Act*, a contract for the sale of land must generally be in writing and signed by all parties to the contract. Option (3) is incorrect because an amendment to a contract of purchase and sale will state that it does not terminate the existing contract. Option (4) is incorrect because if a change is made to the contract of purchase and sale before the buyer's offer is accepted, then there is no contract of purchase and sale. It is simply an amendment to the offer (i.e., a counter-offer).

Question 94

Answer: 4

Option 4 is correct. \$175,000 is the face value, the amount that the contract is written for. However, there are legal fees, commissions, and appraisal fees that are deducted; therefore, the actual amount that is applied to the loan is \$171,000 (present value).

Press	Display
12 ■ P/YR	12
171000 PV	171,000
1103.21 +/- PMT	- 1,103.21
240 N	240
0 FV	0
I/YR	4.73037
■ EFF%	4.834288

Question 95

Answer: 2

Option (2) is correct because the lender's knowledge that the property has been sold will not relieve the borrower from liability on his or her personal covenant. Options (1), (3), and (4) are incorrect because these events will relieve the borrower from this liability.

Question 96

Answer: 4

Option (4) is correct because when taxes are previously paid by the seller, the buyer should reimburse the seller for the portion of the year from the adjustment date onward. The reimbursement will appear as a credit on the seller's statement and a debit on the buyer's statement. Patty's share of the year's property taxes (Nov. 14 – Dec. 31 = 48 days) is calculated in the following manner: $48/365 \times \$896 = \117.83 . Options (1), (2), and (3) are therefore incorrect.

Question 97

Answer: 3

Option (3) is correct because when a new loan is received by the buyer from a mortgage company or third party, the amount appears only as a credit on the buyer's statement of adjustments, as a new loan does not affect the seller's cash proceeds of sale. The \$65,000 loan will only appear on Pedro's statement, as a credit. Options (1), (2), and (4) are therefore incorrect.

Question 98

Answer: 1

Buyer's Statement of Adjustments (Pamela)

ITEM	DEBIT	CREDIT
Purchase Price	75,900.00	
Deposit to Lawyer*		2,000.00
Ring		7,500.00
1 st Mortgage		65,000.00
Buyer's Share of Taxes**	117.83	
Lawyer's Fee	600.00	
Property Transfer Tax	759.00	
Balance Due to Complete***	<u>77,376.83</u>	<u>2,876.83</u>
	<u>77,376.83</u>	<u>77,376.83</u>

* Since the deposit is being paid to the lawyer in trust, the amount will not appear on the Seller's statement of adjustments.

** (Nov. 14-Dec. 31 = 48 days) $48/365 \times \$896 = \117.83

*** Because the total Debits and Credits must balance, in order to find the Balance Due to Complete, you must first calculate the total Debits (\$77,376.83) and then subtract the known Credits. The result is the balance due from the buyer to complete the transaction.

Question 99

Answer: 2

Option (2) is correct because the real estate commission is payable by Valerie and would appear as a debit only on her statement. Options (1), (3), and (4) are incorrect as it does not affect Phil's balance due to complete.

Question 100

Answer: 2

Option (2) is correct and Options (1), (3), and (4) are incorrect because the only way a victim of a fraudulent conveyance of his or her land will lose the right to have the transfer set aside is when the title to the property has been transferred to a good faith purchaser for valuable consideration.

Question 101

Answer: 4

Option (4) is correct because it is true. Option (1) is incorrect because the turnover rate for real property is low, meaning there are limited data sources and information available upon which to base an opinion of an value. Option (2) is incorrect because every parcel of real property is distinct, unique, and heterogenous, meaning property values cannot be easily standardized or generalized. Option (3) is incorrect because real property is durable and long-lasting, meaning it may not be quick to respond to market pressures.

Question 102

Answer: 2

Option (2) is correct because these powers have been assigned to the provincial government under the *Constitution Act, 1867*. Options (1), (3), and (4) are incorrect because these have been assigned to the federal government under the *Constitution Act, 1867*.

Question 103

Answer: 3

Option (3) is correct because the British Columbia Financial Services Authority (“BCFSA”) cannot suspend the licensee from participation in the Multiple Listing Service (MLS) following a disciplinary hearing. Only a local real estate board can suspend a licensee from participation in the MLS. Options (1), (2), and (4) are all examples of actions that BCFSA can take following a disciplinary hearing, under section 43 of the *Real Estate Services Act*.

Question 104

Answer: 2

Option (2) is correct because in order to qualify for a managing broker’s licence in British Columbia, an applicant must have been providing real estate services as a licensee for at least two years during the five years before the date of the application in British Columbia, or in an equivalent jurisdiction. Option (1) is incorrect because to qualify for a managing broker’s licence, a person is not required to submit personal financial statements of each licensee they intend to hire. Option (3) is incorrect because to qualify for a managing broker’s licence in British Columbia, a person is required to have at least two years’ experience in a Canadian province or Yukon. Option (4) is incorrect because a minimum of 19 years of age is required.

Question 105

Answer: 1

Calculate the required payments, according to the loan contract, then calculate the cost of funds advanced using a face value that is net of commission fees.

Press

6.75 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 150000 PV
 240 N
 0 FV
 PMT
 1132.27 +/- PMT
 60 INPUT ■ AMORT
 = = =
 128701.36 +/- FV
 144850 PV
 60 N
 I/YR
 ■ EFF%

Display

6.75
 2
 6.863906
 12
 6.65699
 150,000
 240
 0
 -1,132.26645
 -1,132.27
 PER 60-60
 128,701.364204
 -128,701.36
 144,850 (\$150,000 - \$4,000 - \$450 - \$700)
 60
 7.537423 (j₁₂)
 7.803344 (j₁)

Question 106

Answer: 1

Option (1) is correct because a builders lien must be filed within 45 days after the project is substantially completed, ended, or abandoned. Option (2) is incorrect because liens may still be filed after ownership of a

property is transferred, and the buyer may potentially be liable for any builders liens that are filed even after the completion of their purchase. Option (3) is incorrect because both general contractors, and subcontractors who were not paid by a general contractor, may file builders liens. Option (4) is incorrect because the *Builders Lien Act* requires owners to hold back 10% of the price they are required to pay under the contract. The 7% holdback applies only when individuals are purchasing strata lots from an owner developer, and where applicable, the 7% applies to the gross purchase price.

Question 107

Answer: 4

Option (4) is correct because all of the options are examples of trespass. Trespass consists of wrongfully entering, remaining on, or placing something on another's land. Trespass requires both a voluntary and a direct action. Option (1) is an example of trespass because even though entering the other property was a mistake, it was still intentional since the person had control over where they were walking. Option (2) is an example of trespass because deliberately crossing another person's property is both voluntary and direct. Option (3) is an example of trespass because even though the person did not personally step on another person's land, they intentionally threw the item. The item ended up on the other person's property as a result of the direct act of the trespasser.

Question 108

Answer: 1

Option (1) is correct because a lease is an estate in land, while a license is a contractual right that contains no estate in land. Option (2) is incorrect because a contract for a license may be in writing. Option (3) is incorrect because the terminology is not the most significant difference between a lease and a license, since they contain different rights. Option (4) is incorrect because leases provide exclusive possession, while licenses give the rights described in the license agreement.

Question 109

Answer: 3

Find the outstanding balance.

Press	Display
4.5 ■ NOM%	4.5
2 ■ P/YR	2
■ EFF%	4.550625
12 ■ P/YR	12
■ NOM%	4.458383
175000 PV	175,000
240 N	240
0 FV	0
PMT	-1,103.209022
1110 +/- PMT	-1,110
24 INPUT ■ AMORT	PER 24-24
= = =	163,479.729773

The outstanding balance owing at the end of 24 months is \$163,479.73.

Question 110

Answer: 4

Option (4) is correct because a corporation is a type of organization that is considered a separate legal and taxable entity. Options (1), (2), and (3) are incorrect because sole proprietors and all types of partners must include their business income on their personal income tax returns.

Question 111

Answer: 4

Option (4) is correct because prescribing the maximum lot area per dwelling is not a method of measuring density. Rather, prescribing the minimum lot area per dwelling is a method of measuring density. Options (1), (2), and (3) are incorrect because total floor area of the building in relation to the size of the lot, floor area ratio, and number of dwelling units per hectare are all methods of measuring density.

Question 112

Answer: 2

Option (2) is correct because the offer can be revoked without warning, as long as the offer has not been accepted. Option (1) is incorrect because if an offer has a specified time for expiry, it can be revoked prior to the date of expiry (unless consideration has been given to keep the offer open). Option (3) is incorrect because revocation cannot be made after the offer has been accepted. Option (4) is incorrect because the method of revocation does not need to be the same as the method used in the offer. The postal acceptance rule does not apply to revocation.

Question 113

Answer: 3

Option (3) is correct because, if properly drafted, a contract of purchase and sale is a binding contract. Option (1) is incorrect because a contract of purchase and sale is not a contract to make a contract. Option (2) is incorrect because a contract of purchase and sale, if properly drafted, is enforceable. Option (4) is incorrect because a contract of purchase and sale is a contract, not an invitation to treat.

Question 114

Answer: 4

Option (4) is correct because the rate of commission payable is not required in a contract of purchase and sale; rather, it is included in a listing contract. Options (1), (2), and (3) are incorrect because parties, property and price must be included in a contract of purchase and sale.

Question 115

Answer: 4

Option (4) is correct because it is false. An agent can be held liable to a third party for fraudulent statements, regardless of whether their principal knew or authorized the actions. Option (1) is incorrect because a principal is liable both for the actions taken by his or her agent and when they expressly authorize a fraudulent act. Option (2) is incorrect because an agent is personally liable to a third party when the agent has knowingly made false representations. Option (3) is incorrect because an agent cannot escape personal liability for fraud on the basis that the agent was authorized by the principal to commit it.

Question 116

Answer: 3

Option (3) is correct because assumed authority is not one of the forms of authority that allows an agent to enter into a contract on behalf of their principal. Option (1), (2), and (4) are incorrect because implied authority, apparent authority, and express authority all allow the agent to enter into a contract.

Question 117

Answer: 2

Option (2) is correct because mortgages require a high degree of initial administrative work such as writing contracts and registering a charge on the property, as well as subsequent administration of payments, outstanding balance, and refinancing. Option (1) is incorrect because each mortgage is a unique investment and is difficult to trade. Option (3) is incorrect because mortgage investments require a large capital outlay.

Option (4) is incorrect because mortgages typically have long repayment terms, which make it difficult for the investor to reinvest the periodic payments at a good rate.

Question 118

Answer: 2

Find the amount of principal that has been paid off during the 5-year term.

Press	Display
12 I/YR	12
12 ■ P/YR	12
159900 PV	159,900
25 × 12 = N	300
0 FV	0
PMT	-1,684.105403
1684.11 +/- PMT	-1,684.11
1 INPUT 60 ■ AMORT	PER 1-60
=	-6,950.905596

The amount of principal paid off during the 5-year term is \$6,950.91.

Question 119

Answer: 4

Press	Display
6 ■ NOM%	6
2 ■ P/YR	2
■ EFF%	6.09
12 ■ P/YR	12
■ NOM%	5.926346
200000 PV	200,000
20 × 12 = N	240
0 FV	0
PMT	-1,424.376884
1425 +/- PMT	-1,425
12 INPUT ■ AMORT	PER 12-12
= = =	194,607.790694

The monthly payment is \$1,425 and the outstanding balance after 12 payments is \$194,607.79.

The three months' interest penalty equals:

$$\text{Penalty} = \text{OSB}_{12} \times i_{\text{mo}} \times 3$$

The calculator steps continue as follows:

Press	Display
RCL I/YR ÷ 12 =	0.493862
%	0.00493862
× 194607.79 × 3 =	2,883.282957

Question 120

Answer: 3

To solve for the outstanding balance owing at the end of the term, first determine the monthly payment under the loan. Take $\frac{1}{2}$ of that monthly payment as the accelerated payment. Then change the interest rate to an equivalent j_{26} rate, and using $\frac{1}{2}$ of the regular monthly payment, solve for the outstanding balance at the end of the term.

Press	Display
5.5 ■ NOM%	5.5
2 ■ P/YR	2
■ EFF%	5.575625
12 ■ P/YR	12
■ NOM%	5.438018
370000 PV	370,000
240 N	240
0 FV	0
PMT	2,532.247768
÷ 2 =	-1,266.123884
1267 +/- PMT	-1,267
5.5 ■ NOM%	5.5
2 ■ P/YR	2
■ EFF%	5.575625
26 ■ P/YR	26
■ NOM%	5.431399
1 INPUT 78 ■ AMORT	PER 1-78
= = =	328,192.437346

The outstanding balance owing at the end of the 3-year term is \$328,192.44.

Question 121

Answer: 3

Option (3) is correct because a mortgagor (i.e., a borrower) who grants a mortgage of real property to a lender retains an interest described as “the equity of redemption”. The equity of redemption protects the borrower’s right to redeem the property upon payment of the mortgage. Option (1) is incorrect because a right of foreclosure arises in favour of a lender where the borrower defaults on the mortgage. Option (2) is incorrect because a mortgage at common law was a conveyance of both title to land and the possession of the land to a lender, not a right retained by the borrower. Option (4) is incorrect because an equitable mortgage refers to a mortgage which is not (and perhaps cannot be) registered on title as a legal mortgage.

Question 122

Answer: 2

Option (2) is correct because a mortgage that is granted, but for procedural reasons is not registrable, is recognized as an equitable mortgage. Option (1) is incorrect because this type of mortgage is an equitable mortgage, and is enforceable. Option (3) is incorrect because while a lender should file a caveat to protect its position until the mortgage is in proper registrable form and registered on title, a caveat is not the only protection for an equitable mortgage. An equitable mortgage can also be protected by handing over to the lender the duplicate certificate of title as security for the loan. Option (4) is incorrect because this is an equitable mortgage, not a legal mortgage.

Question 123

Answer: 4

Find the payment and outstanding balance according to the loan contract, then value these amounts at the market rate. Add the cash down payment to obtain the market value of the offer. In this example, since the market interest rate is higher than the contract rate, the market value of the offer will be less than the stated offer price of \$235,000.

Press

4 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 150000 PV
 300 N
 0 FV
 PMT
 790 +/- PMT
 60 INPUT ■ AMORT
 = = =
 130516.64 +/- FV
 9 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 60 N
 PV
 + 85000 =

Display

4
 2
 4.04
 12
 3.967068
 150,000
 300
 0
 -789.030308
 -790
 PER 60-60
 130,516.63687
 -130,516.64
 9
 2
 9.2025
 12
 8.835748
 60
 122,246.785707 (market value of the mortgage)
 207,246.785707 (market value of the offer)

The market value of the offer is \$207,246.79.

Question 124

Answer: 1

First, convert the nominal interest rate with semi-annual compounding ($j_2 = 11.25\%$) to the equivalent nominal interest rate with monthly compounding. Then, calculate the mortgage payments required for a \$42,500 loan:

Press	Display
11.25 ■ NOM%	11.25
2 ■ P/YR	2
■ EFF%	11.566406
12 ■ P/YR	12
■ NOM%	10.995046
42500 PV	42,500
300 N	300
0 FV	0
PMT	-416.395839

Next, multiply the rounded payment by 12 to get the annual debt service:

$$\$416.40 \times 12 = \$4,996.80$$

$$\text{GDSR} = 27\%$$

$$\text{GDSR} = \frac{P + I + T}{\text{GI}} \rightarrow 0.27 = \frac{\$4,996.80 + \$600}{\text{GI}}$$

$$\text{GI} = \$5,596.80 \div 0.27$$

$$\text{GI} = \$20,728.89$$

The minimum annual gross income the purchaser must have to qualify for this loan is \$20,728.89.

Question 125

Answer: 4

Option (4) is correct because the federal government has exclusive jurisdiction with respect to the development and operation of airports. Options (1), (2), and (3) are incorrect because land use zoning, subdivision regulation, and building regulations are all regulated by local government.

Question 126

Answer: 3

Option (3) is correct because an assessment notice is a notice informing a property owner of the value of the property as of July 1 of the previous year. Option (1) is incorrect because a separate statement called a “tax notice” is sent to property owners requesting payment of taxes. Option (2) is incorrect because notice is not issued prior to an appraisal. Option (4) is incorrect because an assessment notice does not deal with costs of local improvement projects to property owners.

Question 127

Answer: 2

Option (2) is correct because zinc strips discourage moss growth on a roof. When it rains, the rain carries tiny amounts of zinc down the slope of the roof, which prevents moss from growing in this otherwise damp location. Options (1), (3), and (4) are incorrect as they do not describe the purpose of a zinc strip.

Question 128

Answer: 4

Option (4) is correct because it is false. The appraiser must understand the client's intended use in order to make the appropriate scope of work decision. Option (1) is incorrect because appraisers do not rely on the client; they use their experience and judgment to establish the information necessary to identify and resolve the problem. Option (2) is incorrect because the appraiser determines the scope of work and level of information necessary to produce a credible appraisal. Option (3) is incorrect because limited detail may be acceptable if it falls within the requested scope of work and limitations are indicated in the report.

Question 129

Answer: 2

Option (2) is correct because the comparative approach is based on the principle of substitution, which asserts that a property's value should be no more than the cost of purchasing a substitute property that provides similar utility. Options (1), (3), and (4) are incorrect as they do not form the basis of the comparative approach of appraisal.

Question 130

Answer: 3

Option (3) is correct because when using a rating grid, the subject property is the standard of comparison and each comparable sale is adjusted to it. The subject property is not adjusted to the comparables nor are the comparables adjusted to each other. Option (1) is incorrect because the correct approach is to determine which comparable is most like the subject property and use that as main evidence for the final market value, not to average the value of the comparable sale prices. Option (2) is incorrect because the comparable properties need not have the same lot size as the subject property. Option (4) is incorrect because the comparable properties do not require the same cost of improvements as the subject property.

Question 131

Answer: 2

Option (2) is correct because a wood burning furnace as a property's primary heating system is an example of functional curable depreciation, which is an outdated feature that can be corrected economically. Options (1), (3), and (4) are incorrect for this reason.

Question 132

Answer: 1

Find the yield of the property given the NOI and the sale price.

$$\text{Yield} = \frac{\text{NOI}}{\text{Sale Price}}$$

$$\text{Yield} = \$88,000 \div \$800,000$$

$$\text{Yield} = 11\%$$

Question 133

Answer: 3

Option (3) is correct because legal Fees for conveyance are classified under the "debit" of the purchaser, and legal Fees to discharge an existing mortgage on title is under "debit" of the vendor. Options (1), (2), and (4) are incorrect for this reason.

Question 134

Answer: 4

Option (4) is correct because the marketing mix consists of product, place, price, and promotion. Options (1), (2), and (3) are incorrect for this reason.

Question 135

Answer: 2

Option (2) is correct because an owner developer creates a strata development by filing a strata plan with the land title office. On the strata plan, the entirety of the building is divided between strata lots and common property. Option (1) is incorrect because a strata plan does not contain the developer's goals nor does it form part of the disclosure statement. Option (3) is incorrect because cooperative owners possess shares in a non-profit corporation, which in turn holds title to the land. Therefore, there is no need to file a strata plan to divide the property into individual units. Option (4) is incorrect because a strata plan must be filed for any strata development regardless of the number of lots being created.

Question 136

Answer: 4

Option (4) is correct because Options (1), (2), and (3) all describe situations in which a lender who is foreclosing may ask the court to appoint a receiver. If a mortgaged property has been abandoned (as described in Option (3)) or contains a commercial operation (as described in Options (1) and (2)), the lender may request that the court appoint a receiver to collect the rents, pay the bills, and generally keep the business going.

Question 137

Answer: 4

Option (4) is correct because an appraisal values the legal rights of ownership vested in a particular piece of real estate. Options (1), (2), and (3) are incorrect as they do not describe the subject of an appraisal.

Question 138

Answer: 3

Option (3) is correct because a private nuisance occurs when an owner or occupier of land unreasonably and substantially interferes with the reasonable use and enjoyment of a neighbouring property. Option (1) is incorrect because private nuisance is concerned with the use and enjoyment of property, not the safety or comfort of the public at large. Option (2) is incorrect because an act constituting private nuisance need not involve a trespass (e.g., the wrongful disturbance of an easement may constitute a private nuisance). Option (4) is incorrect because Option (3) is correct.

Question 139

Answer: 4

Option (4) is correct because it is not mandatory to consider the potential increase in real property tax revenue to convert a rental building to a condominium. Options (1), (2), and (3) are all factors the approving authority must consider when deciding whether to approve the conversion.

Question 140

Answer: 1

Option (1) is correct because the immobility of land does not affect how a purchase is financed. Options (2), (3), and (4) are incorrect as they result from the immobility of land.

Question 141

Answer: 3

Option (3) is correct because a vaulted ceiling is an architectural variation, not a structural method used in housing construction. Options (1), (2), and (4) are incorrect because they describe types of structural methods used in housing construction.

Question 142

Answer: 4

Option (4) is correct because the monthly payment on a straight line principal reduction loan declines over time. Options (2) and (3) are incorrect because each monthly payment includes a constant amount of the principal, plus the interest that has accrued for the month. Options (1) is incorrect because as the outstanding balance declines over time, the amount of monthly interest declines; therefore, the total payment declines.

Question 143

Answer: 1

Seller's Statement of Adjustments (Vanessa)

ITEM	DEBIT	CREDIT
Purchase Price		150,000.00
Assumed 1 st Mortgage	71,000.00	
Unpaid and Overdue Taxes + Penalty	1,200.00	
Buyer's Share of Taxes*		369.00
Commission	9,000.00	
Cash Proceeds of Sale**	<u>69,169.00</u>	<u> </u>
	<u>150,369.00</u>	<u>150,369.00</u>

* (Aug. 31-Dec. 31 = 123 days) $123/365 \times \$1,095 = \369

** Because the total Debits and Credits must balance, in order to find the Proceeds of Sale, you must first calculate the total Credits (\$150,369.00) and then subtract the known Debits. The result is the balance of cash that the seller can expect to receive after all outstanding expenses relating to the property have been paid.

Question 144

Answer: 3

Buyer's Statement of Adjustments (Parker)

ITEM	DEBIT	CREDIT
Purchase Price	150,000.00	
Deposit to Agent		15,000.00
Assumed 1 st Mortgage		71,000.00
2 nd Mortgage		34,000.00
Buyer's Share of Taxes*	369.00	
Conveyancing Fees	600.00	
Property Transfer Tax	1,500.00	
Balance Due to Complete**		32,469.00
	<u>152,469.00</u>	<u>152,469.00</u>

* (Aug. 31-Dec. 31 = 123 days) $123/365 \times \$1,095 = \369

** Because the total Debits and Credits must balance, in order to find the Balance Due to Complete, you must first calculate the total Debits (\$152,469.00) and then subtract the known Credits. The result is the balance due from the buyer to complete the transaction.

Question 145

Answer: 4

Option (4) is correct because BCFSa is a regulatory agency whose primary objective is protection of the public. BCFSa is not obligated to pursue the best interests of real estate professionals, and must pursue the best interests of the public. Options (1), (2), and (3) each describe a power or duty of BCFSa.

Question 146

Answer: 4

Find the effective rates for each of these nominal rates and compare. The investor acts as the lender and will prefer the loan with the highest interest rate.

Press	Display
Loan A:	
13.25 ■ NOM%	13.25
365 ■ P/YR	365
■ EFF%	14.165157
Loan B:	
13.5 ■ NOM%	13.5
4 ■ P/YR	4
■ EFF%	14.198945
Loan C:	
13.75 ■ NOM%	13.75
2 ■ P/YR	2
■ EFF%	14.222656

Loan D:

Nominal rate compounded annually is equal to its effective rate: 14.25%

Based on the above, Loan D provides the highest rate of return.

Question 147

Answer: 1

The first step to solving this problem is to find the monthly payments that the borrower has to make.

Press	Display
4.5 ■ NOM%	4.5
2 ■ P/YR	2
■ EFF%	4.550625
12 ■ P/YR	12
■ NOM%	4.458383
217200 PV	217,200
$20 \times 12 = N$	240
0 FV	0
PMT	-1,369.239998
1369.24 +/- PMT	-1,369.24

The investor is paying \$225,000 for the right to receive the monthly payments of \$1,369.24 for 20 years. In order to determine the investor's rate of return expressed as a nominal interest rate, compounded semi-annually, the calculator steps are as follows:

Press	Display
225000 PV	225,000
I/YR	4.048729
■ EFF%	4.124712
2 ■ P/YR	2
■ NOM%	4.083034

Question 148

Answer: 4

Option (4) is correct because the age of the decision does not determine which decision should govern the subsequent decision. Options (1), (2), and (3) each describe a component of the doctrine of *stare decisis*.

Question 149

Answer: 3

Option (3) is correct because it is true. Option (1) is incorrect because the net operating income represents a return on the entire value of the property; it is not a return only on the equity portion of the property's value. Option (2) is incorrect because items specific to an owner or investor are NOT included in the calculation of net operating income. Option (4) is incorrect because the income approach can be used in appraising most types of property, although it is more appropriate for properties that produce rental income, e.g., apartment buildings, office buildings, industrial space.

Question 150

Answer: 1

Option (1) is correct. Karen may have a claim for private nuisance against Jack, as the interference was continuous, the act was done on his land but affected Karen's land, and it interfered with Karen's use and enjoyment of her land. An injunction is a possible remedy available under a successful action in private nuisance. Option (2) is false because, if Karen chooses to sue Jack for negligence, she must prove that he has breached the standard of care owed to her by a reasonable person in Jack's situation, not that he breached the duty of care. Option (3) is false because the interference with airspace rights of a fee simple owner would likely be an action in trespass, and in this case, Jack did not trespass, as the act was done on his land. Option (4) is false because although trespass is actionable *per se*, Jack did not trespass onto Karen's property. Trespass requires the direct physical invasion of land by a person or tangible object.

Question 151

Answer: 4

Option (4) is correct because the agent has a duty to avoid conflicts of interest with his or her principal, but the principal does not owe this duty to his or her agent. Options (1), (2), and (3) are incorrect because they are duties that are owed by a principal to his or her agent.

Question 152

Answer: 2

Option (2) is correct because in British Columbia the *statutory* liability to pay real property taxes is on the owner of the property. This applies even in the context of long term-leases where the lessor is not a tax exempt organization or public body. That said, a lease contract can impose on a lessor a *contractual* liability to pay property taxes. Option (1), (3), and (4) are incorrect because each of these entities would be statutorily liable for property taxes.

Question 153

Answer: 3

Option (3) is correct because Larry may be able to enforce the lease agreement under section 59 of the *Law and Equity Act* since he has spent \$10,000 on a new barn. Generally, contracts respecting land in British Columbia must be in writing to be enforceable, pursuant to section 59 of the *Law and Equity Act*. However, section 59 allows an exception to this writing requirement in situations where the person seeking to enforce an unwritten contract has changed his or her position such that it would be unfair not to enforce the contract. Option (1) is incorrect because there are exceptions to the writing requirement imposed by section 59. Option (2) is incorrect because section 59 applies to lease agreements for more than 3 years. Option (4) is incorrect because a lease agreement is not automatically void if not in writing (e.g., section 59 does not apply to lease agreements for terms of 3 years or less).

Question 154

Answer: 2

Option (2) is correct because a principal will be bound to a third party by the acts of their agent provided those acts were within the agent's authority. This means that a principal could be liable to a third party under a contract entered into by their agent where the agent failed to disclose their status as an agent, as long as the agent was acting within their authority. That said, where an agent does not disclose to a third party that he or she is acting as an agent, the agent may also be held liable as a principal. Options (1), (3), and (4) are incorrect because each statement is true of the common law of agency.

Question 155

Answer: 3

Option (3) is the correct answer as the cost approach is most likely to result in an appraisal value that is significantly different from the price a property might sell for. The reason for this is because the replacement cost of a property may not be representative of the value in the market. Options (1), (2), and (4) are incorrect because these factors would likely be accounted for in the appraised value.

Question 156

Answer: 2

Find the monthly based on the terms of the contract.

Press	Display
14 ■ NOM%	14
2 ■ P/YR	2
■ EFF%	14.49
12 ■ P/YR	12
■ NOM%	13.608312
40000 PV	40,000
240 N	240
0 FV	0
PMT	–486.07037

The monthly payment is \$486.07.

Question 157

Answer: 2

The maximum loan amount is the lesser of the maximum loan amount using the loan-to-value (LTV) and GDSR constraints:

Loan-to-Value Ratio:

$$\$340,000 \times 0.80 = \$272,000$$

GDSR

Calculate the maximum monthly payment based on GDSR:

$$\text{GDSR} = \frac{\text{PIT}}{\text{Gross Income}}$$

$$0.28 = \frac{\text{PI} + \$2,200}{\$75,000}$$

$$\text{PI (Annual Mortgage Payments)} = (\$75,000 \times 0.28) - \$2,200$$

$$\text{PI} = \$21,000 - \$2,200$$

$$\text{PI} = \$18,800$$

$$\text{Monthly Payments} = \$18,800 \div 12 = \$1,566.67$$

Next, calculate the maximum loan by determining the present value of the mortgage based on the above maximum allowable payments:

Press	Display
5 ■ NOM%	5
2 ■ P/YR	2
■ EFF%	5.0625
12 ■ P/YR	12
■ NOM%	4.948699
1566.67 +/- PMT	-1,566.67
300 N	300
0 FV	0
PV	269,370.11207

The maximum loan under the GDSR constraint of \$269,370.11 is less than the maximum loan of \$272,000 under the loan-to-value constraint; therefore, the maximum allowable loan is the lesser of the two, \$269,370, rounded to the nearest dollar.

Question 158

Answer: 4

Option (4) is correct because a multiple listing agreement is a type of exclusive listing contract which requires that the listing be distributed to all members of the listing licensee's real estate board. Option (1) is incorrect because the term "multiple" in "multiple listing agreement" does not refer to the number of properties the brokerage lists for the same seller. Options (2) and (3) are incorrect because a multiple listing contract is always an exclusive right to sell, meaning that the property is listed with only one brokerage and the seller pays one commission to that brokerage.

Question 159

Answer: 3

Option (3) is correct because the matching principle states that expenses must be recorded when they are incurred, not when they are paid. Option (1) is incorrect because the cost principle states that assets must be recorded for the purchase price on the date of acquisition. Option (2) is incorrect because the recognition principle is not an accounting principle, although the revenue recognition principle states that revenues must be recorded when they are earned, not when money is received. Option (4) is incorrect because the conservation principle is not a generally accepted accounting principle.

Question 160

Answer: 4

Option (4) is incorrect because a longer amortization period will mean that repayment is spread out over a longer period of time, and payments will be smaller. Options (1) is incorrect for this reason. Option (2) is incorrect because the size of the required payment will be smaller. Option (3) is incorrect because extending the loan amortization period does not affect its classification.

Question 161

Answer: 1

Option (1) is correct because digital signatures are codes that are used to authenticate the individual sending the message so as to ensure the integrity of the data. To be effective, digital/e-signatures, such as those used in credit cards, must be unforgeable. Options (2), (3), and (4) are incorrect as they do not describe digital signatures.

Question 162

Answer: 2

Find the loan-to-value ratio based on the property's lending value and the amount of the mortgage.

$$\$84,000 \div \$120,000 = 70\%$$

Question 163

Answer: 3

Option (3) is correct because the commission is paid by the seller only. Therefore, it appears as a debit on the seller's statement of adjustments and does not appear on the buyer's statement. Options (1), (2), and (4) are incorrect for the same reason.

Question 164

Answer: 4

Option (4) is correct because tax law falls within the sphere of public law, and is therefore a false statement. Option (1) is incorrect because the doctrine of *stare decisis* provides uniformity to the common law system by requiring courts to adhere to principles that prior courts have established. Option (2) is incorrect because the Supreme Court of Canada can decide not to hear an appeal. Option (3) is incorrect because courts in Canada can apply both common law and equitable principles in deciding a matter.

Question 165

Answer: 1

Option (1) is correct because a property possesses latent value if its current state does not represent its highest and best use. Given this, the latent value of the property may be realized through a change of use. Option (2) is incorrect because a renovation for continued similar use would not realize the property's latent value. Option (3) is incorrect because a property may possess latent value given its current zoning. Further, rezoning may not be possible. Option (4) is incorrect because a property may be sold at a higher price if it possesses latent value.

Question 166

Answer: 2

Find the maximum gross debt service ratio given the mortgage terms.

Press

5.5 ■ NOM%

2 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

190451 PV

0 FV

300 N

PMT

Display

5.5

2

5.575625

12

5.438018

190,451

0

300

-1,162.496683

The monthly payment is \$1,162.50.

$$\text{GDSR} = \frac{\text{PIT}}{\text{Gross Income}}$$

$$\text{Annual PIT} = (\$1,162.50 \times 12) + \$2,000 = \$15,950$$

$$\$15,950 \div \$58,000 = 27.5\%$$

Question 167

Answer: 4

Option (4) is correct because rectification is not a remedy for breach of contract. Options (1), (2), and (3) are incorrect because these are all remedies for breach of contract.

Question 168

Answer: 1

Option (1) is correct because a dormer is a roof extension that provides extra floor area and windows for the upper level of a home. Options (2), (3), and (4) are incorrect for this reason.

Question 169

Answer: 3

Option (3) is correct and Options (1), (2), and (4) are incorrect because the right of survivorship means that when one joint tenant dies, the entire estate automatically vests in the surviving joint tenants.

Question 170

Answer: 3

Option (3) is correct because an unreasonable and substantial interference with property is required to establish a claim in nuisance. Trifling and inconsequential damages is insufficient. Option (1) is incorrect because it is no defence to say that the act complained of is beneficial to the public. Option (2) is incorrect because the fact that the activity creating the nuisance has not been performed in a negligent way is no defence to an action in nuisance. Option (4) is incorrect because the mere fact that the activity is authorized by statute does not mean the activity is not a nuisance.

Question 171

Answer: 2

Press	Display
8 I/YR	8
12 ■ P/YR	12
100000 PV	100,000
100000 +/- FV	-100,000
1 N	1
PMT	-666.666667

Alternative Solution

Press	Display
8 ÷ 12 = I/YR	0.666667
%	0.00666667
× 100000 =	666.666667

With an interest only loan, all periodic payments until the end of the term of the loan are interest payments and are identical. Brad will make monthly interest only payments of \$666.67.

Question 172

Answer: 3

Option (3) is correct: this password is longer than 8 characters, includes a variety of character types, is not a dictionary word (or combination of dictionary words), and does not include a combination of consecutive keyboard keys. Option (1) is incorrect because it is a sequence of consecutive keyboard combinations. Option (2) is incorrect because it is too short. Option (4) is incorrect because it is a combination of dictionary words with an obvious symbol to replace a letter, which can easily be cracked.

Question 173

Answer: 2

Option (2) is correct because individual borrowers have the right, under the terms of the *Interest Act*, to prepay all of the outstanding debt (with additional three months' interest as a penalty in lieu of notice) at any time after five years from the initiation date of the mortgage. In some instances, mortgage contracts allow for partial or complete prepayment to occur at any point in the contractual term. Options (1), (3), and (4) are incorrect because they do not describe prepayment in a mortgage.

Question 174

Answer: 2

Option (2) is correct. An appraiser who is asked to find the market value of a newly-constructed church would not be able to use the comparative or investment approaches due to the lack of data and would be justified in relying upon the cost approach. In addition, the appraiser can effectively determine the cost of constructing the improvements since the church is newly constructed and has not experienced any depreciation. Option (1) is incorrect because a 40-year old bungalow should be appraised using the direct comparison approach, Option (3) is incorrect because a vacant lot with latent value should be appraised using the residual method. Option (4) is incorrect because a high rise office tower in an outer suburb should be appraised using the income approach.

Question 175

Answer: 2

Option (2) is correct because a profit à prendre is a right to enter onto the land of another person and to take some profit from the land, such as profits from fishing. Options (1) and (3) are incorrect because unlike easements, profits à prendre need not accompany a dominant tenement. They also need not be granted for an indefinite period of time. Option (4) is incorrect because an owner who wishes to impose restrictions consistent with a general scheme of development would likely charge the land with a building scheme.

Question 176

Answer: 3

Option (3) is correct because a periodic tenancy automatically renews itself on the last day of the term for a further term of the same duration until terminated by either party. Options (1), (2), and (4) are incorrect because these statements do not describe features of periodic tenancies.

Question 177

Answer: 3

Option (3) is correct because oil left in the storage tank is an item usually settled between the parties outside of the statements of adjustments. Options (1), (2), and (4) are incorrect for the same reason.

Question 178

Answer: 1

Option (1) is correct because rationing mortgage funds means to reduce the amount given out to mortgage loans. By reducing the gross debt service ratio (PIT/Gross Income), the lender decreases the amount of the loan for a given gross income. Option (2) is incorrect because decreasing their interest rates doesn't decrease the amount lent out; it just creates a greater demand for loans. Option (3) is incorrect because increasing the maximum loan to-value ratio means for a given market value of the property, the lender is willing to advance a greater amount of a loan. Option (4) is incorrect because increasing the maximum amortization period, all other factors constant, means the present value of the loans will decrease, since borrowers are given more time to pay off the loan.

Question 179

Answer: 1

Option (1) is correct because if the payment is rounded up to the next higher cent, the final payment of a fully amortized mortgage will be smaller than regular payments, because the borrower is "overpaying" a slight amount each period. Options (2), (3), and (4) are incorrect for this reason.

Question 180

Answer: 4

Option (4) is correct because a brokerage is not permitted to withdraw money from the trust account to pay business expenses. Options (1), (2), and (3) are incorrect because the *Real Estate Services Act* allows a brokerage to withdraw money from the trust account in those circumstances.

Question 181

Answer: 1

Option (1) is correct because in relation to the subject property, this comparable has three bathrooms (one less bathroom) and 2,800 square feet. The square footage adjustment is -\$10,000; therefore, since the square footage adjustment is \$5,000 per 100 square feet, there is a 200 square foot difference between the comparable and the subject. Since the adjustment is negative, the comparable property is larger (by 200 square feet) than the subject (2,600 + 200). Options (2), (3), and (4) are therefore incorrect.

Question 182

Answer: 2

Option (2) is correct and Options (1), (3), and (4) are incorrect because an option to purchase the property provided by the borrower to the lender is considered a clog on the equity of redemption, and is void.

Question 183

Answer: 4

Calculate the cost of funds advanced.

Press

12 ■ P/YR
166000 PV
1117.12 +/- PMT
240 N
0 FV
I/YR
■ EFF%

Display

12
166,000
- 1,117.12
240
0
5.234236 (j₁₂)
5.361651 (j₁)

Question 184

Answer: 4

Option (4) is correct because the petitioner may apply for either an absolute of foreclosure or a judicial sale after an order nisi is granted and the respondent borrower fails to pay the amount due as required by the order. Options (1) and (2) are incorrect for the same reason. Option (3) is incorrect because an equitable charging order is not an option for petitioners to apply for after the respondent borrower fails to pay the amount due as required by an order nisi.

Question 185

Answer: 3

Option (3) is correct because limiting the power of land developers is not a rationale for government regulation of land use. Options (1), (2), and (4) are correct because they are all rationales for government regulation of land use.

Question 186

Answer: 2

The maximum loan granted will be the lower amount of the loan-to-value constraint and the DCR constraint.

Using DCR constraint, calculate maximum allowable payments.

$$\text{DCR} = \frac{\text{NOI}}{\text{Payments}}$$

$$\text{therefore; Payments} = \frac{\text{NOI}}{\text{DCR}} = \frac{\$360,000}{1.25} = \$288,000$$

$$\text{Annual payments} = \$288,000$$

Based on these payments, find the corresponding PV.

Press	Display
7.5 I/YR	7.5
1 \blacksquare P/YR	1
288000 +/- PMT	-88,000
0 FV	0
20 N	20
PV	2,936,013.51145

The maximum loan under the DCR constraint is \$2,936,000, rounded to the nearest \$1,000.

Loan-to-value constraint: $0.80 \times \$3,500,000 = \$2,800,000$

Take the lower of the two constraints: since $\$2,800,000 < \$2,936,000$, the maximum loan is \$2,800,000.

Question 187

Answer: 4

Option (4) is correct because section 8.2 of the *Real Estate Services Act* requires licensees to include the standard assignment terms in the contract of purchase and sale (unless they have been advised otherwise by their client). If the requirements of section 8.2 are met, assignments are permissible provided that they do not prejudice the rights of the seller and the contract does not prohibit assignment. Option (1) is incorrect because contracts of purchase and sale can only be assigned if certain conditions are met. Option (2) is incorrect because contracts of purchase and sale can be assigned in some circumstances. Option (3) is incorrect because under the standard assignment terms, contracts of purchase and sale can be assigned with the written consent of the seller, not the buyer.

Question 188

Answer: 4

Option (4) is correct because it is false. With an insured mortgage loan, the lender has not only the borrower's personal covenant, but also the insurance as fallback security in the case the borrower defaults on payments. Options (1), (2), and (3) are true statements and are therefore incorrect.

Question 189

Answer: 3

Find the monthly based on the terms of the contract.

Press	Display
15 ■ NOM%	15
1 ■ P/YR	1
■ EFF%	15
12 ■ P/YR	12
■ NOM%	14.0579
90000 PV	90,000
75000 +/- FV	-75,000
24 N	24
PMT	-1,599.22238

The monthly payment is \$1,599.22.

Question 190

Answer: 2

Option (2) is correct because the principal is the person for whom an agent has contracted to act for, and for whose benefit the agent is required to perform and make decisions. Options (1) and (4) are incorrect because while an agent may represent a buyer or seller, the question is asking for the general term for the person that an agent represents, regardless of the side of the transaction. Option (3) is incorrect because “client” is not the legal term for the person whom an agent represents.

Question 191

Answer: 4

Option (4) is correct because depreciation is excluded in net operating income calculations because the life of a building depends on its economic durability, not its physical durability. The economic life of many buildings is so long that the amount of depreciation taken each year is not an important element in the estimation of value. Option (1), (2), and (3) are incorrect because they do not describe reasons for excluding depreciation from net operating income.

Question 192

Answer: 1

Option (1) is the correct answer. A Property Assessment Review Panel is the first level of appeal from a property assessment. Option (2) is incorrect because the Board of Variance deals with exceptions to zoning bylaws. Option (3) is incorrect because the Municipal Finance Authority levies property tax, but does not deal with assessments. Option (4) is incorrect because the Property Assessment Appeal Board is the second level of appeal (i.e., it hears appeals from the Property Assessment Review Panel).

Question 193

Answer: 1

Option (1) is correct because a restrictive covenant must be negative, not positive. Options (2), (3), and (4) are incorrect because being negative in nature, involving two parcels of property and having intention to bind the land are all essential elements of a restrictive covenant.

Question 194

Answer: 3

Option (3) is correct because if payments are rounded up to the next higher dollar, the final payment will likely be smaller because the borrower is “overpaying” a small amount each period. Options (1) and (2) are incorrect because rounding will not increase the cost to the borrower or the yield to the lender. Option (4) is incorrect because the number of payments will remain the same.

Question 195

Answer: 1

Option (1) is correct because surrender of a commercial lease can arise by operation of law where the landlord does some act which is inconsistent with the continuation of the tenancy. Options (2), (3), and (4) are incorrect because an arbitrator, Public Trustee and the Residential Tenancy Board cannot grant orders amounting to surrender of a commercial lease.

Question 196

Answer: 4

Option (4) is the false statement as it is unlikely that the seller knows the buyer’s ceiling price. Options (1), (2), and (3) are all true statements.

Question 197

Answer: 3

Find the PV for a future cash flow of \$60,000 given the investor’s requirements.

Press	Display
14 I/YR	14
2 ■ P/YR	2
0 PMT	0
6 N	6
60000 FV	60,000
PV	-39,980.533429

The investor would be willing to pay \$39,980.53.

Question 198

Answer: 1

Option (1) is correct because When a company generates a profit (positive net income), the result is an increase in the owner’s or shareholder’s equity. Option (2) is incorrect because assets may increase or decrease depending on the company’s cash flow and asset purchase/sale activity. Option (3) is incorrect because cash may increase or decrease depending on the company’s cash flow activities. Option (4) is incorrect because liabilities may increase or decrease depending on the company’s borrowing and repayment activities.

Question 199

Answer: 3

Option (3) is correct because assuming John and Mary intend to enter into a legal relationship, the other essentials of a contract are met – offer, acceptance, and consideration. There is no evidence that one of the parties lacks capacity or is lacking genuine consent. Option (1) is incorrect because \$500 is valid consideration. Option (2) is incorrect because the promise to pay is future consideration, not past, as Mary does not yet have the money. Option (4) is incorrect because the contract is not required to be in writing.

Question 200

Answer: 3

Option (3) is correct because a mortgage lender may attract liability for remediation of a contaminated site if they become the registered owner of the property, for example, as the result of foreclosure. Options (1), (2), and (4) are incorrect because the *Environmental Management Act* specifically provides that a lender is not liable if they participate only in financial matters, impose requirements that will not cause or increase contamination, or appoint a person to investigate the site.

Question 201

Answer: 3

Option (3) is correct because if a contract is executed under seal, the contract will be binding even if no consideration has been given. Option (1) is incorrect because the contract must also be accepted. Option (2) is incorrect because the contract may still need to be signed. Option (4) is incorrect because the seal itself does not show intention, as it is possible that the parties may not know of the legal effects of a seal.

Question 202

Answer: 1

Option (1) is correct because increased advertising on a particular property will result in more potential buyers that may result in a higher sale price. Option (2) is incorrect because Mr. Fisher is providing beneficial below-market financing that should increase the value of the property and mortgage for sale. Option (3) is incorrect because Ms. Brown's motivation to sell her home quickly would be more likely to result in a quick sale for a lower price. Option (4) is incorrect because Options (2) and (3) are incorrect.

Question 203

Answer: 4

Option (4) is correct because chartered banks accounted for approximately 75% of all resident mortgage credit outstanding. Options (1), (2), and (3) represent other institutions that are lesser investors in mortgage funds.

Question 204

Answer: 4

Option (4) is correct because federally regulated financial institutions, which includes chartered banks and trust companies, are impacted by the stress test borrower qualification rule for uninsured mortgages implemented in January 2018. Options (1), (2), and (3) are incorrect as they do not describe all of the impacted lenders.

Question 205

Answer: 2

Option (2) is correct because a voidable contract is one which one of the parties has the option to rescind (meaning cancel) the contract. Option (1) is incorrect because this definition describes a void contract. Option (3) is incorrect because a voidable contract can still be enforceable. If the party with the option to cancel chooses not to cancel the contract, they can enforce it against the other party. Option (4) is incorrect because a deed is a document used to transfer an interest in land, not a contract.

Question 206

Answer: 2

Find the interest incurred for the first month of the loan.

Press	Display
9.5 ■ NOM%	9.5
2 ■ P/YR	2
■ EFF%	9.725625
12 ■ P/YR	12
■ NOM%	9.31726
75000 PV	75,000
300 N	300
0 FV	0
PMT	-645.770724
645.77 +/- PMT	-645.77
1 INPUT ■ AMORT	PER 1-1
= =	-582.328738

The interest cost for the first month is \$582.33.

Question 207

Answer: 1

Option (1) is correct because equitable waste was created by the courts of equity, not common law. Options (2), (3), and (4) are incorrect because voluntary waste, permissive waste, and ameliorating waste are all categories of waste recognized by common law.

Question 208

Answer: 3

Calculate the loan information based on the contract rate:

First, convert the contract rate ($j_2 = 4\%$) to the equivalent nominal interest rate with monthly compounding (j_{12}). Then, calculate the mortgage payments (round up to the next higher dollar) and the outstanding balance at the end of the term.

Calculate the market value of the mortgage with the market rate:

Convert the market rate ($j_2 = 9\%$) to the equivalent nominal rate with monthly compounding (j_{12}). Then, determine the market value (present value) of the vendor-supplied mortgage.

Calculate the market value of the offer:

Add the \$55,000 cash down payment to the market value of the mortgage to obtain the market value of the offer.

Press	Display
4 ■ NOM%	4
2 ■ P/YR	2
■ EFF%	4.04
12 ■ P/YR	12
■ NOM%	3.967068
180000 PV	180,000
300 N	300
0 FV	0
PMT	-946.83637
947 +/- PMT	-947
60 INPUT ■ AMORT	PER 60-60
= = =	156,686.207947
156686.21 +/- FV	-156,686.21
9 ■ NOM%	9
2 ■ P/YR	2
■ EFF%	9.2025
12 ■ P/YR	12
■ NOM%	8.835748
60 N	60
PV	146,690.439034 (market value of the mortgage)
+ 55000 =	201,690.439034 (market value of the offer)

The market value of the offer is \$201,690.44.

Question 209

Answer: 3

Option (3) is correct because when a person purchases a strata lot, they acquire fee simple title to their own strata lot, and a portion of the common property as a tenant in common with the other owners in the strata development. Option (1) is incorrect because the purchaser acquires a share of the common property in addition to the fee simple interest. Option (2) is incorrect because a strata lot owner does not become a joint tenant with the other owners in the development. Option (4) is incorrect because an owner does not acquire shares in the strata corporation.

Question 210

Answer: 3

Option (3) is correct because an official community plan contains information on residential development required to meet housing needs for at least the next five years. Options (1), (2), and (4) would all be found on an official community plan.

Question 211

Answer: 2

Option (2) is correct because section 29 of the *Land Title Act*, which abolishes the doctrine of notice, is subject to the exception of fraud perpetrated by the purchaser. Options (1), (3), and (4) are not correct because they are not listed exceptions to section 29 of the *Land Title Act*.

Question 212

Answer: 2

Option (2) is correct because both sole proprietors and partners need to report their business income on their personal income tax returns. Option (1) is incorrect because it excludes partners from this requirement. Option (3) is incorrect because corporations have different tax liability from proprietors and partners in that corporations are taxed as separate legal entities. Option (4) is incorrect because a sole proprietorship is a business enterprise owned by a single individual.

Question 213

Answer: 4

Option (4) is correct. Using a technology called cryptography, protecting information on the internet is accomplished by scrambling it into an unreadable format called encrypting. Options (1), (2), and (3) are incorrect because they are all false statements.

Question 214

Answer: 2

Find the outstanding balance of the mortgage.

Press	Display
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16
12 ■ P/YR	12
■ NOM%	7.869836
48000 PV	48,000
180 N	180
0 FV	0
PMT	-455.113415
455.11 +/- PMT	-455.11
60 INPUT ■ AMORT	PER 60-60
= = =	37,724.886207

The outstanding balance after 60 months is \$37,725, rounded to the nearest dollar.

Question 215

Answer: 1

Option (1) is correct because when using the cost approach of appraisal, cost of the improvements is normally determined by utilizing the current replacement cost. Options (2), (3), and (4) are incorrect for this reason.

Question 216

Answer: 3

Option (3) is correct because section 23 of the *Land Title Act* contains 10 exceptions to the principle of indefeasibility. Option (1) is incorrect because neither legal nor equitable charges are guaranteed by the principle of indefeasibility. Option (2) is incorrect because the principle of indefeasibility only provides that a good-faith purchaser can rely completely on the ownership shown on the certificate of title, and can acquire good title upon registration, even though there are defects in the vendor's registered title. Option (4) is incorrect because the principle of indefeasibility overrules the common law doctrine of the void deed.

Question 217

Answer: 3

Option (3) is correct because section 7(2) of the *Residential Tenancy Act* imposes a duty on residential landlords to mitigate their damages that results from the tenant's breach of the tenancy agreement. For example, if a tenant wrongfully vacates the premises prior to the expiry of a fixed term residential tenancy agreement (as occurred with Lisa in this question), the landlord must still attempt to re-rent the premises at a reasonably economic rent. Option (1) is incorrect because section 26(3) of the *Residential Tenancy Act* effectively abolishes the remedy of distress in residential tenancies. Option (2) is incorrect because the *Residential Tenancy Act* does not limit claims for arrears of rent. The amount claimed for arrears of rent is only limited by the duty to mitigate damages required of the landlord. Option (4) is incorrect because the *Residential Tenancy Act* does not require the landlord to sue the tenant.

Question 218

Answer: 1

Option (1) is correct because having references from currently licensed brokers is not a requirement for obtaining a license under the *Real Estate Services Act* (RESA). Options (2), (3), and (4) are incorrect because in order to become a licensee, RESA requires that a person be at least 19, of good reputation, and meet the requirements set out in the *Real Estate Services Rules*.

Question 219

Answer: 1

Option (1) is correct because the seller has already paid all of the taxes for the current year and needs to be refunded the amount proportional to the time that the seller is no longer living in the property. Option (2) is incorrect because the seller is responsible for the full amount of any penalty. It is not adjusted because only the seller is liable to pay the taxes and failed to do so in a timely manner. Option (3) is incorrect because the seller must pay the buyer, in advance of the tax payment, for the portion of the year prior to the adjustment date.

Question 220

Answer: 3

Option (3) is correct because current liabilities are only listed on the balance sheet. They would not show up on the statement of profit and loss, which is also known as the income statement. Options (1), (2), and (4) are incorrect because the income statement shows revenues and expenses, such as depreciation, rental revenue, and interest expense on a mortgage.

Question 221

Answer: 4

Option (4) is correct because the final value on a proprietor's income statement is the net income. Option (1) is incorrect because retained earnings is an equity account on a corporation's balance sheet. Option (2) is incorrect because the net income is equal to taxable income, plus depreciation expense, less capital cost allowance. Option (3) is incorrect because net income is the difference between revenue and expenses for the year, not revenue and liabilities.

Question 222

Answer: 4

Option (4) is correct because an income statement is not always determined on an annual basis. Many large companies will generate quarterly reports, and sometimes generate reports covering other time periods. Options (1), (2), and (3) are all true and are therefore incorrect.

Question 223

Answer: 3

Option (3) is correct and Options (1), (2), and (4) are incorrect because a notice of civil claim is served to a defendant who must respond by filing a response to civil claim.

Question 224

Answer: 1

Find the amount of the monthly payments on an interest only payment scheme derived from the monthly periodic rate.

Press	Display
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16
12 ■ P/YR	12
■ NOM%	7.869836
450000 PV	450,000
450000 +/- FV	-450,000
1 N	1
PMT	-2,951.188621

Alternative Solution

Press	Display
RCL I/YR ÷ 12 =	0.65582
%	0.0065582
× 450000 =	2,951.188621

With an interest only loan, all periodic payments until the end of the term of the loan are interest payments and are identical. The monthly interest only payments are \$2,951.19.

Question 225

Answer: 2

Option (2) is correct because the required threshold to submit a Suspicious Transaction Report (STR) to FINTRAC is reasonable grounds to suspect. Option (1) is incorrect because reasonable grounds to believe means that there are verified facts supporting a probability that an offence has occurred, and is a higher threshold than reasonable grounds to suspect. Option (3) is incorrect because it is the standard that needs to be met to secure a criminal conviction, and it is higher than reasonable grounds to suspect. Option (4) is incorrect because simple suspicion, described as a “hunch” or intuition with little more explanation, is not enough to meet the threshold requirement for filing an STR.

Question 226

Answer: 2

Option (2) is correct and Options (1), (3), (4) are incorrect because each strata lot, together with the strata lot owner's share in the common property, is deemed to be a separate parcel of land and is assessed and taxed individually. Note that a strata lot owner owns their lot in fee simple and their share of the common property as a tenant in common with the other owners.

Question 227

Answer: 1

Calculate the contract payments based on the face value of the loan, then find the periodic interest rate based on the funds advanced.

Press	Display
8 ■ NOM%	8
4 ■ P/YR	4
■ EFF%	8.243216
12 ■ P/YR	12
■ NOM%	7.947251
245000 PV	245,000
300 N	300
0 FV	0
PMT	-1,882.396635
1882.4 +/- PMT	-1,882.4
240000 PV	240,000
I/YR	8.188328 (j_{12})
$\div 12 =$	0.682361 (i_{mo})

The cost of funds advanced, expressed as a rate per month is 0.682361%.

Question 228

Answer: 1

Option (1) is correct because the marketing concept involves focusing on the client's needs and using need satisfaction as the starting point for the development of a marketing program. Option (2) is incorrect because personal selling involves face-to-face communication with a potential customer. Option (3) is incorrect because the promotional mix refers to the proper blending of components to satisfy the needs of the target market and to accomplish the desired promotional objectives. Option (4) is incorrect because differentiated marketing refers to similar products being marketed to different market segments using different marketing techniques.

Question 229

Answer: 1

Option (1) is correct because in British Columbia, an infant may act as an agent. Option (2) is incorrect because an agent must be of sound mind to act as an agent in British Columbia. Option (3) is incorrect because to authorize an agent to act on behalf of yourself, you need to have the capacity to contract.

Question 230

Answer: 4

Option (4) is correct: if the audience across all social media platforms is the same, then Burris should avoid posting the exact same message to each different platform. Option (1) is incorrect because there is no precise number of social media platforms that Burris should use; rather, he should tailor his social media strategy to ensure he is able to reach his target market through whatever platforms they use. Option (2) is incorrect because in order to use social media effectively, it will be helpful for Burris to establish goals to ensure his time is being used productively. Option (3) is incorrect because personal and professional social media accounts should be kept separate.

Question 231

Answer: 2

First, convert the nominal interest rate with semi-annual compounding ($j_2 = 4.75\%$) to the equivalent nominal interest rate with monthly compounding. Then, calculate the mortgage payments required for a \$150,000 loan:

Press	Display
4.75 ■ NOM%	4.75
2 ■ P/YR	2
■ EFF%	4.806406
12 ■ P/YR	12
■ NOM%	4.703666
150000 PV	150,000
300 N	300
0 FV	0
PMT	-851.183376

Next, multiply the rounded payment by 12 to get the annual debt service:

$$\$851.18 \times 12 = \$10,214.16$$

$$\text{GDSR} = \frac{P + I + T}{\text{GI}} \rightarrow 0.32 = \frac{\$10,214.16 + \$2,600}{\text{GI}}$$

$$\text{GI} = \$12,814.16 \div 0.32$$

$$\text{GI} = \$40,044.25$$

The minimum annual gross income the purchaser must have to qualify for this loan is \$40,044.25.

Question 232

Answer: 3

Option (3) is correct and Options (1), (2), and (4) are incorrect because a partnership or corporation licensed as a brokerage must have a managing broker act as its representative for all purposes under the *Real Estate Services Act*.

Question 233

Answer: 2

Option (2) is correct because even if a person has a right to enter a portion of the premises, if a person wanders into areas where he or she has no right of entry, then the person becomes a trespasser. Option (1) is incorrect because Mary was given permission to enter the store, and therefore it is not a trespass. Option (3) is incorrect because this would likely not constitute a trespass unless Joan tells Sue that she does not have permission to be on the premises.

Question 234

Answer: 3

Option (3) is correct because the borrower's entitlement to assign the mortgage is not an implied term. Options (1), (2), and (4) are incorrect because redeeming the mortgage within a reasonable time, redeeming the mortgage free from all conditions or terms of the mortgage contract, and freedom from any unreasonable collateral advantage required by the lender are all implied terms of a mortgage.

Question 235

Answer: 2

Option (2) is the correct answer as it is the only factor listed that will affect the value of residential real property in the short run. Options (1), (3), and (4) all represent value influences in the long run.

Question 236

Answer: 1

Option (1) is correct and Options (2), (3), and (4) are incorrect because the Property Assessment Review Panel is the first level of appeal from property assessments under the *Assessment Act*.

Question 237

Answer: 1

Option (1) is correct because it is false. GST applies to all transactions unless it is expressly listed as an exemption in the *Excise Tax Act*, rather than the reverse. Options (2), (3), and (4) are incorrect because they are all true statements.

Question 238

Answer: 4

Option (4) is correct because Options (1), (2), and (3) are all functions of zoning bylaws. Zoning bylaws can divide the area into zones, regulate the use of land, and regulate the number of buildings on a lot.

Question 239

Answer: 1

Calculate the maximum loan allowable using the lending value and the loan-to-value criterion of 80%.

$$0.80 \times \$170,000 = \$136,000$$

Question 240

Answer: 1

Calculate the monthly payment given the maximum allowable loan amount based on the loan-to-value ratio and the loan terms.

The maximum loan allowable using the lending value and the loan-to-value criterion of 80% is:

$$0.80 \times \$172,000 = \$137,600$$

Press

6 ■ NOM%

2 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

137600 PV

300 N

0 FV

PMT

Display

6

2

6.09

12

5.926346

137,600

300

0

-880.373914

The monthly payment is \$880.37.

Question 241

Answer: 1

Find the gross income required based on monthly loan payments of \$1,200 and a GDSR of 30%.

$$\text{Gross Income} = \text{PIT} \div \text{GDSR}$$

$$\text{Gross Income} = [(\$1,200 \times 12) + \$1,500] \div 0.30$$

$$\text{Gross Income} = \$15,900 \div 0.30$$

$$\text{Gross Income} = \$53,000$$

Annual gross income of \$53,000 is required.

Question 242

Answer: 2

Option (2) is correct because when taxes are previously paid by the seller, the buyer should reimburse the seller for the portion of the year from the adjustment date onward. The reimbursement will appear as a credit on the seller's statement and a debit on the buyer's statement. Options (1), (3), and (4) are incorrect for this reason.

Question 243

Answer: 4

Buyer's Statement of Adjustments

ITEM	DEBIT	CREDIT
Purchase Price	175,000.00	
Deposit		20,000.00
Legal Fees for Conveyance	384.00	
Buyer's Share of Taxes*	221.95	
Property Transfer Tax	1,750.00	
Balance Due to Complete	<u> </u>	<u>157,355.95</u>
	<u>177,355.95</u>	<u>177,355.95</u>

* (July 28-Dec. 31 = 157 days) $157/365 \times \$516 = \221.95 **Question 244**

Answer: 1

Option (1) is correct because when taxes are previously paid by the seller, the buyer should reimburse the seller for the portion of the year from the adjustment date onward. The buyer's share of the year's property taxes (Jul. 28 to Dec. 31 = 157 days) is calculated in the following manner: $157/365 \times \$516 = \221.95 . This amount will appear as a credit on the seller's statement and a debit on the buyer's statement of adjustments. Options (2), (3), and (4) are therefore incorrect.

Question 245

Answer: 1

Find the effective annual rate of interest on the funds advanced given the contract terms.

Press	Display
12 \blacksquare P/YR	12
48000 PV	48,000
499.76 +/- PMT	-499.76
60 N	60
45167.5 +/- FV	-45,167.5
I/YR	11.618034 (j_{12})
\blacksquare EFF%	12.257094 (j_1)

Question 246

Answer: 2

Option (2) is correct because licensees have a duty to maintain the integrity of the real estate profession, including holding others in the profession to the highest standards. Option (1) is incorrect because ethical standards are not the same as the legal requirements for a licensee. Professional ethics standards are often higher standards compared to legislative standards. Option (3) is incorrect because the duties of full disclosure, confidentiality, acting in accordance with lawful instruction, and acting in a client's best interests are all duties under the Rules and fiduciary duties. Option (4) is incorrect because professional ethics apply when dealing with clients, non-clients, and other real estate professionals.

Question 247

Answer: 3

Option (3) is correct because the comparable will need an adjustment of +\$2,700 for 1 bathroom since the subject has one more bathroom than the comparable. In addition, there is a - \$5,000 adjustment for the 100 square foot difference in size because the subject is smaller than the comparable. Options (1), (2), and (4) are therefore incorrect.

Question 248

Answer: 2

Option (2) is correct because the shopping behaviour model classifies products and services based on the amount of effort that a consumer is willing to go through to obtain that product or service. There is no superior goods classification. Options (1), (3), and (4) are incorrect because this classification system includes convenience goods, shopping goods, specialty goods, and unsought goods.

Question 249

Answer: 4

Seller's Statement of Adjustments

ITEM	DEBIT	CREDIT
Purchase Price		120,000.00
Commission	6,000.00	
Buyer's Share of Taxes*		372.00
Cash Proceeds of Sale	<u>114,372.00</u>	<u> </u>
	<u>120,372.00</u>	<u>120,372.00</u>

* (Aug. 30-Dec. 31 = 124 days) $124/365 \times \$1,095 = \372

Question 250

Answer: 2

Calculate the nominal rate, compounded quarterly from the quarterly rate.

$$1.5\% \times 4 = 6\%$$

The nominal rate, compounded quarterly (j_4) is 6%.

Question 251

Answer: 2

Option (2) is correct because of an implied term required in mortgage law that, upon full repayment of the loan, a borrower has the right to have title reconveyed to him or her in the same state as it was at the time of the making of the mortgage (usually this means title will be free and clear of all encumbrances). Any term which seeks to provide otherwise is considered to be a "clog on the equity of redemption" and will be of no effect, or void. Option (1) is incorrect because any term which is void cannot be valid. Option (3) is incorrect because a term which purports to clog the equity of redemption is not considered to be illegal; rather, it will simply not be enforced by the courts. Option (4) is incorrect because it confuses a clog on the equity of redemption with a stipulation for a collateral advantage. Problems related to collateral advantages are no longer considered a clog on the equity of redemption and are instead debated in terms of unreasonable restraints of trade.

Question 252

Answer: 1

Option (1) is correct because bridge financing is a type of interim financing whereby a borrower will receive a loan and grant a mortgage to a lender for a short period while long-term financing is being pursued. Bridge financing can be used where a borrower has purchased property but has not sold his or her existing property and financing to purchase the new property is required. Option (2) is incorrect as a conventional mortgage would be the most effective financing option for Jonathan in this situation. Option (3) is incorrect as a reverse annuity mortgage would best allow Jonathan to access the equity in his home to make a purchase. Option (4) is incorrect as it would not require any financing, since Jonathan wants to pay completely from his savings.

Question 253

Answer: 2

Option (2) is correct because when using the cost approach of appraisal, cost of the improvements is normally determined by utilizing the current replacement cost. Replacement cost is the cost of providing a building that would represent the modern equivalent of the house to be appraised in determining the construction cost of a building. Options (1), (3), and (4) are incorrect for this reason.

Question 254

Answer: 4

Option (4) is correct because the *Strata Property Act* applies to strata plans deposited on or after July 1, 2000, replacing the Schedule of Interest on Destruction which was used under previous legislation. Section 273 and 278 of the Act provide for a “conversion schedule” or “interest schedule” that will be employed to determine the distribution of the proceeds in the event that a strata complex is destroyed and the owners decide to take the insurance money instead of rebuilding. Option (1) is incorrect because the value of each strata lot is different and therefore it would be unfair to distribute insurance policy proceeds equally between all owners. Options (2) and (3) are incorrect because they are based on unit entitlement, which is similar to the Schedule of Interest on Destruction, which is only used for strata plans deposited prior to July 1, 2000.

Question 255

Answer: 2

Option (2) is correct because the comparative approach of appraisal is most appropriate where buyers and sellers are well informed about current sales transactions. Options (1) and (3) are incorrect because the comparative approach of appraisal is applicable when there is sufficient recent sales data of similar properties, and the property does not have redevelopment potential. Option (4) is incorrect because under the comparative approach, a property's value should not exceed the cost of purchasing an alternative property that can provide similar utility. Therefore, it may not be appropriate if a property is unique.

Question 256

Answer: 2

Option (2) is correct because, although the *Real Estate Services Act* outlines certain disclosure requirements in Section 5-10, the common law considers an agent's duties and responsibilities to the principal to be one of a fiduciary nature and requires a duty of loyalty, which includes both confidentiality and FULL disclosure, above and beyond what is required in Section 5-10. Options (1) and (4) are incorrect because the common law may extend a licensee's disclosure responsibilities beyond the duty to disclose laid out in Section 5-10. Option (3) is incorrect because making a secret profit would violate the duty of utmost loyalty and full disclosure.

Question 257

Answer: 4

Option (4) is correct because the assessor's primary purpose under the *Assessment Act* is to provide actual values on which to apply tax levies. Option (1) is incorrect because the municipal council sets the general tax rate for each class of property in a given territory, but does not determine the actual value of the property. Option (2) is incorrect because the British Columbia Financial Services Authority does not establish actual value of property. Option (3) is incorrect because the Lieutenant-Governor in Council appoints the Property Assessment Appeal board, but is not involved in assessing the actual value of a piece of property.

Question 258

Answer: 4

Option (4) is the correct answer as a mortgage typically has long terms and amortization periods. Option (1) is incorrect because mortgages do not trade publicly such as bonds and stocks, making them relatively illiquid. Options (2) and (3) are incorrect because mortgage loans also require a high degree of administrative work, and a relatively high initial outlay of capital compared to other investments.

Question 259

Answer: 3

Option (3) is correct because a restrictive covenant is an interest in land which imposes a restriction on the use of one person's land (the servient tenement) for the benefit of another piece of land (the dominant tenement). Option (1) is incorrect because a licence creates a positive right, not a restriction. Option (2) is incorrect because a caveat is a notice registered against the title to land warning those searching the registrar that someone is claiming an estate or interest in land against the title. Option (4) is incorrect because an easement gives the holder a positive right to use the neighbouring land for his benefit, whereas a restrictive covenant prevents the neighbouring land from being used in a particular way.

Question 260

Answer: 2

Option (2) is correct because every strata plan must include a Schedule of Unit Entitlement. Option (1) is incorrect because the required drawings must show the strata lots distinguished by number or letter in consecutive order, but they are not necessarily required to show the street address of each strata lot. Option (3) is incorrect because there are no Standard Rules provided in legislation, and there is no requirement for a strata corporation to create Rules. Rather, there is only a requirement for there to be bylaws in place when the strata plan is filed. Option (4) is incorrect because the area of each strata lot must be indicated in square metres, not square feet.

Question 261

Answer: 3

Option (3) is correct because an investor can typically procure debt financing at a rate lower than the expected yield on investment. This allows the investor to cover the debt payments with the revenue generated from the investment. Option (1) is incorrect because only the interest portion of mortgage payments are tax deductible. Option (2) is incorrect as most terms are typically longer than one term, and this provides no advantage to the investment. Option (4) is incorrect as the change in property values has no influence on the investor's choice of debt or equity financing.

Question 262

Answer: 1

Option (1) is correct because licensees must act honestly with non-clients, which includes being truthful about the property and the fact that Dave intends to remove the tree before the property is sold. Option (2) is incorrect because an exception to the duty to communicate all offers to the client is if a client specifically instructs their licensee not to communicate offers to them promptly. Option (3) is incorrect because Shaylena has not been asked to give advice outside of her area of expertise. Option (4) is incorrect because Shaylena has breached the duties to act honestly and to act with reasonable care and skill.

Question 263

Answer: 4

Option (4) is correct because a contract made without consideration can still be enforceable if it is made under seal. However, all other elements of a valid contract must still be present. Options (1) and (2) are incorrect because executing a contract under seal does not remove the requirement under section 59 of the *Law and Equity Act* that, in most cases, contracts affecting land must be in writing and signed in order to be enforceable in court. Option (3) is incorrect because the parties must have intended to create legal obligations in order for a contract to be formed, whether or not it is executed under seal.

Question 264

Answer: 3

Option (3) is correct because on the completion date the seller is obligated to transfer title and the buyer is obligated to pay the purchase price in accordance with the contract for purchase and sale. Option (1) is incorrect because the statements of adjustment of the buyer and seller are treated separately and are not comprised of identical information. Option (2) is incorrect because, although the amount of taxes for the year are apportioned between the parties as of the adjustment date, the party “held responsible” for their share of the taxes will depend on whether the property taxes for the year have been paid already by the seller or will be due in the future to be paid by the buyer. Option (4) is incorrect because, although the adjustment and possession dates are most often the same, they are not required to be so. The adjustment date may coincide with either the completion or possession date or fall in between the two.

Question 265

Answer: 1

Option (1) is correct because payment of the deposit is generally not subject to GST until closing occurs, at which time the full amount of the sale price (including the deposit) becomes taxable. Option (2) is incorrect because no GST applies to reimbursements for prepayments. Option (3) is incorrect because under section 165(1) of the *Excise Tax Act*, the buyer (the “recipient”) has the obligation to pay the GST. Option (4) is incorrect because only amounts on the statements of adjustments that are legally components of the purchase price are subject to GST.

Question 266

Answer: 4

Option (4) is correct because all of the above statements are true. Option (1) is true because a contract is formed when there is unequivocal acceptance of an offer. When S accepted B’s offer to purchase the property for \$75,000, a contract between S and B was formed. Then, when A accepted S’s offer to purchase the property for \$50,000 within the time period stipulated in the offer, a contract between A and S was formed. Option (2) is true because an offer expires when the offeror communicates revocation before acceptance, so A would no longer have been able to accept S’s offer. Option (3) is true because S is entitled to accept B’s offer, but S will be liable for damages to A because S cannot convey the property as promised and will be in breach of their contract.

Question 267

Answer: 4

Option (4) is correct because it is impossible to determine when the loan will be completely repaid with the information given. This is an interest only loan, and no payments are made on the principal. The principal of the loan is completely repaid on a date set between the lender and the borrower. Options (1), (2), and (3) are incorrect for this reason.

Question 268

Answer: 4

Calculate the effective annual rate of interest of 10% per annum, compounded semi-annually, and the effective annual rates of interest for each option.

Press	Display
10 ■ NOM%	10
2 ■ P/YR	2
■ EFF%	10.25

Option (1):

9 ■ NOM%	9
2 ■ P/YR	2
■ EFF%	9.2025

Option (2):

10% per annum compounded annually = 10% effective annual rate

Option (3):

10 ■ NOM%	10
12 ■ P/YR	12
■ EFF%	10.471307

Option (4):

9.9 ■ NOM%	9.9
365 ■ P/YR	365
■ EFF%	10.405148

Therefore, Option (4) is correct.

Question 269

Answer: 2

In this question, calculate the NOI in order to find the market yield for each comparable.

$$\text{NOI} = \text{Gross Potential Rent} - \text{Operating Expenses} - \text{Vacancy Rate}$$

$$\text{Market Yield} = \text{NOI} \div \text{Sale Price}$$

Comparable ABC:

$$\text{NOI} = \$124,000 - \$44,000 - (0.04 \times \$124,000) = \$75,040$$

$$\text{Market Yield} = \$75,040 \div \$635,930 = 11.8\%$$

Comparable XYZ:

$$\text{NOI} = \$138,000 - \$50,000 - (0.04 \times \$138,000) = \$82,480$$

$$\text{Market Yield} = \$82,480 \div \$711,000 = 11.6\%$$

Thus, the market yield is between 11.6% and 11.8%.

Question 270

Answer: 1

Option (1) is correct because an individual must be licensed to and engaged by a brokerage in order to obtain and maintain a licence as a representative. Option (2) is incorrect because although a licensee may wish to incorporate his or her own Personal Real Estate Corporation, it is not a requirement that they do so as long as they are employed under and licensed to a brokerage. Option (3) is incorrect because ensuring the books and records are properly managed is a duty of the managing broker, not a representative. Option (4) is incorrect because there is no requirement for a representative to file at least one real estate transaction with the British Columbia Financial Services Authority each year.

Question 271

Answer: 3

Option (3) is correct because the payments of a loan contract are calculated based on a contract yield rate. If the discount, or expected yield rate decreases, the present value of the given contracted payments increases. Options (1), (2), and (4) are incorrect for this reason.

Question 272

Answer: 1

The market value of the mortgage is calculated by valuing the contracted loan payments at the market rate. The market value of the offer is the market value of the mortgage plus the cash down payment.

Press

7.5 ■ NOM%

2 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

755.31 +/- PMT

240 N

0 FV

PV

+ 75000 =

Display

7.5

2

7.640625

12

7.385429

-755.31

240

0

94,579.014897 (market value of the mortgage)

169,579.014897 (market value of the offer)

The market value of the offer is \$169,579, rounded to the nearest dollar.

Question 273

Answer: 3

Option (3) is correct because the principle of indefeasibility will not protect a registered owner who is on title as a result of fraud in which he or she participated. Since Duke forged the transfer document, he is not protected by indefeasibility and Earl will be able to recover title to Blackacre from Duke. The property will not remain encumbered by Royalty's mortgage because a mortgage is registered as a charge, and charges are not granted indefeasibility; rather, registration of a charge only raises a rebuttable presumption that the charge is valid. Options (1) and (2) are incorrect because the holder of a charge cannot rely on a title holder's indefeasibility and Earl will be able to rebut the presumption of the validity of the mortgage by showing that Duke was registered on title as a result of forgery. Option (4) is incorrect because a claim against the Assurance Fund can only be successful where the operation of the *Land Title Act* caused the party to lose his or her interest, and Royalty would not have had an interest in the property at common law under the rule of *nemo dat*.

Question 274

Answer: 3

Find the number of months necessary to amortize the loan.

Press	Display
7 ■ NOM%	7
2 ■ P/YR	2
■ EFF%	7.1225
12 ■ P/YR	12
■ NOM%	6.900047
32000 PV	32,000
1400 +/- PMT	-1,400
0 FV	0
N	24.575695

The loan will be amortized in approximately 24 months, or 2 years.

Question 275

Answer: 4

Option (4) is the correct response because it describes an official community plan. Option (1) is incorrect because a community plan does not require the municipality or regional district to carry out every detail specified in the plan. Rather, it requires that all bylaws enacted, permits issued, and work undertaken after its enactment be consistent with the plan. Option (2) is incorrect because only bylaws enacted subsequent to the enactment of the plan are affected. Option (3) is incorrect because a plan prepared by a regional district may be required to provide the Minister of Municipal Affairs with information regarding public support for the plan, and the minister may require a referendum to determine the degree of public support for the plan.

Question 276

Answer: 4

Option (4) is correct because the risk involved in being a mortgagee is increased due to the greater degree of management time involved. Option (1) is incorrect because mortgage risk is higher than that of Canadian government bonds. Option (2) is incorrect because investors are willing to accept higher risk for higher return; if the interest rate is high enough, investors will accept the risk of lending mortgage funds. Option (3) is incorrect because mortgage risk can also be reduced through careful borrower qualification measures.

Question 277

Answer: 3

Option (3) is correct because a common mistake is one where both parties to a contract have made the same mistake about a fundamental term of the contract. Here, both parties have made the mistake of assuming that the home had not been destroyed at the time they entered into the contract. Option (1) is incorrect because a mutual mistake occurs when each party makes a different fundamental mistake about the contract, and in this case the same mistake was made. Option (2) is incorrect because frustration of a contract happens due to events occurring after the contract was entered into, and here the home was destroyed before the contract was formed. Option (4) is incorrect because an anticipatory breach occurs when one party announces that he or she will not perform before the time of performance arrives, which has not occurred in this scenario.

Question 278

Answer: 4

Option (4) is correct (i.e., would NOT be available as a remedy to Lawson) because this is a commercial tenancy, and so the *Residential Tenancy Act* would not apply. Options (1), (2), and (3) are incorrect because each of these remedies WOULD be available to Lawson for non-payment of rent on commercial premises.

Question 279

Answer: 4

Option (4) is the correct answer as the interest adjustment period of the loan will not affect the maximum amount a borrower may qualify for. Options (1), (2), and (3) are incorrect because with higher income, higher property lending value, and lower mortgage interest rates, a borrower will be able to qualify for a higher maximum loan.

Question 280

Answer: 4

Find the maximum loan allowable given the borrower's payment constraints and the given loan criterion, assuming the loan is fully amortized in 25 years.

Press	Display
4 ■ NOM%	4
2 ■ P/YR	2
■ EFF%	4.04
12 ■ P/YR	12
■ NOM%	3.967068
850 +/- PMT	-850
300 N	300
0 FV	0
PV	161,590.750973

The maximum loan allowable is \$161,590.75.

Question 281

Answer: 1

Option (1) is correct because when a licensee represents only one party as a client in a given transaction, it is called a sole agency relationship. Option (2) is incorrect because an agency relationship exists when a licensee represents a client. Option (3) is incorrect because a limited dual agency relationship exists when a brokerage or licensee acts for multiple parties in a single trade in real estate, but because the duty of loyalty cannot be fulfilled to all clients, the clients agree to a limited form of agency relationship. This practice is now prohibited under section 63 of the Rules. Option (4) is incorrect because an agency relationship is not referred to as a "full agency relationship".

Question 282

Answer: 1

Option (1) is correct. To find the adjusted sale price of the comparable, take the sum of the listed sale price with its adjustments to the subject property. In this case, the subject property and the comparable are identical except that the subject property has 1 additional bedroom and 1 additional bathroom. The adjusted sale price is: $\$221,000 + \$4,000 + \$5,700 = \$230,700$.

Question 283

Answer: 2

Find the present value from the required yield rate and the sale price at the end of three years, or six semi-annual compounding periods.

Press	Display
10 I/YR	10
2 ■ P/YR	2
55000 FV	55,000
6 N	6
0 PMT	0
PV	-41,041.846815

The investor would be willing to pay \$41,041.85.

Question 284

Answer: 4

Option (4) is correct (false) because the single best thing you can do to improve your negotiation effectiveness is to prepare. Options (1), (2), and (3) are incorrect because they are true statements.

Question 285

Answer: 4

Find the present value of the mortgage from the given terms.

Press	Display
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16
12 ■ P/YR	12
■ NOM%	7.869836
0 FV	0
240 N	240
390 +/- PMT	-390
PV	47,081.122383

The investor should purchase the mortgage for \$47,081.12 to earn $j_2 = 8\%$.

Question 286

Answer: 1

Option (1) is correct because a condition precedent is a condition in a contract which must be satisfied before the contract is to be performed, and is the formal term for what is usually called a “subject to” clause in the real estate industry. Options (2), (3), and (4) are types of clauses which might be found in a contract that are distinct from “subject to” clauses. Option (2) is incorrect because a warranty is a clause which is not fundamental to the contract and whose breach would not allow a party to terminate the contract, only to sue for damages. Option (3) is incorrect because “subject to” clauses must be conditions precedent (they precede contractual performance) rather than conditions subsequent. Option (4) is incorrect because a penalty clause is a clause which states that a party who breaches the contract must pay a penalty to the innocent party. These clauses will not be enforced by the courts.

Question 287

Answer: 2

Option (2) is correct because the *Real Estate Services Act* requires a signed copy of the acceptance to be delivered to each of the parties to the transaction. Therefore, Allan, Bob, and Carol each require an individual copy as they are all parties to the transaction. Options (1), (3), and (4) are incorrect because they would each result in a party to the transaction not receiving a signed copy of the agreement.

Question 288

Answer: 2

Option (2) is correct because the test to determine whether an agreement creates a lease or a licence is a matter of intention between the parties, which is determined by examining the agreement, the surrounding circumstances, and the purpose behind the agreement. Option (1) is incorrect because formal wording and inclusion of terms in an agreement such as “lessor/lessee” or “licensor/licensee” will not necessarily be determinative of parties’ intentions. Options (3) and (4) are incorrect because the *Residential Tenancy Act* and the *Commercial Tenancy Act* do not apply to the holder of a licence.

Question 289

Answer: 3

Option (3) is correct because in the comparative approach of appraisal, “recent” refers to a time period during which demand and supply conditions in the area are relatively stable or do not change. “Recent” is the period of time, immediately preceding the appraisal date, during which property values in the region have remained stable. Options (1), (2), and (4) are incorrect for this reason.

Question 290

Answer: 2

Option (2) is correct because a weak secondary market for mortgages means that there are not a large amount of buyers and sellers of mortgages that already exist. Due to this, the investors’ funds are “locked in” to the interest rate written in their original contracts, and they cannot achieve the current rate until the end of the term, or until they recover enough capital to initiate a new mortgage at the new rate. Options (1), (3), and (4) are incorrect because they do not describe reasons for mortgage rates’ “stickiness”.

Question 291

Answer: 2

Option (2) is correct because private nuisance occurs when an owner or occupier of land unreasonably and substantially interferes with the reasonable use and enjoyment of a neighbouring property, which includes activities which product noxious fumes. Hurston's venting highly toxic gas over Ralph's apple orchard, destroying his crop, would classify as an unreasonable and substantial interference with Ralph's ability to use and enjoy his land. Option (1) is incorrect because XYZ could be vicariously liable for Hurston's activities as their employee or negligent for failing to prevent Hurston from creating the nuisance. Option (3) is incorrect because Ralph would have a remedy against Hurston, as the person who created the nuisance is liable for doing so. Option (4) is incorrect because the *Occupiers Liability Act* would only apply if Ralph and/or his property had been harmed while on XYZ's property.

Question 292

Answer: 2

Option (2) is correct because a characteristic of a straight line principal reduction loan is that payments will decrease over time. This is favourable to a borrower that expects his or her income to decrease in the future. Option (1) is incorrect because a straight line principal reduction plan does not permit a borrower to delay repayment, as it provides for higher initial payments. Option (3) is incorrect because a borrower who foresees his or her income increasing would prefer to make higher payments in the future, rather than immediately. Option (4) is incorrect because initial payments will be higher than future payments.

Question 293

Answer: 3

Option (3) is correct because the duty of full disclosure requires Billy to disclose all known material information to his client, including the buyer's intentions for the property. Option (1) is incorrect because Julio has followed his professional obligations and satisfied the duty of full disclosure. Option (2) is incorrect because Gabriel has fulfilled his duty to advise his client to seek independent professional advice on matters outside of his expertise. Option (4) is incorrect because Simon has communicated all of the offers he received to his client and fulfilled his professional obligations.

Question 294

Answer: 4

Option (4) is correct because all of the statements would appear as debits on the seller's statement. Option (1) would appear as a debit on the seller's statement of adjustments because an existing mortgage on title which will be assumed by the buyer on completion of the sale reduces the amount of cash that the buyer will owe to the seller. For Option (2), the seller is responsible for clearing the title of any encumbrances and any fees for this are the responsibility of the seller, which would reduce the amount of cash due to him or her and would be shown as a debit to the seller. For Option (3), the seller is liable to pay overdue taxes and any penalty owing as a result of late payment. This reduces the amount of cash owed to the seller and would appear as a debit on their statement of adjustments.

Question 295

Answer: 2

Option (2) is correct because the offeree should generally communicate acceptance using the same method as the offer was made, if the offer does not specify otherwise. Options (1), (3), and (4) are incorrect because they do not generally describe the proper means of communicating acceptance. Rather, they are methods of communication that are potentially acceptable, depending on the way in which the offer was communicated and the terms of the offer.

Question 296

Answer: 4

Option (4) is correct because purchasing assets will not affect owner's equity. The purchase of the assets will either be funded by cash that will result in no net change in assets, or it will be funded by debt, which will increase both assets and liabilities. Option (1) is incorrect because Investment by the owner will increase the amount of equity. Option (2) is incorrect because personal withdrawals from the business will decrease the amount of equity. Option (3) is incorrect because earning net income will also increase the amount of equity.

Question 297

Answer: 3

Option (3) is correct because there is an implied covenant on the part of a commercial landlord to let the tenant into possession of the leased premises and, if they do not do so, they will be liable for damages. Option (1) is incorrect because a commercial tenant cannot get an order for specific performance in these circumstances due to the common law doctrine of *interesse termini*, which provides that no estate in land passes until the tenant takes possession. Option (2) is incorrect because quiet enjoyment relates to the tenant's ability to use and enjoy the premises for all usual purposes without interference or unreasonable disturbance from the landlord, which would apply once the tenant is already in possession of the premises. Option (4) is incorrect because the tenant would be entitled to sue the landlord for damages.

Question 298

Answer: 2

Option (2) is the correct answer because this option represents the subjective value to the owner. Market value should be an objective value at a specific point in time. Options (1), (3), and (4) all form part of the definition of market value.

Question 299

Answer: 4

Option (4) is correct because the basic criteria to qualify for a home owner grant is that the person claiming the grant must be the owner of the property and must occupy it as a principal residence. Option (1) is incorrect because an owner's name may appear on the assessment roll, but they would not qualify for a home owner grant if they were not occupying the property. Option (2) is incorrect because a tenant is not an owner of the property. Option (3) is incorrect because an owner must live at the property in order to claim a home owner grant.

Question 300

Answer: 3

Option (3) is correct because, in addition to the educational and experience requirements, the *Real Estate Services Act* (RESA) requires that an applicant must be at least 19 years of age. Option (1) is incorrect because qualification for a managing broker's licence requires a licensee to have been providing real estate services in a Canadian province or the Yukon for at least two years during the five years before the date of the application. Option (2) is incorrect because Canadian citizenship is not required to qualify for a managing broker's licence. Option (4) is incorrect because a minimum of 19 years of age is required under RESA.

Question 301

Answer: 2

Option (2) is correct because a licensee must obtain a written agreement of dual agency by both clients before providing services within the dual agency relationship. Option (1) is incorrect because an Agreement Regarding Conflict of Interest Between Clients is entered into when a licensee faces a conflict of interest when acting for multiple clients, and obtains written consent by all clients to continue to represent only one client. Option (3) is incorrect because a Disclosure of Interest in Trade form is required when a licensee or an associate of a licensee (being provided real estate services by the licensee) is to directly or indirectly acquire or dispose of real estate. Option (4) is incorrect because a Disclosure of Risks to Unrepresented Parties form is required when a licensee makes a disclosure under section 54 of the Rules to an unrepresented party while also representing a client to that trade in real estate.

Question 302

Answer: 2

Option (2) is correct because under sections 49 and 50 of the Rules, licensees are prohibited from making promises to others in an attempt to induce them to enter into service agreements or enter into real estate transactions UNLESS the licensee delivers a signed statement setting out the details of the promise to the person to whom the promise is made. Options (1), (3), and (4) are incorrect because making full disclosure to both the seller and the buyer, sending a copy of such a promise to the British Columbia Financial Services Authority, and providing a statement under oath without details of the promise will not be enough to prevent a violation of the rule if the signed statement containing details is not given to the promisee.

Question 303

Answer: 1

Find the present value of the mortgage from the given terms.

Press	Display
15 ■ NOM%	15
1 ■ P/YR	1
■ EFF%	15
12 ■ P/YR	12
■ NOM%	14.0579
650 +/- PMT	-650
48 N	48
55858.13 +/- FV	-55,585.13
PV	55,698.259135

The purchase price of this loan will be \$55,698.26.

Question 304

Answer: 3

Option (3) is correct because a strata corporation may amend the Standard Bylaws in the *Strata Property Act* by creating a new custom-made bylaw, but they may not enforce such a bylaw until it has been filed at the land title office. Option (1) is incorrect because a vote's decision making value is not determined by the lot's unit entitlement – rather, one vote per lot is given regardless of the size of the lot. Option (2) is incorrect because rental restriction bylaws do not apply to strata units for one full year following their passage or, if there is a tenant in a strata lot on the day the new bylaw is passed, the one-year grace period only begins on the day the tenant vacates the strata lot. Option (4) is incorrect because the strata lot is restricted to its description in the strata plan, and everything outside of that parcel is considered to be common property.

Question 305

Answer: 3

Option (3) is correct because bylaws govern owners' obligations as well as their use of the strata lots and the common property and common assets. Option (1) is incorrect because bylaws are passed by the strata corporation, not just the council. Option (2) is incorrect because a strata corporation may only restrict the rental of a strata lot by a bylaw that prohibits the rental of residential strata lots, not commercial. Option (4) is incorrect because Options (1) and (2) are both incorrect.

Question 306

Answer: 1

Find the yield to the purchaser given the stabilized net operating income and the sale price of the property.

$$\begin{aligned}\text{Yield} &= \frac{\text{NOI}}{\text{Sale Price}} \\ &= \$75,700 \div \$378,500 \\ &= 0.20\end{aligned}$$

The yield to the purchaser is 20%.

Question 307

Answer: 4

Option (4) is correct because Transport Canada requires a Special Flight Operations Certificate for drones weighing over 25 kilograms that are used for commercial purposes such as real estate marketing. Option (1) is incorrect because drones are less, not more, expensive than helicopters. Option (2) is incorrect because a drone used for real estate marketing must be insured. Option (3) is incorrect because a drone is generally flown during daylight hours.

Question 308

Answer: 1

Option (1) is correct because the defining characteristics of a West Coast design style are angular roof components and large glass areas. Options (2), (3), and (4) are incorrect because they do not describe West Coast design style.

Question 309

Answer: 1

The market value of Linda's offer is the market value of the mortgage plus her cash down payment. Linda will assume the remaining 36 monthly payments of \$1,356.78 and the outstanding balance of \$150,948.60. Calculate the market value of the mortgage by determining the PV of the payments and OSB remaining at the end of the original 5-year term based on the current market rate of $j_{12} = 5\%$.

Press

5 I/YR

12 \blacksquare P/YR

1356.78 +/- PMT

150948.6 +/- FV

36 N

PV

+ 45000 =

Display

5

12

-1,356.78

-150,948.6

36

175,233.074951 (market value of the mortgage)

220,233.074951 (market value of the offer)

The market value of Linda's offer is \$220,233.07.

Question 310

Answer: 3

Option (3) is correct because there is no requirement for the dominant and servient tenements to be owned by different parties in order for an easement to be valid. Options (1), (2), and (4) are incorrect because an easement requires that there be a dominant and servient tenement, that the easement accommodate the dominant tenement, and that the easement be capable of forming the subject matter of a grant in order to be valid.

Question 311

Answer: 4

Option (4) is correct because the Assessment Notice indicates the actual value of a property as determined by the assessor. Options (1), (2), and (3) are incorrect because they refer to concepts which do not determine the actual value of a property.

Question 312

Answer: 3

To answer this question, calculate the maximum amount of money that can be lent out given the two constraints: the loan-to-value amount and the gross debt service ratio amount. Calculate the loan amount for the loan-to-value constraint and then calculate the loan amount for the GDSR constraint. In order to determine the maximum amount that the lender will advance, choose the lesser of the two results.

$$LTV = 80\%$$

$$\text{Lending Value} = \$440,000$$

$$\text{Maximum loan under lender's LTV criteria} = 0.8 \times \$440,000 = \$352,000$$

$$GDSR = 32\%$$

$$GDSR = \frac{P+I+T}{GI} \rightarrow 0.32 = \frac{P+I+\$2,750}{\$75,000}$$

$$P+I = (GDSR \times GI) - T$$

$$P+I = (0.32 \times \$75,000) - \$2,750$$

$$P+I = \$21,250 \text{ (annual mortgage payment)}$$

The loan states that monthly payments are required so:

$$P+I = \$21,250 \div 12 = \$1,770.83 \text{ (monthly mortgage payment)}$$

The next step is to calculate the maximum loan amount given the contract terms and the monthly payment.

Press	Display
6 ■ NOM%	6
2 ■ P/YR	2
■ EFF%	6.09
12 ■ P/YR	12
■ NOM%	5.926346
1770.83 +/- PMT	-1,770.83
240 N	240
0 FV	0
PV	248,646.270538

The maximum loan amount under the GDSR is \$248,650, rounded to the nearest \$10.

The maximum loan amount is the lower of the two constraints: \$248,650 < \$352,000; therefore, \$248,650 is the maximum amount this lender will advance.

Question 313

Answer: 4

Calculate the semi-annual periodic rate from the semi-annual nominal rate.

$$12 \div 2 = 6$$

The periodic rate is 6%.

Question 314

Answer: 2

Option (2) is correct because expropriating land for the purpose of adding it to the agricultural land reserve is not included in the powers of the Agricultural Land Commission. Options (1), (3), and (4) are incorrect because they are all within the powers granted to the Agricultural Land Commission under the *Agricultural Land Commission Act*.

Question 315

Answer: 3

Option (3) is correct because salaries payable is a liability account because it represents money that is owed to another party. Options (1), (2), and (4) are incorrect because depreciation expense, accumulated depreciation, and interest expense accounts are not classified as a liability because they do not represent a future obligation to pay a third party.

Question 316

Answer: 2

Option (2) is correct because a lease grants exclusive possession of land to another (the tenant) for a specified term. Option (1) is incorrect because an easement is a separate type of interest in land which does not grant exclusive possession, but gives a landowner a limited right to use another's land for the benefit of his or her land. Option (3) is incorrect because a license creates a privilege for the person who holds it to enter onto property for a certain purpose, but does not confer upon the licensee a lease or any other interest in the property. Option (4) is incorrect because a right of survivorship is a characteristic of a joint tenancy co-ownership whereby the estate automatically vests in surviving joint tenants on the death of a joint tenant.

Question 317

Answer: 4

Option (4) is correct (false) because where the Canada Revenue Agency sends an assessment to the seller for uncollected GST, the seller has a right to pursue the buyer for the amount of the GST. Options (1), (2), and (3) are incorrect because they are all true statements.

Question 318

Answer: 1

Option (1) is correct because the mortgage qualifying rate is based on the greater of the government-specified qualifying rate (5.25% as of June 2021) and 2% above the mortgage's negotiated contract rate. In this case, you would apply a rate of $j_2 = 5.9\%$ ($2\% + 3.9\%$), which is greater than the government-specified rate of $j_2 = 5.25\%$.

Question 319

Answer: 4

Option (4) is correct because the landlord's duty to repair requires that the landlord repair all types of residential premises under section 32 of the *Residential Tenancy Act*, even if they were in disrepair when the tenancy agreement was made. Options (1), (2), and (3) are incorrect because they are overruled by section 32 of the Act.

Question 320

Answer: 4

Option (4) is correct because while a defect's impact on a property's value can be objectively determined, a stigma's effect depends on an individual buyer's subjective considerations. Some may view the stigma as a liability, while others may not. Option (1) is incorrect because although stigmas can increase the value of a property, they can also decrease its value, depending on the individual buyer's subjective preferences. Option (2) is incorrect because sellers are generally not required to disclose stigmas unknown to the buyer. Additionally, unlike stigmas, some defects must be disclosed by the seller. Option (3) is incorrect because whether or not the stigma can be discovered through reasonable inspection and inquiries is not a distinguishing feature of a stigma. Further, only certain defects are discoverable upon a reasonable examination.

Question 321

Answer: 1

Option (1) is correct because a key purpose of the Disclosure of Risks to Unrepresented Parties form is to encourage unrepresented parties to obtain independent professional advice in respect of the trade in real estate. Option (2) is incorrect because it does not describe a purpose of the form, as a licensee is permitted to provide unrepresented parties with limited trading services, provided the licensee adheres to the Rules. Option (3) and (4) are incorrect because they are not purposes of the form.

Question 322

Answer: 4

Find the maximum loan allowable given the borrower's payment constraints and the given loan criterion, assuming the loan is fully amortized in 25 years.

Press	Display
14 ■ NOM%	14
2 ■ P/YR	2
■ EFF%	14.49
12 ■ P/YR	12
■ NOM%	13.608312
550 +/- PMT	-550
300 N	300
0 FV	0
PV	46,853.310771

The maximum loan allowable is \$46,853.31.

Question 323

Answer: 4

The value of Mark's offer is the market value of the mortgage plus his cash down payment. Mark will assume the remaining 36 monthly payments of \$2,493 and the outstanding balance of \$296,762.89. Calculate the market value of the mortgage by determining the PV of the payments and OSB remaining at the end of the original 5-year term based on the current market rate of $j_2 = 3.5\%$.

Press

3.5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 2493 +/- PMT
 296762.89 +/- FV
 36 N
 PV
 + 50000 =

Display

3.5
 2
 3.530625
 12
 3.474749
 -2,493
 -296,762.89
 36
 352,537.42204 (market value of the mortgage)
 402,537.42204 (market value of the offer)

The market value of Mark's offer is \$402,537.42.

Question 324

Answer: 3

Option (3) is correct because the sub-market for single-family residences experiences many sales transactions so there is a more abundant flow of market information relating to current prices. Options (1), (2), and (4) are incorrect because they are not reasons that this sub-market is considered more perfect than others.

Question 325

Answer: 4

Option (4) is correct because zoning bylaws are periodically consolidated to include all the amendments that have been adopted up to the time of that consolidation, but this is not a standard part that is usually included in the bylaw. Options (1), (2), and (3) are incorrect because they are all part of a standard zoning bylaw.

Question 326

Answer: 4

Calculate the monthly principal and interest that can be paid from the given constraints and the following equation: $PIT = GDSR \times \text{Gross Income}$

$$PIT = 0.3 \times \$12,000$$

$$PI + 600 = \$3,600$$

$$PI = \$3,600 - \$600$$

$$\text{Annual PI} = \$3,000$$

$$\text{Monthly PI} = \$3,000 \div 12 = \$250$$

The monthly allowable amount for principal and interest is \$250.

Question 327

Answer: 2

Option (2) is correct because the seller's share of the property taxes will reduce the cash proceeds due to him/her, and thus will be debited on his/her statement of adjustments. Option (1) is incorrect because taxes are apportioned between the parties as of the adjustment date and this is reflected on the statements of adjustments. Option (3) is incorrect because taxes may be paid out of the proceeds where taxes are due but have not yet been paid, whereas in this situation the taxes are not yet due. Option (4) is incorrect because a credit on the buyer's statement of adjustments would reflect an amount that was owed to the seller, and in this situation the seller's share of the taxes are owed to the buyer so that the buyer can pay them in the future when they become due.

Question 328

Answer: 2

Calculate the required payments according to the loan contract, then calculate the cost of funds advanced using a present value that is net of commission, appraisal, survey, and legal fees.

Press	Display
7.75 ■ NOM%	7.75
2 ■ P/YR	2
■ EFF%	7.900156
12 ■ P/YR	12
■ NOM%	7.627754
100000 PV	100,000
240 N	240
0 FV	0
PMT	-813.422896
813.42 +/- PMT	-813.42
95450 PV	95,450 (\$100,000 - \$3,500 - \$450 - \$600)
I/YR	8.252059 (j_{12})
■ EFF%	8.571434 (j_1)

Question 329

Answer: 1

Option (1) is correct because the developer is offering below-market rate financing as an incentive to sell more condos. Therefore, Options (2), (3), and (4) are incorrect.

Question 330

Answer: 4

Find the market value of a loan contract given the change in the market rate; add the down payment to obtain the market value of the offer.

Press

4 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 125000 PV
 240 N
 0 FV
 PMT
 755.31 +/- PMT
 6.5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 PV
 + 75000 =

Display

4
 2
 4.04
 12
 3.967068
 125,000
 240
 0
 -755.308081
 -755.31
 6.5
 2
 6.605625
 12
 6.413688
 101,999.942524 (market value of the mortgage)
 176,999.942524 (market value of the offer)

The market value of the offer is \$176,999.94.

Question 331

Answer: 1

Calculate the required payments, according to the loan contract, then calculate the cost of funds advanced using a face value that is net of commission fees.

Press

6 I/YR
 12 ■ P/YR
 350000 PV
 180 N
 0 FV
 PMT
 2953.5 +/- PMT
 60 INPUT ■ AMORT
 = = =
 266031.77 +/- FV
 336000 PV
 60 N
 I/YR
 ■ EFF%

Display

6
 12
 350,000
 180
 0
 -2,953.498898
 -2,953.5
 PER 60-60
 266,031.76828
 -266,031.77
 336,000 (\$350,000 - \$10,000 - \$2,500 - \$500 - \$1,000)
 60
 7.063573 (j_{12})
 7.296801 (j_1)

Question 332

Answer: 1

Option (1) is correct because an invitation to treat is an invitation to the public to submit offers. Option (2) is incorrect because a legal offer is meant to be binding if accepted, whereas an invitation to treat is not an offer capable of acceptance to form a binding contract. For this reason, Option (4) is also incorrect. Option (3) is incorrect because a request for information is not sufficient to constitute an invitation to treat; rather, a request for offers is required.

Question 333

Answer: 3

Option (3) is correct because the subject of a real property appraisal is the legal interest of ownership vested in the land. A legal interest in cattle is not a legal interest of ownership vested in the land. Options (1), (2), and (4) are incorrect because they are all legal interests of ownership vested in the land.

Question 334

Answer: 3

Option (3) is correct because an exclusive listing is an 'exclusive right to sell' which gives the real estate brokerage (through its Designated Agent) the sole authority to sell the property for a specified period. Option (1) is incorrect because an open listing authorizes a real estate brokerage through its Designated Agent to sell the property; however, it does not prevent the seller from employing a number of other brokerages to also represent the seller through their Designated Agents. Option (2) is incorrect because a general listing is another name for an open listing. Option (4) is incorrect because a restricted listing is not a type of real estate agency listing contract.

Question 335

Answer: 4

Option (4) is correct because the document grants a right of way, which is a form of easement, to Mary for the benefit of her land (the dominant tenement) over John's land (the servient tenement). Option (1) is incorrect because a restrictive covenant imposes a restriction on the use of one person's land for the benefit of another, and this document grants a positive right to use the land rather than a restriction. Option (2) is incorrect because a lease grants a right to possession for a certain amount of time, whereas this interest does not have an end date attached to it and it does not grant exclusive possession to the property. Option (3) is incorrect because a license is a privilege to enter onto premises for a certain purpose that is a personal right (i.e. can only be exercised by the person to whom it was granted) whereas this right is an interest which runs with the property rather than to Mary exclusively.

Question 336

Answer: 3

Option (3) is correct because in using the cost approach of appraisal, the major difficulty is experienced in calculating incurable physical depreciation. The cause of the difficulty lies in determining the economic life of the building. Options (1), (2), and (4) are incorrect for this reason.

Question 337

Answer: 2

Option (2) is correct because if supply and demand factors have remained relatively stable for the last 3 months, a good comparable property is a similar property that sold one week ago, after two months exposure to the market. This is the best comparable because the comparative approach is built on the premise that the market value of the subject property will be equal to the prices recently paid for similar properties. Options (1) and (4) are incorrect because they do not represent the market value of similar properties. Option (3) is incorrect because this similar property has not sold.

Question 338

Answer: 1

Option (1) is correct because to find the adjusted sale price of the comparable, take the sum of the listed sale price with its adjustments to the subject property. In this case, the subject property and the comparable are identical except that the subject property has 1 additional bedroom and is 100 square feet larger. The adjusted sale price is: $\$321,000 + \$3,200 + \$5,000 = \$329,200$.

Question 339

Answer: 3

Option (3) is correct because reproduction cost is the current cost of constructing an exact replica of the subject property. Options (1), (2), and (4) are incorrect for this reason.

Question 340

Answer: 2

Option (2) is correct (FALSE) because a binding contract of purchase and sale can be created if there is an offer, acceptance, and consideration. The exchange of promises to convey title to the property in return for the purchase price is valid consideration, even without a deposit. Options (1), (3), and (4) are incorrect because they are TRUE statements.

Question 341

Answer: 3

Option (3) is correct because an ordinary residential property is assessed at market (actual) value. Option (1) is incorrect because it would qualify as a special residential property and could be assessed according to the value based solely on the current residential use. Option (2) is incorrect because pipelines are classified under Major Industry property and are assessed on a separate basis due to difficulty in determining actual value. Option (4) is incorrect because for real estate classified as farm land, the assessor must consider only the value of the property as a farm and exclude value attributable to any other potential uses (i.e. value in use is considered rather than actual value).

Question 342

Answer: 1

Find the highest effective rate of the nominal interest rates given.

Press	Display
14 ■ NOM%	14
12 ■ P/YR	12
■ EFF%	14.934203
14 ■ NOM%	14
6 ■ P/YR	6
■ EFF%	14.842523
14 ■ NOM%	14
4 ■ P/YR	4
■ EFF%	14.7523
14 ■ NOM%	14
2 ■ P/YR	2
■ EFF%	14.49

As the number of compounding periods increases, the effective rate increases, so the more interest you will receive for an investment.

Question 343

Answer: 3

Seller's Statement of Adjustments

ITEM	DEBIT	CREDIT
Purchase Price		195,000.00
1 st Mortgage	71,000.00	
Seller's Share of Taxes*	739.73	
Commission	11,700.00	
Cash Proceeds of Sale	<u>111,560.27</u>	<u> </u>
	<u>195,000.00</u>	<u>195,000.00</u>

* (Jan. 1-June 29 = 180 days) $180/365 \times \$1,500 = \739.73

Question 344

Answer: 1

Option (1) is correct because all things being equal, a longer term on a bonused partially amortized loan will result in a lower effective interest rate paid by the borrower. This is because the value of the bonus is paid off over a longer term, thus decreasing the annual cost of borrowing. Options (2), (3), and (4) are incorrect for this reason.

Question 345

Answer: 3

Press	Display
9 ■ NOM%	9
2 ■ P/YR	2
■ EFF%	9.2025
12 ■ P/YR	12
■ NOM%	8.835748
25000 PV	25,000
240 N	240
0 FV	0
PMT	-222.297374
222.3 +/- PMT	-222.3

Find the effective annual interest rate on the funds advanced. The calculator steps continue as follows:

Press	Display
22000 PV	22,000
I/YR	10.679327
■ EFF%	11.217868

The cost of funds advanced is greater than the contract equivalent rate of 9.2025%. However, calculations are not required. Given the inverse relationship between the present value and interest rates, since the present value declines (all else constant), the interest rate increases (as supported by the above calculations).

Question 346

Answer: 4

Option (4) is correct because the objectivity principle states that all accounting information needs to be objectively determined, as well as verifiable. Option (1) is incorrect because the consistency principle states that once an accounting policy is adopted, the company must continue to use the same policy in the future. Option (2) is incorrect because the verification principle is not a generally accepted accounting principle. Option (3) is incorrect because the materiality principle is not studied in this course.

Question 347

Answer: 2

Option (2) is correct because increasing the interest rate is a way to accommodate increased risk by providing increased return for the lender, but this does not reduce the risk. In fact, a higher interest rate will result in a higher payment, making the risk of default even greater. Options (1), (3), and (4) are incorrect because they represent ways that a lender can reduce risk.

Question 348

Answer: 1

Option (1) is correct because where acceptance is intended to be by non-instantaneous means, which includes by post, the acceptance is effective when it is put in the mail rather than when it is actually received. If the acceptance is lost in the mail, there is still a binding contract as long as the offeree can prove the acceptance was actually mailed. For these reasons, Options (2), (3), and (4) are incorrect.

Question 349

Answer: 4

Option (4) is correct because there is no requirement for developers to consult with the public over proposed developments under the *Real Estate Development Marketing Act* (REDMA). Options (1), (2), and (3) are incorrect because developers are required to do each of these things under REDMA. Its purpose is to protect purchasers by requiring developers who market or intend to market development units in development properties to: meet any preliminary requirements or approvals applicable to the type of property to be marketed; ensure appropriate steps are taken to pay the cost of utilities or other related services and to assure the purchaser's title (or other interest) upon purchase; and prepare and file a disclosure option in the form required by the BC Financial Services Authority.

Question 350

Answer: 2

Option (2) is correct because an owner cannot file a lien against the strata corporation because they are dissatisfied with the corporation's actions. However, if an owner sues a strata corporation and succeeds, they may receive a judgment against the strata corporation. Options (1), (3), and (4) are incorrect because they are all remedies available under the *Strata Property Act* to an owner who is dissatisfied with acts of the strata corporation.

Question 351

Answer: 3

Option (3) is correct because a licensee is required to file a Suspicious Transaction Report (STR) as soon as practicable. Option (1) is incorrect because individual licensees have an obligation under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* to file STRs, whether or not the managing broker approves. Option (2) is incorrect because law enforcement direction is not required to file an STR. Option (4) is incorrect because it is the requirement for filing a Large Cash Transaction Report. There is no specified number of days required for filing an STR, because the requirement is that it be filed as soon as practicable.

Question 352

Answer: 4

Option (4) is correct because in British Columbia, only fee simple owners are protected by the guarantee of indefeasibility. In *Gill v. Bucholtz* (2009) the British Columbia Court of Appeal confirmed that the Land Title Act preserves the common law principle that “one cannot give another person that property which one does not have” with respect to registered charges. Options (1) and (3) are incorrect because under British Columbia’s Torrens system, the indefeasibility principle provides that when a person is named on a certificate of title as the owner of the fee simple estate in land, that is conclusive proof that he or she is entitled to that fee simple estate. Therefore, a fee simple owner cannot recover title from a good faith purchaser who acquires fee simple title by way of a void deed. Option (2) is incorrect because *nemo dat quod non habet* is the fundamental common law tenet that one cannot give what one does not have, which would protect the rightful owner. The indefeasibility principle protects the registered fee simple owner.

Question 353

Answer: 4

Option (4) is the correct answer as reconciling the market value of the subject property is not a reason to include a market analysis in the appraisal report. Options (1), (2) and (3) are incorrect because they are valid reasons to include the market analysis in the appraisal report.

Question 354

Answer: 2

Option (2) is correct because an agent is a person authorized to act on behalf of another person, the principal, so that they represent the principal in dealings with third parties. Therefore, while the agent is acting within the scope of his authority as an agent and after having disclosed that he is an agent for the principal, the contract will be between the principal for whom the agent is acting and the third party. Option (1) is incorrect because, although there would be a contract between the agent and the principal in order to establish the agency relationship, in this case the contract is with a third party. Options (3) and (4) are incorrect because the agent is acting on behalf of the principal as if he were stepping into the principal’s shoes rather than contracting for himself; therefore, the agent is not party to the agreement.

Question 355

Answer: 3

Option (3) is correct because a sub-lease is a lease by the original tenant (the sub-landlord) to a third party for less than the total remainder of the sub-landlord’s original lease term. Option (1) is incorrect because an assignment is the transfer by a party of all of the party’s interest in a property, i.e. for the total remainder of the lease term rather than a portion of it. Option (2) is incorrect because a tenancy by sufferance occurs when there is no tenancy because no lease exists. For example, if a tenant does not move out of the leased premises upon the expiration of the term of the lease. Option (4) is incorrect because a tenancy at will is where the tenant, with the consent of the landlord, occupies land as a tenant for a term which can be terminated by either party at any time.

Question 356

Answer: 1

Option (1) is correct because where property taxes are to be paid in the future by the buyer, the seller owes the share of taxes from January 1 up to the adjustment date, in this case, up to April 14 as the adjustment date is April 15. Option (2) is incorrect because taxes are split according to the proportion of the year that each party has ownership of the property rather than an equal split. Option (3) is incorrect because Benson is responsible for paying taxes on July 1. Vanessa will have to pay Benson for her share of taxes from January 1 through April 14. Option (4) is incorrect because the property taxes will have to be paid regardless of when the sale completes.

Question 357

Answer: 2

Option (2) is correct because the statement of profit and loss, also known as the income statement, measures revenues and expenses for a certain time period. Option (1) is incorrect because there is no financial statement that reflects the acquisition of assets of a certain period of time. Option (3) is incorrect because there is no financial statement that measures the revenues accrued at a single point in time. Option (4) is incorrect because the balance sheet is the financial statement that measures the assets and liabilities held at a single point in time.

Question 358

Answer: 1

Option (1) is correct because the estate in fee simple is the greatest estate in Canadian law, equivalent to what we ordinarily think of as outright ownership of real property, where the owner has rights to the land for so long as he or she has heirs. This includes the right to freely use and enjoy it, sell it, rent or lease it, grant mortgages or easements or other interests in land, and to dispose of it under the terms of a will. Options (2) and (4) are incorrect because leasehold estates and estates pur autre vie are estates in land less than fee simple since the interests have a prescribed end date and other conditions or obligations attached to the use and enjoyment of the land. Option (3) is incorrect because an easement is an interest in land less than an estate as it is a limited right to use another's land rather than a full right to possession of the property.

Question 359

Answer: 2

Option (2) is the correct answer because the value to owner cannot be used in appraisal, but may be used in investment analysis. Options (1), (3), and (4) are incorrect for this reason.

Question 360

Answer: 3

Option (3) is correct because the shopping behaviour model classifies products and services based on the amount of effort that a consumer is willing to go through to obtain that product or service. In order of the amount of effort required by the consumer, from the least effort to the most effort, the goods are unsought goods, convenience goods, shopping goods, and specialty goods. Options (1), (2), and (4) are incorrect for this reason.

Question 361

Answer: 4

Option (4) is correct because niche marketing focuses on a relatively small but active and growing target market. Option (1) is incorrect because undifferentiated marketing is when a single product or service is marketed to all potential consumers with a single marketing program. Option (2) is incorrect because differentiated marketing refers to numerous similar products being marketed to different market segments using different marketing programs. Option (3) is incorrect because specialty marketing is a term not used in this course.

Question 362

Answer: 1

For this question you are given the monthly periodic rate and asked to calculate how many years Joanne will make payments. First, express the rate as a j_{12} , then calculate N.

Press	Display
$.5 \times 12 = I/YR$	6
12 \blacksquare P/YR	12
15000 PV	15,000
450 +/- PMT	-450
0 FV	0
N	36.555396
$\div 12 =$	3.046283

N is expressed as months; therefore, divide by 12 to express the amortization in years. Joanne will have to make payments for three full years.

Question 363

Answer: 3

Option (3) is correct because a listing licensee has a duty to verify information for the listing and may be liable if they fail to do so and the buyers incur damages as a result. Options (1), (2), and (4) are incorrect because they would not meet the licensee's duty to independently check the information provided to them by the seller where possible.

Question 364

Answer: 4

Option (4) is correct because a tenant under a commercial lease may assign without the consent of the landlord unless there is an express prohibition in the lease. Options (1), (2), and (3) are incorrect because the presumption is that assignment is allowed unless otherwise specified in the lease, and none of the situations in these options are required for the presumption to prevail.

Question 365

Answer: 1

Option (1) is correct because under the *Real Estate Development Marketing Act*, a new disclosure statement is required when the identity of the developer changes. A developer is defined as a person who, directly or indirectly owns, leases or has a right to acquire or dispose of development property, subject to exclusion by regulation. Therefore, the bank would be considered a new developer and would have to file a new disclosure statement. For this reason, Options (2) and (3) are incorrect. Option (4) is incorrect because there is no requirement to file a prospectus rather than a disclosure statement in the event of a foreclosure.

Question 366

Answer: 2

Option (2) is correct because, in the income approach of appraisal, the market value for any particular real estate property is determined by the yields that prospective purchasers reasonably expect to earn. Options (1), (3), and (4) are true and are therefore incorrect.

Question 367

Answer: 3

Option (3) is correct because “identify the proposal” is not one of the 10 privacy principles provided for under the *Personal Information Protection Act* (PIPA). Option (1) is incorrect because Principle 10 is to provide recourse. Option (2) is incorrect because Principle 2 is to obtain consent. Option (4) is incorrect because Principle 5 provides for limiting use, disclosure, and retention.

Question 368

Answer: 3

Option (3) is correct because the debt coverage ratio is calculated by dividing the annual net operating income by the annual sum of mortgage payments. Options (1), (2), and (4) are incorrect for this reason.

Question 369

Answer: 2

Option (2) is correct because a counter-offer terminates the original offer to become the new offer. Option (1) is incorrect because if the counteroffer is not accepted, the offeree cannot accept the first offer because it has already terminated. Option (3) is incorrect because a counter-offer does not terminate all negotiations, just the original offer. Option (4) is incorrect because a counter-offer does not have the effect of accepting the original offer but rather suggests new terms.

Question 370

Answer: 4

Option (4) is correct because Options (1), (2), and (3) all constitute events which will end an agency relationship. If a principal revokes the authority of the agent orally or by conduct, the agency will be terminated. An event which frustrates the continuation of the agency contract would also terminate the relationship. Finally, once an agent has performed the actions for which he or she was given authority in the agency contract, the agency relationship will be over as an agent cannot act outside his or her scope of authority.

Question 371

Answer: 2

Find the present value of the perpetual net operating income given the market capitalization rate of 9.5%.

$$\$15,763 \div 0.095 = \$165,926.32$$

The maximum price is \$165,926.32.

Question 372

Answer: 3

Option (3) is correct because the two types of damages recognized in the case of a private nuisance are unreasonable interference with another occupier's use and enjoyment of property, and interference which causes physical damage to the property. Option (1) is incorrect because the courts have held that it is no defence to a nuisance action to say that the plaintiff came to the nuisance. Option (2) is incorrect because the standard against which reasonableness is measured is that of the average reasonable person, and it is not relevant that a plaintiff happens to be unusually sensitive unless the defendant seeks to take advantage of that fact. Option (4) is incorrect because the person who creates the nuisance (in this case, Schroeder) is liable for creating it, and in a landlord and tenant situation, the tenant occupier is primarily liable for nuisances created on the property.

Question 373

Answer: 3

Option (3) is correct because an interest accruing loan poses a high risk to the lender, since the entire amount of principal and interest is outstanding for the entire length of the term. Due to this, these loans are typically written for short terms. Option (1) is incorrect because although it is a true statement, it is not the reason interest accruing loans are written for short terms. Options (2) and (4) are incorrect because they are false statements.

Question 374

Answer: 1

Sue purchases the townhouse for \$145,000 (present value) and sells the townhouse in 7 years for \$190,000 (future value). The steps to find the pre-tax yield expressed as an effective annual rate are:

Press	Display
1 ■ P/YR	1
145000 +/- PV	-145,000
0 PMT	0
7 N	7
190000 FV	190,000
I/YR	3.936807

Sue's pre-tax yield on her investment is $j_1 = 3.936807\%$.

Question 375

Answer: 3

Option (3) is correct because a time clause in a contract for purchase and sale of land allows a party to invoke a time period in which a condition precedent must be removed, where the right to invoke the clause arises on the vendor receiving another offer after entering the original contract of purchase and sale. Option (1) is incorrect because it must be for a specified time period, not just a "reasonable time." Option (2) is incorrect because the date by which the condition precedent must be removed depends on the vendor receiving another offer, and so the time period is set out in the contract during which the condition must be removed rather than a specified date. Option (4) is incorrect because Option (3) correctly describes a time clause.

Question 376

Answer: 3

Press	Display
9 I/YR	9
4 ■ P/YR	4
80000 PV	80,000
80000 +/- ± FV	-80,000
1 N	1
PMT	-1,800

Alternative Solution

Press	Display
9 ÷ 4 =	2.25
%	0.0225
× 80000 =	1,800

With an interest only loan, all periodic payments until the end of the term of the loan are interest payments and are identical. Carolyn will make quarterly interest only payments of \$1,800.

Question 377

Answer: 4

Option (4) is correct because the *Local Government Act* provides that subdivision bylaws created by municipal councils may regulate the location, width, alignment and grade of highways and may also require that the subdivider provide street lighting and underground (as well as wiring, water, sewer and drainage systems, fire hydrants, and roads) within the subdivision. Options (1), (2), and (3) are incorrect because they are outside of the scope of what bylaws created by municipal council are permitted to regulate with regard to the subdivision of land.

Question 378

Answer: 2

Option (2) is the correct answer as it is the only option that is not represented by interest received by a lender. Interest due or paid represents the cost of financing debt, not interest received. Options (1), (3), and (4) all represent interest charged on a mortgage and are therefore incorrect.

Question 379

Answer: 1

Option (1) is correct because under section 40 of the Rules, when a licensee advertises real estate, the name of the brokerage must be displayed in a prominent and easily readable way. Options (2), (3), and (4) are not provided for under the *Real Estate Services Act* and are therefore incorrect.

Question 380

Answer: 3

Option (3) is correct because real property taxes are a component of operating expenses, which are deducted from gross realized income to arrive at net operating income when preparing an appraisal using the income approach. Options (1), (2), and (4) are incorrect because income tax, interest on a mortgage, and depreciation expense are not included in operating expenses and do not factor into the calculation of net operating income.

Question 381

Answer: 3

Option (3) is correct because a periodic tenancy is one which automatically renews itself on the last day of the term for a further term of the same length until it is terminated by either party with proper notice. Option (1) is incorrect because a tenancy at will is a tenancy where a tenant, with the consent of the landlord, occupies land for a term which can be terminated by either party at any time. Option (2) is incorrect because a tenancy at sufferance occurs when there is no tenancy because no lease exists, for example, if a tenant does not move out of the leased premises upon the expiration of the term of the lease. Option (4) is incorrect because a fixed term tenancy has a predetermined date at which the tenancy expires.

Question 382

Answer: 3

This question requires you to compare the effective annual interest rates of alternatives A, B, C, and D and choose the lowest rate for the borrower.:

Alternative A

Press	Display
6.6 ■ NOM%	6.6
2 ■ P/YR	2
■ EFF%	6.7089
1 ■ P/YR	1
■ NOM%	6.7089
125500 PV	125,500
8 N	8
0 FV	0
PMT	-20,780.724614
20780.72 +/- PMT	-20,780.72
122000 PV	122,000
I/YR	7.439903

Alternative B

Press	Display
6.5 ■ NOM%	6.5
2 ■ P/YR	2
■ EFF%	6.605625
1 ■ P/YR	1
■ NOM%	6.605625
125000 PV	125,000
5 N	5
0 FV	0
PMT	-30,165.113079
30165.11 +/- PMT	-30,165.11
122000 PV	122,000
I/YR	7.513749

Alternative C

Press	Display
6.75 ■ NOM%	6.75
2 ■ P/YR	2
■ EFF%	6.863906
1 ■ P/YR	1
■ NOM%	6.863906
124000 PV	124,000
7 N	7
0 FV	0
PMT	-22,899.546362
22899.55 +/- PMT	-22,899.55
122000 PV	122,000
I/YR	7.331191

Alternative D

Press	Display
7 ■ NOM%	7
2 ■ P/YR	2
■ EFF%	7.1225
1 ■ P/YR	1
■ NOM%	7.1225
123000 PV	123,000
6 N	6
0 FV	0
PMT	-25,902.549921
25902.55 +/- PMT	-25,902.55
122000 PV	122,000
I/YR	7.388116

Alternative C provides the lowest interest rate for the borrower.

Question 383

Answer: 2

Press

4 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 165000 PV
 300 N
 0 FV
 PMT
 868 +/- PMT
 48 INPUT ■ AMORT
 = = =
 148252.63 +/- FV
 6 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 48 N
 PV
 + 185000 =

Display

4
 2
 4.04
 12
 3.967068
 165,000
 300
 0
 -867.933339
 -868
 PER 48-48
 148,252.628505
 -148,252.63
 6
 2
 6.09
 12
 5.926346
 48
 154,044.907533 (market value of the mortgage)
 339,044.907533 (market value of the offer)

The sale price of the house is \$339,000, rounded to the nearest \$100.

Question 384

Answer: 1

Option (1) is correct (and therefore Options (2), (3), and (4) are incorrect) because distinguishing a case occurs when a judge decides the factual circumstance of the case at hand is not similar enough to the former decision to warrant following the judgment, and therefore the decision will not be binding on the judge.

Question 385

Answer: 2

A charge is any interest in land less than a fee simple. Rights of way, liens, mortgages, and easements are all examples of charges. Option (2) is correct because an easement is a type of interest in land less than a fee simple that can be registered under the Land Title Act and thus may appear on a Certificate of Title as a charge. Options (1), (3) and (4) are incorrect because while indications of all of these circumstances may appear on a Certificate of Title, none of them necessarily indicate an estate or interest in land, and so they do not constitute a charge.

Question 386

Answer: 2

Option (2) is correct because land is never depreciated, so the purchase price is \$180,000. Options (1), (3), and (4) are therefore incorrect.

Question 387

Answer: 4

Option (4) is correct because rent receivable is the only option that would not be found in the current liabilities section. Current liabilities are those debts that are expected to be repaid within the next year, and rent receivable is not a debt that is payable, it is an asset that is receivable. Options (1), (2), and (3) are incorrect because they are all current liabilities.

Question 388

Answer: 4

Option (4) is correct (and Options (1), (2), and (3) are incorrect) because the *Assessment Act* states that factors which the assessor may consider in determining actual value include: present use, location, original cost, replacement cost, revenue or rental value, selling price of the land and improvements and comparable land improvements, economic and functional obsolescence, and any other circumstances affecting value.

Question 389

Answer: 4

Option (4) is correct because deposits for real estate transactions are 5-10% of the total purchase price, so a deposit of 50% as liquidated damages will likely not be enforced by the courts since it would not be a reasonable pre-estimate of damages. Option (1) is incorrect because the courts will award specific performance to the seller if damages are considered to be an inadequate remedy. Options (2) and (3) are incorrect because the court will award damages to any party who can prove that he or she has suffered loss as a result of a breach of contract so as to return them to the position they would have been in had the contract been performed as promised.

Question 390

Answer: 2

Option (2) is correct because the Real Estate Services Act does not give the British Columbia Financial Services Authority (BCFSA) the power to investigate breaches of the REALTOR® Code. The REALTOR® Code is a professional ethical code that has been developed by the Canadian Real Estate Association and is enforced by local real estate boards, not BCFSA. Options (1), (3), and (4) are incorrect because section the Real Estate Services Act empowers BCFSA to conduct an investigation to determine whether a licensee has committed professional misconduct, and wrongful taking or deceptive dealing; contravention of the Act, the Regulations or Rules; and incompetence in performing any activity for which a license is required all amount to professional misconduct under section 35 of the Real Estate Services Act.

Question 391

Answer: 4

Option (4) is correct because the acceleration clause is a term in the contract which brings the maturity date of the loan forward if the borrower defaults, so that the outstanding balance is immediately due and payable. Option (1) is incorrect because the repayment clause states that the full amount outstanding is due and payable on a fixed date after the loan is made (i.e. it sets the maturity date, which can be brought forward by the acceleration clause in the case of default). Option (2) is incorrect because the personal covenant is the personal contractual promise made by the mortgagor to pay the mortgage money and interest of the mortgage. Option (3) is incorrect because the omnibus clause gives the lender an alternative to accelerating the loan if the borrower defaults.

Question 392

Answer: 2

Option (2) is correct because the commission is paid by the seller only, and so it would appear as a debit to the seller (reducing the amount of cash proceeds of sale due to the seller) and the buyer's statement would not be affected. Because of this, Option (4) is incorrect. Option (1) is incorrect because taxes will appear as a credit on the buyer's statement of adjustments and a debit on the seller's statement of adjustments in the case that taxes are to be paid in the future by the buyer. Option (3) is incorrect because, although it is true that conveyancing fees would appear on the buyer's statement of adjustments as a debit, the fees would not be included in the seller's statement of adjustments.

Question 393

Answer: 3

Option (3) is false. Individual borrowers, not corporations, have the right, under the terms of the *Interest Act*, to prepay all of the outstanding balance at any time after five years from the initiation date of the mortgage. The calculations for Options (1) and (2) are as follows:

(1) Solving for payment:

Press	Display
12.75 ■ NOM%	12.75
2 ■ P/YR	2
■ EFF%	13.156406
4 ■ P/YR	4
■ NOM%	12.553027
1450000 PV	1,450,000
$20 \times 4 = N$	80
0 FV	0
PMT	-49,700.134749

The payment is \$49,701, rounded to the next higher dollar. Option (1) is true.

(2) To solve the outstanding balance at the end of the term (10 years), re-enter the rounded payment and then can calculate the OSB. The calculator steps continue as follows:

49701 +/- PMT	-49,701
$10 \times 4 = \text{INPUT}$ ■ AMORT	PER 40-40
= = =	1,123,491.83788

This shows that the outstanding balance immediately following the 40th payment is \$1,123,491.84, which is less than \$1,123,500. Therefore, Option (2) is a true statement. Option (4) is also a true statement; the lender has no right to demand payment of the total outstanding balance at any time prior to the end of the contractual term provided the borrower meets all contractual obligations.

Question 394

Answer: 3

In this question, solve for the present value.

Press

10.5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 500 +/- PMT
 360 N
 0 FV
 PV

Display

10.5
 2
 10.775625
 12
 10.277418
 -500
 360
 0
 55,670.597795

Question 395

Answer: 4

Option (4) is correct (false) because the standard bylaws do not allow the strata council to pass rules with respect to the safety and cleanliness of individually owned strata lots – they can only do so with respect to the common property. Options (1), (2), and (3) are all incorrect because they are true statements.

Question 396

Answer: 3

Option (3) is correct because the names of individual shareholders are not included on a corporation's balance sheet because this could represent anywhere from one shareholder to millions of shareholders. Option (1) is incorrect because the shareholders' equity section of the balance sheet does list the number of shares issued and outstanding. Option (2) is incorrect because the original cost of property owned by the corporation (i.e., its assets) is listed on the balance sheet. Option (4) is incorrect because retained earnings to date are also listed on the balance sheet.

Question 397

Answer: 2

Option (2) is correct because it correctly describes a method that a licensee can use to identify an individual. Option (1) is incorrect because when using government-issued photo identification to identify an individual, the licensee must either examine the document in person, or virtually through sophisticated software that will analyze its security features. Videoconferencing will not meet this requirement. Option (3) is incorrect because the government-issued photo identification must be valid and current, and an expired driver's licence, even if it has only been expired for a short period of time, will not meet this requirement. Option (4) is incorrect because an offshore financial entity is not considered a reliable source for the purposes of the dual process method of identification.

Question 398

Answer: 4

Option (4) is correct (and Options (1), (2), and (3) are incorrect) because section 19(1) of the *Infants Act* provides that a contract entered into by an infant will be unenforceable against the infant unless another statute provides that the contract is enforceable, the infant affirms the contract after turning 19, the infant performs or partially performs the contract after turning 19, or the infant does not repudiate the contract within one year of turning 19.

Question 399

Answer: 2

Option (2) is correct because the income approach is generally only used to for income-generating investment properties. Single-family residences are generally not income-generating investment properties, and are more frequently owner occupied. Options (1), (3), (4) are incorrect because the income approach is more often used for warehouses, leasehold interests, and apartment buildings.

Question 400

Answer: 4

Option (4) is correct because apparent authority results where a reasonable third party would consider, from the conduct or statements of the principal and agent, that the agent did, in fact, possess authority. Option (1) is incorrect because actual authority refers to the authority given to the agent by the principal in their agency agreement and includes express authority, implied authority, and customary authority. Option (2) is incorrect because express authority is the authority created by the terms of the agency contract and does not need to be implied by acts of the parties. Option (3) is incorrect because legal authority is not a recognized category of agency (although the terms of the agency agreement could include giving the agent authority to make legal decisions).

Question 401

Answer: 3

Option (3) is correct because each strata owner jointly owns the common property of the strata development, and the Schedule of Unit Entitlement determines each owner's proportionate, undivided ownership share as a tenant in common of the common property in the strata plan. Option (4) is incorrect for the same reason. Option (1) is incorrect because the owner-developer is not a trustee for the individual strata lot owners. Option (2) is incorrect because, although the strata corporation exercises exclusive control over the common property, it is still owned jointly by the individual strata lot owners.

Question 402

Answer: 2

Option (2) is correct because a borrower is normally charged the costs of preparing and registering a new first mortgage. Option (1) is incorrect because the seller is responsible for the full amount of any penalty; it is not adjusted because only the seller was liable to pay and failed to do so in a timely manner. Option (3) is incorrect because taxes up until the possession date are owed by the seller; the buyer is only responsible for taxes from the possession date until December 31. Option (4) is incorrect because the commission is normally paid by the seller.

Question 403

Answer: 4

Option (4) is correct (and Options (1), (2), and (3) are incorrect) because under section 53 of the Rules, where a licensee is acquiring real estate, disclosure must be made to the other party before the agreement is entered into by providing them with the Disclosure of Interest in Trade form, which includes an indication that the licensee is licensed under RESA, the terms under which the real estate is to be resold (where applicable), and the amount of remuneration or other money that is anticipated to be received by the licensee.

Question 404

Answer: 3

Option (3) is correct because when using the cost approach of appraisal to estimate the value of a building that contains urea formaldehyde foam insulation (UFFI), insulation should be considered in your calculation as part of the overall replacement costs and as a deduction for depreciation. Option (3) is incorrect for this reason. Options (1) and (4) are incorrect because insulation would not be a part of the land/site value.

Question 405

Answer: 4

In this question, solve for the future value.

Press	Display
3 I/YR	3
1 ■ P/YR	1
0 PV	0
7 N	7
8000 +/- PMT	-8,000
FV	61,299.697447

Question 406

Answer: 4

Option (4) is correct because an agreement for sale is a purchase agreement whereby the purchaser agrees to pay the purchase price of the property (usually with a down payment plus monthly payments of principal and interest) directly to the seller. Option (1) is incorrect because under a mortgage the title is registered to the purchaser and the vendor's mortgage is registered as a charge, while in an agreement for sale the vendor remains on the title as registered owner and promises to execute a transfer as soon as the final payment is made. Option (2) is incorrect because an agreement of purchase and sale is a contract for the purchase of land which contains the obligations of the vendor and purchaser with respect to the transaction. Option (3) is incorrect because the equity of redemption is the mortgagor's right to repay the mortgage and regain title even after the contractual date for repayment has passed.

Question 407

Answer: 3

Option (3) is correct and can be illustrated by way of example. A loan with an interest rate of 5% compounded annually will yield a \$5 return at the end of the year for a \$100 investment. If it was a nominal rate of 5%, compounded semi-annually, the yield would be \$5.06025 (a 5.06025% effective rate). Therefore, increasing the compounding period increases the yield to the lender. Options (1), (2), and (4) are incorrect for this reason.

Question 408

Answer: 2

Option (2) is correct as remuneration that is to be received as money must be expressed as a dollar amount in the Disclosure of Expected Remuneration (Payment) form. Options (1), (3), and (4) are incorrect for this reason.

Question 409

Answer: 1

Option (1) is correct because the shareholders' equity section on a corporation's balance sheet is made up of two accounts: share capital and retained earnings. Options (2) and (3) are incorrect because this section does not include dividends. Option (4) is incorrect because net income is already accounted for within the retained earnings account.

Question 410

Answer: 3

Option (3) is correct because according to the capital cost allowance rules set out by the Canada Revenue Agency, in the year an asset is disposed of, no CCA deduction is allowed on that asset. In the case of ABC Inc., no CCA may be claimed at the end of the current year. Options (1), (2), and (4) are therefore incorrect.

Question 411

Answer: 1

Option (1) is correct (and Options (2), (3), and (4) are incorrect) because section 25 of the *Real Estate Services Act* requires a brokerage to maintain one or more interest bearing trust accounts in British Columbia.

Question 412

Answer: 1

Option (1) is correct because where a condition is for the sole benefit of the buyer, the buyer may waive it and thus the agreement would be binding. Because a binding agreement can be enforced and is not void, Options (2) and (4) are incorrect. Option (3) is incorrect because the condition was made for the benefit of the buyer, so it would only be voidable at the option of the buyer, not the seller.

Question 413

Answer: 1

Option (1) is correct because an appraisal should not rely on the registered owner as the ultimate source of data on the property. Instead, the appraiser is often expected to perform his or her own research and analysis. An appraiser should not make assumptions represented in Options (2), (3), or (4).

Question 414

Answer: 2

Find the amount of principal that has been paid off during the 5-year term.

Press

12 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 159000 PV
 $20 \times 12 = N$
 0 FV
 PMT
 1718.75 +/- PMT
 1 INPUT 60 ■ AMORT
 =

Display

12
 2
 12.36
 12
 11.710553
 159,000
 240
 0
 -1,718.748792
 -1,718.75
 PER 1-60
 -13,541.838497

The amount of principal paid off during the 5-year term is \$13,541.84.

Question 415

Answer: 4

Option (4) is correct because the revocation of an offer must be actually communicated to be effective (the postal acceptance rule does not apply to revocation). Therefore, the offer is still valid and can be accepted until the revocation reaches the offeree. Options (1), (2), and (3) are incorrect because the offer is released or expired in each of those scenarios.

Question 416

Answer: 2

Press

6.5 I/YR
 12 ■ P/YR
 300000 PV
 $25 \times 12 = N$
 0 FV
 PMT
 2026 +/- PMT
 24 INPUT ■ AMORT
 = = =

Display

6.5
 12
 300,000
 300
 0
 -2,025.621484
 -2,026
 PER 24-24
 289,751.99961

The monthly payment is \$2,026 and the outstanding balance after 24 payments is \$289,752.

For the interest rate differential (IRD), find the j_{12} difference in rates ($6.5\% - 4.5\% = 2\%$).

The IRD = $OSB \times IRD \times \text{length of time remaining in the term}$ and is calculated as follows:

Press

$2 \div 12 =$
 %
 $\times 289752 \times 36 =$

Display

0.166667
 0.00166667
 17,385.12

The IRD penalty is \$17,385.12.

Question 417

Answer: 1

Option (1) is correct because functional depreciation can be defined as the loss in value caused by an outmoded or inadequate design. Options (2), (3), and (4) are incorrect for this reason.

Question 418

Answer: 3

Option (3) is correct because an agent is a person authorized to act on behalf of the principal, so that they represent the principal in dealings with third parties. Therefore, while the agent is acting within the scope of his authority as an agent and after having disclosed that he is an agent for the principal, the contract will be between the principal for whom the agent is acting and the third party. Option (4) is incorrect for the same reason. Options (1) and (2) are incorrect because the agent is acting on behalf of the principal as if he were stepping into the principal's shoes rather than contracting for himself; therefore, the agent is not party to the agreement.

Question 419

Answer: 1

Option (1) is correct because a landowner owns or has rights in the airspace above his or her property to the extent that he or she can effectively use it. Options (2) and (3) are incorrect (and Option (4) is therefore also incorrect) because the fact that an object has entered the boundaries of your property does not give you ownership rights over it.

Question 420

Answer: 3

Option (3) is correct because specific performance involves the court ordering a party to carry out a specific action, which the courts will not grant as a remedy for nuisance – they will only make an order for a party to stop doing a particular act (i.e. an injunction). Options (1), (2), and (4) are each incorrect because injunctions, damages, and abatement are all remedies which are potentially available for a private nuisance.

Question 421

Answer: 3

Option (3) is correct because this financial statement is known as the balance sheet. A balance sheet, or statement of financial position, shows all of the company's assets, liabilities, and the equity of the shareholders at a single point in time. Options (1) and (2) are incorrect because the statement of profit and loss, also known as the income statement, shows the company's revenues and expenses. Option (4) is incorrect because there is no financial statement known as a corporate statement of holdings.

Question 422

Answer: 2

Option (2) is correct because a deposit which is paid directly to a seller (rather than to the brokerage) will appear as a credit to the buyer and a debit to the seller, because it will reduce the cash proceeds to be received by the seller upon completion. Because of this, Options (1), (3), and (4) are incorrect. Although a deposit which is paid to the buyer's brokerage will only appear on the buyer's statement of adjustments and not the seller's, this is not the case where the deposit is paid directly to a seller.

Question 423

Answer: 4

Option (4) is correct because in relation to the subject property, this comparable has one more bedroom and one less bathroom. Options (1), (2), and (3) are therefore incorrect.

Question 424

Answer: 3

Option (3) is correct because the difference in term has no impact on the monthly payments. Since the loan amount, interest rate, and amortization period are all the same, the monthly payments will be the same. Options (1), (2), and (4) are incorrect for this reason.

Question 425

Answer: 4

Option (4) is correct because there is no requirement, statutory or common law, that the previous address of the lessee be included as an essential term of the lease agreement. Options (1), (2), and (3) are incorrect because the *Residential Tenancy Act* requires the rent and the date on which the tenancy starts to be included in every tenancy agreement, and also requires that the agreement be in writing and signed and dated by both the landlord and tenant.

Question 426

Answer: 4

$$P + I = (\text{GDSR} \times \text{Gross Income}) - \text{Property Taxes}$$

$$P + I = (0.30 \times \$45,000) - \$1,500$$

$$P + I = \$12,000 \text{ per year} = \$1,000 \text{ per month}$$

The mortgage qualifying rate is based on the greater of (1) the government-specified qualifying rate of $j_2 = 5.25\%$ OR (2) an additional 2% above the mortgage's negotiated contract rate. In this case, you would apply a rate of $j_2 = 6\%$ ($2\% + 4\%$), which is greater than the government-specified rate of $j_2 = 5.25\%$.

Press	Display
6 ■ NOM%	6
2 ■ P/YR	2
■ EFF%	6.09
12 ■ P/YR	12
■ NOM%	5.926346
1000 +/- PMT	-1,000
240 N	240
0 FV	0
PV	140,412.275903

Given the stress test borrower qualification rules, the maximum loan that will be granted is \$140,412.28.

Question 427

Answer: 2

Option (2) is correct because in the case where there is no listing contract but the agent effects a sale of the seller's property at the request of the seller, the courts can apply the principle of *quantum meruit* to imply a promise to pay a reasonable amount for the professional services provided. Option (1) is incorrect for the same reason. Option (3) is incorrect because the courts will give a reasonable remuneration based on what the service provided was worth, not just out of pocket expenses. Option (4) is incorrect because, even if there was a listing contract between the agent and the principal in this case, the agent is working on behalf of the seller and so they would not be held liable for the buyer's default.

Question 428

Answer: 1

First, find the annual depreciation expense from the building. Then, in order to calculate the annual depreciation expense using the straight-line method, take the cost of the building less any salvage value and divide the sum by the economic life.

$$\begin{aligned}\text{Annual Depreciation Expense} &= \frac{\text{Cost-Salvage Value}}{\text{Estimated Life (years)}} \\ &= \frac{\$1,000,000}{10} \\ &= \$100,000\end{aligned}$$

Net income per financial statements

+ Depreciation expense

= Subtotal

- Capital cost allowance

= Taxable Income

\$450,000

+ 100,000

= 550,000

- 38,400

= \$511,600

XYZ Ltd.'s taxable income for this year is \$511,600.

Question 429

Answer: 3

Option (3) is false and is the correct answer. A client must provide consent when being added to a mailing list [Option (2)], but even after consent is obtained, the sender must be provided with a way to request to be removed from the mailing list [Option (1)] and any such requests must be honoured immediately. Option (4) is incorrect because an email database needs to be maintained regularly and if the client's correct email address is not being used, then they will not receive the messages.

Question 430

Answer: 4

Option (4) is correct because rent receivable is considered a current asset. A current asset is something that the company owns, and will use up within the next year. Option (1) is incorrect because the owner's initial investment will be listed as owner's equity. Option (2) is incorrect because rent payable will be listed as a current liability. Option (3) is incorrect because real property will be recorded as a fixed or long-term asset, and will be recorded at its historic cost.

Question 431

Answer: 4

Option (4) is correct because the agent's duty of disclosure includes everything known to the licensee respecting the transaction and is not limited to situations where there is a detriment to the seller. Failure to make full disclosure amounts to a breach of the fiduciary duty and where this duty is breached, the seller may not be required to pay the licensee a commission on closing. Options (1) and (2) are incorrect for the same reason. Option (3) is incorrect because the agent is acting on behalf of the seller, and thus her fiduciary duty is to Susan, not to Bella.

Question 432

Answer: 1

Option (1) is correct because firewalls are hardware and software boundaries frequently used to prevent unauthorized users from accessing private computers or networks connected to the internet. All data attempting to pass through the firewall is blocked unless it meets a certain criteria of authorization needed to pass through. Options (2), (3), and (4) are therefore incorrect.

Question 433

Answer: 3

Option (3) is correct because under the Torrens system in place in British Columbia, all mortgages are registered as charges against the title and the title will continue to show the borrower (mortgagor) as the registered owner, not as a charge holder. Option (1), (2), and (4) are incorrect for the same reason.

Question 434

Answer: 2

Option (2) is correct because property taxes are an expense included in operating expenses for appraisal purposes. Options (1), (3), and (4) are incorrect because income taxes, mortgage payments, and capital cost allowance are not included in operating expenses.

Question 435

Answer: 2

Option (2) is correct because all things being equal, a shorter term on a bonused partially amortized loan will result in a higher effective interest rate paid by the borrower. This is because the value of the bonus is paid off over a shorter term, thus increasing the annual cost of borrowing. Options (1), (3), and (4) are incorrect.

Question 436

Answer: 4

Options (1), (2), and (3) are all guidelines that Jason should follow in establishing his real estate blog, therefore Option (4) is the correct answer.

Question 437

Answer: 3

Option (3) is correct because the British Columbia Real Estate Association, its member local real estate boards, and other professional associations are responsible for enforcing the provisions of the applicable professional codes of ethics, not the British Columbia Financial Services Authority (BCFSA). Options (1), (2), and (4) are incorrect because they are all duties for which the BCFSA is responsible.

Question 438

Answer: 2

Option (2) is correct because a polyethylene vapour barrier must be used immediately under the interior wood panelling on the perimeter walls of a western platform wood-frame house in order to ensure proper function of the vapour barrier. Options (1), (3), and (4) are incorrect because a polyethylene vapour barrier would not be used under those surfaces.

Question 439

Answer: 2

Calculate the payments and outstanding balance based on the face value of the mortgage of \$170,000. The actual rate that the borrower earns, expressed as a j_1 , is based on the actual funds advanced of \$163,500.

Press	Display
6. \blacksquare NOM%	6.5
2 \blacksquare P/YR	2
\blacksquare EFF%	6.605625
12 \blacksquare P/YR	12
\blacksquare NOM%	6.413688
170000 PV	170,000
240 N	240
0 FV	0
PMT	-1,258.850709
1259 +/- PMT	-1,259
163500 PV	163,500
I/YR	6.912084 (j_{12})
\blacksquare EFF%	7.135321 (j_1)

Question 440

Answer: 2

Option (2) is correct because an estate pur autre vie ends when the person whose life upon which it is based dies, in this case, Bentley. Option (1) is incorrect because Anton's interest is dependent on Bentley's life, not his own. Option (3) is incorrect because Anton's interest is not terminated when Charles dies, rather, Charles (or his heirs, if Charles dies before Bentley) will receive the interest that Anton currently holds once Bentley dies, ending Anton's interest. Option (4) is incorrect because only Bentley must die for Anton's interest to end.

Question 441

Answer: 4

Option (4) is correct and Options (1), (2), and (3) are incorrect because plastic, galvanized steel, and copper are common materials used in water supply piping, while aluminum is not.

Question 442

Answer: 3

Option (3) is correct because retained earnings is the company's total accumulated profits less any dividends paid since incorporation. Option (1) is incorrect because it refers to the net income as shown on the income statement. Option (2) is incorrect because it represents the amount that the retained earnings will increase in a given year if no dividends are paid. Option (4) is incorrect because it refers to how retained earnings may be invested, but is not considered retained earnings.

Question 443

Answer: 1

Press	Display
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16
12 ■ P/YR	12
■ NOM%	7.869836
150000 PV	150,000
1250 +/- PMT	-1,250
0 FV	0
N	236.566775

There will be 236 full payments of \$1,250 and one smaller final payment.

Question 444

Answer: 4

Option (4) is correct because the party benefiting from the subject clause (in this case, Patricia) may remove the clause by declaring it fulfilled by written notice or by waiving it on or before the specified date for the condition. Option (1) is incorrect because in a standard form contract of purchase and sale, unless each condition is waived or declared fulfilled, the Contract will be terminated and the deposit would be returned (i.e., Velma would not retain the deposit). Option (2) is incorrect because the contract will be cancelled if Patricia does not fulfill the subject clause by selling her home and she does not waive it, so Patricia will not be forced to complete. Option (3) is incorrect because Patricia must waive the requirement on or before the date specified in the clause (December 31) rather than any time before completion.

Question 445

Answer: 2

Option (2) is correct because it is true. Option (1) is incorrect because the mortgage qualifying rate is based on the greater of the government-specified qualifying rate ($j_2 = 5.25\%$ as of June 2021) or an additional 2% above the mortgage's negotiated contract rate. Option (3) is incorrect because the Office of the Superintendent of Financial Institutions (OSFI) established the stress test requirements for all new mortgages from federally chartered institutions. Option (4) is incorrect because the stress test qualification rules only apply to mortgages from federally regulated financial institutions, which does not include credit unions.

Question 446

Answer: 1

Option (1) is correct because common law duress occurs where a person is forced to enter into a contract against his or her will by the threat of imprisonment either to himself or his family, or the threat of actual physical violence. Option (2) is incorrect because difficulty of performance would arise after a contract was entered into, whereas duress relates to the party being robbed of the free will to enter into the contract. Option (3) is incorrect because undue influence is a separate concept from duress. Although it also relates to the loss of free will to contract, it is as a result of a person in a superior or dominant position in relation to another using their position to induce the other to enter a contract which he or she would not have otherwise made rather than as a result of a threat. Option (4) is incorrect because it describes negligent misrepresentation rather than duress.

Question 447

Answer: 3

Press

9.25 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 175500 PV
 300 N
 0 FV
 PMT
 1482.01 +/- PMT
 1 INPUT ■ AMORT
 = =

Display

9.25
 2
 9.463906
 12
 9.076624
 175,500
 300
 0
 -1,482.009161
 -1,482.01
 PER 1-1
 -1,327.456197

The interest cost for the first month is \$1,327.46.

Question 448

Answer: 2

Option (2) is correct because where taxes have previously been paid by the seller, the buyer will reimburse them for the portion of the year starting from and including the adjustment date, (i.e., the portion of the year that they have ownership of the property.) In this case, this includes September 20 to December 31. Options (1), (3), and (4) are incorrect for this reason.

Question 449

Answer: 2

Option (2) is correct because the cost approach of appraisal is generally used for unique properties that do not have any comparable sales data, relying on a land value estimate from direct comparison, then valuing the improvements on the land with the cost approach. Since vacant land has no improvements the cost approach cannot be used on vacant land. Options (1), (3), and (4) could be valued using the cost approach in certain circumstances.

Question 450

Answer: 1

Option (1) is correct because a gain or reward received by an agent from a third party in connection with his or her agency relationship with the principal, if not disclosed to the principal, is known as a secret profit. Options (2), (3), and (4) are incorrect for this reason.

Question 451

Answer: 2

Option (2) is correct because an agent's authority can be granted retroactively through ratification where an agent enters into a contract on behalf of the principal that is beyond the agent's authority, but the principal later consents to be bound by the unauthorized acts of the agent. Option (1) is incorrect because rectification occurs when a court corrects an error made by the parties in a contract (or other document) in order to reflect the parties' true intentions. Options (3) and (4) are incorrect because rescission and revocation are concepts to do with offer and acceptance in contract law rather than agency.

Question 452

Answer: 4

Option (4) is correct because it is not an essential term of the lease (whether commercial or residential) to include the occupations of the parties. Options (1), (2), and (3) are incorrect because the names of the parties, a description of the premises leased, and the rent are all essential terms that should be included in the lease.

Question 453

Answer: 3

Option (3) is correct, because in order for a valid contract to be formed, there must be acceptance of an offer. In this case, although both parties have made identical offers, neither offer has been accepted by the other party. Joe has not accepted Frank's offer because he did not have notice of the offer before sending the email to Frank; rather, he has made a separate offer. Option (1) is incorrect for the same reason. Option (2) is incorrect because section 59 of the *Law and Equity Act* requires most contracts affecting land to be in writing, and since this is not a contract respecting land, section 59 would not apply. Therefore, Option (4) is also incorrect.

Question 454

Answer: 1

Option (1) is correct because satisfying the condition precedent is not a requirement for waiver under the *Law and Equity Act*. Options (2), (3), and (4) are incorrect because section 54 of the *Law and Equity Act* requires that, in order to waive a condition precedent, the condition precedent must benefit only the party waiving it, the contract must be capable of being performed without fulfillment of the condition precedent, and the waiver must be made before the time stipulated for the condition's fulfillment (or within a reasonable time if not specified).

Question 455

Answer: 1

Option (1) is correct because revocation refers to the cancellation of an offer communicated by the offeror to the offeree prior to acceptance. Option (2) is incorrect because rectification occurs when a court corrects an error made by the parties in the contract (or other document) in order to reflect the parties' true intentions. Option (3) is incorrect because rescission refers to the cancellation of a contract. Option (4) is incorrect because Option (1) is correct.

Question 456

Answer: 1

Option (1) is correct because if borrower agrees to a shorter term in order to increase the maximum allowable loan, they are exposing themselves to greater risk of change in interest rates. The borrower may have to refinance the loan at a higher interest rate in the future, which may cause financial distress to the borrower. Option (2) is incorrect because a borrower, with a higher maximum allowable loan, may still opt to arrange a new loan with another lender in the future. Option (3) is incorrect because a loan with shorter term and higher maximum allowable loan would expose the borrower to a greater risk of change in interest rates. Option (4) is incorrect because the lower interest rate would mean less interest is paid.

Question 457

Answer: 2

Option (2) is false. Many, but not all lenders, will set up a separate tax account that the borrower will pay into every periodic payment. This provides security to the lender that their mortgage is the highest priority charge, as well as relieves the borrower from having to make a lump sum payment for property taxes. This strategy requires additional administration by the lender, so typically smaller or private lenders will leave the property tax payments to the borrower. Option (1) is incorrect because borrowers have the obligation to include payment of property taxes, insurance, and maintenance. Option (3) is incorrect because there should be a covenant included in the mortgage loan agreement to insure against fire and other hazards for the property. Option (4) is incorrect because borrowers should be maintaining the property condition as to not reduce the value of the property. This is necessary to reduce capital risk.

Question 458

Answer: 2

Option (2) is correct because in a joint tenancy, each co-owner owns an undivided interest in the whole of the estate. Option (1) is incorrect, because, Mary may still sell or mortgage her interest without John's consent as a joint tenant (although doing so will convert the co-ownership to a tenancy in common by severing the unity of title). Option (3) is incorrect because, although married people or people in close relationships often use joint tenancies for tax planning purposes, there is no requirement for married couples who are co-owners of a property to register as joint tenants in, and they are free to co-own as tenants in common if they prefer to do so.

Question 459

Answer: 4

Option (4) is correct because quiet enjoyment is an assurance to the tenant against the consequences of a defective title, i.e., it assures the tenant of the use and enjoyment of the premises for all usual purposes without physical interference or unreasonable disturbance from the landlord. Option (1) is incorrect because the implied covenant of quiet enjoyment does not concern noise that interferes specifically with the tenant's business. Option (2) is incorrect because the implied covenant of quiet enjoyment is an implied promise given by the landlord to the tenant, and does not restrict the tenant's own conduct on the property. Option (3) is incorrect because the implied covenant of quiet enjoyment does not concern the premise's fitness for habitation.

Question 460

Answer: 4

Option (4) is the correct answer; an investor will only use borrowed funds if he or she is able to invest the borrowed funds at a higher rate (not a lower rate) of interest than the borrowing rate. Options (1), (2), and (3) are all reasons to use borrowed funds in a real estate investment.

Question 461

Answer: 4

Option (4) is true and is the correct answer: when a BC statute makes references to "written" documents or signatures, it will not exclude electronic documents and signatures merely because they are in electronic form. Option (1) is false because a legally binding contract may be formed by an offer or acceptance communicated through electronic means, but only if the parties so intend. Option (2) is false because certain documents that relate to land or land transactions, including listing agreements, are covered by the Act. Option (3) is false because documents that create or transfer interest in land and that require registration to be effective against third parties are specifically excluded from the Act.

Question 462

Answer: 4

The first step to solving this problem is to find the monthly payments and the outstanding balance owing at the end of the 3-year term.

Press	Display
1.95 ■ NOM%	1.95
2 ■ P/YR	2
■ EFF%	1.959506
12 ■ P/YR	12
■ NOM%	1.942125
384000 PV	384,000
$30 \times 12 = N$	360
0 FV	0
PMT	-1,408.25106
1408.25 +/- PMT	-1,408.25
36 INPUT ■ AMORT	PER 36-36
= = =	354,859.164285
354859.16 +/- FV	-354,859.16

The investor is paying \$350,000 for the right to receive the monthly payments of \$1,408.25 for 3 years and receives the outstanding balance of \$354,859.16 at the end of the 3-year term. In order to determine the investor's rate of return expressed as an annual rate, compounded annually, the calculator steps continue are as follows:

Press	Display
350000 PV	350,000
36 N	36
I/YR	5.256543
■ EFF%	5.385054

Question 463

Answer: 4

Option (4) is correct because a condition precedent is the legal term for a "subject to" clause. It calls for the happening of some event or the performance of some act before the contract is binding upon the parties. Option (1) is incorrect because a binding contract does not exist when a "subject to" clause gives one party sole discretion over whether or not to proceed with a sale. When a subject clause is wholly subjective, the court may view the arrangement, in law, as nothing more than an offer. Option (2) is incorrect because it describes a condition subsequent, not a condition precedent. While a condition subsequent is an event that will discharge the principal obligations of a party to the contract, a condition precedent is an event that must occur before the parties are bound to the contract. Option (3) is incorrect because it provides an example of a condition subsequent.

Question 464

Answer: 4

Option (4) is correct because a mortgage of the equity of redemption, an agreement to execute a legal mortgage, and a mortgage by way of deposit of the duplicate certificate of title are all examples of ways to create equitable mortgages. A mortgage of the equity of redemption is a mortgage of the equitable interest in the land that the borrower retains after granting a legal mortgage. An agreement to grant a mortgage in the future is recognized as a present equitable mortgage. A mortgage by way of deposit of the duplicate certificate of title occurs when a bank requires the duplicate certificate as collateral security for a demand loan.

Question 465

Answer: 3

Option (3) is correct because a purchaser has a right to rescind the purchase agreement if the developer fails to deliver a disclosure statement to the purchaser by serving a written notice of rescission on the developer under the *Real Estate Development Marketing Act* (REDMA). Option (1) is incorrect because REDMA applies to the marketing of development units in a development property, and subdivisions are included as development properties. Option (2) is incorrect because the a subdivided lot in a development property is called a development unit.

Question 466

Answer: 2

Option (2) is the best evidence of market value because of the similarity and recent nature of the sale of the homes. Option (1) is incorrect because the subject property has unique characteristics that was sold to a special purchaser. Option (3) is incorrect because the urgency of Miss Jones' sale will likely have an unpredictable influence on the sale price. Option (4) is incorrect because this is an example of a sale between related parties (a special relationship) where the sale price may be discounted to less than market value.

Question 467

Answer: 3

Cost of Improvements	\$2,500,000 = \$50 × 50,000
+ Site Value	+ 750,000
- <u>Depreciation</u>	- <u>250,000</u> = 0.10 × \$2,500,000
Market Value	\$3,000,000

Question 468

Answer: 1

Option (1) is correct because under section 3(3) of the *Occupiers Liability Act*, an occupier has no duty of care to a person in respect of risks willingly assumed by that person (other than a duty not to create a danger with intent to do harm to the person or damage or the person's property, or to act with reckless disregard to the safety of the person or the integrity of the person's property). Options (2), (3), and (4) are incorrect because under section 3(2) of the *Occupiers Liability Act*, the duty of care owed by an occupier applies in relation to the condition of the premises, the activities on the premises, or the conduct of third parties on the premises.

Question 469

Answer: 4

Option (4) is correct because the residual method is most appropriate for properties with latent value or (re)development potential. Options (1), (2), and (3) are incorrect.

Question 470

Answer: 4

Find the payments, rounded up to the nearest dollar, based on the terms of the mortgage contract that are given in the question.

Press	Display
7 ■ NOM%	7
2 ■ P/YR	2
■ EFF%	7.1225
12 ■ P/YR	12
■ NOM%	6.900047
170000 PV	170,000
0 FV	0
240 N	240
PMT	-1,307.828081

The monthly payment, rounded up to the next higher dollar, is \$1,308.

Question 471

Answer: 4

From the information given, calculate the loan-to-value ratio. This will be the maximum loan divided by the lending value.

$$\$122,500 \div \$153,125 = 0.8$$

Option (4) is true; therefore, Option (3) must be false. The lending value of the property is what the appraiser estimates the property value to be. In this case, the lending value is \$153,125. Therefore, Options (1) and (2) are false.

Question 472

Answer: 3

Option (3) is correct because a damage award would put Sally in the position she would have been in if the contract had been performed as promised, so she would be able to recover the money she lost from the value of the sewing machines dropping as a result of the wholesaler's breach. Option (1) is incorrect because *quantum meruit* would only be awarded when the price was not fixed in the contract (and so the court implies a promise to pay a reasonable sum). In this case, the price was stipulated in the contract. Options (2) and (4) are incorrect because the court will refuse to grant equitable remedies (such as specific performance and injunction) when damages are an adequate remedy, as they are in this case.

Question 473

Answer: 2

Press

8 I/YR

2 ■ P/YR

300000 +/- FV

5 × 2 = N

0 PMT

PV

Display

8

2

-300,000

10

0

202,669.250648

Question 474

Answer: 1

$$\text{Max loan} = \text{Lending value} \times \text{Loan-to-value}$$

$$\text{Max loan} = \$66,000 \times 0.80$$

$$\text{Max loan} = \$52,800$$

This is the amount of their mortgage.

The question asks for the down payment. If the purchase price is \$67,000, and the mortgage is \$52,800, then the down payment is equal to the difference of \$14,200 (\$67,000 – \$52,800).

Question 475

Answer: 3

Option (3) is correct because a contract is formed where there is offer, acceptance, and consideration. In the case of a contract to purchase land, the consideration is the promise to convey title to the purchaser in exchange for the purchase price – the deposit is not required as consideration in order for a valid contract to be formed. Option (1) is incorrect for the same reason. Option (2) is incorrect because there is no requirement for the licensee to pay his or her own money into the brokerage's trust account where a buyer makes an offer to purchase land without a deposit. Option (4) is incorrect because the offer is treated as an offer so long as it is capable of being unequivocally accepted, regardless of whether or not a deposit is paid.

Question 476

Answer: 4

Option (4) is correct because, under the *Real Estate Services Act*, a licensed representative is not entitled to carry out trading services for an unlicensed brokerage, to be the managing broker of their own proprietorship, or to carry out trading services without being employed by a brokerage.

Question 477

Answer: 1

Option (1) is correct because duplicate certificates of title cannot be issued if title is subject to a mortgage or an agreement for sale. Option (2) is incorrect because while transfers, mortgages, and long-term leases cannot be registered if a duplicate title is out of the land title office, some specific documents, including easements and builders liens, can still be registered. Option (3) is incorrect because a duplicate title will only be issued upon a written request of the registered owner. Option (4) is incorrect because most lenders prefer a registered mortgage as security.

Question 478

Answer: 4

Option (4) is correct because the *Business Practices and Consumer Protection Act* allows the court to intervene and effectively rewrite the transaction where it considers the cost of the loan to be excessive or the transaction is harsh and unconscionable. Options (1), (2), and (3) are incorrect because the *Interest Act*, the *Mortgage Brokers Act*, and the *Real Estate Services Act* do not confer this power on the courts.

Question 479

Answer: 2

Option (2) is correct because in the case that taxes are to be paid in the future by the buyer, the seller's share from January 1 to the adjustment date will be a debit on the seller's statement of adjustments and will reduce the cash proceeds due to him. Option (1) is incorrect because Paula should be given a credit for the estimated taxes between January 1 and April 30 (i.e., the time that Vince owned the property), not from May 1 to December 31. Option (3) is incorrect because of the amount of taxes is not yet known, it will be calculated based on estimates. Option (4) is incorrect because the taxes will appear as a credit on Paula's statement and a debit on Vince's statement.

Question 480

Answer: 2

Option (2) is the correct answer as vacant land can only be appraised using the comparative approach. Therefore, Options (1), (3), and (4) are incorrect.

Question 481

Answer: 2

Press	Display
14 I/YR	14
2 <input checked="" type="checkbox"/> P/YR	2
20 N	20
23000 +/- PV	-23,000
0 PMT	0
FV	89,002.742637

Question 482

Answer: 1

First, calculate the monthly payment and the outstanding balance owing at the end of the 5-year term based on the contract rate. Then, calculate the market value of the mortgage based on the contract payment and outstanding balance using the market rate of interest. Since the market interest rate is higher than the contract rate, the market value of the mortgage will be less than the mortgage amount of \$150,000.

Press

5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 150000 PV
 300 N
 0 FV
 PMT
 873 +/- PMT
 60 INPUT ■ AMORT
 = = =
 132721.02 +/- FV
 8 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 60 N
 PV

Display

5
 2
 5.0625
 12
 4.948699
 150,000
 300
 0
 -872.407478
 -873
 PER 60-60
 132,721.018365
 -132,721.02
 8
 2
 8.16
 12
 7.869836
 60
 132,849.118994 (market value of the mortgage)

The market value of the mortgage is \$132,849.12.

Question 483

Answer: 2

Option (2) is correct because licensees owe a duty to act with reasonable care and skill to all parties, including both clients and non-clients. Option (1) is incorrect because a licensee must act in the best interests of their client in a transaction. They do not have a duty to act in the best interests of non-clients. Option (3) is incorrect because a licensee does not owe a duty of loyalty to non-clients; they only owe an ethical duty of loyalty to their clients. Option (4) is incorrect because a licensee who breaches their ethical duty to a client is no longer acting ethically.

Question 484

Answer: 3

Option (3) is true because the apartment is in an area that is zoned for commercial use and surrounding developments are all office buildings. Given this, the apartment possesses latent value. Therefore, Option (1) is incorrect as the property is “ripe for re-development”. Option (2) is incorrect because the tenants’ rent cannot increase until the lease renewal in two years. Option (4) is incorrect because the apartment is not at its highest and best use if it possesses latent value.

Question 485

Answer: 3

Option (3) is correct because, since the cooperative owner is a tenant of the cooperative corporation and they do not own an estate in land, financing of a cooperative purchase may be more difficult as a buyer can only grant the lender a security interest in his or her shares under the *Personal Property Security Act* and, if not prohibited by the corporation, a mortgage of his or her leasehold interest. Banks and lending institutions are less willing to lend on this form of security. Option (1) is incorrect because, while a fee simple strata property is created by a strata plan which is filed in the land title office, a cooperative is created by the incorporation of a company or a cooperative association. Option (2) is incorrect because cooperative ownership does not bestow an individual fee simple title to the cooperative owner's unit; rather, the owner in a cooperative possesses shares in a non-profit corporation which in turn holds title to the land. Option (4) is incorrect because strata lot owners are generally not restricted in any way as to whom he/she wishes to sell the strata lot to, whereas a cooperative owner typically must have the buyer approved by the cooperative association's board of directors.

Question 486

Answer: 4

Option (4) is correct because a listing licensee is required to provide a Disclosure of Expected Remuneration (Payment) form to a seller whenever he or she presents an offer to acquire real estate to a seller. Options (1), (2), and (3) are incorrect for this reason.

Question 487

Answer: 3

Press	Display
1 ■ P/YR	1
200000 +/- PV	-200,000
0 PMT	0
3 N	3
280985.6 FV	280,985.6
I/YR	12

Question 488

Answer: 2

Option (2) is correct; depreciation expense is an attempt to allocate the cost of the asset over its useful life. Option (1) is incorrect; depreciation expense is not another name for capital cost allowance (CCA) because CCA is a method of calculating depreciation for income tax purposes. Option (3) is incorrect; land is not considered to be a depreciable asset thus depreciation expense is never taken on land. Option (4) is incorrect because a company holding a single-family residence as an asset is entitled to claim depreciation expense on their income statement.

Question 489

Answer: 3

Option (3) is correct because agency law is concerned with matters between two (or more) individuals, and so it would fall within the body of private law rather than public law. Options (1), (2), and (4) are incorrect because they deal with matters that have to do with the relationship between individuals and the state or matters that are of direct concern to the state, so they fall within the body of public law.

Question 490

Answer: 3

Option (3) is correct because when using the income approach, an appropriate annual allowance or reserve should be made to cover the total cost of periodic repairs. For example, to cover the cost of painting every three years, one-third of the total painting cost could be allocated as an expense each year. Options (1), (2), and (4) are therefore incorrect.

Question 491

Answer: 2

Option (2) is correct because income earned by a family trust will be taxed separately for each beneficiary, at each of their own personal tax rates. Options (1), (3), and (4) are incorrect because they are all true statements.

Question 492

Answer: 4

Option (4) is correct because it is true. Option (1) is incorrect because newsletters should not be sent more frequently than once a week. Option (2) is incorrect because a newsletter should provide compelling content, such as market news, local events, real estate-related tips, and information on new housing developments. Option (3) is incorrect because even though pictures can enhance the look of the newsletter, one must remember to keep the file size of the newsletter small so the message is easily received.

Question 493

Answer: 4

Option (4) is correct because when a licensee takes a deposit from a buyer, section 28 of the *Real Estate Services Act* says that the brokerage must hold the deposit as a stakeholder (and not as an agent) on behalf of all the parties to the contract. Therefore, Options (1), (2), and (3) are incorrect.

Question 494

Answer: 1

Press

5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 102000 PV
 240 N
 0 FV
 PMT
 670.27 +/- PMT
 60 INPUT ■ AMORT
 = = =

Display

5
 2
 5.0625
 12
 4.948699
 102,000
 240
 0
 -670.267533
 -670.27
 PER 60-60
 85,045.802042

Next, we set the rounded outstanding balance equal to the future value. The calculator steps continue as follows:

Press

85045.8 +/- FV

Display

-85,045.8

Then we can calculate the PV based on market rates. The calculator steps continue as follows:

Press

4 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 60 N
 PV
 + 28000 =

Display

4
 2
 4.04
 12
 3.967068
 60
 106,191.599675 (market value of the mortgage)
 134,191.599675 (market value of the offer)

The market value of the offer \$134,191.60.

Question 495

Answer: 3

In this question, you must find the interest rate that is not equivalent to a nominal rate of 8% per annum, compounded semi-annually.

Press	Display
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16

Continuing the calculation, the j_{12} rate is calculated as follows:

12 ■ P/YR	12
■ NOM%	7.869836

Continuing the calculation, the j_{365} rate is calculated as follows:

365 ■ P/YR	365
■ NOM%	7.844986

Continuing the calculation, the j_4 and i_q rates are calculated as follows:

4 ■ P/YR	4
■ NOM%	7.921561
÷ 4 =	1.98039

The nominal rate of 8% per annum, compounded semi-annually is equivalent to a j_1 rate of 8.16%, a j_{12} rate of 7.869836%, and a quarterly rate of 1.98039%. Option (3) is not an equivalent j_{12} rate.

Question 496

Answer: 3

Option (3) is correct because there is no requirement for an offer to be in writing in order to be accepted; rather, it can be expressed in any form, including in writing, orally, or by conduct. Options (1), (2), and (4) are incorrect because an offer must be made in clear and unambiguous terms such that both parties clearly understand the extent of their obligations, and the offer must demonstrate a serious intention to be bound in order to be capable of forming a contract on acceptance.

Question 497

Answer: 3

Option (3) is correct because the *Occupiers Liability Act* (OLA) has removed the common law distinction between different types of visitors. Option (1) is incorrect because section 1 of the OLA specifies that there may be more than one occupier of the same premises. Option (2) is incorrect because section 3 of the OLA states that an occupier has no duty of care in respect of risks willingly assumed by a visitor, other than a duty not to create a danger with intent to do harm to the person or damage to the person's property, or to act with reckless disregard to the safety of the person or the integrity of the person's property. Option (4) is incorrect because the legislation specifies that the duty of care imposed on an occupier is to take such care as is reasonable in the circumstances, so it is likely that the standard owed in the circumstances of someone trespassing on the property would be lower than that owed to an invited guest.

Question 498

Answer: 4

Option (4) is correct because the square foot adjustment for the property is +\$15,000. We know that each additional 100 square feet is worth \$5,000, so $\$15,000 \div \$5,000 = 300$ sq ft bigger than the comparable property. Therefore, the total square footage of the subject property is $2,300 + 300 = 2,600$. Since the comparable has 4 bedrooms and was adjusted +\$4,200, the comparable has one more bedroom than the subject (5 bedrooms in subject). Options (1), (2), and (3) are therefore incorrect.

Question 499

Answer: 3

Option (3) is correct because the development and operation of airports is an exclusively federal matter. Options (1), (2), and (4) are incorrect because each of these issues could be regulated by zoning bylaws implemented by a local government.

Question 500

Answer: 1

Option (1) is correct because the *Interest Act* imposes no limit on the rate of interest which can be charged in a mortgage transaction (however, a rate of interest can be challenged under other legislation, such as the Criminal Code). Option (2) is incorrect because section 6 of the *Interest Act* requires that, where a mortgage requires blended payments, the mortgage document must contain a statement of the interest rate calculated either “yearly or half-yearly not in advance.” Option (3) is incorrect because under section 3 of the *Interest Act*, if a document requires interest to be paid but the rate is not set out, then the rate allocated by law is 5% per annum. Option (4) is incorrect because section 8 of the *Interest Act* states that the interest rate on arrears cannot be greater than the regular rate payable on the principal.

Question 501

Answer: 4

Option (4) is correct because a “time clause” or “72 hour clause” is a clause contained in a contract for purchase or resale of land which allows a seller to invoke a time period in which a condition precedent must be removed. If invoked, failure to remove the condition precedent within the time period would result in termination of the contract. Option (1) is incorrect because a time clause does not, in and of itself, mean that the offer is only open for a stipulated time period. Rather, the right to invoke a time clause arises only where a seller receives a subsequent offer after entering the original contract of purchase and sale. Option (2) is incorrect because this is a right given to the seller only. Option (3) is incorrect because time clauses relate to conditions precedent, not conditions subsequent.

Question 502

Answer: 2

Option (2) is correct because trespass is actionable *per se*, meaning that no actual damage needs to be proven in order for an occupier to sue in trespass. Option (1) is incorrect for the same reason. Option (3) is incorrect because trespass is actionable. Option (4) is incorrect because there is no 30 day limit for bringing an action in trespass.

Question 503

Answer: 2

Option (2) is correct because a vacant site can only be valued using the comparative approach of appraisal. Options (1), (3), and (4) are therefore incorrect.

Question 504

Answer: 4

Find the outstanding balance of the mortgage.

Press	Display
6.5 ■ NOM%	6.5
2 ■ P/YR	2
■ EFF%	6.605625
12 ■ P/YR	12
■ NOM%	6.413688
176000 PV	176,000
180 N	180
0 FV	0
PMT	-1,524.8103
1524.81 +/- PMT	-1,524.81
60 INPUT ■ AMORT	PER 60-60
= = =	134,808.579554

The outstanding balance after 60 months is \$134,809, rounded to the nearest dollar.

Question 505

Answer: 4

Option (4) is correct because “real estate services” is defined in the *Real Estate Services Act* to include: (a) rental property management services; (b) strata management services; and (c) trading services. Finding a party to acquire real estate and advising on the appropriate price for real estate are both “trading services” under the *Real Estate Services Act*. Collecting rents or security deposits for the use of real estate is a “rental property management service” according to the *Real Estate Services Act*.

Question 506

Answer: 4

Find the maximum gross debt service ratio given the mortgage terms.

Press	Display
5 ■ NOM%	5
2 ■ P/YR	2
■ EFF%	5.0625
12 ■ P/YR	12
■ NOM%	4.948699
177667 PV	177,667
300 N	300
0 FV	0
PMT	-1,033.320129

The monthly payment is \$1,033.32.

$$\text{GDSR} = \frac{\text{PIT}}{\text{Gross Income}}$$

$$\text{Annual PIT} = (\$1,033.32 \times 12) + \$2,000.16 = \$14,400$$

$$\$14,400 \div \$48,000 = 30\%$$

Question 507

Answer: 4

Buyer's Statement of Adjustments (Mr. Jones)

ITEM	DEBIT	CREDIT
Purchase Price	200,000.00	
Deposit		15,000.00
Conveyancing Fees	350.00	
Buyer's Share of Taxes	800.00	
Property Transfer Tax	2,000.00	
Balance Due to Complete*	<u> </u>	<u>188,150.00</u>
	<u>203,150.00</u>	<u>203,150.00</u>

*Because the total Debits and Credits must balance, in order to find the Balance Due to Complete, you must first calculate the total Debits (\$203,150.00) and then subtract the known Credits. The result is the balance due from the buyer to complete the transaction.

Question 508

Answer: 2

Option (2) is correct because rents receivable is the only account listed that will be classified as a current asset. A current asset is something that the company owns, that will be used up within the next year. The rent receivable account is expected to be collected within the next year. Options (1) and (3) are incorrect because land and real property are classified as fixed- or long-term assets. Option (4) is incorrect because accounts payable is classified as a current liability.

Question 509

Answer: 2

Option (2) is correct because the standard of care expected of a licensee is based on what a reasonable licensee ought to have done in all the circumstances. In this situation, a reasonable buyer's agent would have made inquiries as to the landslide risk relating to the property given that the area was publicly known for landslide risks. Option (1) is incorrect because it is reasonably foreseeable that the actions or inactions of licensees will affect their clients. Option (3) is incorrect because negligence law may also provide compensation for non-physical damages such as economic losses. Option (4) is incorrect because Options (1) and (3) are incorrect.

Question 510

Answer: 2

Option (2) is correct because there is a fundamental principle of mortgage law which prohibits "clogging" on "the equity of redemption". The equity of redemption refers to a borrower's right to repay the mortgage and, upon doing so, to redeem his or her legal title to the property free of all encumbrances. In other words, a borrower (or the mortgagor) cannot be prevented by the terms of the mortgage from eventually redeeming his or her property free from the conditions contained in the mortgage. An option to purchase a mortgaged property given by the mortgagor (the borrower) to the mortgagee (the lender) at the time the mortgage is negotiated, if exercised, would prevent the mortgagor from redeeming his or her property upon repayment, and is therefore void. Option (1) is incorrect because the prohibition against clogging does not disappear even where the mortgagor has independent legal advice. Option (3) is incorrect because a void option cannot be enforceable in any case. Option (4) is incorrect because the equity of redemption refers to a mortgagor's right to repay the mortgage, and is not a term for an option to repurchase a mortgaged property.

Question 511

Answer: 2

Option (2) is correct because if the term of a constant level payment mortgage is shortened, the result will be a higher outstanding balance at the end of the term. This occurs because a shorter term has fewer payments that will pay down principal and reduce the outstanding balance with each payment. Option (1) is incorrect because the size of periodic payments is not increased when the contractual term is shortened in a constant level payment mortgage. Option (3) is incorrect because the interest rate is not affected. Option (4) is incorrect because the payment frequency will not change.

Question 512

Answer: 4

Option (4) is correct because any person may, under the *Assessment Act*, make a complaint against an entry in an assessment roll on the grounds that the property has been valued at too high or too low an amount. Any initial appeal against a real property assessment must be submitted to the Property Assessment Review Panel for initial adjudication. Option (1) is incorrect because there are no “municipal courts” to deal with property assessment complaints. Option (2) is incorrect because the Court of Appeal will not hear formal complaints regarding assessment notices. The Court of Appeal will only review issues of law arising from lower court decisions. Option (3) is incorrect because, while the Property Assessment Appeal Board may order the Assessment Commissioner to carry out a reassessment, formal complaints are not made to the Commissioner.

Question 513

Answer: 3

Option (3) is correct because under the *Residential Tenancy Act*, when a fixed term residential tenancy expires and the agreement does not provide that the tenant will vacate the rental unit when the term expires, the landlord and the tenant are presumed to have renewed the original agreement as a month-to-month tenancy. Section 49 of the *Residential Tenancy Act* allows a landlord to terminate a tenancy agreement where the landlord enters into a good faith agreement to sell the rental unit and the purchaser intends to occupy that unit, provided that each of the conditions laid out in Option (3) are met. If the purchaser does not occupy the unit as intended for at least six months, the purchaser must pay the tenant an amount equivalent to 12 months’ rent.

Option (1) is incorrect because a landlord cannot terminate a tenancy agreement to allow his or her sibling to occupy the rental unit without further justification. There is a provision for a “close family member” but siblings do not fall under that category.

Option (2) is incorrect because, as previously mentioned, Lucy and Linus are presumed to have renewed the original agreement as a month-to-month tenancy. In order to end the tenancy, Lucy must be able to rely on a provision in the *Residential Tenancy Act* which allows her to do so. Unfortunately, in Lucy’s situation, Charlie is her brother and not a “close family member”. Even if Charlie was a “close family member”, Lucy would need to provide two months’ notice.

Option (4) is incorrect because Lucy would need to provide at least two months’ notice to end the tenancy.

Question 514

Answer: 2

Option (2) is correct because an appeal against a real property assessment must be submitted to the Property Assessment Panel for initial adjudication. Subsequently, an appeal may be made to the Property Assessment Appeal Board. An appeal can then be made from the Property Assessment Appeal Board to the Supreme Court of British Columbia, only if it is based on a point of law. Option (1) is incorrect because an appeal must first be submitted to the Property Assessment Panel. Option (3) is incorrect because an appeal may reach the Supreme Court of British Columbia. Option (4) is incorrect because an appeal following a decision of the Property Assessment Review Panel must first be submitted to the Property Assessment Appeal Board.

Question 515

Answer: 3

Option (3) is correct because the “postal acceptance rule” provides that where an offer is made by mail, or other non-instantaneous means, acceptance is effective when it is posted. Option (1) is incorrect because the offeree is the party accepting the offer. Option (2) is incorrect because, if an offer is made by mail, acceptance need not be received by the offeror to be effective. Option (4) is incorrect because, in some cases, a document may not be postmarked the very day it is posted.

Question 516

Answer: 2

Option (2) is correct because, in British Columbia, the *Business Practices and Consumer Protection Act* gives courts the power to grant relief where a mortgage transaction is deemed inequitable, or where the cost of a loan is excessive and the transaction is harsh and unconscionable. Option (1) is incorrect because the federal *Interest Act* does not impose a limit on the rate of interest which can be charged in a mortgage transaction. Option (3) is incorrect because the *Land Title Act* does not provide for relief for excessive mortgage interest rates. Option (4) is incorrect because Options (1) and (3) are incorrect.

Question 517

Answer: 3

Option (3) is correct because the APR is the borrower’s contractual interest rate plus any non-interest financing charges such as and bonuses or fees. Option (1) is incorrect because the APR is not a requirement under the *Federal Interest Act*. Option (2) is incorrect because the APR includes non-interest financing charges, and thus may differ from the stated interest rate. Option (4) is incorrect because the APR is not expressed with semi-annual compounding.

Question 518

Answer: 3

Option (3) is correct because these criteria characterize successful negotiations which are most likely to render optimal outcomes for both parties. Options (1) and (4) are incorrect because negotiation need not be a zero-sum game where the only solution is a compromise down the middle. Option (2) is incorrect because a “distributive perspective”, viewing negotiation as a conflict with one winner and one loser, can inhibit creative problem solving and makes it difficult to reach optimal results.

Question 519

Answer: 1

Option (1) is correct. Since the market rate is higher than the contract rate, the market value of the mortgage is less than the face value of \$45,000. The cash-equivalent value of the mortgage at 8% will be less than a \$45,000 mortgage at 13%. Options (2), (3), and (4) are therefore incorrect.

Question 520

Answer: 3

Option (3) is correct because the sloped floors were a defect that could have been discovered during the course of a reasonable inspection. Therefore, the sloped floors were a patent defect. The general rule regarding patent defects is that the buyer assumes the risk (*caveat emptor*), meaning that the **seller and the listing licensee are** not required to disclose discoverable defects. Option (1) is incorrect because, while it can be prudent to do so, neither the seller nor the seller's agent has a duty to inspect the premises prior to advertising it for sale. Option (2) is incorrect because a vendor is not required to disclose patent defects. Option (4) is incorrect because Options (1) and (2) are both incorrect.

Question 521

Answer: 2

Option (2) is correct because the mobile office environment permits representatives to work from home, out in the field, or from other locations that the traditional offices. An advantage of this is that it eliminates certain inefficiencies, such as time spent commuting to and from the office, which allows representatives more time to focus on more productive, income-generating tasks. Option (1) is incorrect because due to decentralization, it is more difficult, not easier, to establish a sense of community within the brokerage in a mobile office environment. Option (3) is incorrect because representatives may feel disconnected from the brokerage when they are less physically present, resulting in a weaker sense of loyalty. Since Options (1) and (3) are incorrect, Option (4) is also incorrect.

Question 522

Answer: 4

Option (4) is correct because the principle of good faith includes the duty of honest performance, where parties to a contract are under a duty to act honestly in the performance of their contractual obligations. Options (1), (2), and (3) are incorrect because these are not duties included in the general organizing principle of good faith.

Question 523

Answer: 2

Option (2) is correct because, as far as commercial tenancies are concerned, there are no legal restrictions regarding security deposits. Options (1), (3), and (4) are incorrect for the same reason.

Question 524

Answer: 3

Option (3) is correct because the definitions of "trading services" and a "trade in real estate" in the *Real Estate Services Act* permit trading services licensees to negotiate lease terms. The remaining options are incorrect because they describe activities that do not fall within the definition of trading services.

Question 525

Answer: 3

Option (3) is correct because when a licensee is faced with a conflict of interest between multiple clients, the licensee must enter into an Agreement Regarding Conflict of Interest Between Clients with all clients. Options (1), (2), and (4) are incorrect for this reason.

Question 526

Answer: 2

Option (2) is correct because the *School Act* is one of seven statutes which form the foundation of the real property tax system in British Columbia. The *School Act* provides for real property taxation to fund public

school education throughout the province. Options (1), (3), and (4) are not included among the 17 statutes which significantly affect the real property taxation system in British Columbia.

Question 527

Answer: 4

Option (4) is correct because private nuisance typically occurs where an owner or occupier of land unreasonably and substantially interferes with the reasonable use and enjoyment of a neighbouring property. Option (1) is incorrect because section 26(3) of the *Residential Tenancy Act* abolishes the remedy of distress in residential tenancies. Option (2) is incorrect because “distrain” or “distress” means a seizure and sale of the tenant’s personal property to recover arrears of rent. Option (3) is incorrect because a commercial landlord can exercise the remedy of distress, which is often the most effective remedy available to the landlord.

Question 528

Answer: 4

Option (4) is correct because, in British Columbia, the plaintiff calls each of its witnesses first. Once the defendant’s lawyer has had the opportunity to cross-examine each witness called by the plaintiff, the defendant then calls each of its own witnesses. Options (1), (2), and (3) are incorrect because each statement accurately describes the trial process in British Columbia.

Question 529

Answer: 4

Option (4) is correct as a strata council is the only party listed that is not likely to require an appraisal. Options (1), (2), and (3) are incorrect because each of these parties are likely to require an appraisal.

Question 530

Answer: 4

The correct answer is Option (4) since the income approach is more likely a primary method of appraisal for a commercial property valuation with income and expense data, rather than a single-family residence. Options (1) and (2) are incorrect because they describe warranted valuation practices. Option (3) is considered warranted, because although the two houses have similar floor plans and are in the same neighborhood, a sale without sufficient advertising may signal a non-arm’s length sale and would not be considered reliable.

Question 531

Answer: 2

Land does not depreciate; therefore Option (2) is correct. Options (1), (3), and (4) are depreciable assets.

Question 532

Answer: 2

Option (2) is correct because the value in exchange is the sale price of the home. Options (1), (3), and (4) are therefore incorrect.

Question 533

Answer: 3

Option (3) is correct because a leasehold interest is of a fixed duration, whereas a fee simple estate confers the right to possess and use land for an indefinite period of time. Option (1) is incorrect because, while the fee simple estate is the greatest estate in land in Canadian law, the Crown retains underlying title to all land. Therefore, fee simple estates remain subject to the Crown's land use regulations. Option (2) is incorrect because, though rarely exercised, the Crown retains the prerogative power to expropriate land held in fee simple. Option (4) is incorrect because land held in fee simple will escheat (or, revert) back to the Crown if the owner of the estate dies without providing for the transfer of his or her property by way of will and has no known heirs.

Question 534

Answer: 3

Option (3) is correct (false) because if Yang files an objection and an appeals officer at the CRA confirms the assessment, Yang would have 90 days to appeal to the Tax Court of Canada. She could also potentially appeal the decision to the Federal Court of Appeal and then possibly to the Supreme Court of Canada. Options (1), (2), and (4) are incorrect because they are all true statements.

Question 535

Answer: 2

Option (2) is correct because unless the buyer instructs otherwise, an offer to purchase real estate must have standard terms relating to contract assignment. Option (1) is incorrect because the Knowledge Base, "Assignment Guidelines", states that these words should not be used to describe the buyer. Option (3) is incorrect because assignments are permissible only as long as the Standard Assignment Terms are included in the contract of purchase and sale of real estate, and provided that the assignment does not prejudice the rights of the seller and the contract does not prohibit assignment. Option (4) is incorrect because a contract of purchase and sale can be assigned if certain requirements are met.

Question 536

Answer: 1

Option (1) is correct because it is an action taken during the placement stage, meant to avoid drawing the attention of financial institutions which would take note of unusually large cash deposits. Options (2) and (4) are incorrect because they are actions taken during the layering stage of the money-laundering process, meant to increase complexity and conceal the criminal origins of the proceeds. Option (3) is incorrect because it is an action taken during the integration stage. The sale of real estate will provide proceeds which appear to have been legally earned from investment.

Question 537

Answer: 2

The formula for this question is the costs of improvements plus the site value minus depreciation.

Cost of Improvements	\$2,294,000 ($\$62 \times 37,000$)
+ <u>Site Value</u>	+ <u>1,200,000</u>
	\$3,494,000
- <u>Depreciation</u>	- <u>183,520</u> ($0.08 \times \$2,294,000$)
Market Value	\$3,310,480

Question 538

Answer: 4

Option (4) is correct because personal selling involves interactive, face-to-face communication with a potential customer. Option (1) is incorrect because telemarketing uses telephone or fax technology in place of face-to-face communication. Option (2) is incorrect because emotional appeal refers to a communications strategy that aims to stir up positive or negative emotions in an audience in order to generate a desired response. Option (3) is incorrect because brand marketing refers to a marketing initiative based on the theme of a business, which encompasses a variety of attributes that distinguish the business from its competitors.

Question 539

Answer: 2

Option (2) is correct because a private nuisance occurs when an owner or occupier of land unreasonably and substantially interferes with the reasonable use and enjoyment of a neighbouring property. Private nuisance typically occurs when an owner or occupier wrongfully allows the escape of injurious things (in this case, chlorinated water) onto another person's land. Options (1) and (4) are incorrect because occupiers liability and the British Columbia *Occupiers Liability Act* concern the liability of an occupier for injury suffered by visitors entering their own premises, not for losses occurring on someone else's property. Option (3) is incorrect because a patent defect is a defect in property that can be discovered during the course of a reasonable inspection. On the facts of this question, there is no indication that the leak was caused by any defect in the property of either Margaret or the neighbour.

Question 540

Answer: 1

Option (1) is correct because the income approach would not usually be used for the valuation of single-family residences. Options (2), (3) and (4) are incorrect because this approach can be used in appraising most types of property, although it is more appropriate for properties that produce rental income, e.g., apartment buildings, office buildings, industrial space.

Question 541

Answer: 2

Option (2) is correct because, after a contract has been made, but before it has been performed, it will be frustrated if events outside of the control of the parties destroy the subject matter of the contract. Options (1) and (3) are incorrect because, on the facts of this question, neither Allan nor Bob made a mistake relating to the contract. Option (4) is incorrect because the effect of frustration is the termination of the contract. In other words, the contract is ended at the point of frustration, and future rights and liabilities no longer apply. Termination is distinct from rescission in that rescission operates to "unmake" a contract, attempting to return the parties back to the position they were in prior to entering the contract.

Question 542

Answer: 4

Option (4) is correct because most mortgages contain a term which states that the mortgagee (the lender) shall not be bound for any reason whatsoever to advance any part of the money to the mortgagor (the borrower). If, for example, a builder's lien is filed against the property, the lender may require the removal of the lien before advancing funds. Option (1) is incorrect because a lender may require a guarantor as a form of additional security for the loan. Option (2) is incorrect because the *Strata Property Act* provides that a lender can obtain the right to vote at meetings of the strata corporation on matters relating to insurance, maintenance, finance or other matters affecting the security of the mortgage. Option (3) is incorrect because lenders are generally given complete discretion to select from the available remedies. This ensures that lenders are given the greatest possible chance to recover their losses resulting from a borrower default.

Question 543

Answer: 2

Option (2) is correct because it is in the buyer's (not the seller's) best interests to incorporate a Property Disclosure Statement (PDS) into the contract of purchase and sale. Doing so incorporates the warranties made by the seller in the PDS into the contract of purchase and sale, which allows the buyer to sue the seller for breach of contract if such warranties are breached. Option (1) is incorrect because it allows the seller to review the buyer's progress with regards to the fulfilment of the condition and decide whether or not to extend the time limit or to terminate the agreement. Option (3) is incorrect because if such a covenant is inserted into the contract of purchase and sale, and the buyer does not use his or her best efforts to satisfy the specific condition, the seller can sue the buyer for breach of contract. Option (4) is incorrect because including a 72-hour "time clause" allows the seller to demand that the buyer remove the condition precedent within 72 hours in the event that the seller receives another offer. If the buyer fails to do so, then the seller can accept the other offer.

Question 544

Answer: 4

Option (4) is correct because when a comparable property is sold subject to a low interest rate, the comparable sale price must be adjusted downward. Option (1) is false because the comparable property can be used as evidence of market value, as long as an adjustment is made for the "cheap" financing provided by the vendor. Option (2) is false because the comparable sale price must be adjusted downward to compensate for the benefit provided by the below-market interest rate on the mortgage. Option (3) is false because the price of the comparable property needs to be adjusted to its cash-equivalent price.

Question 545

Answer: 3

Calculate the payments according to the contract, then value the payments according to the market rate. Add the cash down payment to the market value of the mortgage to find the sale price.

Press

3.5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 115000 PV
 240 N
 0 FV
 PMT
 665.46 +/- PMT
 5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 PV
 + 105000 =

Display

3.5
 2
 3.530625
 12
 3.474749
 115,000
 240
 0
 -665.46245
 -665.46
 5
 2
 5.0625
 12
 4.948699
 101,268.399094 (market value of the mortgage)
 206,268.399094 (market value of the offer)

The sale price of the house is \$206,300 rounded to the nearest \$100.

Question 546

Answer: 2

Press	Display
4 I/YR	4
12 \blacksquare P/YR	12
250 +/- PMT	-250
$3 \times 12 = N$	36
0 PV	0
FV	9,545.390589

If Allison deposits \$250 per month for 36 months, she will have \$9,545.39 in the account at the end of three years.

Question 547

Answer: 3

To answer this question, calculate the maximum amount of money that can be lent out given the two constraints: the loan-to-value amount and the gross debt service ratio amount. Calculate the loan amount for the loan-to-value constraint and then calculate the loan amount for the GDSR constraint. In order to determine the maximum amount that the lender will advance, choose the lesser of the two results.

$$LTV = 80\%$$

$$\text{Lending Value} = \$238,000$$

$$\text{Maximum loan under lender's LTV criteria} = 0.8 \times \$238,000 = \$190,400$$

$$GDSR = 28\%$$

$$GDSR = \frac{P+I+T}{GI} \rightarrow 0.28 = \frac{P+I+\$1,750}{\$85,000}$$

$$P+I = (GDSR \times GI) - T$$

$$P+I = (0.28 \times \$85,000) - \$1,750$$

$$P+I = \$22,050 \text{ (annual mortgage payment)}$$

The loan states that monthly payments are required so:

$$P+I = \$22,050 \div 12 = \$1,837.50 \text{ (monthly mortgage payment)}$$

The next step is to calculate the maximum loan amount given the contract terms and the monthly payment.

Press	Display
12 ■ NOM%	12
1 ■ P/YR	1
■ EFF%	12
12 ■ P/YR	12
■ NOM%	11.386552
1837.5 +/- PMT	-1,837.5
180 N	180
0 FV	0
PV	158,270.459718

The maximum loan under the GDSR is \$158,270, rounded to the nearest \$10.

The maximum loan amount is the lower of the two constraints: $\$158,270 < \$190,400$; therefore, \$158,270 is the maximum amount this lender will advance.

Question 548

Answer: 2

Option (2) is correct because an option to purchase clause, if exercised, would deny the borrower his or her right to redeem title to the property upon repayment of the loan. In other words, if the bank exercised the option and chose to purchase the property, then the borrower would necessarily be unable to redeem title upon repayment. Option (1) is incorrect because collateral advantage clauses are no longer considered clogs on the borrower's equity of redemption, even if they extend beyond the term of the mortgage. Option (3) is incorrect because indemnity clauses do not constitute clogs on the equity of redemption, and are instead rendered unenforceable by section 8(1) of the federal *Interest Act*. Option (4) is incorrect because an acceleration clause is a term in the mortgage contract which makes the outstanding balance of the loan immediately due and payable if the borrower defaults. Acceleration clauses do not interfere with the borrower's right to redeem title upon repayment, since they operate in situations where the borrower has defaulted.

Question 549

Answer: 3

Option (3) is correct because the remedy of distress allows a commercial landlord to seize and sell a tenant's personal property in order to satisfy a claim for rent owing. This is the most effective remedy because it immediately gives the landlord tangible assets which can be sold to recover the debt. Option (1) is incorrect because a tenant may choose to disobey an injunction, which would require that the landlord take additional legal action against them. Option (2) is incorrect because the third party to whom the garnishing order is served may still disobey the garnishing order. There are also additional limitations to this remedy, including a limit on the percentage that may be garnished from an employee's wages. Option (4) is incorrect because a demand letter may be ignored by the tenant, in which case the landlord would be required to pursue additional action.

Question 550

Answer: 1

Option (1) is correct because, at common law, where an agent does not disclose to a third party that he or she is acting as an agent, the agent may be held liable as a principal. This rule is justified because the third party was led to believe that it was making a contract with the agent personally, and might not have chosen to enter a contract with the principal had they been aware of the principal's existence and/or identity. Option (2) is incorrect because the contract is not between the agent and the principal, but is instead between the principal and the third party (though the agent may be held liable as a principal, as mentioned previously). Option (3) is incorrect because the contract remains between the principal and the third party, and therefore, the principal may sue the third party to enforce it. Option (4) is incorrect because an agent's failure to disclose their status as an agent does not render a contract void.

Question 551

Answer: 1

Option (1) is correct because a constant payment mortgage has identical periodic payments. Options (2) and (3) describe a straight line principal reduction loan. Option (4) is incorrect because the constant payment is apportioned to varying levels of principal and interest.

Question 552

Answer: 1

Option (1) is correct because the *Real Estate Services Rules* prohibit a licensee from making inducement promises of this nature unless the licensee gives a signed statement containing the details of the promise to the person to whom the promise is made. A licensee who breaches this prohibition may be suspended by the British Columbia Financial Services Authority. Options (2), (3), and (4) are incorrect because none of these scenarios alleviate the licensee's obligation to give a signed statement, setting forth the details of the promise, to the person to whom the promise is being made.

Question 553

Answer: 2

Option (2) is correct because the municipal council is not required to wait at least six months before approving an amendment to a zoning bylaw. Option (1) is incorrect because any rezoning bylaw must be given four readings by the municipal council, meaning that the council must vote in favour of the bylaw four separate times. Option (3) is incorrect because subdivision bylaws, made under the *Local Government Act*, may require that an owner dedicate up to five percent of his or her land for park purposes. In addition, sometimes an applicant will be required to pay for the widening of roads. Option (4) is incorrect because after a proposed rezoning bylaw receives a favourable first (or sometimes second) reading, a public hearing is usually held. At the hearing, the applicant may be required to give a short presentation, and will be asked questions about the proposal by the municipal council.

Question 554

Answer: 3

Option (3) is correct because in relation to the subject property, this comparable requires an adjustment of +\$4,000 for 1 bedroom and +\$5,700 for 1 bathroom. Options (1), (2), and (4) are therefore incorrect.

Question 555

Answer: 3

Option (3) is correct because, in addition to compensating victims of fraud, the Assurance Fund also provides compensation to individuals who have suffered loss or damages caused, solely or partially, by an omission, mistake or misfeasance of the registrar or employees of the Land Title Office. Options (1), (2), and (4) are incorrect because a claimant must prove the following to successfully claim against the Assurance Fund in British Columbia: (a) that the claimant has lost an interest in land as a result of the registration of a person other than the claimant as owner; (b) that the claimant cannot recover that estate or interest (or compensation for it) by a court action; and (c) that, if the *Land Title Act* had not been passed, the claimant would have recovered the estate or interest at common law by a court action.

Question 556

Answer: 3

Option (3) is correct because when using the comparative approach of appraisal to value properties with redevelopment potential, it is not necessary that the comparables and the subject property have a market value of zero in their current use. Options (1), (2), and (4) are incorrect because it is necessary that they have a similar highest and best use after redevelopment, have a similar current use, and expect to undergo redevelopment at a similar point in time.

Question 557

Answer: 3

Option (3) is correct because section 54 of the *Law and Equity Act* provides that where a condition precedent is for the sole benefit of the buyer, the buyer is allowed to unilaterally waive the condition prior to its expiration. Section 54 overrides the common law rule preventing the unilateral waiver of a true condition precedent. Option (1) is incorrect because the agreement remains valid and enforceable in this situation. Options (2) and (4) are incorrect because, in this situation, the agreement does not become voidable at either the option of the seller or the buyer.

Question 558

Answer: 3

Option (3) is correct because, with respect to commercial tenancies, the implied covenant of quiet enjoyment does not simply refer to freedom from noise; rather, it is an assurance to the tenant against the consequences of defective title. This means that if the landlord, or anyone who claims to have received rights from the landlord, attacks the tenant's right to the premises, it would breach this covenant. Option (1) is incorrect because the implied covenant of quiet enjoyment does not concern competition with the tenant's business. Option (2) is incorrect because the implied covenant of quiet enjoyment is an implied promise given by the landlord to the tenant, and does not restrict the tenant's own conduct on the property. Option (4) is incorrect because the implied covenant of quiet enjoyment does not constitute a guarantee by the landlord that other tenants will comply with local noise bylaws.

Question 559

Answer: 4

Press

12 ■ P/YR
 23250 +/- PV
 281.72 PMT
 204 N
 0 FV
 I/YR
 ■ EFF%
 2 ■ P/YR
 ■ NOM%

Display

12
 -23,250
 281.72
 204
 0
 12.89841 (j₁₂)
 13.688927 (j₁)
 2
 13.25002 (j₂)

Question 560

Answer: 4

Option (4) is correct because a restrictive covenant is an interest in land which can be registered at the Land Title Office. Once a valid restrictive covenant has been registered, it binds subsequent owners of the property (i.e., it “runs with the land”). Therefore, the covenantor (the person who agrees to be bound by the restriction) need not retain the restricted property for the restrictive covenant to remain valid. Option (1) is incorrect because, in order to be a valid restrictive covenant, an owner must be able to comply with the covenant by *not* doing something. If a covenant requires action it is a “positive” covenant, and does not run with the land. Options (2) and (3) are both incorrect because each statement is one of the five essential requirements of a valid restrictive covenant.

Question 561

Answer: 3

Option (3) is correct because an agent owes a duty of loyalty to the principal, which requires them to disclose to the principal all facts relevant to the transaction within the agent’s knowledge. The complete disclosure requirement prohibits an agent from making a “secret” profit, meaning that the agent must disclose all of the benefits and prospective benefits received by the agent as a result of, or in the course of, performing duties on behalf of the principal. Option (1) is incorrect because the agent is not required to disclose all of their personal business dealings to the principal if those dealings do not affect the interests of the principal. Option (2) is incorrect because the agent is not required to inform the principal of their own annual tax return, as this information does not affect the interests of the principal. Option (4) is incorrect because an agent has a duty to disclose all relevant facts that could influence the conduct of the principal. This duty is not limited to situations where the agent is receiving actual profits, and extends to situations where the agent will suffer a loss.

Question 562

Answer: 4

Option (4) is correct because gross potential revenue is estimated using current market rents paid on similar properties. Even when the subject or comparable property is fully rented, the rents used in determining the property’s net operating income should be compared to current rental prices. Therefore, Options (1), (2), and (3) are incorrect.

Question 563

Answer: 2

Option (2) is correct because the *Strata Property Act* gives strata corporations the ability to grant an owner or tenant permission to exclusively use common property for a period of less than one year. If the permission does not involve a significant change in the use or appearance of the common property, then the permission can be granted by a majority vote of the strata council. Option (1) is incorrect because approval by a $\frac{3}{4}$ vote, rather than a simple majority vote, at a general meeting of the strata corporation is only required where the permission or privilege granted involves a significant change in the use or appearance of the property. Option (3) is incorrect because permission to exclusively use common property may only be granted for less than one year, whereas the designation of limited common property has no fixed duration and need not be renewed. Therefore, the permission to exclusively use common property cannot be identical to the designation of limited common property. Option (4) is incorrect because the strata corporation may grant the permission for up to one year.

Question 564

Answer: 3

Option (3) is correct because a Board of Variance does not have the jurisdiction to amend zoning bylaws. Instead, the function of a Board of Variance is to permit minor exceptions, or “variances”, to existing bylaws, without altering the bylaws themselves. Amending zoning bylaws is the responsibility of municipal councils and regional districts. Options (1), (2), and (4) are incorrect because a Board of Variance is given the authority to hear appeals in situations where the enforcement of a bylaw would cause undue hardship. To achieve this purpose, the Board may permit a structural alteration to a building used for a non-conforming use, and may establish time limits within which construction of a variance must be completed.

Question 565

Answer: 2

Option (2) is correct because the REALTOR® Code of Ethics is enforced by the local real estate boards in British Columbia. Option (1) is incorrect because, while the Canadian Real Estate Association establishes the REALTOR® Code of Ethics, enforcement occurs at the local board level. Option (3) is incorrect because the British Columbia Real Estate Association is responsible for representing the interests of local real estate boards, and their members on provincial matters, and does not directly enforce the REALTOR® Code of Ethics. Option (4) is incorrect because the British Columbia Financial Services Authority (“BCFSA”) is a statutory body tasked with administering the *Real Estate Services Act* (RESA) and related regulations, and rules. The REALTOR® Code of Ethics is set by the Canadian Real Estate Association, which is a professional trade organization that is separate from BCFSA.

Question 566

Answer: 1

Option (1) is correct because a real estate trade record sheet is required for each transaction in which the brokerage or a related licensee holds or receives money. Since listing a property on the MLS® listing occurs prior to such a transaction, this information does not need to be included in the record sheet. Options (2), (3), and (4) are incorrect because each contains information that is necessary to accurately describe and record real estate transactions.

Question 567

Answer: 2

Option (2) is correct because section 15 of the *Manufactured Home Act* provides that no person may move a manufactured home unless it is registered in the manufactured homes registry. Additionally, section 18(1) requires that a transport permit be obtained from the registrar to authorize the movement of the home to a specific location. Option (1) is incorrect because the ownership, transfer and granting of charges of manufactured homes are not registered in the land title office. Option (3) is incorrect because a manufactured home with a security interest registered against it in the personal property registry can still be moved. The secured party remains protected because registrar is required to notify the secured party when an application for a transport permit is made. Option (4) is incorrect because, in certain cases, a landlord, a secured party, or any other person acting under a court order may obtain a transport permit authorizing them to move a manufactured home.

Question 568

Answer: 3

Option (3) is correct because joint tenants enjoy the right of survivorship, meaning that when one joint tenant dies, the entire estate automatically vests in the surviving joint tenant(s). Bert, therefore, became the sole owner of the revenue producing property immediately upon Ernie's death and Ernie had no interest to dispose of in his will. Options (1) and (2) are incorrect because no interest in the property passed to Grover. Option (4) is incorrect because a joint tenant cannot sever a joint tenancy merely by bequeathing their interest in the property to a third party in their will. To sever the joint tenancy Ernie would have had to (a) destroy one of the four "unities" required for a joint tenancy to exist (e.g., by selling or mortgaging his estate); (b) partition the property via a mutual agreement with Bert; or (c) obtain a court order for partition.

Question 569

Answer: 1

Option (1) is correct because section 20(1) of the *Land Title Act* provides that "except as against the person making it", an unregistered transfer deed is inoperative. This section indicates that an unregistered deed remains operative between the transferor and the transferee. Option (2) is incorrect because it is a long standing common law rule that a forged deed is void from the beginning. Option (3) is incorrect because, where the consideration given in exchange for a deed amounts to an illegal act or thing, the transfer deed is void. Option (4) is incorrect because where a party can successfully plead *non est factum* ("that is not my deed") the deed in question will be rendered void for reason of unilateral mistake.

Question 570

Answer: 3

Option (3) is correct because, since a sole proprietorship is a business enterprise owned by a single individual, the owner of a proprietorship is personally liable for all the debts incurred by the proprietorship. This means that, if the proprietorship is unable to pay its debts, the proprietorship's creditors may collect from the personal assets of the owner. Option (1) is incorrect because, since a proprietorship is not regarded as a separate legal entity from the owner, it is terminated upon the death of the owner. Option (2) is incorrect because the profits of a proprietorship accrue to the owner and are taxed as part of his or her personal income. Option (4) is incorrect because, as stated previously, a proprietorship is not regarded as a separate legal entity from the owner, and the owner has unlimited liability.

Question 571

Answer: 2

Option (2) is correct because Ralph will likely be able to establish the three elements required for a successful negligence claim: (1) that XYZ, a company storing highly toxic gasses, owed him a duty of care as his neighbour; (2) that XYZ breached the standard of care by allowing the gas to drift over Ralph's apple orchard; and (3) that the damage to Ralph's orchard was reasonably foreseeable (i.e. not too remote). Option (1) is incorrect because trespass is an intentional tort, and consequently must be a direct, voluntary act, as opposed to an indirect result of an act. In this case, there is no indication that Hurston or the President intended to release the gas over Ralph's apple orchard. Option (3) is incorrect because a fiduciary duty is only owed by a person who holds a legally significant position of trust with respect to someone else, and is obliged, by virtue of that relationship or trust, to act solely for the other person's benefit. There is no indication, on the facts provided, that XYZ was in such a relationship of trust with Ralph. Option (4) is incorrect because the *Occupiers Liability Act* would only apply if Ralph had suffered damage while on XYZ's premises.

Question 572

Answer: 1

Option (1) is correct because the Regulations passed under the *Residential Tenancy Act* provide that a security deposit for a residential tenancy agreement cannot exceed one half of the monthly rent. Options (2), (3), and (4) are incorrect because each of these amounts exceeds the amount permitted under the Act.

Question 573

Answer: 1

For this question, with a given monthly periodic rate, calculate how many years Joe will make payments. First, express the rate as a j_{12} , then calculate N.

Press $.75 \times 12 = I/YR$ 12 \blacksquare P/YR

11000 PV

335 +/- PMT

0 FV

N

 $\div 12 =$ **Display**

9

12

11,000

-335

0

37.837088 (months)

3.153091 (years)

N is expressed as months; therefore, divide by 12 to express the amortization in years. Joe will have to make payments for three full years.

Question 574

Answer: 2

Option (2) is correct because when mortgage interest rates are casually referenced, it is typically a nominal interest rate. Therefore, Options (1), (3), and (4) are incorrect.

Question 575

Answer: 2

Option (2) is correct because Charlotte effectively revived her original offer (to sell her property to Dennis for \$180,000), which Dennis then accepted. Dennis' offer of \$165,000 was a counter-offer, which therefore terminated the original offer. However, Charlotte made her own counter-offer when she replied, "cannot reduce price", which effectively renewed her original offer. Option (1) is incorrect because the case of *Livingstone v. Evans* tells us that the words "cannot reduce price", uttered in this context, renew the original offer. Dennis was therefore entitled to accept the renewed offer. Option (3) is incorrect because Charlotte's initial email contained the necessary terms (the property and the price) to constitute an offer capable of being accepted, and therefore was more than a mere invitation to treat. Option (4) is incorrect because Options (1) and (3) are both incorrect.

Question 576

Answer: 4

Option (4) is correct because this extract is taken from section 59(3)(a) of the *Law and Equity Act*. Therefore, Options (1), (2), and (3) are incorrect.

Question 577

Answer: 3

Option (3) is correct because if a qualified home inspector would have identified the issue, it would likely be classified as a patent defect, which sellers do not have an obligation to disclose. As a buyer, Anna has a duty to conduct a reasonable inspection and make reasonable inquiries to ensure that there are no patent defects, which typically involves consulting a licensed home inspector. Option (1) is incorrect because, even for major issues, the seller is only required to disclose latent defects that he or she knows or should have reasonably known. Option (2) is incorrect because sellers are required to disclose known latent defects that render the property dangerous or unfit for habitation, even if the buyer did not specifically ask about that defect. Option (4) is incorrect because the defect's impact on the property can be objectively determined at a value of \$55,000 and therefore cannot be classified as a stigma.

Question 578

Answer: 4

Option (4) is correct because a common mistake occurs when both parties to a contract make the same mistake about a fundamental term of the contract, such as the existence of what is being sold. In this case, the fact that the cottage had been destroyed prior to the formation of the contract was unknown to both parties. The existence of a common mistake such as this renders a contract void. Option (1) is incorrect because a mutual mistake occurs when both parties make a fundamental mistake about the contract but each makes a different mistake. Here, the mistake was the same (the assumption that the cottage still existed). Option (2) is incorrect because frustration occurs where a specific thing that is necessary for the performance of the contract is no longer in existence at the time for performance. In this case, the cottage was destroyed before the contract was entered into, meaning that frustration does not apply. Option (3) is incorrect because (a) there is no indication that Jem did not understand the nature of the contract of sale; and (b) the mistake regarding the existence of the cottage was a common mistake, not a unilateral mistake since both Jem and Boo were mistaken.

Question 579

Answer: 3

Option (3) is correct because it is false. The duty of confidentiality to a client lasts forever. Option (1) is incorrect because actions that are unlawful would be against the duty of acting in the client's best interest. Option (2) is incorrect because section 45 of the *Real Estate Services Rules* requires licensees to obtain written authorization to sign agreements on behalf of their clients. Option (4) is incorrect because full disclosure requires licensees disclose to their clients all known material information, no matter how trivial.

Question 580

Answer: 1

Option (1) is correct because one of the undesirable aspects of the common law pertaining to contracts is that when no mention of the state of title is made in the contract beneficial ownership, and therefore risk of loss or damage, passes to the buyer at the time the contract is signed. The standard form Contract of Purchase and Sale in BC expressly alters this common law presumption. Options (2), (3), and (4) are therefore incorrect.

Question 581

Answer: 1

Option (1) is correct because the key purpose of the Disclosure of Representation in Trading Services form is to ensure that consumers understand how trading services can be provided to them, so that they can provide informed consent to the chosen form of relationship with the real estate licensee. Options (2), (3), and (4) are incorrect for this reason.

Question 582

Answer: 1

Option (1) is correct because licensees have a duty to present all options to a client (which includes all offers) unless the client has given specific instructions to somehow limit which offers are to be presented. Options (2), (3), and (4) are incorrect because all three offers must be presented to your client.

Question 583

Answer: 2

Option (2) is correct because a borrower who grants a legal mortgage retains an equitable interest in the property. The borrower is free to mortgage this equitable interest by granting a second, or subsequent, mortgage. These subsequent mortgages are mortgages on the borrower's equity of redemption (the borrower's right to repay the mortgage and redeem title to the property). Option (1) is incorrect because, though also a form of security interest, a lien is not a mortgage. Options (3) and (4) are incorrect because agreements for sale and leases are not mortgages.

Question 584

Answer: 1

Option (1) is correct because, at the first court appearance where a claim for foreclosure is brought, a judge will generally grant an order nisi. The order nisi is an important preliminary step because it sets the final redemption period, during which the respondents can redeem the mortgage by paying the amount due and owing. Options (2) and (3) are incorrect because orders absolute and orders for sale may be obtained if payment is not made within the redemption period set by the order nisi. Option (4) is incorrect because an order for specific performance may be available in the case of an agreement for sale, but is not an available remedy for foreclosure actions.

Question 585

Answer: 2

Option (2) is correct because mortgages payable represents a debt that must be repaid. Option (1) is incorrect because accumulated depreciation is part of the assets section on the balance sheet, and takes away from the value of the depreciable asset(s). Options (3) and (4) are incorrect because wages paid is listed as an expense, and prepaid expenses are listed as a current asset.

Question 586

Answer: 2

Option (2) is correct because revaluing assets is inconsistent with the cost principle. Option (1) is consistent with the matching principle, Option (3) is consistent with the consistency principle, and Option (4) is consistent with the revenue recognition principle.

Question 587

Answer: 2

Option (2) is correct because a secondary mortgage market is the market in which existing mortgages are bought and sold between investors. Options (1), (3), and (4) are incorrect.

Question 588

Answer: 3

If the investor can earn $j_{12} = 6\%$ on other investments, the purchase price of the mortgage should be based on a market value of $j_{12} = 6\%$. First, calculate the mortgage payment based on the contract rate of $j_{12} = 3.5\%$. Since this question also has a 5-year term, calculate the outstanding balance at the end of the 5-year term and set this amount equal to the future value with N equal to 60.

Press

3.5 I/YR
 12 ■ P/YR
 100000 PV
 240 N
 0 FV
 PMT
 579.96 +/- PMT
 60 INPUT ■ AMORT
 = = =
 81126.56 +/- FV
 6 I/YR
 60 N
 PV

Display

3.5
 12
 100,000
 240
 0
 -579.959718
 -579.96
 PER 60-60
 81,126.556103
 -81,126.56
 6
 60
 90,143.732174

Question 589

Answer: 4

Option (4) is correct because constant payment loans were developed in response to the risk to the lender of default on principal. The constant payment reduces this risk as each periodic payment reduces the amount of principal at risk. Options (1), (2), and (3) are incorrect.

Question 590

Answer: 3

Option (3) is correct because common area charges could be applicable to condominiums only, as condominiums consist of a tenancy in common interest in the common areas of the development, while some other types of real property do not. Options (1), (2), and (4) are incorrect because location and neighbourhood, quality of construction, and the interest rate on the mortgage are applicable to all types of property, not just condominiums.

Question 591

Answer: 1

For this question, calculate the payments based on the contract information. Therefore, do not deduct the legal costs/brokerage fees to calculate the monthly payment.

Press	Display
12 ■ NOM%	12
2 ■ P/YR	2
■ EFF%	12.36
12 ■ P/YR	12
■ NOM%	11.710553
55000 PV	55,000
180 N	180
0 FV	0
PMT	-649.885293

Question 592

Answer: 1

Press	Display
12 ■ P/YR	12
357000 PV	357,000
2262 +/- PMT	-2,262
327975.95 +/- FV	-327,975.95
24 N	24
I/YR	3.679894
■ EFF%	3.742599

The yield to the lender is below the loan's interest rates ($j_{12} = 4.75\%$), which is the expected result given the payments are sufficient to pay off a \$350,000 loan, but the lender is actually advancing \$357,000 ($2\% \times \$350,000 + \$350,000$). Therefore, the lender is being slightly underpaid with each payment. Given the inverse relationship between interest rates and present value; if the present value rises, then the interest rate drops.

Question 593

Answer: 2

The first step for this question is to calculate the monthly payments. The second step is to use the payments in the GDSR formula to calculate the minimum annual income.

Press	Display
11.75 ■ NOM%	11.75
2 ■ P/YR	2
■ EFF%	12.095156
12 ■ P/YR	12
■ NOM%	11.472285
42500 PV	42,500
300 N	300
0 FV	0
PMT	-431.138315
$431.14 \times 12 =$	5,173.68

First multiply the payments by 12 in order to find the yearly payment amount (equal to \$5,173.68). Then use the GDSR formula to calculate the minimum income:

$$GI = \frac{P + I + T}{GDSR} \rightarrow \frac{\$5,173.68 + \$600}{0.28} = \$20,620.29$$

Question 594

Answer: 1

For this question, calculate the mortgage payments, based on the original contract rate. Then, calculate the market value of the mortgage and add it to the down payment to calculate the market value of offer.

Press	Display
5 ■ NOM%	5
2 ■ P/YR	2
■ EFF%	5.0625
12 ■ P/YR	12
■ NOM%	4.948699
$250000 - 80000 = PV$	170,000
240 N	240
0 FV	0
PMT	-1,117.112554
$1117.11 +/- PMT$	-1,117.11
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16
12 ■ P/YR	12
■ NOM%	7.869836
PV	134,858.442629 (market value of the mortgage)
$+ 80000 =$	214,858.442629 (market value of the offer)

The market value of the offer is \$214,860, rounded to the nearest \$10.

Question 595

Answer: 4

The first step in answering this question is to calculate the payments based on the terms of the contract. The second step is to calculate the disclosure rate, which requires you to use the present value equal to the face value minus fees (\$96,750).

Press

5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 100000 PV
 240 N
 0 FV
 PMT
 657.13 +/- PMT
 60 INPUT ■ AMORT
 = = =
 83378.06 +/- FV
 96750 PV
 60 N
 I/YR
 ■ EFF%

Display

5
 2
 5.0625
 12
 4.948699
 100,000
 240
 0
 -657.125032
 -657.13
 PER 60-60
 83,378.06418
 -83,378.06
 96,750 (\$100,000 - \$2,500 - \$750)
 60
 5.758519 (j_{12})
 5.912962 (j_1)

Question 596

Answer: 3

Option (3) is correct because reducing the loan-to-value ratio is the only option listed that the mortgagee can ensure there is sufficient security against the loan. Options (1), (2), and (4) are incorrect because a longer amortization period, smaller monthly payment, or lower debt coverage ratio will not guarantee sufficient security against the loan or that the borrowers are in a financial position that will enable them to make the necessary payments.

Question 597

Answer: 4

To calculate the maximum loan amount, calculate the loan amounts based on both the constraint of the loan-to-value ratio and the gross debt service ratio. The loan-to-value is calculated based on the bank's appraisal of the property. In this case, the amount the bank appraises the property at is \$275,000. Once the payments from the GDSR are calculated, the PV of the loan is calculated, taking into consideration the stress test qualification rules. The loan amount that satisfies both constraints (the smaller amount) will be the maximum loan amount.

$$LTV = 80\%$$

$$\text{Lending Value} = \$275,000$$

$$\text{Maximum loan under lender's LTV criteria} = 0.8 \times \$275,000 = \$220,000$$

$$GDSR = 32\%$$

$$P + I = (GDSR \times \text{Gross Income}) - \text{Property Taxes}$$

$$P + I = (0.32 \times \$50,000) - \$1,800$$

$$P + I = \$14,200 \text{ per year} = \$1,183.33 \text{ per month}$$

The mortgage qualifying rate is based on the greater of (1) the government-specified qualifying rate of $j_2 = 5.25\%$ OR (2) an additional 2% above the mortgage's negotiated contract rate. In this case, you would apply a rate of $j_2 = 6.2\%$ ($2\% + 4.2\%$), which is greater than the government-specified rate of $j_2 = 5.25\%$.

Press	Display
6.2 ■ NOM%	6.2
2 ■ P/YR	2
■ EFF%	6.2961
12 ■ P/YR	12
■ NOM%	6.121401
1183.33 +/- PMT	-1,183.33
300 N	300
0 FV	0
PV	181,563.965795

The maximum loan under the GDSR is \$181,560, rounded to the nearest \$10. The maximum that Jake can borrow is the lesser of \$220,000 (LTV) and \$181,560. (GDSR). In this case, Jake can only borrow \$181,560.

Question 598

Answer: 1

For this question, calculate the monthly interest rate (i_{mo}).

Press	Display
12 ■ P/YR	12
200000 +/- PV	-200,000
0 PMT	0
36 N	36
280985.6 FV	280,985.6
I/YR	11.386552
÷ 12 =	0.948879

Question 599

Answer: 3

Option (3) is correct because British Columbia's regular tax deferral program will allow Mrs. Joseph to make an application to defer up to 100% of the net property taxes payable on the property, since it will be her principal place of residence. Assuming that Mrs. Joseph is either a Canadian citizen or a permanent resident, and that she would have a minimum equity of 25% in the property if she purchased it, she would likely qualify for the regular program given that she is both 55 and a widow. Option (1) is incorrect because a reverse annuity mortgage is a type of mortgage that can function to supplement the income of aged persons who already own their home, not as a way to reduce mortgage payments where a new home is being purchased. Option (2) is incorrect because the property is the only residential property in an area of commercial development. While section 19(8) of the *Assessment Act* permits certain residential properties to be assessed according to the value based solely on their current residential use, Mrs. Joseph would not qualify for this special assessment because she has not lived continuously in the residence for ten years. Option (4) is incorrect because Mrs. Joseph would only qualify for the basic home owner grant, which cannot be used to reduce total property taxes below \$350.00.

Question 600

Answer: 1

Option (1) is the correct answer as a hard change is the establishment of a new metric standard size, such as 150mm. Options (2), (3), and (4) are incorrect.

Question 601

Answer: 1

Option (1) is correct because convection heat transfer occurs when the baseboard heating unit warms the air in the room. As the air around the baseboard unit warms, the warmer air rises and cooler air falls, creating a convective current in the room. Options (2), (3), and (4) are incorrect as they do not describe the principal way that such a heating system provides most of its heat transfer.

Question 602

Answer: 3

The accelerated bi-weekly payment is $\frac{1}{2}$ of the regular monthly payment.

Press	Display
5.5 ■ NOM%	5.5
2 ■ P/YR	2
■ EFF%	5.575625
12 ■ P/YR	12
■ NOM%	5.438018
350000 PV	350,000
240 N	240
0 FV	0
PMT	2,395.36951
$\div 2 =$	-1,197.684755

The accelerated bi-weekly payment is \$1,198, rounded up to the next higher dollar.

Question 603

Answer: 3

To find the adjusted sale price of the comparable, take the sum of the listed sale price with its adjustments to the subject property. In this case, the subject property and the comparable are identical except that the subject property has 1 additional bedroom and 100 square feet less. The adjusted sale price is: $\$225,800 + \$3,200 - \$6,000 = \$223,000$.

Question 604

Answer: 3

Option (3) is correct because in the comparative approach of appraisal, it is most important that the subject building and the comparable buildings be similar with respect to factors judged important by buyers and sellers. Options (1), (2), and (4) are incorrect because similarity is only required for those factors that have a major influence on buyers and sellers, and the sale prices they negotiate.

Question 605

Answer: 3

Option (3) is correct because if the cost of developing houses is greater than their market value, development will stop in the short run until market values rise. Options (1), (2), and (4) are incorrect because they do not describe the short run effects of an increase in the cost of developing houses.

Question 606

Answer: 1

Comparable A

Net Operating Income: $\$38,000 - \$25,000 - \$3,800 = \$9,200$

Cap Rate: $\$9,200 \div \$190,000 = 0.0484211$

Comparable B

Net Operating Income: $\$49,000 - \$32,000 - \$4,900 = \$12,100$

Cap Rate: $\$12,100 \div \$220,000 = 0.055$

The cap rate used to calculate the market value of the subject property is the one that most reflects the subject property and is determined by several factors. For the purposes of this question, the two most comparable properties have been selected and a range of values is determined.

Subject Property

NOI = $\$54,000 - \$36,000 - \$5,400 = \$12,600$

Sale Price using cap rate from Comparable A:

$$\text{Sale Price} = \frac{\text{NOI}}{\text{Cap Rate}}$$

$$= \frac{\$12,600}{0.0484211}$$

$$= \$260,217 \text{ or } \$260,000 (\text{rounded to the nearest } \$1,000)$$

Sale Price using cap rate from Comparable A:

$$\begin{aligned}
 \text{Sale Price} &= \frac{\text{NOI}}{\text{Cap Rate}} \\
 &= \frac{\$12,600}{0.055} \\
 &= \$229,090 \text{ or } \$229,000 \text{ (rounded to the nearest \$1,000)}
 \end{aligned}$$

The subject property's market value estimate is in the range of \$229,000 to \$260,000 (rounded to the nearest \$1,000)

Question 607

Answer: 2

Option (2) is correct (false) because the vacancy allowance should be determined by the long-term vacancy rates in the area; that is, the vacancies in comparable buildings modified, if necessary, by expected future trends. Options (1), (3), and (4) are incorrect because they are true.

Question 608

Answer: 3

Option (3) is correct because functional incurable depreciation refers to outdated features that cannot be easily corrected, such as narrow hallways. Options (1), (2), and (4) are incorrect because these are relatively easily corrected.

Question 609

Answer: 2

Option (2) is the correct answer: explaining the marketing program during a listing presentation will help a client understand what benefits the licensee is providing. Options (1), (3), and (4) are all ways that a licensee can effectively communicate the value of their services to a potential client in a listing presentation.

Question 610

Answer: 4

Option (4) is correct because the Multiple Listing Service® serves many functions, including computing listing searches, producing automated hot sheets, and generating Comparative Market Analysis (CMA) presentations and other client prospecting tools. Options (1), (2), and (3) are therefore incorrect.

Question 611

Answer: 2

Option (2) is correct because a licensee is required to meet the educational and experience requirement appropriate to the level of licence for which the application is made. In addition to meeting the educational requirements for a representative licence, to qualify for a managing broker's licence, a person must have been providing real estate services British Columbia or an equivalent jurisdiction for at least two years during the five years before the date of the application. Option (1) is incorrect because, while brokerages are required to keep certain specified financial records (section 25 of RESA), persons applying for managing broker's licences do not need to submit personal financial statements for each licensee they intend to hire. Option (3) is incorrect because, as mentioned previously, an applicant's licensed experience can come from British Columbia or an equivalent jurisdiction. Option (4) is incorrect because Options (1) and (3) are incorrect.

Question 612

Answer: 2

Option (2) is correct because the *Real Estate Services Act* requires that a person who provides “real estate services” on behalf of another for or in expectation of remuneration must be licensed. There is no licensing requirement for persons like Alan, who perform real estate services without receiving or expecting any money or reward. Option (1) is incorrect for the same reason. Option (3) is incorrect because “real estate services” are not limited to the writing of the contract of purchase and sale. The *Real Estate Services Act* defines “real estate services” as including actions such as advising on the appropriate price for real estate, making representations about a property, finding a party to acquire real estate, showing the real estate, and negotiating the price of real estate. Therefore, Alan may not perform any of these services (or any other service included in the definition of “trading services”) and receive money for it. Option (4) is incorrect because siblings are not exempt from the licensing requirement established by section 3 of the *Real Estate Services Act*. Therefore, if Alan is unlicensed, Peter cannot pay him for providing real estate services.

Question 613

Answer: 3

Option (3) is correct because there is no right of survivorship in a tenancy in common. Therefore, where two people own property as tenants in common, they each may leave their interest by will to whomever they wish. Option (1) is incorrect because the essential feature of joint tenancy is the right of survivorship. This means that when one joint tenant dies, the property automatically vests in the surviving joint tenant(s). Option (2) is incorrect because all joint tenants must receive their interests at the same time and from the same document. Therefore, if one joint tenant transfers his interest to a third party, both the unity of time and the unity of title are destroyed, and the co-ownership is converted to a tenancy in common. Option (4) is incorrect for the same reason.

Question 614

Answer: 3

Option (3) is correct because British Columbia does not have a pure Torrens system of title registration, and therefore allows a notation of trust to be made on the title. In a pure Torrens system, no mention of a trust can appear on the register. Option (1) is incorrect because a caveat is a short-term notice registered against a title to land warning those looking at the title that a claim for an estate or interest in the property has been made. Option (2) is incorrect because a *lis pendens* is a term previously used for what is now called a certificate of pending litigation. Option (4) is incorrect because issuing a duplicate certificate of title does nothing to show that the property is registered in favour of a trustee.

Question 615

Answer: 3

Option (3) is correct because the four requirements for an action for negligent misrepresentation are met: (1) Mark made an untrue statement when he told John that there was no termite problem; (2) the statement was likely negligent because, assuming that Mark was not outright lying, he failed to ascertain the necessary information regarding the termites before telling John that there was no infestation; (3) as an experienced professional giving advice to a person (John) who would reasonably rely on that advice, Mark owed John a duty of care; and (4) given the position of Mark, a real estate licensee showing a home, it was likely reasonable for John to rely on Mark's statement. Since these four elements are likely met, Mark is likely liable to John for the repairs on the grounds of negligent misrepresentation. Option (1) is incorrect because John did not suffer loss while Mark was showing him the home. Option (2) is incorrect because private nuisance occurs where an owner or occupier of land unreasonably or substantially interferes with the reasonable use and enjoyment of a neighbouring property. Option (4) is incorrect because vicarious liability is the principle that renders employers liable for wrongful acts committed by their employees. In this case, vicarious liability may render Mark's real estate brokerage liable for his negligent misrepresentation.

Question 616

Answer: 3

Option (3) is correct because there are no legal restrictions regarding security deposits in commercial tenancies. This amount is left open to negotiation. Option (1) is incorrect because the allocation of interest on security deposits in commercial tenancies is open for negotiation, and therefore may be allocated to the tenant. Additionally, the *Residential Tenancy Act* and the Residential Tenancy Regulation require that the landlord pay interest on a security deposit to the tenant upon termination of the tenancy. Option (2) is incorrect because, in commercial tenancies, the return of a security deposit is a personal obligation of the landlord. A purchaser is under no duty to the tenant to repay it. In residential tenancies a security deposit, and the obligation of the landlord to repay it (with interest), runs with the land. Therefore, assuming the tenancy continues after the property is transferred, the purchaser will be required to pay these amounts out to the tenant when the tenancy ends. Option (4) is incorrect because Options (1) and (2) are incorrect.

Question 617

Answer: 4

Option (4) is correct because the owners in a bare land strata development will be responsible for any costs associated with common property. Recreational facilities are frequently built as common property on a bare land strata development. Option (1) is incorrect because uniform appearance is typically ensured through registered building schemes and strata bylaws, rather than easement agreements. Option (2) is incorrect because title to the land on which roads are placed can be retained by the strata corporation as common property, such that the owners of the strata lots would be responsible for maintenance and repair. Option (3) is incorrect because bare land strata developments, aside from being for residential and recreational development, are often also used for industrial and commercial development.

Question 618

Answer: 2

Option (2) is correct because, if a property is to be listed and then sold, all persons who have an ownership interest in the property must agree to the listing. Therefore, it is essential that the listing contract is signed by all of the owners. Option (1) is incorrect because the purchaser is not party to the listing contract, and therefore cannot rely on any of the terms within it. Option (3) is incorrect because a licensee who does not review the title of the listed property assumes the risk of liability to the purchaser, loss of commission, and disciplinary proceedings if a complaint is registered with the British Columbia Financial Services Authority. This remains true even if the licensee includes terms such as “approximately” or “more or less” when describing a property. Option (4) is incorrect because Options (1) and (3) are incorrect.

Question 619

Answer: 2

Option (2) is correct because at common law there are three situations where an agent will be personally liable to a third party. One of these situations is where the agent fails to disclose that he/she is an agent. Option (1) is incorrect because an agent will generally not be personally liable to third parties provided that the agent: (a) discloses their status as an agent; (b) has authority to act as an agent; and (c) does not commit any torts. Option (3) is incorrect because an agent may be granted authority from the principal orally, or by implication in certain cases. In either of these situations, the agent will possess legitimate authority and will not be personally liable to third parties merely for the reason do not have written authority. Option (4) is incorrect because Options (1) and (3) are incorrect.

Question 620

Answer: 3

Option (3) is correct because, since Victoria (the seller) has already paid the full year's property taxes, Penny (the buyer) should reimburse Victoria for the portion of the taxes from and including the adjustment date up to the end of the year. In this case, Penny's share of the year's property taxes (Dec. 28 – Dec. 31 = 4 days) is calculated in the following manner: $4/365 \times \$2,300 = \25.21 . This amount will appear as a debit on Penny's statement of adjustments. The late payment penalty incurred by Victoria will not be reflected on Penny's statement of adjustments because it was Victoria's responsibility to pay the property taxes on time. Therefore, Options (1), (2), and (4) are incorrect.

Question 621

Answer: 1

Seller's Statement of Adjustments (Vivian)

ITEM	DEBIT	CREDIT
Purchase Price		140,000.00
Commission	8,400.00	
Take Back Mortgage	8,000.00	
Outstanding Mortgage	12,000.00	
Buyer's Share of Taxes*		25.21
Penalty	85.00	
Cash Proceeds of Sale**	<u>111,540.21</u>	<u> </u>
	<u>140,025.21</u>	<u>140,025.21</u>

* (Dec. 28-Dec. 31 = 4 days) $4/365 \times \$2,300 = \25.21

** Because the total Debits and Credits must balance, in order to find the Proceeds of Sale, you must first calculate the total Credits (\$140,025.21) and then subtract the known Debits. The result is the balance of cash that the seller can expect to receive after all outstanding expenses relating to the property have been paid.

Question 622

Answer: 2

Option (2) is correct. When a deposit is paid to a real estate brokerage, the amount of the deposit will be reflected on the buyer's statement of adjustments as a credit. It will not appear on the seller's statement of adjustments, therefore Options (1), (3), and (4) are incorrect.

Question 623

Answer: 3

Option (3) is correct because, where a contract has not been executed, the available remedy for innocent misrepresentation is rescission (cancellation of the contract). Option (1) is incorrect because revocation refers to the cancellation of an offer. Once a contract has been made, revocation is no longer available. Option (2) is incorrect because rectification is a remedy typically available where there has been a mistake leading to the formation of a contract, not for misrepresentation. Option (4) is incorrect because Option (3) is correct.

Question 624

Answer: 3

Option (3) is correct because, in the context of Lois' inquiry regarding the possibility of a lower rate, Abdul statement that his rate was \$30 per hour was an offer. This was a valid offer because it contained the necessary terms for a contract to be entered into; in this case, price (\$30 per hour) and subject matter (squash lessons). Option (1) is incorrect because the advertisement was most likely an invitation to treat, used by Abdul to induce radio listeners to pursue a contract for tennis lessons with him. Option (2) is incorrect for the same reason, and for the reason that Lois' call was merely an inquiry regarding the possibility of a lower rate for students. Lois did not propose a new rate, therefore, he did not make a counter-offer. Option (4) is incorrect for the same reason.

Question 625

Answer: 4

Option (4) is correct because there must be at least one general partner in a limited partnership. The general partner(s) have unlimited liability, and can engage in the management or operations of the partnership. Options (1), (2), and (3) are all incorrect statements.

Question 626

Answer: 3

Option (3) is correct because joists are the horizontal framing members that support the floors. Option (1) is incorrect because joists do not support rafters. Options (2) and (4) are incorrect as the foundation is the poured concrete footprint that supports the superstructure above.

Question 627

Answer: 1

Option (1) is correct because an essential feature of joint tenancy is the right of survivorship. This means that when one joint tenant dies, the entire estate automatically vests in the surviving joint tenants. Option (2) is incorrect because, in British Columbia, the default form of co-ownership is tenancy in common, not joint tenancy. This means that if a document transfers a property without expressly stating the type of co-ownership, the new owners will be presumed to hold the property as tenants in common. Option (3) is incorrect because Paul severed the joint tenancy when he transferred his interest to his son and registered it at the land title office. This act converted the co-ownership of the property into a tenancy in common. Option (4) is incorrect because joint tenants enjoy a unity of possession, meaning that each co-owner is entitled to possession of the whole of the estate and no joint tenant can hold possession of any part separately and to the exclusion of others.

Question 628

Answer: 4

Find the property's loan-to-value ratio using the value of the mortgage and the property's lending value.

$$\frac{\$360,000}{\$480,000} = 75\%$$

Question 629

Answer: 4

The market value of Alice's offer is the market value of the mortgage plus her cash down payment. Alice will assume the remaining 24 monthly payments of \$822.06 and the outstanding balance of \$108,904.49. Calculate the market value of the mortgage by determining the PV of the payments and OSB remaining at the end of the original 5-year term based on the current market rate of $j_2 = 8.75\%$.

Press

8.75 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 24 N
 822.06 +/- PMT
 108904.49 +/- FV
 PV
 + 25000 =

Display

8.75
 2
 8.941406
 12
 8.594631
 24
 -822.06
 -108,904.49
 109,829.017089 (market value of the mortgage)
 134,829.017089 (market value of the offer)

Question 630

Answer: 3

Press

6 I/YR
 4 ■ P/YR
 450 PMT
 4 × 4 = N
 0 FV
 PV

Display

6
 4
 450
 16
 0
 -6,359.06882

Kevin should pay \$6,359.07 for this investment if he wants to earn $j_4 = 6\%$.

Question 631

Answer: 2

Press

1 ■ P/YR
 262000 +/- PV
 0 PMT
 7 N
 332000 FV
 I/YR

Display

1
 -262,000
 0
 7
 332,000
 3.440586

Sue's pre-tax yield on her investment is an effective annual rate of 3.440586%.

Question 632

Answer: 4

Option (4) is correct because the accelerated biweekly payment is calculated as the monthly payment divided in half; instead of paying once a month, one-half of the monthly payment is paid every two weeks. Since the effect of the accelerated biweekly payments allows the borrower to make the equivalent of one extra monthly payment, the borrower will pay less interest over the loan and make a larger number of payments in a calendar year than with a constant monthly repayment schedule. Option (1) is incorrect because the borrower will make more monthly payments in a calendar year than a borrower who makes constant monthly payments. Option (2) is incorrect because the borrower will pay less interest over the life of the loan than a borrower who makes constant monthly payments. Option (3) is incorrect because the borrower pays one-half of the monthly payment every two weeks. This amounts to one-twenty-fourth of the annual payment, since one-twelfth of the annual payment is equivalent to the monthly payment.

Question 633

Answer: 2

Option (2) is correct because when estimating gross potential rents, the appraiser should have a sound knowledge of the current market rents for various types of accommodation, as gross potential rent is estimated using the market rents for recently leased similar space. Options (1), (3), and (4) are therefore incorrect.

Question 634

Answer: 4

To find the market value of the subject property, determine the NOI for the subject property using the comparable information given.

$$\text{Cap Rate} = 6\%$$

So what is the NOI?

The long-term vacancy rate is equal to 4%.

$$\text{NOI} = \$430,000 - (0.04 \times \$430,000) - \$130,000 = \$282,800$$

$$\text{Sale Price} = \text{NOI} \div \text{Market Yield}$$

$$\text{Sale Price} = \$282,800 \div 0.06 = \$4,713,333$$

$$\text{Market Value} = \$4,713,333 - \$65,000 = \$4,648,333, \text{ rounded to } \$4,648,000.$$

Question 635

Answer: 3

Option (3) is correct because public relations refers to communications (other than personal selling and advertising) for the purpose of enhancing the image, recognition, and reputation of the firm. These communications can be with employees, stockholders, clients, and the general public. Option (1) is incorrect because sales promotion refers to any form of non-personal selling that does not fall under the head of public relations, advertising, or publicity. Option (2) is incorrect because undifferentiated marketing is a practice of marketing a product or service, not enhancing the general image and reputation of a business. Option (4) is incorrect because target theory is concerned with which group(s) a business focuses their marketing efforts on, and does not directly involve enhancing the general image and reputation of the business.

Question 636

Answer: 4

Option (4) is correct the Superintendent of Real Estate is appointed by the BC Financial Services Authority board of directors. Options (1), (2), and (3) are incorrect for that reason.

Question 637

Answer: 4

Option (4) is correct because, although the definition of a residential complex includes most dwelling-units, a home which is used for short-term rentals would likely be considered a dwelling unit akin to a hotel, and thus would be excluded from the definition of a residential complex under the *Excise Tax Act*. Option (1) is incorrect because the residential complex definition includes land that is reasonably necessary for the use and enjoyment of the complex as a place of residence. Options (2) and (3) are incorrect because the definition of residential complex includes detached homes and condominiums used as dwelling houses which do not fall under the “hotel” exception.

Question 638

Answer: 2

Option (2) is correct because, in order to subdivide his lot and build two condominium projects, Bard will need the municipal council or regional district to pass a new bylaw amending the current zoning bylaw. To pass a bylaw changing the permitted use or density of the zone, a public hearing must be held to give persons whose interest in property would be affected an opportunity to be heard. Option (1) is incorrect because a legal non-conforming use refers to land use that is impermissible under current zoning restrictions, but which is nevertheless lawful because the use existed lawfully before the restrictions took effect. One cannot apply for a legal non-conforming use exemption for the purposes of converting a property to a use currently prohibited by an existing bylaw. Option (3) is incorrect because, in order to further change the use or density of a zone, the municipal council must hold another public hearing. Option (4) is incorrect because Options (1) and (3) are incorrect.

Question 639

Answer: 4

Option (4) is correct because a garnishing order may only be obtained either during or after a lawsuit (depending on the circumstances), but never before the lawsuit has been brought before a judge. Option (1) is incorrect because a notice of civil claim outlines the details of a plaintiff's claim, and is served to the defendant before the claim is actually brought before a judge. Option (2) is incorrect because a response to civil claim is the defendant's initial written reply to the notice of civil claim, and it is also filed and served before the claim is brought before a judge. Option (3) is incorrect because discovery proceedings are a means for bringing out the relevant evidence before the case gets to trial.

Question 640

Answer: 1

Option (1) is correct because with an interest accruing loan, the lender receives no payments before the maturity of the loan. This means that the entire loan amount and the interest accrued is at risk throughout the entire term of the loan, making it the most risky of the four types of loans in this question, all other things being equal. Option (2) is incorrect because an interest only loan is less risky because the borrower contracts to make regular payments of the interest earned to the lender throughout the term of the loan. Options (3) and (4) are incorrect because, with both of these loans, the lender receives periodic payments of both the principal amount and interest throughout the term of the loan.

Question 641

Answer: 1

Option (1) is correct because property taxes are paid on July 1, therefore, they have been paid by the seller. When property taxes have been paid by the seller, the buyer should reimburse the seller for that portion of the year from and including the adjustment date. The tax adjustment will appear as a credit on the seller's statement and a debit on the buyer's statement. Options (2), (3), and (4) are therefore incorrect.

Question 642

Answer: 3

Option (3) is correct because the British Columbia *Real Estate Services Act* does not require licensees to disclose any other properties that they are considering. Options (1), (2), and (4) are incorrect because section 53 of the *Real Estate Services Rules* requires licensees who are selling or purchasing real estate on their own behalf to make a written disclosure of their personal interest in the transaction to the other party.

Question 643

Answer: 4

Option (4) is correct because there is no financial statement called a corporate statement of holdings. Options (1), (2), and (3) are incorrect because they are commonly used financial statements.

Question 644

Answer: 3

Option (3) is correct because amperage is defined as a measure of electrical flow. Option (1) is incorrect because voltage is defined as a measure of electrical potential. Options (2) and (4) are incorrect because wattage is defined as a measure of electrical consumption or power.

Question 645

Answer: 4

In this question, convert the effective annual interest rate to a monthly rate (j_{12}) and then calculate the monthly payment.

Press	Display
6 ■ NOM%	6
1 ■ P/YR	1
■ EFF%	6
12 ■ P/YR	12
■ NOM%	5.841061
196000 PV	196,000
180 N	180
0 FV	0
PMT	-1,637.176436

Question 646

Answer: 1

Option (1) is correct because when real estate prices are increasing very quickly, they are reflecting the increasing market values of properties. The selling price would therefore likely be lower than the actual market value in a time of rapidly increasing real estate prices. Option (2) is incorrect because if a seller is not in a hurry to sell, he or she is likely to wait to obtain the highest possible price. Option (3) is incorrect because a buyer who is in a hurry to buy may pay a premium to acquire a property. Option (4) is incorrect because a property that has been exposed to the market for more than two months does not necessarily indicate that the sale price will be lower than the market value, as the market could fluctuate in many ways throughout the two months.

Question 647

Answer: 2

To find the nominal interest rate with semi-annual compounding, calculate the payment based on the face value of the loan of \$217,200. Then, calculate the investor's yield based on the loan payment and the amount that the investor pays (\$225,000).

Press	Display
6.5 ■ NOM%	6.5
2 ■ P/YR	2
■ EFF%	6.605625
12 ■ P/YR	12
■ NOM%	6.413688
217200 PV	217,200
240 N	240
0 FV	0
PMT	-1,608.366906
1608.37 +/- PMT	-1,608.37

Use the amount the investor pays as the new PV to calculate the yield. The calculator steps continue as follows:

Press	Display
225000 PV	225,000
I/YR	5.972251 (j ₁₂)
■ EFF%	6.138471 (j ₁)
2 ■ P/YR	2
■ NOM%	6.047054 (j ₂)

Question 648

Answer: 3

To determine the amortization period for the loan, convert the annual interest rate, compounded semi-annually to an annual rate, compounded monthly. Then, calculate the amortization period.

Press	Display
6.5 ■ NOM%	6.5
2 ■ P/YR	2
■ EFF%	6.605625
12 ■ P/YR	12
■ NOM%	6.413688
125000 PV	125,000
926 +/- PMT	-926
0 FV	0
N	239.803291

The amortization period is 239.803291 months.

Question 649

Answer: 2

Option (2) is correct because a property that is not at its highest and best use has redevelopment potential, which is recognized as latent value. Options (1), (3), and (4) are incorrect.

Question 650

Answer: 1

$$\text{Max loan} = \text{Lending value} \times \text{Loan-to-value ratio}$$
$$\text{Max loan} = \$363,000 \times 0.80$$
$$\text{Max loan} = \$290,400$$

This is the amount of their mortgage.

The question asks for the down payment. If the purchase price is \$365,000, and the mortgage is \$290,400, then the down payment is equal to the difference of \$74,600 (\$365,000 – \$290,400).

Question 651

Answer: 4

Option (4) is correct because voltage is a measure of electrical potential, not power or consumption. Options (1), (2), and (3) are true statements.

Question 652

Answer: 2

Option (2) is correct because lenders are more interested in the income generated from the commercial property than the borrower's personal income. Options (1), (3), and (4) are incorrect because they do not describe differences between underwriting income-producing properties and residential borrower qualification.

Question 653

Answer: 4

Option (4) is correct because a board of variance must be established by every local government that has adopted a zoning bylaw to ensure that the bylaw does not cause undue hardship. A board of variance may grant minor variances from zoning bylaws where compliance would cause undue hardship provided that the variance would not conflict with the policies of the local government. Option (1) is incorrect because boards of variance do not enforce municipality compliance with the *Local Government Act*. Option (2) is incorrect because boards of variance do not settle boundary line disputes between private parties. Option (3) is incorrect because legal non-conforming uses may be permitted to exist for more than six months.

Question 654

Answer: 4

Option (4) is correct because accounts payable is a liability, since it represents a debt owed. Option (1) is incorrect because accumulated depreciation will fall under the asset category of the balance sheet, and will take away from the value of the depreciable asset(s). Options (2) and (3) are incorrect because inventory and rent receivable are both current assets.

Question 655

Answer: 4

Option (4) is correct because the *Residential Tenancy Regulation* limits annual rent increases to an amount equal to the Consumer Price Index (CPI) for British Columbia (in this case, 3%). Since this rent increase exceeds this amount, it will only be valid if approved for special circumstances as set out in the *Residential Tenancy Regulation*. Option (1) is incorrect because written notice of a rent increase need only be given to a tenant at least three months before it becomes effective. Option (2) is incorrect because the landlord may apply for approval for this rent increase based on special circumstances. Option (3) is incorrect because a new landlord is not given the right to raise the rent above the set amount (the applicable CPI).

Question 656

Answer: 4

Option (4) is the correct answer because the legal rights of ownership and the physical property will determine the value of a property. The listing price, Option (3), may represent the value to owner, but does not determine the actual value that the property is worth in the market. Option (1) is incorrect because vendor financing may impact the value, but is not a key determinant of value. Option (2) is incorrect because cash-equivalent price represents the market value of a property only if non-market financing was involved in a sale/purchase.

Question 657

Answer: 3

Option (3) is correct because a principal can retroactively ratify a contract which was entered into by his agent without the necessary authority. Ratification expresses the principal's consent to be bound just as if the agent had been authorized to make the contract in the first place. Option (1) is incorrect because, if the principal ratifies the contract, the contract is valid and the third party is obligated to honour the contract. Option (2) is incorrect because a warranty of authority is an agent's promise to third parties (not the principal) that his or her actions fall within the scope of authority given by the principal. Therefore, only third parties to whom the warranty of authority is made can sue the agent for breaching the warranty. Option (4) is incorrect because, where a principal adopts a contract which his agent entered into without any authority, the principal (not the agent) becomes a party to that contract.

Question 658

Answer: 2

Option (2) is correct because, in a joint tenancy, co-owners are viewed as a single legal owner against everyone else; and therefore, each owns an undivided interest in the whole of the estate. Option (1) is incorrect because individuals can enter into a joint tenancy regardless of their respective financial contributions to the purchase of the property. Option (3) is incorrect because more than two individuals can enter into a single joint tenancy and because individuals do not have to be married to enter into a joint tenancy. Option (4) is incorrect because each of the following four common law "unities" can be satisfied: (1) all joint tenants must receive their interests at the same time; (2) all joint tenants must receive their interest from the same document; (3) all joint tenants must have the same interest in the land; and (4) all joint tenants must be entitled to possession of the whole estate.

Question 659

Answer: 3

Option (3) is correct because any verification of dated communication helps to give credibility to a statement or allegation. However, verifying the authenticity of electronic documents and email communications is difficult. Further, electronic communication may not stand alone as evidence if there is a question as to the authenticity or origin of the communication. Therefore, keeping hard copies is extremely important from a legal perspective. Options (1), (2), and (4) are incorrect for the same reasons.

Question 660

Answer: 2

Option (2) is correct because marketable securities, accounts receivable, inventories, and prepaid expenses is the correct listing of assets from most to least liquid. Option (1) is incorrect because marketable securities are more liquid than accounts receivable, and accounts payable is not an asset. Option (3) is incorrect because marketable securities are more liquid than accounts receivable, and land is the least liquid asset listed. Option (4) is incorrect because inventory is generally more liquid than prepaid expenses, and the building is the least liquid asset listed.

Question 661

Answer: 1

Option (1) is correct because section 4 of the *Real Estate Services Act* stipulates that if an agent is unlicensed at the time real estate services were provided, he or she cannot bring a court action to collect commission. Options (2) and (3) are incorrect for the same reason. Option (4) is incorrect because there is no indication, based on the facts presented in this situation, that the listing contract violates the statutory requirements of the *Real Estate Services Act*.

Question 662

Answer: 3

Option (3) is correct because, under section 47(1)(a) of the *Residential Tenancy Act*, a landlord may give a tenant a notice of the end of a tenancy if the tenant does not pay the security deposit within 30 days of the date it is required to be paid under the agreement. Option (1) is incorrect because, as per section 47(1)(c) of the *Residential Tenancy Act*, a landlord may only give a tenant notice of the end of a tenancy for reasons relating to the number of occupants if there are an “unreasonable” number of occupants in the rental unit. Two occupants in a one-bedroom apartment would not be considered unreasonable, and therefore, a landlord could not end a tenancy for this reason. Option (2) is incorrect because Jordan cannot end the tenancy early in order to renovate the warehouse. Jordan must wait until the lease term expires. Option (4) is incorrect because MacGregor must give the tenant at least 2 months’ notice in order to end Mrs. Julian’s tenancy to allow his son to move into the apartment.

Question 663

Answer: 3

Option (3) is correct (false) because there are several organizations that offer mortgage loan insurance such as CMHC, Genworth Financial Canada, and the Canada Guaranty Mortgage Insurance Company. Options (1), (2), and (4) are incorrect because they are true statements.

Question 664

Answer: 3

Option (1) is incorrect because landowners in British Columbia now own or have rights in the airspace above their property only to the extent that they can make effective use of it (not insofar as the owner can see). Option (2) is incorrect because the Government of British Columbia has reserved subsurface rights to gold and silver in favour of the Crown since the time when original Crown grants were made in the 19th century. Option (4) is incorrect because subsurface rights to petroleum have also been reserved in favour of the Crown since 1899; therefore, only landowners whose property was granted by the Crown prior to this date might have ownership of subsurface petroleum (depending on the terms of the original grant).

Question 665

Answer: 1

Option (1) is correct because an owner developer must file a strata plan in order to create a strata development. The strata plan divides the entirety of the building between strata lots and common property. Option (2) is incorrect because cooperative developments are not strata developments, and therefore have no corresponding strata plans. Option (3) is incorrect because strata plans are required for all strata developments. Option (4) is incorrect because restrictive covenants impose restrictions on the use of one person’s land for the benefit of another piece of land. A strata plan does not impose restrictions on “burdened” land for the benefit of some other “benefitted” land.

[NOTE: This question has been replaced. Please review your Bulletins posted on your Course Resources webpage.]

Question 666

Answer: 1

Option (1) is correct because a credit analysis evaluates an applicant's ability to meet the terms of a mortgage and the amount of his or her available for future mortgage payments. Options (2), (3), and (4) are incorrect as they do not describe the primary purpose of a credit analysis of a mortgagor.

Question 667

Answer: 2

Option (2) is correct because under section 55 of the *Real Estate Services Rules*, a licensee must provide a consumer with a Disclosure of Risks to Unrepresented Parties form when the licensee makes a disclosure under section 54 to an unrepresented party AND the licensee is also representing a client in the same trade in real estate. Options (1), (3), and (4) are incorrect because licensees are not required to make this disclosure to an unrepresented party if the licensee is not also representing a client in the same trade.

Question 668

Answer: 4

Option (4) is correct because a borrower may be unable to make the mortgage payments due to a number of reasons including loss of employment. Option (1) is incorrect because when this occurs, the lender can, but may choose not to, take immediate legal action against the borrower. Options (2) and (3) are incorrect because sometimes it is in the best interest of the lender to grant extra time for the borrower to repay the deficit, but the borrower cannot automatically adjust the payment terms.

Question 669

Answer: 4

Option (4) is correct because general price indices, such as the consumer price index or the shelter price index, are irrelevant to the appraisal of one particular property since changes in the value of consumer products are not necessarily the same as changes in the value of property. Therefore, Options (1), (2), and (3) are incorrect.

Question 670

Answer: 3

Option (3) is correct because appraisers cannot use sale prices for houses recently sold between related parties for comparison purposes. Market value is determined by analyzing market transactions where the buyer and seller have no special relationship (i.e., the sale occurred at arm's length) and the properties sold are similar (or comparable) to the subject property. Options (1), (2), and (4) are incorrect because with appropriate adjustment, the sale prices of all of these properties can be used for comparison purposes.

Question 671

Answer: 1

Replacement cost of house: $\$42.50 \times 2,600 = \$110,500$

Land: \$41,500

Land + House = \$152,000

minus depreciation (\$16,300) = \$135,700

minus bathroom kitchen fixtures (\$13,200) = \$122,500

The market value is \$122,500.

Question 672

Answer: 1

Option (1) is correct because in relation to the subject property, this comparable has one less bedroom and no alarm system. Options (2), (3), and (4) are therefore incorrect.

Question 673

Answer: 4

To solve this question, calculate the maximum amount of money that can be lent out given the two constraints: the loan-to-value amount and the gross debt service ratio amount. Calculate the loan amount for the loan-to-value constraint and then calculate the loan amount for the GDSR constraint. In order to determine the maximum amount that the lender will advance, choose the lesser of the two results.

$$LTV = 80\%$$

$$\text{Lending Value} = \$238,000$$

$$\text{Maximum loan under lender's LTV criteria} = 0.8 \times \$238,000 = \$190,400$$

$$\text{GDSR} = 30\%$$

$$\text{GDSR} = \frac{P+I+T}{GI} \rightarrow 0.30 = \frac{P+I+\$1,750}{\$65,000}$$

$$P+I = (\text{GDSR} \times GI) - T$$

$$P+I = (0.3 \times \$65,000) - \$1,750$$

$$P+I = \$17,750 \text{ (annual mortgage payment)}$$

The loan states that monthly payments are required so:

$$P+I = \$17,750 \div 12 = \$1,479.17 \text{ (monthly mortgage payment)}$$

The next step is to calculate the maximum loan amount given the contract terms and the monthly payment.

Press	Display
6.5 ■ NOM%	6.5
1 ■ P/YR	1
■ EFF%	6.5
12 ■ P/YR	12
■ NOM%	6.314033
1479.17 +/- PMT	-1,479.17
240 N	240
0 FV	0
PV	201,339.320187

The maximum loan under the GDSR is \$201,300, rounded to the nearest \$100.

The maximum loan amount is the lower of the two constraints: \$190,400 < \$201,300; therefore, \$190,400 is the maximum amount this lender will advance.

Question 674

Answer: 3

Option (3) is false. Mortgages require a high degree of administrative work such as writing contracts, registering the mortgage charge, and subsequent administration of outstanding balance and refinancing. Options (1), (2), and (4) are incorrect because they are characteristics of a mortgage as an investment.

Question 675

Answer: 1

Option (1) is correct because, at common law, a life tenant is generally under no obligation to repair or compensate for waste that occurs as a result of allowing the property to deteriorate without any positive acts (permissive waste). Option (2) is incorrect because life tenants are liable to the remainderman for direct, positive acts that result in damage to the property beyond the use to which the life tenant is entitled (voluntary waste). Option (3) is incorrect because a life tenant is liable for direct, positive acts which improve rather than destroy the property (ameliorating waste) – but, usually no damages can be awarded, as the property has been improved. Option (4) is incorrect because a life tenant is liable for waste that he or she causes by flagrantly or maliciously damaging or destroying the property (equitable waste).

Question 676

Answer: 4

Option (4) is correct because depreciation expense is used to allocate the cost of a depreciable asset over the course of its life. Option (1) is incorrect because depreciation expense is an accounting framework, whereas capital cost allowance is a taxation framework. Option (2) is incorrect because depreciation expense cannot be deducted from taxable income, whereas capital cost allowance can be. Option (3) is incorrect because land is not a depreciable asset.

Question 677

Answer: 4

Option (4) is correct because real property ownership in British Columbia is based on English common law property rights as modified by legislation such as the *Property Law Act* and the *Land Title Act*. Option (1) is incorrect because an owner of an interest in real property in British Columbia may have a number of interests that fall short of a fee simple interest (e.g., life estate, estate pur autre vie, leasehold, etc.). Option (2) is incorrect because the extent of the usage rights enjoyed by an owner of an interest in real property depends heavily upon the type of interest that the owner holds. Additionally, even an owner of real property in fee simple must still abide by various common law restrictions as well as legislative restrictions (e.g., municipalities have the power to regulate subdivision). Option (3) is incorrect because an owner of an interest in real property in British Columbia can have an interest less than a 99-year lease from the Crown (e.g., a lease for a term of less than 99 years).

Question 678

Answer: 2

Find the amount of principal that has been paid off during the 2-year term.

Press	Display
9.75 ■ NOM%	9.75
2 ■ P/YR	2
■ EFF%	9.987656
12 ■ P/YR	12
■ NOM%	9.557657
1500000 PV	1,500,000
20 × 12 = N	240
0 FV	0
PMT	- 14,038.492319
14038.49 +/- PMT	- 14,038.49
1 INPUT 24 ■ AMORT	PER 1-24
=	-55,071.663913

The amount of principal paid off during the 2-year term is \$55,072, rounded to the nearest dollar.

Question 679

Answer: 2

Comparable ANet Operating Income: $\$36,000 - \$25,000 - (0.05 \times \$36,000) = \$9,200$ Cap Rate: $\$9,200 \div \$190,000 = 0.0484211$ **Comparable B**Net Operating Income: $\$47,000 - \$32,000 - (0.05 \times \$47,000) = \$12,650$ Cap Rate: $\$12,650 \div \$250,000 = 0.0506$

The cap rate used to calculate the market value of the subject property is the one that most reflects the subject property and is determined by several factors. For the purposes of this question, the two most comparable properties have been selected and a range of values is determined.

Subject PropertyNOI = $\$54,000 - \$36,000 - (0.05 \times \$54,000) = \$15,300$

$$\text{Sale Price} = \frac{\text{NOI}}{\text{Cap Rate}}$$

$$= \frac{\$15,300}{0.0484211} \quad \text{OR} \quad = \frac{\$15,300}{0.0506}$$

$$= \$315,978, \text{ rounded to } \$316,000 \text{ and } \$302,372, \text{ rounded to } \$302,000$$

The subject property's best estimate market value is in the range of \$302,000 to \$316,000, rounded to the nearest \$1,000.

Question 680

Answer: 4

Option (4) is correct because each of the scenarios laid out in Options (1), (2), and (3) would terminate the agency authority. Option (1) is incorrect because the doctrine of frustration appears to apply to the agency relationship, meaning that if a house listed for sale burns down, the agency would probably be terminated. Option (2) is incorrect because, the moment the principal sells his or her property, he or she terminates the authority of all listing brokers, no matter what kind of listing agreement they have. The principal may, however, still be liable to pay commission. Option (3) is incorrect because either party to an agency agreement can terminate the authority (orally or by conduct) at will.

Question 681

Answer: 2

Press	Display
6 I/YR	6
1 ■ P/YR	1
3500 PV	3,500
1.5 N	1.5
0 PMT	0 0
FV	-3,819.678782

The future value of the deposit at an effective annual rate of 6% is \$3,819.68. Since the buyer paid the deposit to the seller directly, it reduces the amount of cash that the seller will receive on closing. Therefore, the \$3,819.68 will appear as a debit on the seller's statement of adjustments.

Question 682

Answer: 4

Option (4) is correct because none of the previous statements is true. Option (1) is incorrect because the buyer is not privy to the listing contract, meaning that the buyer owes no rights and has no obligations under the listing contract. Option (2) is incorrect because Clause 1A of the standard form listing agreement created by the British Columbia Real Estate Association requires an "Effective Date" and an "Expiry Date". Option (3) is incorrect because an open listing provides less protection for the agent than an exclusive listing. This is because, as opposed to an exclusive listing, an open listing does not prevent the seller from employing a number of other brokerages to represent the seller. Commission is only paid to the brokerage who is the effective cause of the eventual sale.

Question 683

Answer: 1

Option (1) is correct because the general rule is that an illiterate person is bound by a contract that he or she has agreed to, unless he or she did not know the general nature of the contract. Therefore, the illiteracy of the offeree, alone, is insufficient to release an offer. Option (2) is incorrect because an offer expires if it is not accepted within the time limit specified in the offer. Option (3) is incorrect because a counter-offer constitutes a rejection of the original offer. Option (4) is incorrect because the offeror can revoke an offer at any time provided that the offeror communicates the revocation to the offeree prior to acceptance.

Question 684

Answer: 2

Option (2) is correct because a central gas fired, forced hot water heating system produces steady and consistent heat. Option (1) is incorrect as this type of heating system does not provide air circulation or filtration. Option (3) is incorrect as this type of heating system must be kept circulating in cold weather otherwise water will freeze and the piping will crack. Option (4) is false because this type of heating system transmits heat through convection and radiation.

Question 685

Answer: 1

Option (1) is correct because the *Land Title Act* is a body of law written and passed by the provincial government of British Columbia. Option (2) is incorrect because specific performance is a remedy that was developed by the courts of equity, not enacted via government statute. Option (3) is incorrect because the equity of redemption is a doctrine that was developed by the courts of equity, not enacted via government statute. Option (4) is incorrect because Options (2) and (3) are incorrect.

Question 686

Answer: 3

Option (3) is correct because there is a fundamental principle of mortgage law which prohibits “clogging” on “the equity of redemption”. This principle states that the borrower (or the mortgagor) cannot be prevented by the terms of the mortgage from eventually redeeming his or her property free from the conditions contained in the mortgage upon repayment of the loan. An option to purchase a mortgaged property given by the borrower to the lender at the time the mortgage is negotiated, if exercised, would prevent the mortgagor from redeeming his or her property upon repayment, and is therefore void. Option (1) is incorrect because, in mortgage agreements, mortgagors generally covenant to pay all taxes on land and the improvements. Option (2) is incorrect because it is common for a mortgagor to covenant to keep the land and buildings thereof in “good condition and repair”, thereby protecting the value of the security (the property). Option (4) is incorrect because the repayment clause of a mortgage agreement will set out the borrower’s promise to pay the debt and accrued interest according to the schedule agreed upon.

Question 687

Answer: 4

Option (4) is correct because it is true. Option (1) is incorrect because given that the net operating income remains constant, the market value of the property will decline as the required yield rises. Option (2) is incorrect because the market value of an income-producing property is best determined by the yields that prospective purchasers reasonably expect to earn. Option (3) is incorrect because net operating income and gross realized income (also known as “gross realized revenue” or “gross effective income”) are different; net operating income is derived by subtracting operating expenses from gross realized income.

Question 688

Answer: 3

Option (3) is correct because Robert expressly granted Whitney the authority to purchase the deceased’s “paisley motif” Rolls Royce by instructing Whitney not to come away from the auction without buying the automobile under any circumstances. These instructions also granted Whitney the implied authority to purchase the second “pin-striped” automobile since purchasing the second automobile was necessary in order to carry out the express instructions (to purchase the “paisley motif” automobile). Option (4) is incorrect for this reason. Options (1) and (2) are incorrect because they do not describe the full scope of Whitney’s authority.

Question 689

Answer: 4

Option (4) is correct because the “objective/task” method of creating a promotional budget requires that the licensee first determine the objectives of the advertisement, and then determine the desired tasks and activities necessary to reach the objective. This involves defining a “SMART” marketing objective, outlining the tasks required to attain the objective, and estimating the cost of performing these tasks. Option (1) is incorrect because this approach describes the “follow-the-competition” method. Option (2) is incorrect because this approach describes the “SMART” criteria for developing effective business and marketing goals. Option (3) is incorrect because it fails to discuss the step of defining a “SMART” marketing objective.

Question 690

Answer: 3

Given the present and future values of the vacant lot, find the effective annual interest rate.

Press	Display
1 ■ P/YR	1
200000 +/- PV	-200,000
0 PMT	0
3 N	3
300000 FV	300,000
I/YR	14.471424

Question 691

Answer: 4

Option (4) is correct because the MLS® serves many functions, including computing listing searches, producing automated hot sheets, and generating Comparative Market Analysis (CMA) presentations and other client prospecting tools. Options (1), (2), and (3) are incorrect because none of these statements correctly describes a primary function of the MLS®.

Question 692

Answer: 4

This question requires you to compare the effective annual interest rates of Options (1), (2), (3), and (4) with the effective rate of the given nominal rate:

Press	Display
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16

Option (1)

Press	Display
7.2 ■ NOM%	7.2
4 ■ P/YR	4
■ EFF%	7.396743

Option (2)

8.5% per annum, compounded annually is equal to the effective rate.

Option (3)

Press	Display
8.5 ■ NOM%	8.5
12 ■ P/YR	12
■ EFF%	8.839091

Option (4)

Press	Display
7.5 ■ NOM%	7.5
365 ■ P/YR	365
■ EFF%	7.787585

Therefore, Option (4) is correct.

Question 693

Answer: 4

This question requires you to find an interest rate that would allow you to “double your money” in eight compounding periods. If you invest \$100 now to produce a future value of \$200, the calculator steps are as follows:

Press	Display
100 +/- PV	- 100
200 FV	200
8 N	8
1 \blacksquare P/YR	1
0 PMT	0
I/YR	9.050773

Your investment would double in eight compounding periods if invested at an interest rate of 9.050773% per compounding period.

Question 694

Answer: 4

Option (4) is correct because it correctly describes the interest which is acquired by a buyer of strata lot. Option (1) is incorrect because it describes what is acquired by a buyer of a unit in a cooperative, not a strata lot. Option (2) is incorrect because a buyer of a strata lot does not acquire their interest as a joint tenant with all of the other strata lot owners. If this was the case, then each owner within a given strata would share an undivided interest in the entire property (including each other's units). Option (3) is incorrect because if the common property was shared via a joint tenancy agreement, then each owner would share a single undivided interest, and ownership could not be allocated in proportion to the unit entitlement.

Question 695

Answer: 4

Press	Display
12 \blacksquare P/YR	12
48951.77 PV	48,951.77
548.91 +/- PMT	- 548.91
180 N	180
0 FV	0
I/YR	10.756093
\blacksquare EFF%	11.302522
2 \blacksquare P/YR	2
\blacksquare NOM%	11.000021

The interest rate is approximately 11% per annum, compounded semi-annually.

Question 696

Answer: 3

This question deals with statements of adjustment and completion of the sale. You must take into account all debits and credits in order to solve for the correct value.

Debits:

1st mortgage: \$71,000

Taxes + penalty: \$1,095 + \$105

Commission: \$9,300

Credits:

Sale price: \$155,000

Taxes for August 31 to December 31 that must be paid by the purchaser for the time they live in the property - don't forget that the purchaser always pays taxes for the completion date and thereafter: $123/365 \times \$1,095 = \369

Credits (\$155,369) – Debits (\$81,500) = \$73,869

Seller's Statement of Adjustments

ITEM	DEBIT	CREDIT
Purchase Price		155,000.00
Assumption of 1 st Mortgage	71,000.00	
Unpaid and Overdue Taxes + Penalty	1,200.00	
Buyer's Share of Taxes*		369.00
Commission	9,300.00	
Cash Proceeds of Sale**	<u>73,869.00</u>	<u> </u>
	<u>155,369.00</u>	<u>155,369.00</u>

* (Aug. 31-Dec. 31 = 123 days) $123/365 \times \$1,095 = \369

** Because the total Debits and Credits must balance, in order to find the Proceeds of Sale, you must first calculate the total Credits (\$155,369.00) and then subtract the known Debits. The result is the balance of cash that the seller can expect to receive after all outstanding expenses relating to the property have been paid.

Question 697

Answer: 4

Buyer's Statement of Adjustments

ITEM	DEBIT	CREDIT
Purchase Price	155,000.00	
Deposit		5,000.00
1 st Mortgage		71,000.00
2 nd Mortgage		34,000.00
Buyer's Share of Taxes*	369.00	
Conveyancing Fees	600.00	
Property Transfer Tax	1,550.00	
Balance Due to Complete**	<u> </u>	<u>47,519.00</u>
	<u>157,519.00</u>	<u>157,519.00</u>

* (Aug. 31-Dec. 31 = 123 days) $123/365 \times \$1,095 = \369

** Because the total Debits and Credits must balance, in order to find the Balance Due to Complete, you must first calculate the total Debits (\$157,519.00) and then subtract the known Credits. The result is the balance due from the buyer to complete the transaction.

Question 698

Answer: 4

Option (4) is correct because credit unions are considered to be institutional lenders that finance their investment by accepting deposits from their members. Private lenders are different from institutional lenders because private lenders typically do not fund their investment by receiving deposits from individuals. Options (1), (2), and (3) are incorrect because they are all examples of private lenders.

Question 699

Answer: 2

Option (2) is correct because, where no time limit is specified, an offer will lapse after a reasonable time has passed. Courts will determine what constitutes a "reasonable" time for acceptance based on the nature of the offer or the nature of what is being sold. Options (1) and (3) are incorrect because there is no set expiration time for offers where no time period is stipulated. Option (4) is incorrect because offers can expire without being revoked by the offeror.

Question 700

Answer: 2

Option (2) is correct because curable functional depreciation refers to an outdated feature that can be corrected economically, such as outdated bathroom fixtures. Options (1), (3), and (4) are incorrect for this reason.

Question 701

Answer: 2

Option (2) is correct because an individual who purchases property, pays the Foreign Buyers' Tax, and within a year becomes a permanent resident or citizen of Canada, is eligible to claim back the Foreign Buyers' Tax that he or she paid. Option (1) is incorrect because the tax applies to foreign nationals who are not Canadian citizens or permanent residents of Canada. Option (3) is incorrect because the foreign buyer's tax applies to foreign corporations. Although the company was incorporated in Canada, it is controlled by a foreign corporation, and is therefore would be considered a foreign corporation for the purpose of the tax. Option (4) is incorrect because a Canadian citizen who holds title for a foreign national is considered to be a taxable trustee, and is therefore subject to the tax.

Question 702

Answer: 2

The market value of Mary's offer is the market value of the mortgage plus her cash down payment. Mary will assume the remaining 24 monthly payments of \$1,500.05 and the outstanding balance of \$214,838.44. Calculate the market value of the mortgage by determining the PV of the payments and OSB remaining at the end of the original 5-year term based on the current market rate of $j_2 = 8\%$.

Press

8 ■ NOM%

2 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

24 N

1500.05 +/- PMT

214838.44 +/- FV

PV

+ 50000 =

Display

8

2

8.16

12

7.869836

24

-1,500.05

-214,838.44

216,855.294924 (market value of the mortgage)

266,855.294924 (market value of the offer)

Question 703

Answer: 1

Option (1) is correct because the "better use" test states that the affixation of an object for the purpose of improving the property will be taken as evidence that the object is a fixture, not a chattel (*La Salle Recreations Ltd. v. Canadian Camdex Investments Ltd.*). Option (2) is incorrect because part two of the test articulated in *Stack v. T. Eaton Co.* states that articles affixed to the land even slightly are presumed to be part of the land, unless the circumstances show that they were intended to remain as chattels. Option (3) is incorrect because the courts have developed the *Stack v. Eaton* test, a two part test for determining whether an item is a fixture or a chattel. Option (4) is incorrect because the *Stack v. Eaton* test examines both the degree of affixation and the purpose of affixation as factors which may overturn the presumption that articles affixed to the land are fixtures.

Question 704

Answer: 2

Press

10.5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 625 +/- PMT
 300 N
 0 FV
 PV

Display

10.5
 2
 10.775625
 12
 10.277418
 -625
 300
 0
 67,325.219664

Question 705

Answer: 2

Option (2) is correct because a graduated payment mortgage has payments that increase on a regular basis over a specified term. Option (1) is incorrect because in a reverse annuity mortgage, there is no repayment until the end of the loan term or the death of the borrower; instead, over the term of the mortgage, the lender advances funds to the borrower. Option (3) is incorrect because in a straight line principal reduction mortgage, the same amount of principal is always paid and the corresponding interest is based on the outstanding balance; therefore, the monthly mortgage payments decrease. Option (4) is incorrect because in an interest accruing mortgage, no payments of interest or principal are made during the life of the loan.

Question 706

Answer: 4

Option (4) is correct because section 3 of the *Interest Act* states that if a document requires interest to be paid but the rate is not set out then the rate allowed by law is 5% per annum. Option (1) is incorrect because the *Interest Act* does not require that the rate of interest chargeable under a mortgage be “reasonable”, in the prevailing market for funds. The *Interest Act* imposes no general cap on mortgage interest rates and states that, except as otherwise provided for by an Act of Parliament, any person may charge “any rate of interest...that is agreed on”. Option (2) is incorrect because the Criminal Code defines a criminal rate of interest as an effective annual rate of over 60%, not 50%. Option (3) is incorrect because section 10 of the *Interest Act* does not impose a requirement that the mortgage not be for a business purpose in order for an individual to qualify for the right to prepay his or her mortgage. Section 10 applies where: (a) the borrower is an individual; and (b) the mortgage provides that it is not payable for more than five years from the date of the mortgage.

Question 707

Answer: 2

Press

12 ■ P/YR
 21000 +/- PV
 281.72 PMT
 204 N
 0 FV
 I/YR
 ■ EFF%
 2 ■ P/YR
 ■ NOM%

Display

12
 -21,000
 281.72
 204
 0
 14.771281 (j_{12})
 15.13514 (j_1)
 2
 15.233374 (j_2)

The investor's expected yield, expressed as a j_2 rate is 15.233374%.

Question 708

Answer: 2

Option (2) is correct because a licensee may be held liable for damages caused by a negligent misstatement made to a person with whom they do not have a contractual relationship. For example, a licensee acting for a seller could be held liable for negligent misrepresentation for a statement made to a buyer despite having no contractual relationship with the buyer. Options (1) and (4) are incorrect because the special relationship giving rise to a duty to take care (not to make negligent misstatements) will be created where a skilled person, such as a real estate licensee, gives advice in the course of his or her business to a person who is reasonable going to rely on that advice. Option (3) is incorrect because a skilled person, such as a real estate licensee, can avoid liability for negligent misstatements by giving their advice or opinion with a clear qualification that he or she accepts no responsibility for the accuracy or reliability of the advice.

Question 709

Answer: 3

Option (3) is correct because the mutual exchange of concessions is crucial to effective negotiations. If you enter negotiations unprepared to make concessions it is unlikely that the other party will be willing to do so. Option (1) is incorrect because it is important that concessions occur in a relatively reciprocal fashion. If one party makes repeated concessions without expecting the other party to follow with similar behaviour, this encourages the latter party to hold tight and not participate in the exchange of resources. Option (2) is incorrect because considerable research demonstrates that more optimal solutions are reached when parties do not go issue by issue, and instead package and trade multiple issues simultaneously. Option (4) is incorrect because disclosing your underlying interests will often result in more effective negotiations. If you share your true interests, the other party will often reciprocate. This allows both parties to identify the true needs and desires of each other and then to find creative solutions that will satisfy those needs and desires.

Question 710

Answer: 4

Option (4) is correct because changes to retained earnings are calculated by taking the amount of net income less any dividends paid to shareholders. RE/LAX earned a net income of \$234,000 and paid \$14,000 in dividends; therefore, the retained earnings account on their balance sheet should increase by \$220,000. Option (1) is therefore incorrect. Options (2) and (3) are also incorrect because net income and revenue comes from the income statement rather than the balance sheet.

Question 711

Answer: 2

Option (2) is correct because south facing windows are the most energy efficient in heating. Options (1), (3), and (4) are therefore incorrect.

Question 712

Answer: 2

Option (2) is correct because in terms of appraisal, “recent” refers to the time period for which supply and demand conditions have not changed or have remained relatively stable. Options (1), (3), and (4) are therefore incorrect.

Question 713

Answer: 4

Option (4) is correct because a caveat is a note placed on a certificate of title by a person claiming an interest in land that temporarily prevents all dealings (e.g., transfers, mortgages, etc.) with the land inconsistent with the estate or interest claimed by the caveator. Option (1) is incorrect because caveats are not issued by the Prosecutor's Office. Option (2) is incorrect because a caveat is a temporary "freezing" measure. If a party commences a court action concerning the property, then a certificate of pending litigation can be registered against the property to provide formal notice of that court action. Option (3) is incorrect because builder's liens are registered as charges on title, not as caveats.

Question 714

Answer: 4

Option (4) is correct because it is unlikely that 100% occupancy will be reached in most properties. Option (1) is incorrect because vacancy rates are expressed as a percentage of gross potential revenue. Option (2) is incorrect because vacancy rates are not considered an operating expense; they are an allowance for reductions in gross potential revenue attributable to vacancies, tenant turnover, and nonpayment of rent or other income. Option (3) is incorrect because vacancy allowance is determined by the long-term vacancy rates in the area; therefore, it does not matter if the subject property has never had any vacancies before.

Question 715

Answer: 1

Option (1) is correct because since total assets = total liabilities on a balance sheet, if the total assets for The Mountain Bike Emporium = \$185,900 and the only liabilities were accounts payable of \$2,900 and long-term debt of \$89,450, the amount of owner's equity = \$93,550 (\$185,900 – \$2,900 – \$89,450). Options (2), (3), and (4) are therefore incorrect.

Question 716

Answer: 3

Option (3) is correct because according to the cost principle, an asset must be recorded for the amount that was paid for it. Options (1), (2), and (4) are incorrect because they are true statements.

Question 717

Answer: 3

Option (3) is correct because *quantum meruit* is the doctrine that no one who benefits by the labour and material of another should be unjustly enriched thereby. In the circumstances of this question, the law will invoke *quantum meruit* to imply a promise (given by Joe to Harry) to pay a reasonable amount for the delivery of the groceries, even though a specific contract price was not agreed to. Option (1) is incorrect for the same reason. Option (2) is incorrect because the delivery of groceries does not fall within the scope of the *Real Estate Services Act*. Option (4) is incorrect because section 54 of the *Law and Equity Act* deals with waiver of conditions precedent, not payment for services.

Question 718

Answer: 4

Option (4) is correct because, in order to offend section 52 and section 74.01 of the *Competition Act*, a representation must be “false or misleading *in a material respect*”. Despite being strictly false, understating the square footage of a condo by merely 2 square feet would likely be insufficient to constitute a material misrepresentation. Option (1) is incorrect because misrepresenting a strata unit as having two bedrooms when it only has one would be considered false and misleading in a material respect. Option (2) is incorrect because section 52 prohibits reckless misrepresentations, and falsely advertising a house as having a recently renovated kitchen without first investigating the matter would be considered reckless. This false advertisement would also offend section 74.01, since section 74.01 imposes no requirement that the deceptive practices were made knowingly or recklessly. Option (3) is incorrect because advertising homes starting at \$700,000 when the lowest priced home is, in fact, priced \$300,000 higher, would be considered false and misleading in a material respect.

Question 719

Answer: 2

Option (2) is correct because the *Occupiers Liability Act* imposes a duty on occupiers of premises (in this case, the owner and/or building manager) to take such care as in all the circumstances is reasonable to see that persons coming onto the property (in this case, the visitor) will be reasonably safe. In this scenario, the visitor can argue that this duty was not met because the skylight collapsed, injuring him. Option (1) is incorrect because, based on the facts provided, no untrue statement was made by the owner or the building manager to the visitor. Option (3) is incorrect because, on these facts, there is nothing that establishes a fiduciary duty owed by the owner or the building manager to the visitor (a fiduciary duty is a special type of duty imposed only in select situations). Option (4) is incorrect because the collapse of the skylight did not interfere with the visitor's use and enjoyment of the visitor's own property.

Question 720

Answer: 1

Option (1) is correct because the seller will be liable because he, as the principal: (a) is responsible for the acts of his agent and (b) expressly authorized the tort. Option (2) is incorrect because an agent can never escape liability for torts committed by the agent on the basis that the agent was authorized by the principal to commit them. Option (3) is incorrect because the inclusion of this clause in the contract of purchase and sale gives the vendor protection against innocent misrepresentations; however, it will not protect the vendor in the case of fraudulent misrepresentation. Option (4) is incorrect because, as previously mentioned, the buyer can also bring an action for damages against the licensee. The buyer can also sue for rescission of the contract.

Question 721

Answer: 3

Option (3) is correct because all companies must have an official records office. At that office, any person can look over the incorporation documents of the company. Option (1) is incorrect because the common law has been altered by statute to make it possible for companies incorporated under the *Business Corporations Act* to ratify a pre-incorporation contract by act or conduct. Option (2) is incorrect because different ratification rules apply to companies operating in British Columbia that are incorporated under federal or another province's legislation. These rules may, therefore, restrict the legal capacity of a corporation to enter a contract.

Question 722

Answer: 3

Option (3) is correct because the *Real Estate Services Rules* (the “Rules”) restate these duties so that the British Columbia Financial Services Authority can initiate disciplinary proceedings against the licensee independently of any common law action that a client may bring against the licensee. Option (1) is incorrect because the client will not be able to receive additional damages under the Rules. Option (2) is incorrect because a client can only bring action against a licensee for breaching his or her common law duties, not for a breach of the Rules. Option (4) is incorrect because when the Rules simply restate a common law fiduciary duty, it will not be easier (or more difficult) to prove a breach of either.

Question 723

Answer: 2

Press	Display
6 ■ NOM%	6
2 ■ P/YR	2
■ EFF%	6.09
12 ■ P/YR	12
■ NOM%	5.926346
99200 PV	99,200
300 N	300
0 FV	0
PMT	-634.68817

The monthly payment required to amortize the loan is \$634.69.

Question 724

Answer: 3

Option (3) is correct because the wall-to-wall carpeting that Akiko removed is most likely a fixture, and therefore was included in the purchase price (i.e., should have remained with the property when it was sold). Per *Stack v. T. Eaton Co.*, articles affixed to the land even slightly – as the wall-to-wall carpeting is – are presumed to be part of the land. The purpose of affixing the carpeting was most likely to improve the den; therefore, the presumption that the carpeting is a fixture is unlikely to be overturned. Option (1) is incorrect because a throw rug is not attached to the land (except by its own weight), and therefore is presumed to be a chattel. Unless stipulated in the contract of purchase and sale, chattels are excluded from the purchase price of real property. Option (2) is incorrect because the stained glass window is most likely a chattel. The stained glass window, being attached (via hooks), will initially be presumed a fixture (per *Stack v. T. Eaton Co.*). However, this presumption is easily overturned. The window is affixed only slightly, being hung on two hooks, and therefore is quite easily removed. Additionally, since the antique window is merely hung in front of the living room window, it serves no apparent structural function. Therefore, the purpose of affixing the stained glass window is most likely to better enjoy the window as a decorative piece (similar to a painting), rather than to improve the land.

Question 725

Answer: 3

Option (3) is the correct answer. Appraisals are required to determine the value of real property because it is difficult to find properties that are very much alike. Unlike real property, other financial assets such as stocks are more homogenous and will have an explicitly determined price. Options (1), (2), and (4) are incorrect.

Question 726

Answer: 3

Option (3) is correct because concrete framing is the most common type of construction today for high-rise apartment buildings. This is because most high-rise residential buildings normally require a two-hour fire-rating for floors and columns and concrete will achieve this rating without any additional protection for most applications. Options (1), (2), and (4) are incorrect.

Question 727

Answer: 3

Option (3) is correct because it is the owner's responsibility to comply with work orders from public authorities in respect of a strata lot. This is why section 85 of the *Strata Corporation Act* requires owners to reimburse the strata corporation for the cost of work done by the strata corporation following the owner's failure to comply with a work order from a public or local authority under section 85 of the Act. Option (1) is incorrect because the *Strata Property Act* requires the strata corporation to obtain and maintain full-replacement-value property insurance against harm to the common property. Option (2) is incorrect because the *Strata Property Act* requires every strata corporation to have an operating fund for common expenses that usually occur one or more times each year. Option (4) is incorrect because the *Strata Property Act* requires every strata corporation to establish a contingency reserve fund for expenses that usually occur less often than once a year or that do not usually occur.

Question 728

Answer: 3

Option (3) is correct because Deborah, as Susan's agent, owed Susan a duty to make complete disclosure of everything relevant to the transaction within Deborah's knowledge. Regardless of whether or not Deborah thought that the redevelopment would increase or decrease the value of the property, Deborah had a duty to advise Susan of the redevelopment because it might in some way have affected Susan's decision. Option (4) is incorrect for the same reason. Option (1) is incorrect because, where an agent has breached any duties to the principal, which Deborah has done, the agent's right to commission will probably be lost. Therefore, Susan likely does have a claim against Deborah for the commission paid to Susan. In addition, Susan may have a potential claim against Deborah if she can prove that the property could have been sold for more had Deborah advised her of the redevelopment. Option (2) is incorrect because, in this scenario, Deborah did not owe a duty to Jennifer (a third party) not to advise Susan of the redevelopment.

Question 729

Answer: 2

Option (2) is correct because local enterprise zones are not a level of local law created under the *Local Government Act*. Options (1), (3), and (4) are incorrect because these are all levels of local government.

Question 730

Answer: 2

Option (2) is correct because Alan should register a caveat, which will prevent the transfer of the property, and stay on the register for two months. This will give Alan time to commence a court action, if he so chooses. Option (1) is incorrect because Luke is not yet able to file a Certificate of Pending Litigation, because a court action has not yet been commenced. Option (3) is incorrect because Alan has not yet obtained a judgment against Luke, and thus is not able to register a judgment. Option (4) is incorrect because Alan has not obtained an Order of Possession, and thus is not yet entitled to hire a bailiff.

Question 731

Answer: 1

Option (1) is correct because the buyer in a real estate transaction assumes responsibility for the taxes from the adjustment date onwards. Since Pat is assuming responsibility for the taxes on January 1, the first day of the year, no adjustment is necessary. Remember that property taxes are paid for a calendar year, even though they are usually due on July 1. Options (2), (3), and (4) are incorrect, because no adjustment is necessary for property taxes in this scenario, and therefore property taxes will not appear as a debit or credit on either the buyer's or seller's statement of adjustments.

Question 732

Answer: 4

Option (4) is the correct answer (and Options (1), (2), and (3) are incorrect) as the farmhouse situated on land zoned for commercial use is likely to be the only option that has redevelopment potential.

Question 733

Answer: 1

Option (1) is correct because when using a rating grid, the subject property is the standard of comparison and each comparable sale is adjusted to it. The subject property is not adjusted to the comparables nor are the comparables adjusted to each other. Option (2) is incorrect because the correct approach is to determine which comparable is most like the subject property and use that as main evidence for the final market value, not to average the value of the comparable sale prices. Option (3) is incorrect because the comparable properties do not require the same square footage of improvements as the subject property. Option (4) is incorrect because the comparable properties need not have the same lot size as the subject property.

Question 734

Answer: 4

Option (4) is correct and Options (1), (2), and (3) are incorrect because since the comparable does not have an alarm system and the subject property does, there is a +\$4,500 adjustment for the alarm system. In addition, since the subject property has 200 square feet less than the comparable, an adjustment for -\$12,000 is also required.

Question 735

Answer: 3

Option (3) is correct (false) because the value of the comparable must be adjusted downwards to account for the benefit provided by the below-market vendor financing. Options (1), (2), and (4) are incorrect because they are true.

Question 736

Answer: 1

Option (1) is correct because to find the adjusted sale price of the comparable, take the sum of the listed sale price with its adjustments to the subject property. In this case, the subject property and the comparable are identical except that the subject property has 1 additional bedroom, 1 additional bathroom, and 100 square feet less. The adjusted sale price is: $\$245,000 + \$4,000 + \$5,700 - \$6,000 = \$248,700$. Options (2), (3), and (4) are therefore incorrect.

Question 737

Answer: 3

Option (3) is correct because marketable securities is the only account listed that is classified as a current asset. Option (1) represents an owner's equity account, Option (2) represents a current liability account, and Option (4) represents a revenue account.

Question 738

Answer: 3

Option (3) is correct because geographic information system (GIS) mapping is a form of computer-based mapping that incorporates several layers of information beyond what a traditional map can tell you. GIS maps can integrate details on lot size and dimensions, zoning bylaws applicable to the parcel, ownership details, environmental restrictions, etc. Options (1), (2), and (4) do not perform this function.

Question 739

Answer: 2

Option (2) is correct because an interest accruing loan represents the greatest risk to the lender, since the entire amount of principal and interest is at risk for the entire length of the term. Options (1), (3), and (4) represent loans with lesser risk to the lender.

Question 740

Answer: 2

Option (2) is correct because depreciation expense is an accounting concept that attempts to allocate the cost of an asset over the life of the asset. Option (1) is incorrect because capital cost allowance and depreciation expense are separate frameworks that both attempt to allocate the cost of an asset over the asset's life. The difference is that depreciation expense is used for financial statements, and capital cost allowance is used for tax deductions. Option (3) is incorrect because land is not a depreciable asset. Option (4) is incorrect because this option describes the CCA framework.

Question 741

Answer: 2

Option (2) is correct because, in Canada, the courts of equity and the common law courts are combined, meaning that judges in all provinces (except Quebec) can apply both common law and equitable principles in deciding cases brought before them. Option (1) is incorrect for the same reason. Option (3) is incorrect because, where there is a conflict between common law and equitable principles, equitable principles take priority. Option (4) is incorrect because Option (2) is true.

Question 742

Answer: 1

For an interest accruing loan, all the interest will be paid at the end.

Press

8 I/YR

12 ■ P/YR

60000 PV

12 N

0 PMT

FV

Display

8

12

60,000

12

0

-64,979.970409

Question 743

Answer: 4

Option (4) is the correct answer. Option (1) is incorrect because under section 49 of *the Residential Tenancy Act*, a landlord may end a tenancy agreement if they intend to renovate or repair a rental unit in a manner that requires it to be vacant. Option (2) is incorrect because if a tenant intends to return, they will have a right of first refusal to enter into a new tenancy agreement. Option (3) is incorrect the landlord has the right to determine the rate of rent in the new tenancy agreement.

Question 744

Answer: 4

To solve for the outstanding balance owing at the end of the term, first determine the monthly payment under the loan. Take $\frac{1}{2}$ of that monthly payment as the accelerated payment. Then change the interest rate to an equivalent j_{26} rate, and using $\frac{1}{2}$ of the regular monthly payment, solve for the outstanding balance at the end of the term.

Press

4 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 300000 PV
 300 N
 0 FV
 PMT
 ÷ 2 =
 790 +/- PMT
 4 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 26 ■ P/YR
 ■ NOM%
 1 INPUT 130 ■ AMORT
 = = =

Display

4
 2
 4.04
 12
 3.967068
 300,000
 300
 0
 1,578.060616
 -789.030308
 -790
 4
 2
 4.04
 26
 3.963543
 PER 1-130
 252,210.347253

The outstanding balance owing at the end of the 5-year term is \$252,210.35.

Question 745

Answer: 4

Option (4) is correct because the owner of a freehold strata lot holds a fee simple interest in the strata lot, and a proportionate fee simple interest in the common property as a tenant in common. Option (1) is incorrect because a fee simple interest is held in both the strata lot and the common property. Option (2) is incorrect because the fee simple interest in the common property is held as a tenant in common, not as a joint tenant. Option (3) is incorrect because a strata lot owner possesses a fee simple interest in the strata lot, rather than merely a license to occupy the strata lot.

Question 746

Answer: 4

Press

6.5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 225000 PV
 20 × 12 = N
 0 FV
 PMT
 1667 +/- PMT
 12 INPUT ■ AMORT
 = = =

Display

6.5
 2
 6.605625
 12
 6.413688
 225,000
 240
 0
 -1,666.12593
 -1,667
 219,260.013804

The monthly payment is \$1,667 and the outstanding balance after 12 payments is \$219,260.01.

The three months' interest penalty equals:

$$\text{Penalty} = \text{OSB}_{12} \times i_{\text{mo}} \times 3$$

The calculator steps continue as follows:

Press

RCL I/YR ÷ 12 =
 %
 × 219260.01 × 3 =

Display

0.534474
 0.00534474
 3,515.663287

The three months' interest penalty is \$3,515.66.

For the interest rate differential (IRD), find the j_2 difference in rates ($6.5\% - 3.5\% = 3\%$). Then convert this j_2 difference into an equivalent monthly rate. The $\text{IRD} = \text{OSB} \times \text{IRD} \times \text{length of time remaining in the term}$ and is calculated as follows:

Press

3 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 ÷ 12 =
 %
 × 219260.01 × 48 =

Display

3
 2
 3.0225
 12
 2.98142
 0.248452
 0.00248452
 26,148.247771

The penalty will be the larger prepayment penalty. In this situation, the IRD is the larger penalty (\$26,148.25 vs. \$3,515.66).

Question 747

Answer: 1

$$P + I = (\text{GDSR} \times \text{Gross Income}) - \text{Property Taxes}$$

$$P + I = (0.32 \times \$55,000) - \$2,000$$

$$P + I = \$15,600 \text{ per year} = \$1,300 \text{ per month}$$

The mortgage qualifying rate is based on the greater of (1) the government-specified qualifying rate of $j_2 = 5.25\%$ OR (2) an additional 2% above the mortgage's negotiated contract rate. In this case, you would apply a rate of $j_2 = 5.25\%$, the government-specified rate, which is greater than 2% above the mortgage's negotiated contract rate [$j_2 = 4.95\% (2\% + 2.95\%)$].

Press

5.25 ■ NOM%

2 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

1300 +/- PMT

240 N

0 FV

PV

Display

5.25

2

5.318906

12

5.193482

-1,300

240

0

193,829.998812

Given the stress test borrower qualification rules, the maximum loan that will be granted is \$193,830.

Question 748

Answer: 2

Option (2) is correct because Part 4 of the *Assessment Act* provides for the establishment of Property Assessment Review Panels as the first level of appeal from property assessments. Any person who is dissatisfied with the Property Assessment Review Panel's decision may appeal to the Property Assessment Appeal Board. An appeal on a point of law may subsequently be made from the Property Assessment Appeal Board to the Supreme Court of British Columbia. Finally, an appeal can be made from the Supreme Court of British Columbia to the Court of Appeal, but only on a point of law raised by the lower court judge. Options (1), (3), and (4) are incorrect for this reason.

Question 749

Answer: 4

To answer this question, calculate the maximum amount of money that can be lent out given the two constraints: the loan-to-value amount and the gross debt service ratio amount. Calculate the loan amount for the loan-to-value constraint and then calculate the loan amount for the GDSR constraint. In order to determine the maximum amount that the lender will advance, choose the lesser of the two results.

$$LTV = 80\%$$

$$\text{Lending Value} = \$338,000$$

$$\text{Maximum loan under lender's LTV criteria} = 0.8 \times \$338,000 = \$270,400$$

$$GDSR = 30\%$$

$$GDSR = \frac{P + I + T}{GI} \rightarrow 0.30 = \frac{P + I + \$2,800}{\$80,000}$$

$$P + I = (GDSR \times GI) - T$$

$$P + I = (0.3 \times \$80,000) - \$2,800$$

$$P + I = \$21,200 \text{ (annual mortgage payment)}$$

The loan states that monthly payments are required so:

$$P + I = \$21,200 \div 12 = \$1,766.67 \text{ (monthly mortgage payment)}$$

The next step is to calculate the maximum loan amount given the contract terms and the monthly payment.

Press	Display
5 ■ NOM%	5
2 ■ P/YR	2
■ EFF%	5.0625
12 ■ P/YR	12
■ NOM%	4.948699
1766.67 +/- PMT	-1,766.67
240 N	240
0 FV	0
PV	268,848.379508

The maximum loan under the GDSR is \$268,800, rounded to the nearest \$100.

The maximum loan amount is the lower of the two constraints: \$268,800 < \$270,400; therefore, \$268,800 is the maximum amount this lender will advance.

Question 750

Answer: 2

Option (2) is correct because revocation must always be actually communicated to be effective. Option (1) is incorrect because an offeror can revoke their offer at any time prior to acceptance, regardless of whether or not the previously stated time limit has expired. Option (3) is incorrect because there is no requirement that the offeror give reasonable notice to the offeree before revoking the offer. Option (4) is incorrect because there is no requirement that the offeror give any pre-determined period of notice before revoking the offer.

Question 751

Answer: 1

Option (1) is correct because section 60 of the *Real Estate Services Rules* prohibits entering into an agreement for payment on the basis of a net listing, which is the difference between the price at which real estate is listed for sale, lease or other disposition, and the actual amount realized. Options (2), (3), and (4) are incorrect because this type of commission arrangement is expressly prohibited under section 60 of the *Real Estate Services Rules*, and therefore cannot be agreed to.

Question 752

Answer: 4

Option (4) is correct because when a loan has a term that is shorter than the amortization period, it is a partially amortized loan, i.e., a partially amortized repayment scheme. Options (1), (2), and (3) are therefore incorrect.

Question 753

Answer: 4

Option (4) is the correct answer as interest rates on treasury bills represent short-term national economic factors. Options (1), (2), and (3) represent longer-term economic factors.

Question 754

Answer: 4

For this question, calculate the NOI from the information given. Then, use the given yield/cap rate on the comparable property to estimate the value of the subject property. Note that gross realized income is given, not the gross potential income. This means that you only have to deduct expenses from gross realized income to determine NOI.

$$\begin{aligned}\text{NOI} &= \text{Gross Realized Income} - \text{Expenses} \\ \$26,350 &= \$44,200 - \$17,850\end{aligned}$$

$$\begin{aligned}\text{Estimated Value} &= \frac{\text{NOI}}{\text{Cap Rate (or Yield)}} \\ &= \$26,350 \div 7.85\% = \$335,668.79 \text{ or } \$336,000 (\text{rounded})\end{aligned}$$

The subject property's market value estimate is \$336,000, rounded to the nearest \$1,000.

Question 755

Answer: 3

Since you would sell the house for its market value, the market value and sale price are the same.

$$\begin{aligned}\text{Sale Price} &= \frac{\text{NOI}}{\text{Cap Rate}} \\ &= \$48,700 \div 0.20 \\ &= \$243,500\end{aligned}$$

Question 756

Answer: 3

Option (3) is correct because a mortgage is a document evidencing a debt, which carries with the mortgagor's (or borrower's) equitable right to redeem the property on payment of the debt. Options (1), (2), and (4) are therefore incorrect.

Question 757

Answer: 3

Using the cost method of appraisal, calculate the market value of Mr. Jones' property. The market value is calculated by finding the replacement value, subtracting depreciation, and adding the site value.

Replacement Cost = $\$38.50 \times 1,350$	\$51,975
- Depreciation = $\$12,200 + \$6,300$	- 18,500
+ <u>Site Value</u>	+ <u>37,500</u>
Market Value	\$70,975

Question 758

Answer: 2

Lengthening the amortization period means that more time is allowed for the borrower to pay off the loan. For constant payment mortgage loans, the initial first payments are composed of a greater portion of interest, whereas the last payments are composed of a greater portion of principal payments. Below is an example demonstrating changes in amortization.

This example has a 5-year amortization period; calculate OSB_{24} .

Press	Display
10 ■ NOM%	10
2 ■ P/YR	2
■ EFF%	10.25
12 ■ P/YR	12
■ NOM%	9.797815
60 N	60
100000 PV	100,000
0 FV	0
PMT	-2,114.769835
2114.77 +/- PMT	-2,114.77
24 INPUT ■ AMORT	PER 24-24
= = =	65,732.530034

Now extend the amortization period to a 10-year amortization period and calculate OSB_{24} . The calculator steps continue as follows:

Press	Display
120 N	120
PMT	-1,310.336742
1310.34 +/- PMT	-1,310.34
24 INPUT ■ AMORT	PER 24-24
= = =	86,964.980905

As in the example above, increasing the amortization period will increase the OSB at time 24. Therefore, Option (2) is correct. Your payments have decreased and you are stretching out the time needed to pay off the loan. You are paying more interest, and since interest is paid more at the beginning than at the end of the loan, your payments on principal are delayed; therefore, at each point in time, the amount outstanding on your principal will be greater.

Question 759

Answer: 4

Press

12 I/YR

12 ■ P/YR

0 PMT

60 N

500000 +/- FV

PV

Display

12

12

0

0

-500,000

275,224.807969

Question 760

Answer: 2

Option (2) is correct because a personal brand is a reflection of self and how other people (including existing and future clients) perceive the licensee. It comprises the theme of the licensee's personal business and through a variety of attributes, it distinguishes the licensees from competitors. Therefore, Options (1), (3), and (4) are incorrect.

Question 761

Answer: 1

Option (1) is correct because section 56 of the *Real Estate Services Rules* requires a licensee to disclose to his or her brokerage the full amount of commission received or anticipated as a result of providing real estate services. Option (2) is incorrect because at common law, an agent is any person who contracts to act for or on behalf of another. Therefore, failing to tell anyone of this \$3,000 payment does not breach the common law principles of agency law. Option (3) is incorrect because Option (2) is false. Option (4) is incorrect because Option (1) is true.

Question 762

Answer: 1

Option (1) is correct because section 2 of the *Strata Property Act* states that the owners of the strata lots in the strata plan are members of the strata corporation, once the strata plan is deposited in the land title office. Option (2) is incorrect because the strata corporation includes all of the individual strata owners, not just elected representatives. Option (3) is incorrect because strata owners own privately owned (divided) strata lots in fee simple, and own common property as tenants in common. Option (4) is incorrect because a strata corporation is comprised of the individual strata owners collectively, not a group of professional managers hired to perform this role.

Question 763

Answer: 2

Option (2) is correct because a landlord can give notice to end a tenancy so that a family member can occupy the premises, but only if this potential occupier is the landlord, or a spouse, child, or parent of the landlord or landlord's spouse. Option (1) is incorrect because a landlord may end a tenancy if the tenant or a person permitted on the residential property by the tenant has significantly interfered with or unreasonably disturbed another occupant or the landlord of the residential property. Option (3) is incorrect because a landlord may end a tenancy if rent is a tenant is repeatedly late paying rent. Option (4) is incorrect because a landlord may give the tenant a notice of the end of the tenancy if the tenant does not pay the security deposit within 30 days of the date it is required to do so under the tenancy agreement.

Question 764

Answer: 1

Option (1) is correct because a trustee is an individual or entity in whose name a property is held, in trust for the benefit of another person, known as the beneficiary. Option (2) is incorrect because the person who the property is held for the benefit of is known as the beneficiary. Option (3) is incorrect because while an executor may seek assistance in handling a transfer of title from an estate, the title will normally be put into the name of the executor, rather than a financial institution. Option (4) is incorrect because the family members or friends of an incapable person will typically be appointed to make decisions on their behalf, and the Public Guardian and Trustee is generally only appointed where none are available or willing to act.

Question 765

Answer: 4

Option (4) is correct because the Standard Bylaws can be amended by a strata corporation passing their own bylaw restricting pets, and is therefore false. Option (1) is incorrect because Karl purchased his lot after the bylaw was passed, and is therefore true. Option (2) is incorrect because bylaws prohibiting pets do not apply to pets living with an owner, tenant, or occupant at the time the bylaw is passed, and is therefore true. Option (3) is incorrect because the *Strata Property Act* allows for pet restriction bylaws to be passed, and is therefore true.

Question 766

Answer: 1

Option (1) is correct because the most common advertising contravention for which a penalty may be imposed is failing to display the name of a licensee's brokerage on an advertisement in a "prominent and easily readable way" as is required under section 40(2) of the Rules. Option (2) is incorrect because it is the second most common advertising contravention. Option (3) is incorrect because it is the third most common advertising contravention. Option (4) is incorrect because this is included in the third most common advertising contravention.

Question 767

Answer: 1

The accelerated bi-weekly payment is $\frac{1}{2}$ of the regular monthly payment.

Press	Display
4 ■ NOM%	4
2 ■ P/YR	2
■ EFF%	4.04
12 ■ P/YR	12
■ NOM%	3.967068
315000 PV	315,000
240 N	240
0 FV	0
PMT	-1,903.376364
÷ 2 =	-951.688182

The accelerated bi-weekly payment is \$952, rounded up to the next higher dollar.

Question 768

Answer: 4

Option (4) is correct because if a person standing on the porch is able to look straight down a hallway into the main bathroom when the front door is open, this is not considered to be physical curable depreciation but rather functional and likely incurable. Option (1) is incorrect because this is considered a design deficiency in today's market. Options (2) and (3) are incorrect because this describes a patent defect since it is visible, and functional depreciation under the cost approach of appraisal.

Question 769

Answer: 2

Option (2) is correct because section 3(1) of the *Occupiers Liability Act* requires an occupier of premises to take that care that in all the circumstances is reasonable to see that a person will be reasonably safe in using the premises. By taking these steps, it is likely that Laura met the requisite standard of care and would not be liable. Option (1) is incorrect because an occupier owes a duty of care under the *Occupiers Liability Act* even to trespassers, unless they are trespassing while committing or having the intention to commit a criminal act. Option (3) is incorrect because an occupier is defined in the *Occupiers Liability Act* as a person who is in physical possession of premises, and does not depend on the length of the lease. Option (4) is incorrect because Laura will only be liable to Howard for his damages if she breached the standard of care owed to Howard, making her negligent.

Question 770

Answer: 4

For this question, invest \$100 today (PV) that grows to \$200 (FV) to reflect a doubling of funds over six years.

Press	Display
100 +/- PV	-100
200 FV	200
6 N	6
1 <input checked="" type="checkbox"/> P/YR	1
0 PMT	0
I/YR	12.246205

Question 771

Answer: 1

To solve this problem, first convert the nominal interest rate, compounded monthly, to an annual effective rate so that the frequency of compounding matches the frequency of the payments. Since there is no payment being made today, there is no present value in this calculation. Then, enter the payments of \$8,000 and compute the future value that would be available at the end of seven years.

Press	Display
6 <input checked="" type="checkbox"/> NOM%	6
12 <input checked="" type="checkbox"/> P/YR	12
<input checked="" type="checkbox"/> EFF%	6.167781
1 <input checked="" type="checkbox"/> P/YR	1
<input checked="" type="checkbox"/> NOM%	6.167781
0 PV	0
7 N	7
8000 +/- PMT	-8,000
FV	67,495.21364

At the end of seven years, the investor will have accumulated \$67,495.21 in the account.

Question 772

Answer: 1

Option (1) is correct because in British Columbia, under the Torrens system of land title registration, all mortgages are registered as charges against the title. Options (2), (3), and (4) are incorrect because mortgages are registered only as charges.

Question 773

Answer: 3

Option (3) is correct because a truss is a prefabricated frame component that supports the roof. Option (1) refers to a dormer, Option (2) refers to a header, and Option (4) refers to one of the many components of a septic tank.

Question 774

Answer: 4

The market value of Alex's offer is the market value of the mortgage plus his cash down payment. Alex will assume the remaining 233 monthly payments of \$900. Calculate the market value of the mortgage by determining the PV of the remaining payments based on the current market rate of $j_2 = 6\%$.

Press

6 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 900 +/- PMT
 0 FV
 233 N
 PV
 + 35000 =

Display

6
 2
 6.09
 12
 5.926346
 -900
 0
 233
 124,410.889524 (market value of the mortgage)
 159,410.889524 (market value of the offer)

The market value of the offer is \$159,410.89.

Question 775

Answer: 1

Option (1) describes the correct order of components in a wood-frame exterior wall from the inside out. Options (2), (3), and (4) are incorrect because any other order of these components will result in undesirable appearance or function of the walls.

Question 776

Answer: 1

Option (1) is correct because between 1900-1920, interest only loans were the primary form of repayment for residential mortgage financing. After the Depression, long-term fully amortized loans were the primary form of repayment for residential mortgage financing. Options (2), (3), and (4) are therefore incorrect.

Question 777

Answer: 4

Option (4) is correct because a patent defect will not discharge a contract as the principle of "caveat emptor" (let the buyer beware) applies, and so the purchaser must take the risk of these patent defects. Option (1) is incorrect because a contract can be discharged by an agreement between the parties to waive full compliance with the terms of the contract. Option (2) is incorrect because a contract can be discharged by frustration. Option (3) is incorrect because once the final act of performance occurs, the contract is discharged.

Question 778

Answer: 3

Option (3) is correct because a licence is a contractual agreement and so does not “run with the land” and bind successors in title as an interest in land would. The distinction between a licence and a lease is based on intention based on whether the parties to the agreement intend to grant an interest in land, or simply create a licence to occupy. Option (1) is incorrect because Larry granted a licence, not a lease. Option (2) is incorrect because the agreement is a licence and therefore is not enforceable against successors. Option (4) is incorrect because the agreement is a licence.

Question 779

Answer: 2

Option (2) is correct because both a broker and a representative employed by the broker can be disciplined jointly. Option (1) is incorrect because the *Real Estate Services Act* grants power to the British Columbia Financial Services Authority (BCFSA) to subject brokers to disciplinary hearings for the actions of their representatives, and therefore is true. Option (3) is incorrect because section 43 of the *Real Estate Services Act* allows for the suspension of the broker’s licence, and is therefore true. Option (4) is incorrect because the *Real Estate Services Act* requires that BCFSA publish all orders on its website and provide copies to any person upon request, and is therefore true.

Question 780

Answer: 2

Option (2) is correct because plates, studs, and lintels are found in the wall frame. Options (1), (3), and (4) are therefore incorrect.

Question 781

Answer: 4

Option (4) is correct because capital gains are exempt from taxation where the property sold was the seller’s principal residence. Options (1), (2), and (3) are incorrect because they do not fall within the principal residence exception, and either 50 or 100% of the profit realized on the sale of the property would be taxed depending on whether it is considered a true capital gain or instead, business income.

Question 782

Answer: 4

Option (4) is correct because the deposit paid directly to the seller will reduce the cash proceeds to be received by the seller upon completion, which is reflected as a debit, and will reduce the balance due from the buyer to complete, which is reflected as a credit. Options (1) and (3) are incorrect because the amount of the deposit will appear both on the buyer’s and seller’s statements of adjustments. Option (2) is incorrect because the amount will appear as a credit on the buyer’s statement and a debit on the seller’s statement.

Question 783

Answer: 3

Option (3) is correct because specific performance is an equitable remedy granted at the discretion of the court and will not be exercised when damages are considered to be an adequate remedy. Option (1) is incorrect because a limited company can be granted specific performance at the court’s discretion. Option (2) is incorrect because a court can award specific performance if a defendant is without means. Option (4) is incorrect because even if the contract has already been partially performed, the court still has the discretion to award specific performance.

Question 784

Answer: 3

This question is solved in two parts. First, calculate the interest rate on the mortgage, which will be a j_{12} . Then, convert the interest rates to the equivalent j_1 , j_2 , and j_4 to see if they match any of the answers.

Press	Display
12 ■ P/YR	12
48951.77 PV	48,951.77
520 +/- PMT	-520
180 N	180
0 FV	0
I/YR	9.797818

This does not match with the j_{12} rate of Option (1). Therefore, we must test the other options to find the correct equivalent rate. Continuing the calculator steps, find the equivalent j_1 , j_2 , and j_4 rates:

Press	Display
■ EFF%	10.250003
2 ■ P/YR	2
■ NOM%	10.000003
4 ■ P/YR	4
■ NOM%	9.878033

Options (2) and (4) do not match; therefore, the answer is Option (3).

Question 785

Answer: 3

Option (3) is correct because a corporation is owned by one or more shareholders. Option (1) is incorrect because a corporation is a separate legal entity, and so can be sued just as a natural person can be. Option (2) is incorrect because shareholders are liable only for the value of the shares purchased or agreed to be purchased, and have no further responsibility for the debts of the company once the cost of their shares have been fully paid. Option (4) is incorrect because a corporation has its own income tax status, and pays tax at a flat rate.

Question 786

Answer: 1

Option (1) is correct because firewalls are hardware and software boundaries frequently used to prevent unauthorized users from accessing private computers or networks connected to the internet. All data attempting to pass through the firewall is blocked unless it meets a certain criteria of authorization needed to pass through. Options (2), (3), and (4) are incorrect as they do not describe the purpose of firewalls.

Question 787

Answer: 4

Option (4) is correct because it is not a common covenant of the borrower to waive rescission rights. Option (1) is incorrect because this is a substantial clause commonly used which states that the mortgagor will duly pay all taxes, levies and assessments whatsoever affecting the land and all premiums for insurance effected pursuant to this mortgage. Option (2) is incorrect because this is a substantial clause commonly used which states that the mortgagor will keep the land and the buildings thereof in good condition and repair, and he will not abandon or commit waste upon the same. Option (3) is incorrect because this provision can be found in column 1 of the *Land Transfer Form Act*, Part 3, and is also a substantial clause commonly used instead of the standard clause contained in column 1.

Question 788

Answer: 3

Press

6 I/YR
 12 ■ P/YR
 350000 PV
 25 × 12 = N
 0 FV
 PMT
 2256 +/- PMT
 12 INPUT ■ AMORT
 = = =

Display

6
 12
 350,000
 300
 0
 -2,255.054905
 -2,256
 PER 12-12
 343,758.20544

The monthly payment is \$2,256 and the outstanding balance after 12 payments is \$343,758.21.

The three months' interest penalty equals:

$$\text{Penalty} = \text{OSB}_{12} \times i_{\text{mo}} \times 3$$

The calculator steps continue as follows:

Press

RCL I/YR ÷ 12 =
 %
 × 343758.21 × 3 =

Display

0.5
 0.005
 5,156.37315

The three months' interest penalty is \$5,156.37.

For the interest rate differential (IRD), find the j_{12} difference in rates ($6\% - 4\% = 2\%$). Use this j_{12} difference to determine the IRD penalty. The $\text{IRD} = \text{OSB} \times \text{IRD} \times \text{length of time remaining in the term}$ and is calculated as follows:

Press

2 ÷ 12 =
 %
 × 343758.21 × 48 =

Display

0.166667
 0.00166667
 27,500.6568

The penalty will be the larger prepayment penalty. In this situation, the IRD is the larger penalty (\$27,500.66 vs. \$5,156.37).

Question 789

Answer: 1

Option (1) is correct because anti-virus and malware protection programs include an auto-update feature (automatic update) that instructs the program to download profiles (also called definitions) of new viruses and malware from the manufacturer's website. Options (2), (3), and (4) do not describe typical auto-update features.

Question 790

Answer: 2

Option (2) is correct because the terms rise and run refer to the specification of stair sizes. The rise is the height difference of each step, and the run is the depth of the step. Options (1), (3), and (4) are incorrect because rise and run are not typically used to describe windows, framing, or roofs.

Question 791

Answer: 2

Option (2) is the best evidence of market value due to the similarity and recency of the sale. Option (1) is incorrect because the list price of the property is a subjective value, and appraisers are interested in the objective value that arises from a sale. Option (3) is incorrect because it appears that the property was not at its highest and best use, and that it was purchased by a special purchaser. Option (4) is incorrect as the rushed motivation to sell may have an unpredictable influence on the sale price.

Question 792

Answer: 1

The first step for this question is to calculate the monthly payment and outstanding balance owing at the end of the 5-year term based on the contract interest rate; the second step is to calculate the market value of the mortgage based on the market rate; the final step is to calculate the market value of the offer. Since each unit is priced at \$132,000 and the mortgage loan is for \$102,000, the down payment is \$30,000. To calculate the market value of the offer, add the cash down payment to the market value of the mortgage.

Press	Display
9.25 ■ NOM%	9.25
2 ■ P/YR	2
■ EFF%	9.463906
12 ■ P/YR	12
■ NOM%	9.076624
102000 PV	102,000
240 N	240
0 FV	0
PMT	-922.752986
922.75 +/- PMT	-922.75
60 INPUT ■ AMORT	PER 60-60
= = =	90,570.109331
90570.11 +/- FV	-90,570.11
8 ■ NOM%	8
2 ■ P/YR	2
■ EFF%	8.16
12 ■ P/YR	12
■ NOM%	7.869836
60 N	60
PV	106,834.620887 (market value of the mortgage)
+ 30000 =	136,834.620887 (market value of the offer)

The market value of the offer is \$136,835, rounded to the nearest dollar.

Question 793

Answer: 2

Option (2) is correct. Option (1) is incorrect because an appeal from the small claims court is taken to the British Columbia Supreme Court. Option (3) is incorrect because the Supreme Court of Canada can decide not to hear an appeal from the BC Court of Appeal. Option (4) is incorrect because an appeal from the small claims court is at the BC Supreme Court and is heard by one judge.

Question 794

Answer: 3

Option (3) is correct because, in British Columbia, the indefeasibility principle means that any registered owner who acquires a fee simple estate in good faith (honestly) and for valuable consideration (a reasonable price, given the circumstances and market value) is protected by our land title system. In other words, if a person is named on a certificate of title as the owner of the fee simple estate in land, then that is conclusive proof, as far as the world is concerned, that he or she is entitled to that fee simple estate. Option (1) is incorrect because it describes the common law doctrine of the void deed which was overruled by the principle of indefeasibility. Option (2) is incorrect because it also describes the common law doctrine of the void deed, which is sometimes referred to as *nemo dat quod non habet*, or “one cannot give what one does not have”. Option (4) is incorrect because the principle of indefeasibility relies on a certificate of title, and not who the previous owner names as the new owner of an estate in land.

Question 795

Answer: 4

Find the amount of principal that has been paid off during the 5-year term.

Press	Display
6 ■ NOM%	6
2 ■ P/YR	2
■ EFF%	6.09
12 ■ P/YR	12
■ NOM%	5.926346
250000 PV	250,000
$25 \times 12 = N$	300
0 FV	0
PMT	-1,599.516559
1599.52 +/- PMT	-1,599.52
1 INPUT 60 ■ AMORT	PER 1-60
=	-25,408.479189

The amount of principal paid off during the 5-year term is \$25,408.48.

Question 796

Answer: 2

Option (2) is correct because if the landlord and tenant do not enter into a new agreement before the expiry date, and the tenant continues to occupy the premises, the landlord and the tenant are presumed to have renewed the original agreement as a month-to-month tenancy. Therefore, Options (1), (3), and (4) are incorrect.

Question 797

Answer: 1

In this question, solve for the future value.

Press	Display
2.5 I/YR	2.5
1 ■ P/YR	1
0 PV	0
4 N	4
6000 +/- PMT	-6,000
FV	24,915.09375

Question 798

Answer: 4

Option (4) is correct because a rafter is the structural member that supports the roof deck. Option (1) refers to a dormer, Option (2) refers to a header, and Option (3) refers to a specific roof style.

Question 799

Answer: 4

Option (4) is correct because the process model of buying behaviour helps explain how consumers go about the purchase of shopping goods (i.e., real estate services) and looks at the buying process from the consumer's perspective. A felt need is the initial need or trigger that starts the buying process. In real estate, many events can trigger the felt need to buy or sell a property. Options (1), (2), and (3) are incorrect because they are not the correct term for this initial trigger in the process model for buying behaviour.

Question 800

Answer: 4

Option (4) is correct because reminder-oriented messages focus on keeping the product, service, or licensee at the consumer's "top-of-mind." Option (1) is incorrect because informational messages are designed to provide information and create awareness. Option (2) is incorrect because persuasive messages are aimed at generating a response from the recipient, such as making a phone call or sending an e-mail. Option (3) is incorrect because appeal message is a term not used in this course.

Question 801

Answer: 4

Option (4) is correct. Option (1) is incorrect because if the seller has already paid the current year's taxes, the seller must be reimbursed for that portion of the year from and including the adjustment date. This will be a debit to the buyer and a credit to the seller. Option (2) is incorrect because the seller is responsible for the full amount of any penalty. It is not adjusted because only the seller was liable to pay and failed to do so in a timely manner. The buyer would be debited their portion of taxes from the adjustment date to December 31, and the seller would be credited the buyer's portion of taxes and debited the whole year's taxes due plus any late penalties. Option (3) is incorrect because if the taxes are not yet due, an estimate of the charge will have to be made.

Question 802

Answer: 1

Option (1) is correct because the value of the subject property calls for the adjustment of +\$4,200 and we know that the market value of one bedroom is \$4,200. So if the subject property is adjusted up by \$4,200, we know that the subject property must have one more bedroom than the comparable (4 bedrooms in subject). There is a -\$2,600 adjustment for bathrooms; therefore, the subject property has one less bathroom than the comparable (3 bathrooms in subject). Therefore, Options (2), (3), and (4) are incorrect.

Question 803

Answer: 4

Option (4) is correct because in the comparative approach of appraisal, it is most important that the subject building and the comparable buildings be similar with respect to factors judged important by buyers and sellers. Options (1), (2), and (3) are incorrect because similarity is only required for those factors that have a material influence on buyers and sellers, and the sale prices they negotiate.

Question 804

Answer: 3

Option (3) is correct because an owner of a fee simple estate has the greatest bundle of rights over his or her land that can be held in Canada, which includes the right to sell, rent, or lease the estate. Option (1) is incorrect because the term “fee” means that the estate can be inherited. Option (2) is incorrect because if the owner of a fee simple estate dies without a will, the owner’s heirs will inherit the estate in fee simple with the priority of the heirs being determined by the laws of intestate succession. Option (4) is incorrect because a fee simple estate has rights to the land for so long as he or she has heirs.

Question 805

Answer: 3

Option (3) is correct. Option (1) is incorrect because where the rules of equity and common law conflict, equitable principles take priority. Option (2) is incorrect because equitable remedies are awarded at the discretion of the court. Option (4) is incorrect because damages are a common law remedy.

Question 806

Answer: 2

Option (2) is correct because unlike in residential tenancies, there is no general obligation on either the landlord or tenant to repair commercial premises. Option (1) is incorrect because the contract does not have to be registered to be enforceable between the parties. Option (3) is incorrect because there is an implied covenant that the tenant will deliver up the premises as he or she found them, fair wear and tear excepted. Option (4) is incorrect because there is no obligation on the landlord to repair.

Question 807

Answer: 2

For this question, set the present value equal to \$23,000; solve for the future value of the investment. N is set to 20 because there are two semi-annual periods in each year ($2 \times 10 = 20$).

Press	Display
6 I/YR	6
2 \blacksquare P/YR	2
20 N	20
23000 +/- PV	-23,000
0 PMT	0
FV	41,540.558397

Question 808

Answer: 1

Option (1) is correct because a deposit is not required in order for a contract of purchase and sale to be enforceable. Options (2), (3), and (4) are incorrect because they are all requirements for an enforceable contract of purchase and sale.

Question 809

Answer: 4

Option (4) is correct because fixed-term residential tenancies automatically convert to a month-to-month periodic tenancy unless the parties have agreed in writing otherwise. Option (1) is incorrect because the resulting periodic tenancy does not include a rent increase of ten percent. Option (2) is incorrect because if the rent was expressed yearly, the new implied tenancy would be from year-to-year. Option (3) is incorrect because a periodic commercial tenancy can be terminated by either party by giving “reasonable” notice to the other.

Question 810

Answer: 3

Option (3) is the correct answer as it is the only option listed that is not a motivation to invest in real estate. Investing in real estate is typically long term, and requires a high outlay of capital, so it will not provide short-term funds to acquire chattels. Options (1), (2), and (4) are incorrect because they are all primary motives to invest.

Question 811

Answer: 3

Option (3) is correct because ownership can be divided. Options (1), (2), and (4) are significant characteristics of improved land.

Question 812

Answer: 1

Option (1) is correct because the role most often played by legislation is to change the common law. Option (2) is incorrect because the common law develops a system of precedent. Option (3) is incorrect because the power of the government to make laws is set out in our Constitution, which cannot be amended by an ordinary statute. Option (4) is incorrect because legislation is not used as a means to publicize important judicial decisions.

Question 813

Answer: 1

Option (1) is correct because this transfer of personal property is a credit to the buyer as it reduces the amount that the buyer owes, and is a debit to the seller as it reduces the amount of cash proceeds of sale due to the seller. Options (2) and (3) are incorrect because this transfer will appear on the statement of adjustment of both the buyer and seller. Option (4) is incorrect because a debit to the buyer would increase the amount owed to the seller, and a credit to the seller increases the cash the seller will receive on closing.

Question 814

Answer: 2

Option (2) is correct because the common law provides tenants with various rights such the right to quiet enjoyment and the right to derogation from grant. Options (1) and (3) are incorrect because the *Commercial Tenancy Act* and *Rent Distress Act* apply to commercial, not residential, tenancies.

Question 815

Answer: 3

Option (3) is the correct answer because a transportation facility is the only option that is likely to be both a positive and a negative externality. The transportation facility is likely to be positive because of easier access to transit, as well as negative due to unwanted noise and traffic. Options (1), (2), and (4) are incorrect as they represent only a positive or a negative externality.

Question 816

Answer: 4

Set the face value of \$217,200 equal to the present value. To calculate the nominal interest rate that the investor will earn, change the present value to \$220,500, the amount that the investor pays.

Press

11.5 I/YR
 12 \blacksquare P/YR
 217200 PV
 240 N
 0 FV
 PMT
 2316.29 +/- PMT
 220500 PV
 I/YR
 \blacksquare EFF%
 2 \blacksquare P/YR
 \blacksquare NOM%

Display

11.5
 12
 217,200
 240
 0
 -2,316.28516
 -2,316.29
 220,500
 11.267747(j_{12})
 11.868261(j_1)
 2
 11.535586(j_2)

Question 817

Answer: 4

Option (4) is correct because these are all amounts owed by the buyer. Option (1) is incorrect because the balance due to complete is a credit on the buyer's statement of adjustments. Option (2) is incorrect because the deposit paid and the balance due to complete are credits on the buyer's statement of adjustments. Option (3) is incorrect because these are all credits on the buyer's statement of adjustments.

Question 818

Answer: 4

Option (4) is correct because Elisa is responsible for 48/365 days for property taxes as the buyer is responsible for the adjustment date. The total property taxes is estimated to be $\$1324 \times 1.1 = \1456.40 . Therefore, Elisa's portion is $\$1456.40 \times (48/365) = \191.53 . This is a debit on the seller's statement of adjustments as it will reduce the cash proceeds due to her. Option (1) is incorrect because this value does not reflect the expected 10% increase in the current year's property taxes. Options (2) and (3) are incorrect because the seller's portion of the property taxes appears as a debit on the seller's statement as it reduces the cash proceeds due to the seller.

Question 819

Answer: 2

Option (2) is correct because the brokerage's commission of \$10,220, the seller's portion of property taxes of \$191.53, the assumption of Anya's first mortgage of \$123,544, the second mortgage of \$23,000, and the discharge fees for the second mortgage of \$75 are all debits on the seller's statement, and the sale price of \$448,000 is a credit on the seller's statement. Options (1), (3), and (4) are incorrect because the cash proceeds of sale which will be received by Anya is \$290,969.47.

Seller's Statement of Adjustments (Anya)

ITEM	DEBIT	CREDIT
Purchase Price		448,000.00
Commission	10,220.00	
Seller's Share of Taxes*	191.53	
Assumption of 1 st Mortgage	123,544.00	
Discharge of 2 nd Mortgage	23,000.00	
Legal Fees (discharge of 2 nd Mortgage)	75.00	
Cash Proceeds of Sale**	<u>290,969.47</u>	
	<u>448,000.00</u>	<u>448,000.00</u>

* $\$1,324 \times 1.10 = \$1,456.40$ (Jan. 1-Feb. 17 = 48 days)
 $48/365 \times \$1,456.40 = \191.53

** Because the total Debits and Credits must balance, in order to find the Proceeds of Sale, you must first calculate the total Credits (\$448,000.00) and then subtract the known Debits. The result is the balance of cash that the seller can expect to receive after all outstanding expenses relating to the property have been paid.

Question 820

Answer: 3

Option (3) is correct because the debits on the buyer's statement of adjustments include the sale price of \$448,000, property transfer tax of \$6,960, conveyancing fees of \$700, and fees for the preparation of Kenny's new mortgage of \$250, and the credits include the deposit of \$25,000, the seller's portion of the tax of \$191.53, the assumption of the first mortgage of \$123,544, and the second mortgage of \$98,000. Options (1), (2), and (4) are incorrect because the balance due to complete is \$209,174.47.

Buyer's Statement of Adjustments (Kenny)

ITEM	DEBIT	CREDIT
Purchase Price	448,000.00	
Deposit to Notary		25,000.00
Seller's Share of Taxes*		191.53
Assumed (1 st) Mortgage		123,544.00
2 nd Mortgage		98,000.00
Conveyancing Fee	700.00	
Mortgage Preparation	250.00	
Property Transfer Tax	6,960.00	
Balance Due to Complete**		<u>209,174.47</u>
	<u>455,910.00</u>	<u>455,910.00</u>

* $\$1,324 \times 1.10 = \$1,456.40$ (Jan. 1-Feb. 17 = 48 days)
 $48/365 \times \$1,456.40 = \191.53

** Because the total Debits and Credits must balance, in order to find the Balance Due to Complete, you must first calculate the total Debits (\$455,910.00) and then subtract the known Credits. The result is the balance due from the buyer to complete the transaction.

Question 821

Answer: 4

Option (4) is correct because a common shareholder of a corporation is liable only for the value of the shares purchased or agreed to be purchased. Option (1) is incorrect as each common share allows for one vote at the annual general meeting of the corporation. Options (2) and (3) are incorrect as common shareholders indirectly share the income of the corporation, in the form of dividends.

Question 822

Answer: 1

Option (1) is correct because when a property possesses latent value it is implied that the property is not currently employed at its highest and best use, and this latent value could be realized if the property were redeveloped to the highest and best use. Options (2), (3), and (4) are incorrect because they are not implications of latent value.

Question 823

Answer: 3

For this question, convert the rate from a j_1 to a j_{12} and then calculate the future value.

Press

6.5 ■ NOM%

1 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

5000 +/- PV

0 PMT

18 N

FV

Display

6.5

1

6.5

12

6.314033

-5,000

0

18

5,495.338081

Question 824

Answer: 1

Option (1) is correct because while a fee simple estate is the greatest estate in land, the owner of the estate in fee simple is not the absolute owner. This is because underlying title in all land in British Columbia is held by the Crown. Option (2) is incorrect because a fee simple estate does not always have clear title. Option (3) is incorrect because the term “fee simple” is still used today to describe the greatest interest in land, and has not been abolished. Option (4) is incorrect because fee simple is a form of estate in land.

Question 825

Answer: 4

The first step is to calculate the monthly payments at the contract rate; the second step is to calculate the OSB at the end of the term and set this equal to the future value; the third step is to calculate the market value of the mortgage at the market rate. The final step is to add on the down payment to find the market value of the townhouse.

Press

5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 90000 PV
 300 N
 0 FV
 PMT
 523.44 +/- PMT
 60 INPUT ■ AMORT
 = = =
 79657.06 +/- FV
 7 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 60 N
 PV
 + 85000 =

Display

5
 2
 5.0625
 12
 4.948699
 90,000
 300
 0
 -523.444487
 -523.44
 PER 60-60
 79,657.06119
 -79,657.06
 7
 2
 7.1225
 12
 6.900047
 60
 82,968.212749 (market value of the mortgage)
 167,968.212749 (market value of the offer)

The market value of the offer is \$167,970, rounded to the nearest \$10.

Question 826

Answer: 3

Option (3) is correct because a registered fee simple acquired bona fide for value without knowledge of an earlier fraudulent dealing in the land is indefeasible. Options (1), (2), and (4) are correct because these are all exceptions to the indefeasibility principle.

Question 827

Answer: 4

Option (4) is correct because it is the responsibility of a real estate board to enforce the Code of Ethics and Standards of Business Practices, not the Superintendent of Real Estate (the "Superintendent"). Options (1), (2), and (3) are incorrect because they are all duties of the Superintendent as stated in the *Real Estate Services Act*.

Question 828

Answer: 4

Option (4) is correct because the common law rule of *interesse termini* provides that no estate in land passes until the tenant takes possession. Option (1) is incorrect because a term which is contrary to the *Commercial Tenancy Act* is void and unenforceable. Option (2) is incorrect because the implied covenant of quiet enjoyment is an assurance to the tenant against the consequences of a defective title. Option (3) is incorrect because section 32 of the *Residential Tenancy Act* states that a tenant is not required to make repairs for reasonable wear and tear.

Question 829

Answer: 2

Option (2) is correct and Options (1), (3), and (4) are incorrect because generally, a brokerage must retain records for at least seven years after their creation (section 92 of the *Real Estate Services Rules*).

Question 830

Answer: 2

Option (2) is correct because specific performance and injunctions are equitable remedies available at the discretion of the court. Option (1) is incorrect because a judge cannot refuse to apply a law which is unfair. Option (3) is incorrect because in the common law system of British Columbia, judges may refer to common law and statute law, but not to a code to ascertain the law. Option (4) is incorrect because a judge cannot refuse to apply any law which is unfair, and cannot refer to a code to ascertain the law.

Question 831

Answer: 4

Option (4) is correct and Options (1), (2), and (3) are incorrect because a reverse annuity mortgage is an innovative loan arrangement where the lender makes periodic payments to the borrower and at the end of the term, the borrower repays the balance.

Question 832

Answer: 4

Option (4) is correct if a court issues a judgment against the strata corporation, the judgment is against all the owners. Options (1), (2), and (3) are incorrect because the *Strata Property Act* permits these remedies.

Question 833

Answer: 1

To calculate the depreciation expense for Fanny's building, calculate the value of the building minus the salvage value. This will give us the amount to be depreciated. The straight-line depreciation expense equals the amount to be depreciated divided by the number of years.

$$\begin{aligned}\text{Value of the building: } & \$225,000 - \$100,000 = \$125,000 \\ \text{Value to be depreciated} & = \$125,000 - \$25,000 = \$100,000\end{aligned}$$

$$\text{Straight line depreciation} = \$100,000 \div 10 = \$10,000$$

Question 834

Answer: 1

$$\text{Value of the building: } \$225,000 - \$100,000 = \$125,000$$

Question 835

Answer: 4

Option (4) is correct because an equitable mortgage cannot be prohibited by statute. If a mortgage is unregistrable for procedural reasons, then it is an equitable mortgage. Options (1), (2), and (3) are incorrect because they are all examples of equitable mortgages.

Question 836

Answer: 4

Option (4) is correct because interests in land are said to “run with the land”, so the doctrine of privity of contract does not apply to contracts creating an interest in land. Option (1) is incorrect because the easement is enforceable between Scott and Alice because the easement is an interest in land which is not subject to the doctrine of privity of contract. Option (2) is incorrect because since interests in land “run with the land”, and do not “run with the owner”. Option (3) is incorrect because all interests in land “run with the land”, not only rights of way.

Question 837

Answer: 1

Option (1) is correct; the Canadian Electrical Code requires minimum electrical service capacity of 100 amps for houses at least 80 square meters. Most houses of this size will have greater electrical service capacity of 125, 150, or 200 amps. Options (2), (3), and (4) are therefore incorrect.

Question 838

Answer: 3

Option (3) is correct because a registered property owner who is a widow or widower may make an application to defer the property taxes payable on their principal place of residence. Options (1), (2), and (4) are incorrect because this deferral program does not extend to members of parliament, divorcees, or war veterans.

Question 839

Answer: 3

Option (3) is correct because a deposit is not an essential element of a binding contract. The 7 essential elements are offer, acceptance, consideration, legal intention, capacity, legal object, and genuine consent. Options (1), (2), and (4) are incorrect because they are all essentials for the formation of a binding contract.

Question 840

Answer: 2

For this question, use the following three formulas:

$$\text{Market Value} = \frac{\text{NOI}}{\text{Cap Rate}}$$

$$\text{Cap Rate} = \frac{\text{NOI}}{\text{Market Value}}$$

$$\text{NOI} = \text{Gross Potential Income} - \text{Vacancy} - \text{Current Operating Expenses}$$

Calculate the NOI for each of the three properties and the cap rate for the two comparable properties.

$$\begin{aligned} \text{Comparable A: } \text{NOI} &= \$45,000 - \$4,500 - \$30,000 = \$10,500 \\ \text{Cap Rate} &= \$10,500 \div \$210,000 = 0.05 \end{aligned}$$

$$\begin{aligned} \text{Comparable B: } \text{NOI} &= \$49,000 - \$4,900 - \$32,000 = \$12,100 \\ \text{Cap Rate} &= \$12,100 \div \$220,000 = 0.055 \end{aligned}$$

The cap rate used to calculate the market value of the subject property is the one that most reflects the subject property and is determined by several factors. For the purposes of this question, the two most comparable properties have been selected and a range of values is determined.

$$\text{Subject Property: } \text{NOI} = \$54,000 - \$5,400 - \$36,000 = \$12,600$$

Market value using cap rate from Comparable A:

$$\text{Market Value} = \$12,600 \div 0.05 = \$252,000$$

Market value using cap rate from Comparable B:

$$\text{Market Value} = \$12,600 \div 0.055 = \$229,090.91 \text{ or } \$229,000 \text{ (rounded)}$$

The subject property's market value estimate is in the range of \$229,000 to \$252,000, (rounded to the nearest \$1,000).

Question 841

Answer: 4

Option (4) is correct because an easement or right-of-way, building scheme, and leasehold are all interests in land that can be valued. An easement or right-of-way affects the value of the properties involved depending on the location of the easement. A building scheme, which is a type of restrictive covenant, must benefit or enhance the value of the covenantee's land in some way. A leasehold estate has great economic value and grants important rights to land. Options (1), (2), and (3) are incorrect because they are all interests in land that can be valued.

Question 842

Answer: 3

Note: We are given the gross realized revenue, so vacancy is already included.

A reminder: Gross potential revenue – vacancy = gross realized revenue

Find the yield/cap rate of Comparable A and B, then determine a range for the market value of the subject property using these two cap rates.

$$\text{A: } \$47,000 - \$29,000 = \$18,000 \div \$210,000 = 8.571429\%$$

$$\text{B: } \$52,000 - \$34,000 = \$18,000 \div \$225,000 = 8\%$$

$$\text{Subject Property: NOI} = \$56,000 - \$37,000 = \$19,000$$

Market value using cap rate from Comparable A:

$$\text{Market value} = \$19,000 \div 8.571429\% = \$221,666.67 \text{ or } \$222,000 \text{ (rounded)}$$

Market value using cap rate from Comparable B:

$$\text{Market value} = \$19,000 \div 8\% = \$237,500 \text{ or } \$238,000 \text{ (rounded)}$$

The subject property's market value estimate is in the range of \$222,000 to \$238,000 (rounded to the nearest \$1,000).

Question 843

Answer: 3

Option (3) is correct (false); the maximum CCA in a given year is equal to the undepreciated capital cost (UCC) multiplied by the CCA percentage. Options (1), (2), and (4) are incorrect because they are true.

Question 844

Answer: 3

Option (3) is correct because in 2001, CMHC launched Canada Mortgage Bonds to increase the supply of low cost mortgage funds in Canada, and provide easy access to investment in Canadian residential mortgages. The Canada Mortgage Trust is the organization created by CMHC that issues these bonds. Options (1), (2), and (4) are incorrect because the CMHC did not create virtual banks, Ginnie Mae Mortgage-Backed Securities, or credit unions.

Question 845

Answer: 4

Option (4) is correct because Options (1), (2), and (3) are all incorrect. Option (1) is incorrect because Larry is liable to the buyer in negligence because he did not exercise reasonable care and skill by relying only on information from the seller. Option (2) is incorrect because the seller does have a duty to disclose this defect to the buyer because it is likely a latent defect. Option (3) is incorrect because the seller can still be liable for misrepresentation because there is a relationship between the seller and the buyer giving rise to a duty of care.

Question 846

Answer: 3

Option (3) is correct because if a party seeking to enforce the contract has reasonably relied on the existence of a contract and in doing so has altered his or her position, a court may enforce the contract if only its enforcement will prevent an unfair result. Option (1) is incorrect because the *Law and Equity Act* writing requirement applies even when a buyer and seller agree on the terms of the sale. Option (2) is incorrect because a contract not in writing is not void, but may be unenforceable. Option (4) is incorrect because if the party denying the contract has done some act that indicates the contract was made, they will be “estopped” from denying its existence.

Question 847

Answer: 1

Option (1) is correct because a real estate professional has an ethical duty to present all options, which is implicit in the duty to advise fully, candidly and honestly. Therefore, Options (2), (3), and (4) are incorrect.

Question 848

Answer: 2

Option (2) is correct because Devco has potentially breached various statutes. Option (1) is incorrect because this could potentially be a breach of the federal *Competition Act* which is designed to hold business actors accountable for misleading, deceptive, or anti-competitive practices. Option (3) is incorrect because the *Real Estate Services Rules* prohibits licensees from knowingly publishing real estate advertising containing any false statement or representation concerning real estate, a trade in real estate, or the provision of real estate services. Option (4) is incorrect because the *Real Estate Services Rules* requires licensees to disclose their interests in the property to potential buyers.

Question 849

Answer: 2

Option (2) is correct because when a life estate is created for one party with the remainder going to another party in fee simple, the interest the second party holds is known as a remainderman. Therefore, Options (1), (3), and (4) are incorrect.

Question 850

Answer: 3

Option (3) is correct because making a substantial change to Mary's offer would be considered a counter-offer. The counter-offer becomes the new offer, which terminates the original offer. Option (1) is incorrect because if acceptance by mail is appropriate, then the “postal acceptance rule” applies, making the acceptance effective as soon as it is put in the mailbox, rather when it is actually received. Option (2) is incorrect because the party who made the offer can revoke it at any time before it is accepted. Option (4) is incorrect because while a counter-offer terminates the original offer, an offeree's minor request for information does not terminate an offer.

Question 851

Answer: 2

For this question, calculate the mortgage amount based on the two constraints of the loan-to-value and debt service ratio. The maximum loan allowable will be the amount that satisfies both constraints: therefore, it is the lower amount of the two.

$$LTV = 80\%$$

$$\text{Lending Value} = \$208,000$$

$$\text{Maximum loan under lender's LTV criteria} = 0.8 \times \$208,000 = \$166,400$$

$$GDSR = 30\%$$

$$\text{The Mortgagor's gross income is } \$35,000 + (\$30,000 \times 0.75) = \$57,500$$

$$GDSR = \frac{P + I + T}{GI} \rightarrow 0.30 = \frac{P + I + \$1,900}{\$57,500}$$

$$P + I = (GDSR \times GI) - T$$

$$P + I = (0.30 \times \$57,500) - \$1,900$$

$$P + I = \$15,350 \text{ (annual mortgage payment)}$$

The loan states that monthly payments are required so:

$$P + I = \$15,350 \div 12 = \$1,279.17 \text{ (monthly mortgage payment)}$$

Press

7.5 ■ NOM%

2 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

1279.17 +/- PMT

300 N

0 FV

PV

Display

7.5

2

7.640625

12

7.385429

-1,279.17

300

0

174,856.31915

The maximum loan under the GDSR is \$174,856.

Therefore, the maximum mortgage is the lower of the two loan amounts: \$166,400.

Question 852

Answer: 3

The loan-to-value ratio is the maximum loan divided by the lending value.

$$\$268,000 \div \$335,000 = 0.8$$

Question 853

Answer: 3

Option (3) is correct because under the *Constitution Act, 1867*, the provincial governments were given jurisdiction over matters affecting private property and were also empowered to delegate some provincial powers to local governments. Option (1) is incorrect because the *Constitution Act, 1867* gave the provincial government jurisdiction over matters affecting private property, not the federal government. Option (2) is incorrect because although the province has delegated most authority to regulate land use to local governments, the provincial government has maintained certain power such as through the *Agricultural Land Commission Act*. Option (4) is incorrect because the *Heritage Conservation Act* also gives local governments the authority to impose restrictions on a private landowner's use of their land.

Question 854

Answer: 2

Option (2) is correct because Mr. Falcon's need for a quick sale is likely to result in a lower sale price. Options (1), (3), and (4) are incorrect because they would not cause Mr. Finch's home to sell for a lower value.

Question 855

Answer: 3

Option (3) is correct because unless there is an express prohibition in the lease, a tenant under a commercial lease may assign without the consent of the landlord. Option (1) is incorrect because a commercial tenant can assign a lease unless the lease expressly prohibits them from doing so. Option (2) is incorrect because the landlord is not required to give his/her consent for an assignment of a commercial lease. Option (4) is incorrect because a tenant can assign a commercial lease even if the lease permits subletting the premises.

Question 856

Answer: 2

Option (2) is correct because at common law, once a "break" in the chain of title occurred, all subsequent transfers or other dealings with the land were of no effect because of the maxim *nemo dat quod non habet*. Option (1) is incorrect because the current "owner" would lose the title and would have no remedy other than to sue the person from whom he or she had bought the land. Option (3) is incorrect because a deed given in exchange for an illegal act or thing is a void deed. Option (4) is incorrect because a current fee simple "owner" could have certainty of title after the 20 year limitation period for lawsuits to recover a land title transferred by a void deed had expired.

Question 857

Answer: 2

The correct answer is Option (2) because a property with a particularly attractive view may be worth much more than a property without a view. Option (1) is incorrect; the quality of aesthetic factors that can be corrected economically, such as landscaping, do not have an impact on appraised values. Option (3) is also incorrect because a one-year difference in age in a relatively new home is unlikely to have a material impact on appraised values. Option (4) is incorrect because the weather is unlikely to have a material impact on appraised values.

Question 858

Answer: 1

$$\begin{aligned}\text{Annual Depreciation Expense} &= \frac{\text{Cost} - \text{Salvage Value}}{\text{Estimated Life (years)}} \\ &= \frac{185,000 - 5,000}{9} \\ &= \$20,000\end{aligned}$$

$$\begin{aligned}\text{Book value after 3 years} &= \text{Cost} - \text{Total Depreciation} \\ &= \$185,000 - (\$20,000 \times 3) \\ &= \$125,000\end{aligned}$$

Question 859

Answer: 2

Option (2) is correct because it is only an offence under section 52 of the *Competition Act* if the false advertisement is misleading in a material respect. Option (1) is incorrect because the forms of advertising covered by section 52 are extremely broad, and include representations in print, oral, and digital form. Option (3) is incorrect because the courts will consider both the literal meaning and general impression of the advertisement to determine whether the representation is false or misleading in a material respect. Option (4) is incorrect because an accused may escape liability under section 52 if they honestly believed that the representation or advertisements were not false or misleading and that they exercised due diligence in making sure that was the case.

Question 860

Answer: 4

Option (4) is correct because authority can be revoked by an act of the principal that is inconsistent with the continuation of authority. Options (1), (2), and (3) are incorrect because these events will not terminate a real estate agency relationship.

Question 861

Answer: 3

Option (3) is correct because in an agreement for sale, the vendor “lends” the purchaser some portion of the purchase price but remains the owner of the property. The purchaser repays this amount to the vendor by way of instalments, and the vendor transfers title to the purchaser when the entire amount has been repaid. Therefore, Options (1), (2), and (4) are incorrect.

Question 862

Answer: 1

Option (1) is correct because a person selling a neighbour’s house for a flat fee is not exempted from the requirements to be licensed under the *Real Estate Services Act*. Option (2) is incorrect because appraisers and property inspectors are exempted from having a license with respect to trading services. Option (3) is incorrect because accountants in relation to purchase and sale of a business are exempted. Option (4) is incorrect because employees of developers are exempted.

Question 863

Answer: 1

Option (1) is correct because section 49 of the *Real Estate Services Rules* prohibits licensees from making a promise to buy or sell any real estate belonging to a prospective buyer unless at the time the licensee makes the promise, he or she gives a signed statement containing the details of the promise to the person to whom it is made. Option (2) is incorrect because a trading services representative does not have to have lined up a buyer for the property before making a promise to buy or sell any real estate belonging to a prospective buyer. Option (3) is incorrect because a trading services representative is not required to first obtain authorization by the brokerage before making such a promise. Option (4) is incorrect because the *Real Estate Services Act* does not prohibit these promises from being made.

Question 864

Answer: 3

At the end of the term, the borrower will owe an outstanding balance of \$178,877.95. Set this number equal to the FV and then calculate the payment.

Press	Display
7.5 I/YR	7.5
12 \blacksquare P/YR	12
195000 PV	195,000
60 N	60
178877.95 +/- FV	-178,877.95
PMT	-1,441.039997

The monthly payment is \$1,441.04.

Question 865

Answer: 4

Option (4) is correct because copyright law protects software. Option (1) is incorrect because even though you pay a price for software, it is licensed to the user, not an “ownership” purchase. Option (2) is incorrect because the licence agreement contains a fair use clause, which restricts copying the software for friends, colleagues, and making copies for resale. Option (3) is incorrect because copying and reselling software is generally not legally permissible.

Question 866

Answer: 3

Option (3) is correct because the *Strata Property Act* does not permit a strata corporation to prohibit strata lot owners from selling their lots to non-residents of British Columbia. Option (1) is incorrect because the *Strata Property Act* permits a strata corporation to control, manage, and administer the common property and common assets of the corporation for the benefit of the owners. Option (2) is incorrect because the *Strata Property Act* permits the strata corporation to file a lien in the land title office against a strata lot for money owing to the corporation. Option (4) is incorrect because the *Strata Property Act* permits a strata corporation to deny an owner, tenant, occupant, or visitor the use of the recreational facility that is common property for a reasonable length of time.

Question 867

Answer: 2

Option (2) is correct because an agent's authority to act on behalf of his principal may not arise contingently. Options (1), (3), and (4) are incorrect because an agency relationship is commonly created expressly, by implication, or by ratification by the principal of the agent's acts done on the principal's behalf.

Question 868

Answer: 1

For this question, calculate the mortgage amount based on the constraints of loan-to-value and debt coverage ratio. The maximum loan allowable will be the amount that satisfies both constraints; therefore, it is the lower amount of the two.

LTV constraint: $\$880,000 \times 0.80 = \$704,000$

Using DCR constraint, calculate maximum allowable payments.

$$\text{DCR} = \frac{\text{NOI}}{\text{Payments}}$$

$$\text{therefore; Payments} = \frac{\text{NOI}}{\text{DCR}} = \frac{\$112,500}{1.25} = \$90,000$$

The loan calls for monthly payments; therefore, monthly payments $= \frac{\$90,000}{12} = \$7,500$

Press	Display
12 I/YR	12
12 \blacksquare P/YR	12
7500 +/- PMT	-7,500
180 N	180
0 FV	0
PV	624,912.479918

Take the lower of the two (\$704,000 vs. \$624,912). Therefore, the maximum loan allowable is \$624,912.

Question 869

Answer: 4

Option (4) is correct because the factory was in compliance with the industrial use permitted by the zoning bylaw when it was built, and so it will be permitted to continue as a legal non-conforming use after the area is rezoned to residential use. Option (1) is incorrect because this is an example of an illegal secondary suite. The fact that the municipality is aware of the suite does not make the suite legal; rather, the city could elect to enforce its bylaws at any time. Option (2) is incorrect because the grocery was non-compliant with the bylaw even before it was amended, so the use was never legal. Option (3) is incorrect because an addition cannot be made to a building used for a non-conforming use unless it is required by law or permitted by a board of variance.

Question 870

Answer: 4

Option (4) is correct because section 44 of the *Residential Tenancy Act* states that a tenant vacating or abandoning the rental unit will result in the end of a tenancy agreement. Option (1) is incorrect because a residential landlord cannot distraint a tenant's goods for arrears of rent. Option (2) is incorrect because section 32 of the *Residential Tenancy Act* imposes an obligation on the landlord to repair all types of residential premises. Option (3) is incorrect because there is no obligation to register a lease of three years or less to secure a tenant's rights against subsequent owners of the leased premises.

Question 871

Answer: 4

Option (4) is correct because a manufactured home is not required to be registered. Option (1) is incorrect because under section 7 of the *Manufactured Home Act*, the transfer is not effective, except between the parties to the transfer, unless both the home and the transfer are registered. Option (2) is incorrect because the *Manufactured Home Act* prohibits any person from importing into British Columbia unless ownership is registered. Option (3) is incorrect because the registrar will assign a manufactured home a registration number upon satisfactory completion of the initial registration, and issue two decals bearing that number.

Question 872

Answer: 3

Option (3) is correct because a wood-fired space heater may not provide steady consistent heat. Rooms that are not space heated will remain cool. Options (1), (2), and (4) are incorrect because they are true. A wood-fired space heater can reduce the overall heating expense by providing an additional source of heat that does not rely on electricity or gas. This type of heating is frequently described as comfortable heat because it provides both radiant and convection heat. In addition, thermostatic controls for temperature and circulation fans are available.

Question 873

Answer: 4

Option (4) is correct because the undertaking and carrying out of real estate law reform is a duty of the Real Estate Foundation, not the British Columbia Financial Services Authority (BCFSA). Option (1) is incorrect because according to the *Real Estate Services Act*, states that BCFSA is responsible for issuing real estate licenses. Option (2) is incorrect because BCFSA may conduct investigations and hold formal disciplinary processes. Option (3) is incorrect because according to section 53.1 of the *Real Estate Services Act*, BCFSA may require the licensee to pay the expenses, or part of the expenses, incurred in relation to either or both of the investigation and the discipline hearing to which the order relates.

Question 874

Answer: 1

Option (1) is correct because using proven anti-virus and malware software is the most simple, effective, and reliable method of protecting against viruses. Therefore, Options (2), (3), and (4) are incorrect.

Question 875

Answer: 1

Option (1) is correct because a misrepresentation is a false statement of fact, not of opinion. Option (2) is incorrect because in order to be a misrepresentation that would entitle the buyer to rescind the contract, the statement must have induced the other party to enter into the contract. Option (3) is incorrect because the statement must also be one which would have induced a reasonable person to enter into the contract. Option (4) is incorrect because in order to claim damages, the seller must have known it was false, or have been reckless as to its truth or falsehood.

Question 876

Answer: 3

Option (3) is correct because damages that are not reasonably foreseeable are considered too “remote” in law, and a plaintiff will not be able to get compensation for them. Option (1) is incorrect because a claim for negligence is concerned with whether the defendant breached the standard of care owed, not whether they intended to cause injury or damage to the plaintiff. Option (2) is incorrect because this is a required element for a successful claim of negligence. Option (4) is incorrect because even if an act was authorized by statute, a defendant could still be found negligent for the way that act was done.

Question 877

Answer: 2

Option (2) is correct because while a person can assign away benefits under a contract to a third party, a person generally cannot assign liabilities. Option (1) is incorrect because under the doctrine of privity of contract, only the parties to a contract can sue or be sued for its breach. Option (3) is incorrect because one exception to the doctrine of privity of contract is contracts which create an interest in land. Option (4) is incorrect because the *Law and Equity Act* states that a statutory assignment must be in writing, must be absolute and unconditional, and notice must be given in writing to the original promisor.

Question 878

Answer: 1

Option (1) is correct because a judgment against the strata corporation is a judgment against all the owners, and every strata lot owner is liable to pay the judgment in the portions set out in the Schedule of Unit Entitlement. Option (2) is incorrect because although the *Strata Property Act* requires the strata corporation to maintain insurance against liability for bodily injury, if this insurance does not cover the full judgment, George would still be liable to pay his proportionate liability. Option (3) is incorrect because the contingency reserve fund is used for paying for common expenses, not for paying damage awards. Option (4) is incorrect because since George is an owner, he must pay his proportionate liability.

Question 879

Answer: 2

Option (2) is correct because it is a valid defence to private nuisance if the damage caused is trifling and of little consequence. Option (1) is incorrect because it is no defence to say that the utmost care and skill have been taken. Option (3) is incorrect because having authority under a municipal business licence is not a defence to private nuisance. Option (4) is incorrect because it is no defence to say that a person is only making a reasonable use of his or her property.

Question 880

Answer: 3

Option (3) is correct because although Avon is not liable for voluntary, permissive, or ameliorating waste, Avon would still incur liability for flagrantly or maliciously damaging or destroying the property. Option (1) is incorrect because Avon is not liable for permissive waste. Option (2) is incorrect because Avon is not liable for ameliorating waste. Option (4) is incorrect because Avon is liable for equitable waste.

Question 881

Answer: 1

To calculate the straight-line depreciation, take the amount that can be depreciated and then divide by the number of years.

$$\text{Straight-line depreciation: } \$97,835 \div 25 = \$3,913.40$$

Question 882

Answer: 2

Option (2) is correct. The easement must be capable of forming the subject matter of a grant, which means that the easement must be capable of reasonably exact definition. One must be able to identify its boundaries. Furthermore, the person granting the easement and the person whose land receives the benefit of the easement must have the necessary capacity to be grantor and grantee. For example, a tenant cannot grant an easement that binds the property after the tenancy expires. Option (1) is incorrect because an easement can be either positive or negative in nature (in comparison to a restrictive covenant, which must be negative in nature). Option (3) is incorrect because one party can own both the dominant and servient tenement provided that they are two different parcels of land. Option (4) is incorrect because the easement must accommodate the dominant tenement, not the servient tenement.

Question 883

Answer: 3

Option (3) is correct because an order absolute of foreclosure does not wipe all other charges, liens, encumbrances, and interests off the title. Option (1) is incorrect because once the petitioner has been granted the order absolute of foreclosure, he or she may not then sue the borrower on the borrower's personal covenant. Option (2) is incorrect because the order absolute of foreclosure declares that the respondents are foreclosed of any right, title, or interest in the mortgaged property and it directs them to deliver up possession of the property to the petitioner. Option (4) is incorrect because if the petitioner sells the land, there is no requirement to account to the borrower for any money received or any profit which might be realized in excess of the mortgaged debt.

Question 884

Answer: 2

Option (2) is correct because a portable mortgage allows the borrower to sell his or her home and carry the mortgage over to the purchase of a new home. Because of this portability, the borrower will save money if his or her mortgage has a lower interest rate than the current interest rate that a new mortgage would be written at. Option (1) is incorrect because

a portable mortgage allows a seller of their home to carry the mortgage over to a purchase of a new home. Option (3) is incorrect because a portable mortgage cannot also be vendor-supplied. Option (4) is incorrect because a portable funds fee is not necessarily always charged on a portable mortgage.

Question 885

Answer: 3

Option (3) is correct because the *Personal Information Protection Act* (PIPA), which came into force in January 2004, regulates the way private sector organizations collect, use, keep secure, and disclose personal information. Options (1), (2), and (4) are incorrect because they do not refer to legislation that regulates personal information.

Question 886

Answer: 4

Option (4) is correct because a licensee may be exempt from the application of the *Real Estate Services Act* (RESA) and the *Real Estate Services Rules* when the licensee manages rental real estate owned by himself or herself. To be exempt, the licensee must provide these services in their own name and not in the name of their related brokerage, must not include any information about their brokerage in advertising the rental real estate, and must disclose in writing to their managing broker that they will be providing rental property management services on their own behalf in relation to their own real estate. The licensee must also disclose to each potential tenant of the rental real estate that even though they are licensed under RESA, they are not acting as a licensee in this case and are not regulated under RESA in relation to the rental real estate. Options (1), (2), and (3) are incorrect for this reason.

Question 887

Answer: 1

Option (1) is correct because buyers of cooperatives own shares in the cooperative association or company and is a tenant, rather than a fee simple owner. Option (2) is incorrect because the disclosure requirements in the *Real Estate Development Marketing Act* apply to cooperatives and condominiums. Option (3) is incorrect because condominiums are generally easier to sell than cooperatives because the cooperative association's board of directors must approve the person who proposes to buy a cooperative owner's shares. Option (4) is incorrect because where a building is being converted to a cooperative, any residential tenants who are required to move will be entitled to the protections of the *Residential Tenancy Act*.

Question 888

Answer: 1

Option (1) is correct because a brokerage does not have to have a separate trust account for each client. Option (2) is incorrect because all money received for or on behalf of a client must be put into a trust account as soon as the brokerage receives it. Option (3) is incorrect because a brokerage is permitted to withdraw money paid into a trust account if it was paid into the trust account by mistake. Option (4) is incorrect because money paid into a trust account may be withdrawn to cover expenses incurred on behalf of a client and according to the client's instructions.

Question 889

Answer: 3

Press	Display
6 ■ NOM%	6
1 ■ P/YR	1
■ EFF%	6
365 ■ P/YR	365
■ NOM%	5.827356
30 N	30
370000 +/- PV	-370,000
0 PMT	0
FV	371,776.263438

At a rate of $j_1 = 6\%$, \$371,776.26 is the minimum amount that Fancy Finance should receive.

Question 890

Answer: 2

Option (2) is correct (i.e., false) because a brokerage's real estate commission appears on the seller's statement of adjustments as a debit, and does not appear on the buyer's statement of adjustments. Option (1) is incorrect because where an existing mortgage will be assumed by the buyer and remain on title, the amount of cash due to the seller is reduced which is reflected as a debit on a seller's statement of adjustments. Option (3) is incorrect because the seller is responsible for property taxes up to the day before the adjustment date, and the buyer is responsible for the property taxes on the adjustment date. Option (4) is incorrect because a seller's portion of taxes to be paid in the future will reduce the amount required to complete due from the buyer which is reflected as a credit on a buyer's statement of adjustments.

Question 891

Answer: 4

Option (4) is correct because only the principal or agent can terminate the authority. Options (1), (2), and (3) are incorrect because these are ways that can terminate an agency contract.

Question 892

Answer: 4

Option (4) is correct because all of the statements are true. Option (1) is true because a special buyer is a potential purchaser that is interested in a particular property because it has a specific attribute, and he or she may be willing to pay significantly more or less than other buyers. Option (2) is true because real property is immobile, which causes the market for real property to be local by nature. Option (3) is true because the neighbourhood an appraiser considers in his or her analysis may not be confined to the subdivision. This will depend on the abundance of similar recent sales and the appraiser's discretion.

Question 893

Answer: 3

Option (3) is correct because unlimited liability means that the owner's legal liability is not limited to his or her initial investment in the company. Sole proprietors and general partners have unlimited liability, whereas limited partners and corporate shareholders have limited liability. Options (1), (2), and (4) are incorrect statements.

Question 894

Answer: 4

Option (4) is correct and Options (1), (2), and (3) are incorrect because all of the statements are true. A commercial lease for a fixed term terminates automatically upon expiration of the term specified in the lease. Commercial leases can be set for any length of time. Commercial leases must include the commencement date and duration of its term.

Question 895

Answer: 2

To calculate the maximum loan amount, calculate the loan amounts based on both the constraint of the loan-to-value ratio and the gross debt service ratio. The loan-to-value is calculated based on the bank's appraisal of the property. In this case, the amount the bank appraises the property at is \$375,000. Once the payments from the GDSR are calculated, the PV of the loan is calculated, taking into consideration the stress test qualification rules. The loan amount that satisfies both constraints (the smaller amount) will be the maximum loan amount.

$$LTV = 80\%$$

$$\text{Lending Value} = \$375,000$$

$$\text{Maximum loan under lender's LTV criteria} = 0.8 \times \$375,000 = \$300,000$$

$$GDSR = 32\%$$

$$P + I = (GDSR \times \text{Gross Income}) - \text{Property Taxes}$$

$$P + I = (0.32 \times \$60,000) - \$1,800$$

$$P + I = \$17,400 \text{ per year} = \$1,450 \text{ per month}$$

The mortgage qualifying rate is based on the greater of (1) the government-specified qualifying rate of $j_2 = 5.25\%$ OR (2) an additional 2% above the mortgage's negotiated contract rate. In this case, you would apply a rate of $j_2 = 5.25\%$, the government-specified rate, which is greater than the mortgage's contract rate plus 2% of $j_2 = 5\%$ ($2\% + 3\%$).

Press

5.25 ■ NOM%

2 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

1450 +/- PMT

300 N

0 FV

PV

Display

5.25

2

5.318906

12

5.193482

-1,450

300

0

243,322.060330

The maximum loan under the GDSR is \$243,320, rounded to the nearest \$10. The maximum that Jake can borrow is the lesser of \$300,000 (LTV) and \$243,320 (GDSR). In this case, Jake can only borrow \$243,320, rounded to the nearest \$10.

Question 896

Answer: 2

Option (2) is correct because the doctrine of the void deed was a component of the common law system, but is not a component of the British Columbia land title registration system. Options (1), (3), and (4) are incorrect because they are all components of the British Columbia land title registration system.

Question 897

Answer: 4

Option (4) is correct and Options (1), (2), and (3) are incorrect because the plaintiff must first file and serve a notice of civil claim, then the defendant must file and serve a response to civil claim, then an examination for discovery is conducted, and finally the judgment is enforced.

Question 898

Answer: 3

Option (3) is correct because it is false. Option (1) is incorrect because lenders and brokers must disclose the Annual Percentage Rate (APR) to the borrower. Option (2) is incorrect because the APR represents the borrower's contractual interest rate plus any non-interest finance charges. Option (4) is incorrect because in order to provide borrowers with some help in determining the actual cost of borrowing, most provincial governments in Canada have legislated that certain disclosure requirements must be met for specific types of mortgages. However, a disclosure statement must be given to a borrower TWO days prior to the borrower incurring an obligation under a credit agreement, unless the time period is waived by the borrower in accordance with Section 15 of the Disclosure of the Cost of Consumer Credit Regulation.

Question 899

Answer: 3

Option (3) is correct because the *Real Estate Development Marketing Act*, not the *Real Estate Services Act*, requires disclosure statements. Options (1), (2), and (4) are incorrect because these are ways in which the *Real Estate Services Act* achieves its primary purpose.

Question 900

Answer: 3

Option (3) is correct because the legal fees for discharge of the second mortgage, sales commission and assumption of first mortgage all appear on the vendor's statement of adjustments as debits. Options (1) and (4) are incorrect because the purchaser's share of taxes paid appears as a credit on the vendor's statement of adjustments. Option (2) is incorrect because sale price appears as a credit on the vendor's statement of adjustments.

Question 901

Answer: 1

Option (1) is correct because a proprietor's net income on the income statement will increase the owner's equity account on the balance sheet. Option (2) is incorrect because net assets is found only on the balance sheet, and does not link to the income statement. Option (3) is incorrect because depreciation expense is found only on the income statement, and does not link to the balance sheet. Option (4) is incorrect, because retained earnings is a link between the income statement and the balance sheet for a corporation only, not a proprietorship.

Question 902

Answer: 3

Option (3) is correct because having an existing contractual relationship between the parties is not a requirement for a successful claim of negligent misrepresentation. Options (1), (2), and (4) are incorrect because these are all requirements of negligent misrepresentation.

Question 903

Answer: 1

$$DCR = \frac{NOI}{PMT}$$

$$PMT = \frac{NOI}{DCR} = \frac{\$637,500}{1.5} = \$425,000 \text{ (annual payment)}$$

This loan calls for quarterly payments:

$$\$425,000 \div 4 = \$106,250$$

Press

14 ■ NOM%

1 ■ P/YR

■ EFF%

4 ■ P/YR

■ NOM%

637500 ÷ 1.5 ÷ 4 =

+/- PMT

30 × 4 = N

0 FV

PV

Display

14

1

14

4

13.319794

106,250

-106,250

120

0

3,128,115.32741

The amount borrowed is \$3,128,000, rounded to the nearest \$1,000.

Question 904

Answer: 1

To calculate the straight-line depreciation, take the amount that can be depreciated and then divide by the number of years.

$$\text{Amount that can be depreciated} = \$22,500 - \$3,000 = \$19,500$$

$$\text{Straight-line depreciation: } \$19,500 \div 15 = \$1,300$$

Question 905

Answer: 3

Option (3) is correct and Option (4) is incorrect because statute law always prevails over equitable principles. Option (1) is incorrect because equitable principles prevail over common law principles. Option (2) is incorrect because statute law prevails over common law principles.

Question 906

Answer: 2

Option (2) is correct because dampproofing is the material applied to foundation walls to seal the pores and prevent water from penetrating the concrete with capillary action movement. Options (1), (3), and (4) are false.

Question 907

Answer: 3

Option (3) is correct because the courts will consider whether the representation would have a real effect upon an ordinary consumer's buying decision. There is no need to prove that an individual consumer or group of consumers was actually misled. Option (1) is incorrect because the general impression test is considered where the oral or written statements in the representation are literally true but the visual portion may create a false impression. Option (2) is incorrect because the representation must be false or misleading in a material respect to constitute an offence under section 52. Option (4) is incorrect because the accused may escape liability under section 52 if they honestly believed that the representations or advertisements were not false or misleading and that they exercised due diligence in making sure that was the case.

Question 908

Answer: 1

Option (1) is correct because FINTRAC is required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* to make public all AMPs imposed. Option (2) is incorrect because the issuance of an AMP is not automatic, and is generally used after other methods for promoting compliance have failed. Option (3) is incorrect because FINTRAC has discretion to disclose relevant information to law enforcement, depending on the extent of the non-compliance. Option (4) is incorrect because the maximum penalty which can be imposed on an individual under an AMP is \$100,000.

Question 909

Answer: 1

Johnny needs to save \$19,800; this amount will be the future value.

Press	Display
9 I/YR	9
12 ■ P/YR	12
0 PMT	0
10 N	10
19800 +/- FV	-19,800
PV	18,374.462433

Question 910

Answer: 4

Option (4) is correct because the most obvious difficulty in using the cost approach to value properties is that cost and market value may not be approximately equal. The cost approach is most applicable to problems where data is lacking for the income or comparison approaches. Options (1), (2), and (3) are incorrect.

Question 911

Answer: 2

Option (2) is correct because the *Real Estate Services Act* does not require all listings to always be in writing. Option (1) is incorrect because commission is only paid to the agent who is the effective cause of the sale under an open listing. Option (3) is incorrect because if the seller disposes of the property to a prospect not introduced by any of the listing agents, the seller does not pay anyone a commission. Option (4) is incorrect because under an open listing, the seller is free to employ a number of brokerages to also represent the seller through their Designated Agents.

Question 912

Answer: 4

Option (4) is correct because the revenue recognition principle states that revenue should be recorded when it is earned, not when payment is received. In the case of a sale of property, Sandy Salesperson has earned her commission as soon as the subject clauses are removed. Options (1), (2), and (3) are incorrect as these principles do not deal with the timing of recognizing revenue.

Question 913

Answer: 2

The market value of Sara's offer is the market value of the mortgage plus her cash down payment. Sara will assume the remaining 233 monthly payments of \$1,050. Calculate the market value of the mortgage by determining the PV of the remaining payments based on the current market rate of $j_2 = 5.5\%$.

Press

5.5 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 1050 +/- PMT
 233 N
 0 FV
 PV
 + 50000 =

Display

5.5
 2
 5.575625
 12
 5.438018
 -1,050
 233
 0
 150,903.77664 (market value of the mortgage)
 200,903.77664 (market value of the offer)

The market value of Sara's offer is \$200,903.78.

Question 914

Answer: 3

Option (3) is correct because the *Residential Tenancy Act* does not permit a landlord to end a residential tenancy agreement for cause so that the renovations can be performed. Options (1), (2), and (4) are incorrect because section 47(1) of the *Residential Tenancy Act* provides that these are examples of a situation in which a landlord can end a residential tenancy agreement for cause.

Question 915

Answer: 4

Option (4) is correct and Options (1), (2), and (3) are incorrect because a strata lot's contribution to an expense is calculated as the unit entitlement of the strata lot divided by the total unit entitlement of all strata lots multiplied by the total contribution. Richard's unit entitlement is 2,400, the total unit entitlement of all strata lots is 40,000, and the total contribution is \$48,000. Richard's annual share of the common expense is \$2,880, and therefore his monthly share is \$240.

Question 916

Answer: 3

Option (3) is correct because the type of buyer does not generally factor into the consideration of whether or not the profit realized on the sale of property was business income (i.e. money earned from an activity carried on for the purpose of making a profit). On the other hand, the seller's actions and intentions are considered in the decision. Options (1), (2), and (4) are incorrect because they are all factors which are generally considered in deciding when profit is considered business income rather than a capital gain.

Question 917

Answer: 4

Option (4) is correct because it is the only option listed that is not a valid reason to hire a professional appraiser. Real property typically has relatively long physical and economic lifespans, and it is not very easy to account for changes over these long time frames. Options (1), (2), and (3) are incorrect because they are all reasons to hire a professional appraiser.

Question 918

Answer: 2

Option (2) is correct because the *Strata Property Act* does not require a minimum of \$5,000,000 liability insurance on the strata project. Option (1) is incorrect because the *Strata Property Act* imposes an obligation on the strata corporation to repair and maintain the common property and common assets. Option (3) is incorrect because the *Strata Property Act* requires a contingency reserve fund to be established for unusual or extraordinary expenses. Option (4) is incorrect because the *Strata Property Act* requires the strata corporation to maintain an operating fund for common expenses.

Question 919

Answer: 4

Option (4) is correct because registering a notice of civil claim against the judgment debtor's property is not a means available to judgment creditors to enforce a judgment. Option (1) is incorrect because the plaintiff can examine the judgment debtor in court under oath about his or her assets and sources of income. Option (2) is incorrect because the plaintiff can request a writ of execution to be issued by the court to the sheriff directing the seizure and sale of enough of the debtor's assets to pay the judgment plus the costs of seizure. Option (3) is incorrect because a garnishing order can be served on the judgment debtor's bank, requiring the bank to pay the money into the court instead of to the debtor.

Question 920

Answer: 2

Option (2) is correct (false) because the insurance company guarantees that the lender can recover all of the funds loaned in case of default, but does not guarantee that borrowers will be able to make their mortgage payments without interruption. Option (1) is incorrect; lenders may apply a higher loan-to-value ratio to an insured loan because the insurance reduces risk to the lender. Option (3) is incorrect because the insurance premiums are typically added to the loan amount. Option (4) is incorrect, as it is the lender that benefits from the insurance. The borrower may also derive some indirect benefit such as a lower interest rate or higher loan amount.

Question 921

Answer: 2

Option (2) is correct because the comparative approach is generally used for residential properties with sufficient comparable sales data available. Options (1) and (3) appear too unique for the comparative approach, and Option (4) appears to be an income-generating investment building, thus the income approach should be used.

Question 922

Answer: 3

Option (3) is correct (false) because Canada has a smaller market share of subprime mortgages than the US. Options (1), (2), and (4) are incorrect because they are true.

Question 923

Answer: 1

Option (1) is correct because an agent is not personally liable if they are mistakenly believed by a third party to be contracting as a principal. Options (2), (3), and (4) are incorrect because these are the three situations at common law in which an agent is personally liable to a third party.

Question 924

Answer: 1

Option (1) is correct because a deposit is not required to create a binding contract of purchase and sale. Option (2) is incorrect because where an offer is received with a deposit after banking hours and the seller rejects the offer before the bank reopens, the cheque may be returned intact to the purchaser. Option (3) is incorrect because agents hold deposits as stakeholders. Option (4) is incorrect because section 27 of the *Real Estate Services Act* requires that all money held or received from, for, or on behalf of a principal in relation to real estate services, must be promptly paid or delivered by a licensee to his or her brokerage.

Question 925

Answer: 3

Option (3) is correct because once a building scheme has been established, the restrictions imposed may be modified or discharged only by an express agreement between all of the present owners of the lots. Options (1), (2), and (4) are incorrect because these are all requirements that must be met in order for the arrangement to constitute a valid building scheme.

Question 926

Answer: 2

Option (2) is correct because when payments are rounded up to the next higher dollar for a fully amortized loan, the result will be a smaller final payment, and possibly a reduction in the number of payments. This is because the borrower is “overpaying” a slight amount each period. The cumulative effect will depend on the loan amount, amortization period, and the amount that the payment was rounded up. Options (1), (3), and (4) are incorrect for this reason.

Question 927

Answer: 4

Option (4) is correct because leases dealing with residential property for a period of over 20 years are not “residential tenancies” and must be dealt with as commercial tenancies. Commercial tenancies are not subject to the provisions of the *Residential Tenancy Act*. Options (1), (2), and (3) are incorrect because they are all situations that are subject to the provision of the *Residential Tenancy Act*.

Question 928

Answer: 3

Option (3) is correct because central gas fired forced hot air heating systems are advantageous because they have a rapid response to extreme outside temperature changes. Options (1), (2), and (4) are incorrect because these heating systems do not provide as fast of a response.

Question 929

Answer: 4

The borrower's maximum monthly payments are to be 30% of his \$2,500 monthly income; in other words, the borrower's maximum monthly payment will be \$750 ($\$2,500 \times 0.3$). Then, calculate the maximum amount lent, which is the PV of the monthly payments.

Press

9 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 0 FV
 200 N
 750 +/- PMT
 PV

Display

9
 2
 9.2025
 12
 8.835748
 0
 200
 -750
 78,374.008924

Question 930

Answer: 4

Option (4) is correct because the listing contract must be signed by all of the owners. Option (1) is incorrect because a listing agreement is a contract between a seller and a brokerage and does not involve a buyer. Option (2) is incorrect because in order for a licensee to be entitled to commission, the licensee must produce a purchaser whose offer strictly complies with the terms of the listing agreement. Option (3) is incorrect because a listing brokerage can still be entitled to commission even if it does not have a listing agreement with the seller prior to listing the property for sale.

Question 931

Answer: 1

Option (1) is correct because depreciation is an accounting concept, and does not relate to contract law. Options (2), (3), and (4) are incorrect because these are all topics relating to contract law.

Question 932

Answer: 1

Option (1) is correct (false) because the general impression test is used in this situation, which can still result in a conviction under section 52. Option (2) is incorrect (true) because a misrepresentation will only be contrary to section 52 of the *Competition Act* if it is false or misleading in a material respect. Option (3) is incorrect (true) because section 52 applies to both oral and written misrepresentations. Option (4) is incorrect (true) because the accused may escape liability under section 52 if they honestly believed that the representations or advertisements were not false or misleading and that they exercised due diligence in making sure that was the case.

Question 933

Answer: 2

Option (2) is correct because the agent has a duty to tell his or her client everything relevant to the transaction within the agent's knowledge. Failing to mention that the buyer may be willing to increase the offer is a breach of the agent's legal and ethical duty of full disclosure. Option (1) is incorrect because the agent does not have an ethical obligation to deal fairly with the buyer at all times. Option (3) is incorrect because this was a breach of the agent's duty of full disclosure, and therefore is not acceptable conduct. Option (4) is incorrect because this is not an example of the agent's duty not to make a secret profit.

Question 934

Answer: 2

Option (2) is correct because the *Builders Lien Act* gives priority to the lien over a mortgage as of the date the lien is filed in the Land Title Office. Where part of the money has been advanced and then a builder's lien is filed against the property, the builder's lien has priority over further advances made under the mortgage. Option (1) is incorrect because the advances clause states that all payments are at the discretion of ABC, so it would not be a breach of the mortgage contract to refuse to pay the second installment. Option (3) is incorrect because the lien takes priority over all subsequent advancements of funds because of the operation of the *Builders Lien Act*. Option (4) is incorrect because allowing a builder's lien to remain on title does not constitute a breach of the mortgage contract.

Question 935

Answer: 1

Press	Display
1 ■ P/YR	1
375000 +/- PV	-375,000
0 PMT	0
3 N	3
483400 FV	483,400
I/YR	8.832463

The investor will earn an effective annual rate of 8.832463%.

Question 936

Answer: 4

Option (4) is correct because damages are a common law remedy. Options (1), (2), and (3) are incorrect because specific performance, injunctions, and *quantum meruit* are equitable remedies.

Question 937

Answer: 4

Option (4) is correct because the residual method is used for properties that have latent value. Options (1), (2), and (3) are incorrect because it is not clear whether there is latent value in each situation.

Question 938

Answer: 3

Press	Display
11.5 ■ NOM%	11.5
12 ■ P/YR	12
■ EFF%	12.125933
2 ■ P/YR	2
■ NOM%	11.779067

Question 939

Answer: 2

Option (2) is correct because the indefeasibility principle means that any registered owner who acquires a fee simple estate in good faith and for valuable consideration is protected by the land title system. That purchaser can keep his or her title, even if the previous registered owner acquired title by way of fraud or forgery. Option (1) is incorrect because the indefeasibility principle allows the purchaser to keep his or her title. Option (3) is incorrect because Michael did not contribute to his own loss by neglecting to register a lien on his title to indicate that he was the registered owner. Option (4) is incorrect because the principle of indefeasibility overrules the common law doctrine of void deed, and so the transfer of the property to the third party was valid and the purchaser now has indefeasibility of title.

Question 940

Answer: 2

Option (2) is correct because the registration and approval of a strata plan creates an estate in fee simple for each individual strata lot. Option (1) is incorrect because the approval required to amend the bylaws of the corporation varies based on the strata type, and whether it is before or after the second annual general meeting. Option (3) is incorrect because the condominium concept can be utilized for both residential and non-residential projects. Option (4) is incorrect because all strata lots do not need to be presold before a strata plan can be registered in the land title office.

Question 941

Answer: 2

Press	Display
12 ■ P/YR	12
200000 PV	200,000
1400 +/- PMT	-1,400
219820.63 +/- FV	-219,820.63
12 N	12
I/YR	17.5387
■ EFF%	19.019559

Question 942

Answer: 1

Option (1) is incorrect because a mortgage is not a loan, but instead is security for a loan. Options (2), (3), and (4) are incorrect because these are all true statements concerning mortgages.

Question 943

Answer: 4

Option (4) is correct because all real estate representatives are employed by a managing broker, and trade in real estate in the brokerage's name and on behalf of the brokerage's clients. Option (1) is incorrect because a licensee can only provide real estate services under the supervision of a managing broker. Option (2) is incorrect because licensees may employ unlicensed assistants, but must ensure that an unlicensed assistant is not performing any tasks that fall within the definition of "trading services". Option (3) is incorrect because all representatives must be employed by a registered real estate brokerage.

Question 944

Answer: 4

Option (4) is the correct answer because under designated agency, while the contracting party is still the brokerage, the seller agrees that the brokerage will appoint one or more specific licensees to act as the seller's sole agent. Options (1) and (2) are incorrect because dual agency, not designated agency, relates to whether a licensee can or cannot act for both the buyer and seller. Option (3) is incorrect because a listing agreement involves the seller but not the buyer.

Question 945

Answer: 2

Option (2) is correct because the sand blowing onto Ana's property, making the tennis court slippery and hazardous for anyone playing there, is likely to be considered an unreasonable and substantial interference with the reasonable use and enjoyment of her property, and would therefore be considered a private nuisance. Option (1) is incorrect because trespass requires an intentional act, and the sand was carried onto Ana's property by the wind, rather than by an intentional act done by Fletcher. Option (3) is incorrect because Fletcher could still be liable for private nuisance even though the problem occurred because of the wind. Option (4) is incorrect because the tort of private nuisance does not require the conduct to be done intentionally.

Question 946

Answer: 1

In this question the given rate is compounded semi-annually; N must be set equal to 2, as there are 2 semi-annual periods in 12 months.

Press	Display
11.25 I/YR	11.25
2 \blacksquare P/YR	2
2 N	2
275000 PV	275,000
0 PMT	0
FV	-306,807.617187

Question 947

Answer: 1

Since we know that the comparable property has one less bedroom, its sale price calls for an adjustment. We know that the market value of one bedroom is \$1,100, so the sale price of the subject property is adjusted up by \$1,100. We also know that the comparable property has a garage, while the subject does not. Since the market value of a garage is stated to be \$7,000, we must adjust the sale price of the comparable down by \$7,000. Finally, it is stated that each 100 sq. ft. above the 2,000 sq. ft. benchmark has a market value of \$3,000. Since the comparable is 200 sq. ft. smaller than the subject, we must adjust the sale price of the comparable up by 200 sq. ft. \times \$3,000 = \$6,000.

The adjusted sale price is $\$173,000 + \$1,100 - \$7,000 + \$6,000 = \$173,100$

Question 948

Answer: 1

Option (1) is correct because the owner would have to live in the property as a principal residence for 6 months in order to avoid the Empty Homes Tax; 3 months is not sufficient. In addition, investors who use their property as a short term rental without a hotel or B&B license are subject to the EHT where the rental periods are shorter than 30 days. Option (2) is incorrect because properties which are rented for at least 30 days in a row for a minimum of six months in aggregate over the course of a year are exempt from the EHT. Options (3) and (4) are incorrect because the EHT does not apply to properties being used as a principal residence by the owner, a family member, or a friend for at least six months of the year.

Question 949

Answer: 1

Option (1) is correct. Since there is a -\$4,000 adjustment for bedrooms, this comparable has one more bedroom than the subject (5 bedrooms). In addition, since there is a +\$5,700 adjustment for bathrooms, the comparable has one less bathroom than the subject (3 bathrooms). Options (2), (3), and (4) are therefore incorrect.

Question 950

Answer: 1

Option (1) is correct because sophisticated investors will ultimately determine the value of undeveloped land by estimating the value of the land when improved and subtracting the costs of undertaking such a development. Options (2), (3), and (4) are incorrect because they do not determine the value of undeveloped land.

Question 951

Answer: 3

Option (3) is correct because in relation to the subject property, this comparable requires an adjustment of +\$6,000 for 1 bathroom and +\$4,000 for an alarm system. Options (1), (2), and (4) are therefore incorrect.

Question 952

Answer: 3

Option (3) is correct and Options (1), (2), and (4) are incorrect because a limitation or restriction placed upon the use of one person's land for the benefit of another is called a restrictive covenant.

Question 953

Answer: 4

Option (4) is correct because in a mortgage transaction, the mortgagee is granted the mortgage from the mortgagor as security for a loan. Options (1), (2), and (3) are incorrect because these options describe the mortgagor, not the mortgagee.

Question 954

Answer: 1

Option (1) is correct because since the comparable does not have an alarm system and the subject property does, there is a +\$4,500 adjustment for the alarm system. In addition, since the subject property has 100 square feet less than the comparable, an adjustment for - \$6,000 is required. Therefore, Options (2), (3), and (4) are incorrect.

Question 955

Answer: 1

Ernie assumes responsibility for the remaining 36 monthly payments of \$3,994 and the outstanding balance of \$433,709.14. Calculate the market value of the mortgage by determining the PV of the remaining payments and OSB at the end of the original 5-year term based on the current market rate of $j_1 = 10\%$. The market value of the offer is the market value of the mortgage plus the cash down payment.

Press

10 ■ NOM%

1 ■ P/YR

■ EFF%

12 ■ P/YR

■ NOM%

36 N

3994 +/- PMT

433709.14 +/- FV

PV

+ 240000 =

Display

10

1

10

12

9.568969

36

-3,994

-433,709.14

450,410.811187 (market value of the mortgage)

690,410.811187 (market value of the offer)

The market value of the offer is \$690,410.81.

Question 956

Answer: 4

Option (4) is correct because a landlord must provide written, not oral, notice at least three months in advance in order to increase rent. Option (1) is incorrect because a residential tenant can assign or sublet the leased premises at any time during the term of the tenancy with the consent of the landlord. Option (2) is incorrect because if a tenant has failed to give the security deposit required under the agreement within 30 days of the date it is required, the landlord is entitled to terminate the tenancy for cause by giving not less than one month written notice. Option (3) is incorrect because a landlord can enter residential premises if an emergency exists and the entry is necessary to protect life or property.

Question 957

Answer: 2

Option (2) is correct because licensees are not required to include the name of their related brokerage in each "Tweet". Option (1) is incorrect because the name of the brokerage must appear in a prominent and easily readable form on all internet and social media advertising vehicles, including each individual page. Option (3) is incorrect because claims such as "Top Selling Real Estate Team!" must include a qualifying statement. Option (4) is incorrect because if a licensee posts a video blog on YouTube, the name of the brokerage must be in the title or description of the video.

Question 958

Answer: 1

Option (1) is correct because specific performance can be granted for a contract for the sale of property, but only if there is evidence that the subject property is unique. Options (2), (3), and (4) are incorrect because these are all true statements regarding specific performance.

Question 959

Answer: 3

The cap rate used to calculate the market value of the subject property is the one that most reflects the subject property and is determined by several factors. For the purposes of this question, the two most comparable properties have been selected and a range of values is determined.

Find the cap rate:

$$\text{Cap Rate} = \frac{\text{NOI}}{\text{Sale Price}}$$

Comparable A

$$\text{NOI} = \$51,000 - \$32,000 - \$4,080 = \$14,920$$

$$\text{Cap Rate} = \$14,920 \div \$234,000 = 0.0637607$$

Comparable B

$$\text{NOI} = \$44,000 - \$28,000 - \$3,520 = \$12,480$$

$$\text{Cap Rate} = \$12,480 \div \$211,000 = 0.0591469$$

Subject Property

$$\text{NOI} = \$48,000 - \$30,000 - \$3,840 = \$14,160$$

Sale price using cap rate from Comparable A:

$$\begin{aligned} \text{Sale Price} &= \frac{\text{NOI}}{\text{Cap Rate}} \\ &= \$14,160 \div 0.0637607 = \$222,080 \text{ or } \$222,000 \text{ (rounded)} \end{aligned}$$

Sale price using cap rate from Comparable B:

$$\begin{aligned} \text{Sale Price} &= \frac{\text{NOI}}{\text{Cap Rate}} \\ &= \$14,160 \div 0.0591469 = \$239,404 \text{ or } \$239,000 \text{ (rounded)} \end{aligned}$$

Therefore, the best market value estimate would be \$222,000 to \$239,000 (rounded to the nearest \$1,000).

Question 960

Answer: 1

Option (1) is correct and Options (2), (3), and (4) are incorrect because yields and market values are inversely related. If market capitalization rates (i.e., the required yields) decline while net operating income remains constant, market values will rise.

Question 961

Answer: 3

Option (3) is correct because the registration of a charge only raises a rebuttable presumption that the charge is valid. Unlike a registered fee simple, a registered charge is not “guaranteed”. Option (1) is incorrect because the registration of a mortgage transfers the mortgagor’s interest in land to the mortgagee as security for the repayment of the debt. Option (2) is incorrect because even if a mortgage is not registered in the land title office, it is still enforceable as between the parties to the mortgage. Option (4) is incorrect because Option (3) is correct.

Question 962

Answer: 1

Option (1) is correct because a conflict of interest arises when there is a substantial risk that the agent's representation of a client would be negatively affected by the agent's own interest or by the agent's duties to another. Option (2) is incorrect because some conflicts of interest can be avoided. Option (3) is incorrect because conflicts of interest can be documented or undocumented. Option (4) is incorrect because a trivial risk to a client does not create a conflict of interest by itself – the risk can be something that is more than trivial.

Question 963

Answer: 2

Option (2) is correct because movable objects such as furniture are not normally included in the concept of real property, but instead are considered personal property. Options (1), (3), and (4) are incorrect because these are normally classified as real property.

Question 964

Answer: 1

Option (1) is correct because strata corporations are created so that property can be subdivided into separate parts for private ownership. The sole purpose is not to limit the liability of the corporation members. Options (2), (3), and (4) are incorrect because these are true statements relating to strata lot ownership.

Question 965

Answer: 1

Option (1) is correct (false) because there is no single statute law governing the real property tax system in BC. The *Assessment Act* is one of the sources of property law, but not the only source. Option (2) is incorrect (true) since Helen, as the registered owner, is no longer living in the Vancouver property, she is not eligible for the basic home owner grant. Option (3) is incorrect (true); if a property has been incorrectly assessed, anyone, including a municipal council, can file an appeal to the Property Assessment Review Panels under the *Assessment Act*. Option (4) is incorrect (true); Helen is qualified for a special assessment on her property because she has lived continuously in that home for more than 10 years, and the property was zoned for a higher use.

Question 966

Answer: 2

Press	Display
4.2 I/YR	4.2
12 ■ P/YR	12
288000 PV	288,000
1780 +/- PMT	-1,780
0 FV	0
N	239.098618
40 INPUT ■ AMORT	PER 40-40
= = =	254,915.902065

The outstanding balance after the 40th payment is made is \$254,915.90.

Question 967

Answer: 4

Option (4) is correct because none of the other statements are true. Option (1) is incorrect because the interests of the agent do not take priority over those of the principal. Option (2) is incorrect because the agent's primary duty is to their principal, who may or may not be the buyer of the property. Option (3) is incorrect because the agent is not an employee of their principal.

Question 968

Answer: 4

Option (4) is correct because it is true. Option (1) is incorrect because changing any physical characteristic of a property such that it results in a misrepresentation is not acceptable. Option (2) is incorrect because photo editing is allowed as long as it does not misrepresent aspects of the property. Option (3) is incorrect because removing power lines with photo editing is considered changing a physical characteristic of the property and represents a misrepresentation, which is unacceptable.

Question 969

Answer: 4

Option (4) is correct because section 10 of the *Interest Act* does not require that the lender be a financial institution in order for the borrower to have the right to tender prepayment of their mortgage. Options (1), (2), and (3) are incorrect because these are all requirements under section 10 of the *Interest Act* in order for a borrower to tender prepayment.

Question 970

Answer: 2

$$\begin{aligned}\text{Final Cost} - \text{Salvage Value} &= \text{Remaining Value} \\ \$17,100 - \$1,500 &= \$15,600 \\ \$15,600 \div 10 &= \$1,560 \text{ per year depreciation}\end{aligned}$$

Question 971

Answer: 3

Option (3) is correct because section 46 of the *Residential Tenancy Act* provides that a landlord can give a notice of the end of the tenancy agreement to a tenant who does not pay the rent when it is due, which is cancelled if the tenant pays the rent owing within 5 days of receiving the notice. Option (1) is incorrect because section 26 of the *Residential Tenancy Act* abolishes the remedy of distress (seizing a tenant's goods and eventually selling them to satisfy a claim for rent owing) in residential tenancies. Option (2) is incorrect because non-payment of rent allows a landlord to terminate a fixed term tenancy agreement. Option (4) is incorrect because failure to pay rent does not make the tenancy agreement void.

Question 972

Answer: 3

Option (3) is correct because an implied easement may result if the intention of the parties granting the easement has not been sufficiently explicit. Option (1) is incorrect because the land receiving the benefit is called the dominant tenement. Option (2) is incorrect because the dominant tenement owner does not receive an ownership of the easement area, but rather has an interest in the land less than ownership. Option (4) is incorrect because an easement can only be granted by the owner of the servient tenement, not by a tenant who occupies the land under a lease.

Question 973

Answer: 3

Option (3) is the correct answer. A & A Appraisers will be responsible to Peach Credit Union under contract law, and will be responsible to Joan under tort law. The appraisal contract is between A & A and Peachy Credit Union, and an implied term in the contract is the appraisal report be carefully prepared according to accepted appraisal practices. Due to the unacceptable error, it is clear that this contract has been breached by A & A. There is no contract between A & A and Joan, but it is reasonable that Joan may rely on this appraisal report. Given the unacceptable error, A & A may be liable to Joan for the tort of negligence. Options (1), (2), and (4) are therefore incorrect.

Question 974

Answer: 2

Option (2) is correct because there are no legal restrictions regarding security deposits, so this is an item left open for negotiation. Option (1) is incorrect because it is up for negotiation who is entitled to the interest which accrues on a security deposit. Option (3) is incorrect because the federal *Interest Act* does not restrict the interest rate on a security deposit. Option (4) is incorrect because there are no legal restrictions regarding security deposits for commercial tenancies.

Question 975

Answer: 4

Option (4) is correct because licensees are not required to provide opinions to buyers on areas outside of their expertise. Option (1) is incorrect because a disclosure statement will not protect licensees from all misrepresentations. Option (2) is incorrect because a licensee can be liable for the tort of fraudulent misrepresentation even if he or she does not have expertise in that area. Option (3) is incorrect because vicarious liability does not arise between the licensee and the vendor.

Question 976

Answer: 4

Option (4) is correct because if a seller instructs a listing licensee not to disclose a material latent defect to a potential buyer of the property, the licensee must refuse to provide further trading services to or on behalf of that client in respect of the trade in real estate. Option (1) is incorrect because as an agent, the listing licensee owes a duty to follow his or her principal's instructions. The listing licensee must therefore discontinue acting for the principal, rather than disregard the principal's instructions. Option (2) is incorrect because the British Columbia Financial Services Authority governs licensees' conduct; it does not govern consumers' conduct. Option (3) is incorrect because the listing licensee cannot act upon instructions that would result in a misrepresentation of the property or in a violation of federal, provincial, or local law.

Question 977

Answer: 4

Press

12 ■ P/YR
 255000 PV
 1582 +/- PMT
 225208.61 +/- FV
 36 N
 I/YR
 ■ EFF%

Display

12
 255,000
 -1,582
 -225,208.61
 36
 3.759815
 3.825288

The yield to the lender is below the loan's interest rates ($j_{12} = 4.5\%$), which is the expected result given the payments are sufficient to pay off a \$250,000 loan, but the lender is actually advancing \$255,000 ($2\% \times \$250,000 + \$250,000$). Therefore, the lender is being slightly underpaid with each payment. Given the inverse relationship between interest rates and present value, if the present value rises, then the interest rate drops.

Question 978

Answer: 2

Option (2) is correct and Options (1), (3), and (4) are incorrect because *stare decisis* literally means “let the former decision stand”, which requires courts to adhere to principles laid down by previous courts where the facts are substantially the same.

Question 979

Answer: 1

Option (1) is correct because although section 49 of the *Real Estate Services Rules* places limitations on when licensees can make promises to purchase property to induce a buyer to enter a contract, Tina complied with these limitations because she provided all the terms of the promise in writing to Tom before he entered into the contract of purchase and sale. Option (2) is incorrect because Tina did not breach the *Real Estate Services Act*. Option (3) is incorrect because Tina did not engage in misconduct and is not liable to be disciplined by the British Columbia Financial Services Authority. Option (4) is incorrect because neither Options (2) nor (3) are correct.

Question 980

Answer: 4

Option (4) is correct because registered charges are not indefeasible, but rather only raise a rebuttable presumption that the charge is valid. An innocent purchaser of any interest less than a fee simple estate in land may not rely on the land title system as being conclusive proof of ownership. Option (1) is incorrect because registered charges are not indefeasible. Option (2) is incorrect because Julia is able to have the mortgage removed from her title, and so is not obliged to repay the mortgage or recover from the assurance fund. Option (3) is incorrect because Handy Dandy is not entitled to recover the amount of the mortgage from the assurance fund because courts have found that the cost of fraud should not be borne by the public but should instead be the responsibility of the lenders themselves.

Question 981

Answer: 2

Option (2) is correct because real estate is affected by externalities due to the immobility of land. This immobility means that home owners cannot simply move their property away from negative externalities and cannot move their property towards positive externalities. Options (1), (3), and (4) are incorrect because they are not causes of neighbouring properties' external influences on real property.

Question 982

Answer: 4

Property A:

$$\begin{aligned}\text{NOI} &= \$312,800 - (0.05 \times \$312,800) - \$88,200 \\ &= \$208,960\end{aligned}$$

Find the cap rate:

$$\begin{aligned}\text{Cap Rate} &= \frac{\text{NOI}}{\text{Sale Price}} \\ &= \$208,960 \div \$2,190,000 \\ &= 0.0954155\end{aligned}$$

Subject Property's NOI:

$$\$310,000 - (0.05 \times \$310,000) - \$87,900 = \$206,600$$

$$\begin{aligned}\text{Sale Price} &= \$206,600 \div 0.0954155 \\ &= \$2,165,267, \text{ rounded to } \$2,165,000\end{aligned}$$

Question 983

Answer: 4

Option (4) is correct because a license is not one of the three main classifications of interests in land that are less than estates. Options (1), (2), and (3) are incorrect because these are the three main classifications of interests in land that are less than estates.

Question 984

Answer: 2

For this question, assume this loan is fully amortized.

Press	Display
9 ■ NOM%	9
2 ■ P/YR	2
■ EFF%	9.2025
12 ■ P/YR	12
■ NOM%	8.835748
219.39 +/- PMT	-219.39
25500 PV	25,500
0 FV	0
36 INPUT ■ AMORT	PER 36-36
= = =	24,201.556745
60 INPUT ■ AMORT	PER 60-60
= = =	23,124.564546

The outstanding balance after 36 payments is \$24,201.56 and the outstanding balance after 60 payments is \$23,124.56.

Question 985

Answer: 1

Option (1) is false since a restrictive covenant must be a negative obligation; however, it does not matter whether the wording is positive or negative. Options (2), (3), and (4) are incorrect because they are true.

Question 986

Answer: 4

Option (4) is correct because Options (1), (2), and (3) are all required to be disclosed by licensees in this situation due to the operation of section 53 of the *Real Estate Services Rules*.

Question 987

Answer: 3

Option (3) is correct because the plaintiff does not have to prove an interference with the use and enjoyment of their land and physical damage to property to bring a successful claim for trespass. Options (1), (2), and (4) are incorrect because these are all true statements.

Question 988

Answer: 1

The maximum loan granted will be the lower amount of the loan-to-value constraint and the DCR constraint.

Using DCR constraint, calculate maximum allowable payments.

$$\text{DCR} = \frac{\text{NOI}}{\text{Payments}}$$

$$\text{therefore; Payments} = \frac{\text{NOI}}{\text{DCR}} = \frac{\$212,500}{1.3} = \$163,461.54$$

$$\text{Yearly payments} = \$163,461.54$$

Based on these payments, find the corresponding PV.

Press	Display
6.5 I/YR	6.5
1 ■ P/YR	1
163461.54 +/- PMT	-163,461.54
25 N	25
0 FV	0
PV	1,993,883.71421

The maximum loan under the DCR is \$1,994,000, rounded to the nearest \$1,000.

Loan-to-value constraint: $0.65 \times \$4,250,000 = \$2,762,500$

Take the lower of the two constraints: since $\$1,994,000 < \$2,762,500$, the maximum loan is \$1,994,000.

Question 989

Answer: 1

Option (1) is correct because the plant was conforming to the bylaw prior to the rezoning, and so it will be “grandfathered” as a legal non-conforming use. Option (2) is incorrect because a non-conforming use may continue through successive changes of ownership. Option (3) is incorrect because the *Local Government Act*, not the *Planning Act*, establishes the circumstances under which non-conforming uses may continue. Option (4) is incorrect because land use contracts can no longer be created; rather, the use could continue as a legal non-conforming use or the property owner could apply to have the area rezoned.

Question 990

Answer: 3

Option (3) is correct because occupiers are entitled to assume that a visitor will exercise reasonable care for their own safety. Because Eugene breached this duty, he will probably not recover any damages against Rodney. Option (1) is incorrect because Rodney is likely not liable to Eugene for his injuries. Option (2) is incorrect because Lenore’s injury from tripping on the garden hose was a direct result of Rodney’s negligence, and she did not willingly assume these risks, so Rodney will likely be liable for her injuries. Option (4) is incorrect because Rodney is still an occupier of the premises even if he is not physically present when the injuries in question occurred.

Question 991

Answer: 2

Option (2) is correct because the *Occupiers Liability Act* requires an occupier of premises to take care that is reasonable in all of the circumstances to ensure that a person will be reasonably safe in using the premises. If Ethan was a child, it is likely that it would be found reasonable that he could not have read the sign, and so the occupier would have been required to do more to ensure he was reasonably safe. Option (1) is incorrect, because a visitor is deemed to have willingly assumed all risks only if trespassing while also committing or having the intention to commit a criminal act. Even if a person has willingly assumed all risks, an occupier still has a duty not to create a danger with intent to do harm to the person, or act with reckless disregard to the safety of the person. Option (3) is incorrect because the *Occupiers Liability Act* provides that an occupier is liable, and if Clara was leasing the lot, she could still be an occupier under the Act if she was in physical possession of the premises, or had responsibility for, and control over, the condition of the premises, the activities conducted on those premises, and the persons allowed to enter those premises. Option (4) is incorrect because as long as Clara is deemed an occupier under the Act, then she would be liable even if she was away from the lot at the time of the injury.

Question 992

Answer: 3

Option (3) is correct and Options (1), (2), and (4) are incorrect because filing a notice of civil claim is the first step to in bringing a claim.

Question 993

Answer: 2

Option (2) is correct because the parcel identifier (PID) is listed under the “Description of Land” section of a title search. Options (1), (3) and (4) are incorrect because these items are not listed on a title search.

Question 994

Answer: 2

Option (2) is correct because the immobile nature of land causes real property to be more influenced by externalities. Options (1), (3), and (4) are incorrect as they do not describe externalities resulting from land’s immobility.

Question 995

Answer: 4

In this question, straight-line means that each year the expense will be the same. We ignore CCA.

$$\$97,635 \div 25 \text{ years} = \$3,905.40$$

Question 996

Answer: 2

Option (2) is correct because items that are fixtures are considered part of the land and will belong to the buyer upon completion. Therefore, a seller of real property does not have the right to detach and remove any fixture after entering the contract of purchase and sale. Option (1) is incorrect because an object “prima facie” is considered a fixture once it is even slightly attached to real property, unless it is shown that it was intended to remain a chattel. Option (3) is incorrect because if an object is attached to the real property for the better use of the mirror, the owner will usually be entitled to remove the object (as it is considered a chattel) when the house is sold. Option (4) is incorrect because if an object cannot be removed without damaging the real property, then this is an indication that it is likely to be considered a fixture.

Question 997

Answer: 2

Option (2) is correct. Choosing debt financing instead of equity financing will not change the predictability of return on capital. Options (1), (3), and (4) are incorrect because they are valid reasons to choose debt financing over equity financing.

Question 998

Answer: 3

Option (3) is correct because agency/fiduciary law is an example of a common law source of duties to clients. Options (1), (2), and (4) are incorrect because they are examples of legislative duties to clients.

Question 999

Answer: 2

Option (2) is correct because Dave is not trespassing *while committing or intending to commit a criminal act* (as he was merely looking for casual work). Dave also does not fall under any of the other enumerated categories of visitors who are deemed to have willingly assumed all the risks of entering on a property under section 3 of the *Occupiers Liability Act*. Option (1) is incorrect because Mimi is an occupier since she is in “physical possession of the premises”, and the absent owners remain occupiers because they still have “responsibility for, and control over” the property. (There may be more than one occupier of the same premises as per section 1 of the *Occupiers Liability Act*.) Option (3) is incorrect because section 3(2) of the *Occupiers Liability Act* states that the duty of care imposed on occupiers applies in relation to the: (a) condition of the premises; (b) activities on the premises; or (c) conduct of third parties on the premises. Option (4) is incorrect because the duty of care imposed by the *Occupiers Liability Act* on an occupier is to take such care as in all the circumstances is *reasonable* to see that persons coming onto the property will be reasonably safe.

Question 1000

Answer: 3

Press

11.75 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 375000 PV
 300 N
 0 FV
 PMT
 3804.16 +/- PMT
 60 INPUT ■ AMORT
 = = =
 357359.26 +/- FV

Display

11.75
 2
 12.095156
 12
 11.472285
 375,000
 300
 0
 -3,804.161605
 -3,804.16
 PER 60-60
 357,359.255413
 -357,359.26

Now enter the market rate and determine the market value. The calculator steps continue as follows:

Press

13 ■ NOM%
 2 ■ P/YR
 ■ EFF%
 12 ■ P/YR
 ■ NOM%
 60 N
 PV
 + 55000 =

Display

13
 2
 13.4225
 12
 12.661289
 60
 358,848.893364 (market value of the mortgage)
 413,848.893364 (market value of the offer)

The market value of Flutie's offer is \$413,850, rounded to the nearest \$10.