Board Exam Desk

Real Estate Service Reviewer

Real Estate Service Licensure Examination | PRC | 120 original questions

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Original board-style practice questions with an answer key.

Practice questions

Real Estate Service Law and Professional Ethics

1. Mara, who holds no license, regularly finds buyers for her neighbors' lots and negotiates the price in exchange for a percentage of the sale. Under RA 9646, the activity she performs is properly classified as:

A. Real estate appraisal
B. Real estate brokerage
C. Real estate consultancy
D. Real estate assessment

2. Which description best fits a real estate salesperson under RA 9646?

A. An accredited natural person who works for a licensed broker for a share of the commission
B. A licensed professional who may close sales independently and bill clients directly
C. A government employee who disposes of foreclosed public properties for a fee
D. Any owner who sells real property that he personally holds title to

3. A city government employee inspects parcels, estimates their values and fixes their assessed values for real property tax purposes. RA 9646 refers to this practitioner as a real estate:

A. Consultant
B. Broker
C. Salesperson
D. Assessor

4. Under RA 9646, the Professional Regulatory Board of Real Estate Service is composed of:

A. A chairperson and two members
B. A chairperson and six members
C. A chairperson and four members
D. A chairperson and eight members

5. To pass the real estate service licensure examination under RA 9646, an examinee must obtain:

A. A 70% weighted general average with no subject below 50%
B. A 75% weighted general average with no subject below 60%
C. A 75% weighted general average with no subject below 50%
D. An 80% weighted general average with no subject below 50%

6. Which of the following persons may sell real property without holding a real estate broker license?

A. An owner directly selling a residential lot titled in her name
B. A salesperson closing deals for his own clients without a broker
C. A retiree who regularly negotiates lots for a five percent fee
D. A developer's unlicensed agent earning commissions on each unit

7. A grateful buyer offers to hand a salesperson his share of the commission in cash, bypassing the salesperson's supervising broker. What is the proper course under RA 9646?

A. Decline, since the salesperson may be paid only through his broker
B. Accept, since the buyer is free to reward any agent directly
C. Accept, provided the salesperson issues his own official receipt
D. Decline, since salespersons may not share in commissions at all

8. A realty corporation registered with the SEC wants to offer brokerage services to the public. Which condition must it satisfy under RA 9646?

A. At least one director must hold any PRC professional license
B. Its salespersons must post a surety bond in place of a license
C. It must be wholly owned by a single licensed real estate broker
D. The persons who actually render brokerage services must be licensed brokers

9. A licensed real estate broker's PRC professional identification card must generally be renewed every:

A. Two years
B. Three years
C. Five years
D. Ten years

10. Broker Liza is asked by both the seller and the buyer of a warehouse to represent them in the same transaction. Which step is ethically required before she acts for both?

A. Charge each party half of the usual commission and proceed quietly
B. Represent the buyer only, while still collecting the seller's commission
C. Disclose the dual role and obtain the informed written consent of both parties
D. Notify the PRC first and wait for its written approval of the deal

11. A broker receives a PHP 200,000 earnest money check from a buyer on behalf of the seller. The most proper handling of these funds is to:

A. Deposit them in her personal account until the deed is signed
B. Use them to cover marketing costs and deduct them from commission
C. Hold them as security until the seller pays her the full commission
D. Keep them separate from personal funds and account for them promptly

12. While inspecting a listed house, a broker notices fresh paint covering water stains and learns from neighbors that the street floods every rainy season. A buyer asks whether the house floods. The broker should:

A. Say she is unaware, since the seller did not mention it
B. Advise the buyer to ask the neighbors without commenting
C. Point out that the house has been freshly repainted
D. Disclose what she knows about the flooding and the stains

13. Broker Ben learns that a lot is under a six-month exclusive listing with Broker Ana. Ben has a buyer interested in the lot. What is the most proper action for Ben?

A. Approach the owner and offer to list it at a lower commission
B. Bring the buyer straight to the owner to avoid sharing fees
C. Coordinate with Ana and work through her exclusive listing
D. Advertise the lot as his own listing to attract more offers

14. A broker posts an online advertisement for a client's condominium unit using the words 'For sale by owner, no agents' and gives her own number. This advertisement is improper mainly because it:

A. Misleads the public by hiding that a broker is advertising
B. Fails to state the real property tax due on the unit
C. Uses an online platform instead of a printed newspaper
D. Omits the name of the condominium's building manager

15. While acting as the seller's agent, a broker secretly accepts PHP 50,000 from the buyer for persuading the seller to lower the price. This conduct is best described as:

A. An undisclosed conflict of interest that breaches loyalty to the principal
B. A permissible incentive since the seller's commission is unaffected
C. An ordinary referral fee that need not be reported to anyone
D. A valid co-brokerage arrangement between the buyer and the broker

16. To win a listing, a broker tells an owner that the house can surely sell for PHP 9,000,000 although comparable sales support only about PHP 7,000,000. The broker's conduct is improper because she:

A. Misrepresented the likely market value to obtain the listing
B. Quoted a price instead of preparing a formal appraisal report
C. Discussed price before the listing agreement was notarized
D. Used comparable sales instead of the zonal value of the lot

17. A licensed broker plans to give half of her commission to a friend with no license who personally showed the property and negotiated the price. Under professional standards, this arrangement is:

A. Improper because it rewards an unlicensed person for brokerage work
B. Proper because the friend was the procuring cause of the sale
C. Proper as long as the friend pays income tax on the amount
D. Improper only if the commission exceeds five percent of price

18. A company pays a practitioner to advise it on whether to develop a mixed-use project, how to phase it and how to finance it. This service falls under real estate:

A. Brokerage
B. Assessment
C. Salesmanship
D. Consultancy

19. A bank pays a practitioner to estimate the value of a residential property that a borrower offers as loan collateral. This engagement is the practice of real estate:

A. Appraisal
B. Brokerage
C. Consultancy
D. Salesmanship

20. Continuing professional development for licensed real estate practitioners is primarily intended to:

A. Maintain and upgrade practitioners' competence after licensure
B. Replace the licensure examination for experienced salespersons
C. Allow brokers to practice appraisal without a separate license
D. Generate income for accredited professional organizations

Civil Law on Property, Sales and Lease

21. Seller and buyer orally agree on the specific lot to be sold and on a price of PHP 2,500,000, with payment and the deed to follow next week. Under the Civil Code, the contract of sale is perfected:

A. Only upon delivery of the owner's duplicate title
B. Upon their meeting of minds on the lot and the price
C. Only upon full payment of the PHP 2,500,000 price
D. Only upon registration of the deed of absolute sale

22. In a sale of a house and lot, the buyer gives PHP 300,000 described in the receipt as earnest money. Under the Civil Code, this amount is considered:

A. A separate consideration for an option to buy the property
B. A penalty automatically forfeited if the buyer backs out
C. A refundable deposit that has no bearing on the price
D. Part of the price and proof that the sale was perfected

23. An owner accepts PHP 50,000 from Leo, separate from the price, for the exclusive right to buy a lot at PHP 4,000,000 within 60 days. On day 30, the owner sells the lot to another person. The owner is:

A. Not liable, because an option creates no obligation at all
B. Not liable, because Leo had not yet paid any part of the price
C. Liable to Leo for breach of a binding option contract
D. Liable only to return the PHP 50,000 without any damages

24. A seller and buyer agree only orally on the sale of a parcel of land, and nothing has been paid or delivered. If the seller later refuses to proceed, the oral agreement is:

A. Unenforceable under the Statute of Frauds
B. Void for lack of a notarized document
C. Voidable at the option of the buyer
D. Rescissible because of lesion to the seller

25. An agent sells his principal's lot to a buyer, but the agent's authority was given only orally. Under Article 1874 of the Civil Code, the sale is:

A. Valid, because agency may be oral for any kind of transaction
B. Void, because the agent's authority to sell land must be in writing
C. Voidable, at the option of the buyer within four years
D. Unenforceable, until the agent confirms the authority in court

26. An owner wants her agent to lease out her commercial lot for five years. The form of authority the agent needs is:

A. A special power of attorney
B. A general power of attorney
C. An oral authorization
D. A board resolution

27. Owner O sold the same titled lot first to A, who did not register, and later to B, who bought in good faith and registered the sale first. Who has the better right?

A. B, as the first to register in good faith
B. A, as the first buyer in point of time
C. A, as the holder of the older deed of sale
D. Neither, since both sales are void

28. A lot was sold at PHP 9,000 per square meter for a stated 500 square meters, but a survey shows only 440 square meters. Which remedies does the buyer have under the Civil Code?

A. Proportional price reduction only, since rescission is barred
B. Rescission only, since the price was fixed per square meter
C. No remedy, since the seller delivered the lot as identified
D. Proportional price reduction or rescission, at the buyer's choice

29. A farm was sold for a lump sum of PHP 6,000,000 by its stated boundaries, and the deed mentions an area of 3 hectares. A survey later shows 3.2 hectares. What happens to the price?

A. It stays the same since the sale was for a lump sum
B. It increases in proportion to the extra 0.2 hectare
C. The seller may rescind because of the excess area
D. It is adjusted only if the excess is over one tenth

30. A deed of sale with right to repurchase over a house and lot is silent on the repurchase period. Under the Civil Code, the vendor may repurchase within:

A. Ten years from the date of the contract
B. Thirty days from written notice of sale
C. Four years from the date of the contract
D. One year from registration of the deed

31. Rosa sells her house for half its market value with a right to repurchase, and she continues living in it while paying 'rent' to the buyer. A court will most likely treat the contract as:

A. An absolute sale with a valid lease
B. A donation with a reservation of use
C. An equitable mortgage securing a loan
D. A simple contract of antichresis

32. A co-owner sold his undivided share in a lot to a stranger. Under the Civil Code, the other co-owners may exercise their right of legal redemption within:

A. Sixty days from registration of the deed of sale
B. Four years from the date of execution of the deed
C. Thirty days from written notice of the sale by the vendor
D. Fifteen days from actual knowledge of the sale

33. A one-year lease of an office ends, but the lessee stays on for 20 more days and the lessor accepts rent without objection. Under the Civil Code, the result is:

A. Automatic renewal of the lease for another full year
B. Conversion of the lessee into a builder in good faith
C. An implied new lease on the same terms except as to period
D. An unlawful detainer that the lessor must file within 15 days

34. A residential lease has no fixed term, and the rent is paid monthly. Under Article 1687 of the Civil Code, the lease is understood to be:

A. From year to year
B. From day to day
C. For an indefinite period
D. From month to month

35. A lessee of a house wants to sublet one room. The lease contract is silent on subleasing. Under the Civil Code, the lessee:

A. May not sublet without the lessor's written consent
B. May sublet and is thereby released from the lease
C. May sublet only if the lease is registered first
D. May sublet but remains responsible to the lessor

36. A real estate mortgage provides that if the debtor fails to pay, the mortgaged lot automatically becomes the creditor's property without foreclosure. This stipulation is:

A. Valid as a dacion en pago
B. Valid if the deed is notarized
C. Void as a pactum commissorium
D. Voidable at the debtor's option

37. Carlo, in good faith, built a house on Dina's lot thinking it was his own. Under Article 448, which option belongs to Dina as landowner?

A. Demand demolition of the house at Carlo's expense without any indemnity
B. Keep the house without paying anything since accession favors the owner
C. Require Carlo to pay rent while she holds title to the house as well
D. Appropriate the house after paying indemnity, or require Carlo to buy the land

38. Over the years, a river gradually deposited soil along the bank of Elena's riverside lot, adding about 300 square meters. Under the Civil Code, this added land belongs to:

A. The State, as part of the public domain
B. Elena, as owner of the land adjoining the bank
C. The municipality where the river is located
D. The owners on the opposite bank in proportion

39. Felix's lot is enclosed by other properties because he built a wall over his own former access road. He now demands a right of way from a neighbor. His claim will most likely fail because:

A. He offered to pay proper indemnity
B. The isolation resulted from his own acts
C. The neighbor's lot is the shortest route
D. His lot has no adequate outlet to a road

40. A homeowner wants to open a window with a direct view over the neighbor's lot. Under the Civil Code, the minimum distance from the boundary line is:

A. One meter
B. Two meters
C. Sixty centimeters
D. Three meters

Land Titles, Registration and Documentation

41. Gary has openly occupied a portion of a lot covered by a Torrens title in another person's name for 35 years. Can he acquire ownership of that portion by prescription?

A. Yes, after 30 years of possession in good or bad faith
B. No, because registered land is not subject to prescription
C. Yes, after 10 years if he possessed in good faith
D. No, unless he also paid the real property taxes

42. A decree of registration was entered in a land registration case. A person claiming to have been deprived of the land through actual fraud may file a petition for review within:

A. Six months from entry of the decree
B. Two years from issuance of the title
C. Ten years from discovery of fraud
D. One year from entry of the decree

43. In a collection case, the defendant argues that the plaintiff's Torrens title over a lot is void and should be cancelled. Under PD 1529, this attack on the title is:

A. Allowed, because any court may cancel a void title
B. Allowed, if the defendant files a notice of adverse claim
C. Not allowed, unless the title is less than ten years old
D. Not allowed, because a title cannot be attacked collaterally

44. Hector sold his titled lot to Iris through a notarized deed, but Iris never registered it. Between Hector and Iris, the deed is:

A. Void, because registration is needed for a sale to exist
B. Unenforceable, until the deed is annotated on the title
C. Valid as a contract, though it does not yet bind third persons
D. Voidable, at Hector's option until the deed is registered

45. A person claiming an interest in registered land annotates an adverse claim on the title. Under Section 70 of PD 1529, the adverse claim is effective for:

A. Ninety days from registration
B. One year from registration
C. Thirty days from registration
D. Fifteen days from registration

46. A broker sees a notice of lis pendens annotated on the title of a lot she is about to list. This annotation tells prospective buyers that:

A. The property has an unpaid real property tax delinquency
B. The property is mortgaged to a bank as loan security
C. The property is involved in a pending court case affecting it
D. The property has been declared for agrarian reform coverage

47. A lot was first brought under the Torrens system by judicial decree and later sold twice. The title now issued in the latest buyer's name is a:

A. Original certificate of title
B. Tax declaration of ownership
C. Free patent certificate
D. Transfer certificate of title

48. Under Section 14(1) of PD 1529, an applicant for original registration of alienable and disposable public land must show open, continuous, exclusive and notorious possession under a bona fide claim of ownership since:

A. January 1, 1935 or earlier
B. July 4, 1946 or earlier
C. June 12, 1945 or earlier
D. September 21, 1972 or earlier

49. Jun bought an unregistered parcel in good faith under a deed that turned out to be defective, and he has possessed it publicly and peacefully since. Under the Civil Code, he may acquire ownership by ordinary acquisitive prescription after:

A. Four years
B. Thirty years
C. Ten years
D. Fifty years

50. A registered owner lost her owner's duplicate certificate of title in a fire. Under PD 1529, the proper steps to obtain a new duplicate are:

A. Request the assessor to issue a new tax declaration in her name
B. Execute an affidavit of loss and have a notary issue a new duplicate
C. File a sworn notice with the Register of Deeds, then petition the court
D. Apply directly to the developer that originally sold her the lot

51. A buyer is offered a titled lot at a low price. The title looks clean, but a family is living on the lot and claims to own it. Before paying, the prudent buyer should:

A. Rely solely on the title since a Torrens title cannot be questioned
B. Pay at once since occupants of titled land have no rights at all
C. Ask the seller to sign a waiver and disregard the occupants
D. Investigate the occupants' claim since the possession puts him on inquiry

52. When verifying a Torrens title, where would a broker find existing mortgages, liens and other encumbrances on the property?

A. In the memorandum of encumbrances annotated on the title
B. In the technical description at the front of the title
C. In the latest real property tax receipt of the owner
D. In the vicinity map attached to the subdivision plan

53. Under the Civil Code and land registration practice, for a deed of sale of real property to be accepted for registration with the Register of Deeds, it must generally be:

A. Executed as a public instrument acknowledged before a notary
B. Written by hand and signed by two attesting witnesses
C. Approved in advance by the real estate broker's PRC board
D. Published once a week for three weeks in a newspaper

54. Kiko's only proof of ownership over an untitled lot is a tax declaration in his name. As evidence of ownership, a tax declaration is:

A. Conclusive proof equal in force to a Torrens title
B. Not conclusive, but an indication of a claim of ownership
C. Worthless, since it is never admitted in court
D. Conclusive once real property taxes are fully paid

55. A seller and buyer sign a contract to sell a house and lot payable in 60 monthly installments, with title to remain with the seller until full payment. Under this contract, ownership passes to the buyer:

A. Upon signing of the contract to sell
B. Only upon full payment of the purchase price
C. Upon payment of the first monthly installment
D. Upon delivery of possession of the house

56. Proceedings in which the government itself initiates the registration of all lands in a designated area, requiring claimants to prove their claims, are called:

A. Voluntary registration proceedings
B. Cadastral registration proceedings
C. Reconstitution proceedings
D. Expropriation proceedings

57. The principle that a buyer of registered land may rely on what appears on the face of the certificate of title, without going behind it, is often called the:

A. Mirror principle
B. Curtain principle
C. Indemnity principle
D. Substitution principle

58. A foreign national's Filipino spouse died without a will, and the foreigner inherited a share in a residential lot by intestate succession. Under the Constitution, the foreigner's acquisition is:

A. Allowed, as a case of hereditary succession
B. Void, as foreigners can never acquire private land
C. Allowed only if the lot is 500 square meters or less
D. Valid only after the foreigner becomes naturalized

59. A rectangular lot measures 32 m by 45 m. What is its area in hectares?

A. 1.44 hectares
B. 0.144 hectare
C. 0.0144 hectare
D. 14.4 hectares

60. A lot shaped like a trapezoid has parallel frontages of 18 m and 26 m, and the perpendicular distance between them is 30 m. If it sells at PHP 12,000 per square meter, what is its price?

A. PHP 6,480,000
B. PHP 9,360,000
C. PHP 5,616,000
D. PHP 7,920,000

Subdivision, Condominium and Buyer Protection Laws

61. Before a developer may sell lots in a new subdivision to the public under PD 957, it must first obtain from the housing regulatory agency:

A. A building permit for each model house only
B. Registration of the project and a license to sell
C. A certificate of registration as a broker
D. Clearance from the homeowners association

62. A subdivision developer wants to mortgage several unsold lots to a bank to raise development funds. Under Section 18 of PD 957, it needs:

A. Only the written consent of the bank's board of directors
B. Only a resolution of the developer's stockholders
C. No approval, since unsold lots belong to the developer
D. Prior written approval of the housing regulatory authority

63. A buyer stops paying amortizations after the developer fails to build the roads and drainage within the approved period. After due notice to the developer, the buyer may demand under Section 23 of PD 957:

A. Refund of only half of total payments, as with Maceda Law
B. Refund of the down payment only, without any interest
C. Refund of total payments with legal interest, excluding delinquency interest
D. Nothing, since non-payment forfeits all prior payments

64. A subdivision brochure promised a clubhouse and swimming pool, but the developer later says these were 'merely artist's impressions.' Under PD 957, the developer is:

A. Liable for facilities promised in its brochures and advertisements
B. Not liable, since brochures are not part of any contract
C. Liable only if the facilities were in the deed of sale
D. Not liable, if it adds a disclaimer after the sale

65. A lot buyer in a registered subdivision has paid the full purchase price. Under Section 25 of PD 957, the developer must:

A. Deliver only a certificate of full payment
B. Hold the title until all lots are sold
C. Transfer the title to the homeowners association
D. Deliver the title of the lot to the buyer

66. Under Section 17 of PD 957, contracts to sell and deeds of sale of subdivision lots and condominium units must be:

A. Kept by the developer and shown only upon request
B. Filed with the city assessor in place of registration
C. Approved by the homeowners association before signing
D. Registered by the seller with the Register of Deeds

67. A developer wants to convert a designated open space in its approved subdivision plan into additional saleable lots. Under Section 22 of PD 957, this requires:

A. Only an amended plan signed by the developer's licensed geodetic engineer
B. Only notice to the buyers through a newspaper of general circulation
C. Permission of the Authority and consent of the homeowners association or majority of buyers
D. Only payment of conversion fees to the city treasurer's office

68. Which installment sale is covered by the Maceda Law (RA 6552)?

A. A commercial building sold on quarterly installments
B. An industrial lot sold to a manufacturing company
C. A farm lot sold to its tenant under agrarian reform laws
D. A residential condominium unit bought on monthly installments

69. A buyer of a house and lot has paid monthly installments for three full years and then defaults. Under the Maceda Law, how long is the grace period during which the buyer may pay without additional interest?

A. One month
B. Three months
C. Sixty days
D. Six months

70. A buyer paid installments on a residential lot for seven years, totaling PHP 840,000, and the seller validly cancels after the grace period. Under the Maceda Law, the cash surrender value due the buyer is:

A. PHP 420,000
B. PHP 504,000
C. PHP 714,000
D. PHP 462,000

71. A buyer had paid installments for 20 years, totaling PHP 1,500,000, when the contract was cancelled under the Maceda Law. The cash surrender value is:

A. PHP 1,875,000
B. PHP 1,350,000
C. PHP 1,125,000
D. PHP 750,000

72. A condominium buyer paid installments for four years, totaling PHP 600,000, before defaulting. If the seller validly cancels the contract, the minimum refund under the Maceda Law is:

A. PHP 360,000
B. PHP 420,000
C. PHP 300,000
D. PHP 0

73. A buyer who has paid only 14 months of installments on a residential lot defaults. Under the Maceda Law, the seller must give a grace period of:

A. One month for every year of payments
B. Not less than sixty days from the due date
C. Not less than thirty days from the due date
D. No grace period, since he paid under two years

74. A buyer with six years of installments failed to pay within the grace period. Under the Maceda Law, the seller's cancellation of the contract takes effect:

A. Immediately upon the seller's written demand delivered by ordinary mail to the buyer
B. 60 days after the due date of the unpaid installment, with no refund to the buyer
C. 30 days after the buyer receives a notarial notice, upon full payment of the cash surrender value
D. Only after a court decision rescinds the contract and orders full refund of payments

75. Under the Maceda Law, a buyer who has paid at least two years of installments may use the grace period:

A. Once every year of the contract
B. Only once during the life of the contract
C. As often as the buyer needs it
D. Only once in every five years of the contract

76. In computing the 'total payments made' for the Maceda Law cash surrender value, which amounts are included?

A. Down payment, deposits and installments paid
B. Monthly installments only, excluding the down payment
C. Installments plus penalties for late payment
D. Down payment only, since installments earn the seller interest

77. A buyer covered by the Maceda Law receives a large bonus and wants to pay the entire remaining balance of her lot contract ahead of schedule. Under the law, she:

A. Must pay a prepayment penalty equal to one month's installment amount
B. May pay the full balance anytime without interest on the prepaid amount
C. May prepay only after the first five years of the contract have lapsed
D. Needs the seller's written consent before making any advance payment

78. A condominium unit owner holds title to her unit. Under the Condominium Act, her ownership of the common areas such as lobbies and elevators is typically in the form of:

A. An undivided interest, often held through the condominium corporation
B. Exclusive ownership of the hallway directly in front of her unit
C. No interest at all, since common areas belong to the developer
D. A lease right that expires when the developer's permit lapses

79. Under the Condominium Act as amended, foreign nationals may buy condominium units provided that foreign-owned interest in the project does not exceed:

A. 25 percent
B. 49 percent
C. 40 percent
D. 60 percent

80. In a condominium project, the instrument registered with the master deed that sets out the restrictions on use, maintenance and management of the units and common areas is the:

A. Deed of absolute sale
B. Declaration of restrictions
C. Notice of lis pendens
D. Certificate of occupancy

Real Estate Brokerage Practice and Finance

81. A broker sells a house and lot for PHP 6,800,000 at an agreed commission of 5 percent. What is the gross commission?

A. PHP 34,000
B. PHP 374,000
C. PHP 340,000
D. PHP 306,000

82. A lot sells for PHP 4,500,000 with a 5 percent commission split equally between the listing and selling brokers. The listing broker gives her salesperson 40 percent of her share. How much does the salesperson receive?

A. PHP 90,000
B. PHP 67,500
C. PHP 22,500
D. PHP 45,000

83. A listing agreement provides a commission of 5 percent on the first PHP 3,000,000 of the selling price and 3 percent on the excess. If the property sells for PHP 7,200,000, the commission is:

A. PHP 360,000
B. PHP 276,000
C. PHP 216,000
D. PHP 288,000

84. An owner wants to receive exactly PHP 3,000,000 after paying a 5 percent commission computed on the selling price. The minimum selling price, rounded to the nearest peso, is:

A. PHP 3,150,000
B. PHP 3,157,895
C. PHP 3,120,000
D. PHP 3,125,000

85. An owner signs an exclusive right-to-sell listing with a broker for 90 days. During that period the owner finds a buyer on his own and sells the property. The broker is:

A. Not entitled, because the owner found the buyer himself
B. Entitled only to reimbursement of advertising expenses
C. Entitled to the commission under the exclusive right to sell
D. Entitled only if the buyer had seen the broker's ads

86. An owner gives open listings to three brokers. Broker C introduces the buyer who eventually purchases the property. Who is entitled to the commission?

A. All three brokers, in equal shares
B. The first broker to receive the listing
C. Broker C, as the one who procured the buyer
D. None, since open listings carry no commission

87. A broker introduced a buyer and arranged several meetings, but the owner waited until the listing expired and then sold directly to that buyer to avoid paying commission. The broker is most likely:

A. Not entitled, since the sale closed after the listing ended
B. Entitled to commission as the efficient procuring cause
C. Entitled only to half the commission as a finder's fee
D. Not entitled, because the buyer signed no document with him

88. A buyer borrows PHP 2,400,000 at 7 percent annual interest, compounded monthly, payable in equal monthly amortizations over 15 years. The monthly amortization is closest to:

A. PHP 18,607
B. PHP 21,572
C. PHP 27,333
D. PHP 13,333

89. A bank lends up to 80 percent of appraised value. A property appraised at PHP 5,000,000 is being bought for PHP 5,400,000. How much cash must the buyer put up?

A. PHP 1,000,000
B. PHP 1,080,000
C. PHP 400,000
D. PHP 1,400,000

90. An apartment building has a net operating income of PHP 1,200,000 per year and annual debt service of PHP 960,000. Its debt service coverage ratio is:

A. 0.80
B. 1.25
C. 1.20
D. 2.25

91. A buyer gives the seller a promissory note for PHP 1,500,000 at 8 percent simple annual interest, payable with interest after 18 months. The interest due is:

A. PHP 180,000
B. PHP 120,000
C. PHP 216,000
D. PHP 183,553

92. A mall tenant pays a base rent of PHP 80,000 per month plus 6 percent of monthly gross sales in excess of PHP 1,500,000. If gross sales for a month are PHP 2,300,000, the total rent for that month is:

A. PHP 218,000
B. PHP 138,000
C. PHP 170,000
D. PHP 128,000

93. A 360-square-meter lot was sold for PHP 5,040,000. What was the price per square meter?

A. PHP 16,800
B. PHP 12,600
C. PHP 12,000
D. PHP 14,000

94. Assume a 6 percent capital gains tax on the higher of the selling price and the zonal value. A lot is sold for PHP 3,200,000, and its zonal value is PHP 3,600,000. The tax is:

A. PHP 192,000
B. PHP 24,000
C. PHP 216,000
D. PHP 204,000

95. An investor puts PHP 2,000,000 of equity into a rental property that produces an annual before-tax cash flow of PHP 240,000 after debt service. The cash-on-cash return is:

A. 8.3 percent
B. 24 percent
C. 10 percent
D. 12 percent

96. An office building has potential gross income of PHP 6,000,000, operating expenses of PHP 1,800,000 and annual debt service of PHP 2,400,000. Its break-even occupancy ratio is:

A. 30 percent
B. 40 percent
C. 60 percent
D. 70 percent

97. In the early years of a fully amortizing loan with level monthly payments, each payment consists of:

A. Mostly principal, with a small part paying interest
B. Equal parts principal and interest throughout
C. Mostly interest, with a small part reducing principal
D. Interest only, with principal due at maturity

98. Demand for office space in a city rises sharply, but new buildings take three to four years to complete. In the short run, the most likely effect is:

A. Lower rents and higher vacancy rates
B. Higher rents and lower vacancy rates
C. Stable rents with rising vacancy
D. Lower land values near offices

99. A loan requires small monthly payments for five years and then a single large payment of the remaining balance at maturity. That large final payment is called a:

A. Balloon payment
B. Down payment
C. Reservation fee
D. Escrow deposit

100. A seller will receive a lump sum of PHP 5,000,000 three years from now. Discounted at 8 percent compounded annually, its present value is closest to:

A. PHP 3,969,161
B. PHP 3,800,000
C. PHP 4,032,258
D. PHP 4,286,694

Real Estate Appraisal

101. A small office building earns a stabilized net operating income of PHP 1,440,000 per year. Using an overall capitalization rate of 9 percent, its indicated value is:

A. PHP 12,960,000
B. PHP 18,000,000
C. PHP 16,000,000
D. PHP 14,400,000

102. An apartment has potential gross income of PHP 3,600,000, an 8 percent vacancy and collection loss, and operating expenses equal to 35 percent of effective gross income. At a capitalization rate of 8 percent, its value is:

A. PHP 29,250,000
B. PHP 30,510,000
C. PHP 41,400,000
D. PHP 26,910,000

103. A comparable commercial property sold for PHP 12,500,000 and produces a net operating income of PHP 1,000,000. The overall capitalization rate indicated by this sale is:

A. 12.5 percent
B. 10 percent
C. 7.5 percent
D. 8 percent

104. A comparable house sold for PHP 4,800,000 when it rented for PHP 40,000 per month. The subject house rents for PHP 35,000 per month. Using the gross rent multiplier, the subject's indicated value is:

A. PHP 3,500,000
B. PHP 4,200,000
C. PHP 4,550,000
D. PHP 5,040,000

105. A building has a reproduction cost new of PHP 6,000,000, an effective age of 12 years and a total economic life of 50 years. The land is worth PHP 3,000,000. By the cost approach using the age-life method, the property's value is:

A. PHP 7,105,263
B. PHP 7,560,000
C. PHP 9,000,000
D. PHP 4,560,000

106. A building costs PHP 4,000,000, has an estimated salvage value of 10 percent of cost and a useful life of 40 years. Its annual straight-line depreciation is:

A. PHP 90,000
B. PHP 100,000
C. PHP 10,000
D. PHP 110,000

107. A comparable sold for PHP 5,000,000. It has a swimming pool worth PHP 300,000 that the subject lacks, while the subject has an extra garage worth PHP 150,000 that the comparable lacks. The adjusted sale price of the comparable is:

A. PHP 4,850,000
B. PHP 5,150,000
C. PHP 4,550,000
D. PHP 5,450,000

108. A buyer will not pay more for a house than the cost of acquiring an equally desirable house nearby with no undue delay. This reflects the principle of:

A. Conformity
B. Substitution
C. Anticipation
D. Progression

109. In highest and best use analysis, which sequence of tests is applied to a site?

A. Physically possible, maximally productive, legally permissible, financially feasible
B. Legally permissible, physically possible, financially feasible, maximally productive
C. Financially feasible, legally permissible, maximally productive, physically possible
D. Maximally productive, financially feasible, physically possible, legally permissible

110. A five-bedroom house has only one bathroom, reached through one of the bedrooms. In the cost approach, this loss in value is best classified as:

A. Physical deterioration
B. External obsolescence
C. Economic life expiry
D. Functional obsolescence

111. A new garbage landfill opens 300 meters from a residential subdivision, lowering house values there. This loss in value is best classified as:

A. External obsolescence, usually incurable by the owner
B. Functional obsolescence, curable by renovation
C. Physical deterioration, curable by repairs
D. Functional obsolescence, incurable by the owner

112. An owner builds a PHP 40,000,000 mansion in a neighborhood of modest PHP 4,000,000 houses. Compared with an identical mansion in a high-end village, its value is likely lower because of the principle of:

A. Progression
B. Substitution
C. Regression
D. Anticipation

113. An owner spends PHP 500,000 on a kitchen renovation that increases the property's market value by only PHP 300,000. Which principle explains why the cost was not fully recovered?

A. Contribution
B. Conformity
C. Competition
D. Change

114. Which statement best describes market value as used in appraisal?

A. The most probable price in an open, competitive market between informed parties under no compulsion
B. The price the current owner originally paid, adjusted for inflation since the purchase
C. The value fixed by the local assessor for computing the annual real property tax due
D. The highest price that any single motivated buyer might offer for the property today

115. An appraiser must value a church building that is rarely sold and produces no rental income. The approach most likely to be given the greatest weight is the:

A. Cost approach
B. Sales comparison approach
C. Income capitalization approach
D. Gross rent multiplier method

116. For a 40-unit apartment building bought mainly for its rental income, the valuation approach usually given the most weight is the:

A. Income capitalization approach
B. Cost approach
C. Age-life approach
D. Land residual technique only

117. Using the band of investment method, a property is financed with a 70 percent loan at a mortgage constant of 10 percent, and equity investors require a 14 percent return. The overall capitalization rate is:

A. 12.0 percent
B. 11.2 percent
C. 12.8 percent
D. 10.0 percent

118. A property earns a net operating income of PHP 2,000,000. Its building is worth PHP 12,000,000, and the building capitalization rate (including recapture) is 11 percent. With a land capitalization rate of 8 percent, the land residual technique gives a land value of:

A. PHP 25,000,000
B. PHP 9,454,545
C. PHP 8,500,000
D. PHP 13,000,000

119. Assume a residential property has a market value of PHP 4,000,000, an assessment level of 20 percent and a basic real property tax rate of 2 percent. The annual basic tax is:

A. PHP 80,000
B. PHP 800,000
C. PHP 8,000
D. PHP 16,000

120. The income approach values a property as the present worth of the net income it is expected to produce in the future. This is based mainly on the principle of:

A. Conformity
B. Regression
C. Anticipation
D. Balance

Answer key

Real Estate Service

1. B. Real estate brokerage

RA 9646 defines a broker as one who, for a fee or commission, acts as agent to offer, solicit, negotiate or effect the meeting of minds in a real estate transaction, so Mara is engaged in unlicensed brokerage.

2. A. An accredited natural person who works for a licensed broker for a share of the commission

A salesperson is accredited, not licensed, and performs services for and on behalf of a licensed real estate broker in expectation of a share of the commission.

3. D. Assessor

RA 9646 defines a real estate assessor as the local government officer who performs appraisal and assessment of real properties for taxation purposes.

4. C. A chairperson and four members

The Act creates the Board under the PRC with a chairperson and four members, five persons in all.

5. C. A 75% weighted general average with no subject below 50%

RA 9646 sets passing at a weighted general average of 75 percent, with no rating lower than 50 percent in any subject.

6. A. An owner directly selling a residential lot titled in her name

RA 9646 exempts persons who directly sell their own property; habitual dealing for others for a fee is brokerage that requires a license.

7. A. Decline, since the salesperson may be paid only through his broker

A salesperson works under a licensed broker and may receive compensation only through that broker, not directly from clients.

8. D. The persons who actually render brokerage services must be licensed brokers

RA 9646 allows corporate practice only if the persons authorized to act for the firm in rendering real estate service are duly registered and licensed.

9. B. Three years

As with other regulated professions, the PRC identification card is valid for three years and is renewed upon compliance with requirements such as CPE.

10. C. Disclose the dual role and obtain the informed written consent of both parties

Acting for both sides creates a conflict of interest that is permissible only with full disclosure and the informed consent of both principals.

11. D. Keep them separate from personal funds and account for them promptly

Client money is held in trust; commingling it with personal funds or applying it to the broker's own claims violates professional standards.

12. D. Disclose what she knows about the flooding and the stains

A broker must not conceal or misrepresent material facts known to her; flooding and hidden water damage are material to the buyer.

13. C. Coordinate with Ana and work through her exclusive listing

Professional ethics forbid interfering with another broker's exclusive agency; dealings on that property should go through the listing broker.

14. A. Misleads the public by hiding that a broker is advertising

Advertising by a practitioner must be truthful and must not misrepresent the advertiser's identity or role in the transaction.

15. A. An undisclosed conflict of interest that breaches loyalty to the principal

An agent owes undivided loyalty to her principal; taking secret compensation from the other side without disclosure and consent is unethical.

16. A. Misrepresented the likely market value to obtain the listing

Inflating a price opinion to secure a listing misleads the client and violates the duty of honesty owed to the principal.

17. A. Improper because it rewards an unlicensed person for brokerage work

Sharing fees with an unlicensed person who performed brokerage acts aids illegal practice of real estate service.

18. D. Consultancy

RA 9646 defines a consultant as one who, for a fee, renders professional advice on investment, development and utilization of real property.

19. A. Appraisal

An appraiser, for a fee, renders an estimate of the value of real property; collateral valuation for a lender is a classic appraisal assignment.

20. A. Maintain and upgrade practitioners' competence after licensure

CPD ensures that licensed professionals keep their knowledge and skills current, and compliance is required for license renewal.

21. B. Upon their meeting of minds on the lot and the price

Sale is consensual and is perfected at the moment of meeting of minds on the object and the price (Art. 1475).

22. D. Part of the price and proof that the sale was perfected

Article 1482 provides that earnest money given in a sale is part of the price and proof of perfection of the contract.

23. C. Liable to Leo for breach of a binding option contract

An accepted unilateral promise to sell supported by a consideration distinct from the price is binding on the promissor (Art. 1479); selling within the period breaches it.

24. A. Unenforceable under the Statute of Frauds

Under Article 1403(2), an agreement for the sale of real property not in writing is unenforceable by action, though it is not void.

25. B. Void, because the agent's authority to sell land must be in writing

Article 1874 states that when a sale of land or any interest therein is through an agent, the agent's authority must be in writing, otherwise the sale is void.

26. A. A special power of attorney

Article 1878 requires a special power of attorney to lease real property to another for more than one year.

27. A. B, as the first to register in good faith

Under Article 1544, in a double sale of immovables, ownership belongs to the buyer who in good faith first recorded the sale in the Registry of Property.

28. D. Proportional price reduction or rescission, at the buyer's choice

In a sale by unit of measure, the buyer may choose price reduction or rescission, the latter only if the shortage is at least one tenth of the stated area (Art. 1539); here 60/500 = 12%.

29. A. It stays the same since the sale was for a lump sum

In a sale for a lump sum (a cuerpo cierto), there is no increase or decrease of price although the area turns out greater or smaller than stated (Art. 1542).

30. C. Four years from the date of the contract

Article 1606 provides that, absent an express agreement, the right of conventional redemption lasts four years; an agreed period cannot exceed ten years.

31. C. An equitable mortgage securing a loan

Article 1602 presumes an equitable mortgage when the price is unusually inadequate or the vendor remains in possession as lessee, among other circumstances.

32. C. Thirty days from written notice of the sale by the vendor

Article 1623 requires the right of legal redemption to be exercised within 30 days from written notice by the prospective vendor or vendor.

33. C. An implied new lease on the same terms except as to period

If the lessee continues enjoying the thing for 15 days after the lease ends with the lessor's acquiescence, an implied new lease (tacita reconduccion) arises (Art. 1670).

34. D. From month to month

When no period is fixed, a lease with monthly rent is understood to be from month to month.

35. D. May sublet but remains responsible to the lessor

Article 1650 allows subleasing absent an express prohibition, but the lessee remains liable to the lessor under the lease.

36. C. Void as a pactum commissorium

Article 2088 prohibits the creditor from appropriating or disposing of the thing given as security; any contrary stipulation is null and void.

37. D. Appropriate the house after paying indemnity, or require Carlo to buy the land

The landowner may appropriate the works after paying indemnity or oblige the builder in good faith to pay the price of the land, unless its value is considerably more than the building.

38. B. Elena, as owner of the land adjoining the bank

Article 457 grants owners of lands adjoining river banks the accretion they gradually receive from the effects of the current (alluvion).

39. B. The isolation resulted from his own acts

One requisite of a compulsory easement of right of way is that the isolation was not due to the proprietor's own acts (Art. 649).

40. B. Two meters

Article 670 bars windows with direct views onto adjoining property unless there is a distance of two meters; oblique views require sixty centimeters.

41. B. No, because registered land is not subject to prescription

Section 47 of PD 1529 provides that no title to registered land in derogation of the registered owner's title shall be acquired by prescription or adverse possession.

42. D. One year from entry of the decree

Under Section 32 of PD 1529, a decree becomes incontrovertible after one year from entry, and review on the ground of actual fraud must be sought within that year.

43. D. Not allowed, because a title cannot be attacked collaterally

Section 48 of PD 1529 states that a certificate of title shall not be subject to collateral attack; it may be altered or cancelled only in a direct proceeding.

44. C. Valid as a contract, though it does not yet bind third persons

Section 51 of PD 1529 makes registration the operative act that binds the land and third persons; between the parties, the unregistered deed remains a valid contract.

45. C. Thirty days from registration

The adverse claim is effective for 30 days from the date of registration and may be cancelled thereafter upon proper petition.

46. C. The property is involved in a pending court case affecting it

A notice of lis pendens warns the public that the property is subject of litigation, and anyone who acquires it takes it subject to the outcome.

47. D. Transfer certificate of title

The original certificate of title is issued pursuant to the decree of registration; titles issued on subsequent transfers are transfer certificates of title.

48. C. June 12, 1945 or earlier

Section 14(1) covers those who by themselves or their predecessors-in-interest have possessed alienable and disposable public land since June 12, 1945 or earlier.

49. C. Ten years

Ownership of immovables is acquired by ordinary prescription through possession in good faith with just title for ten years; extraordinary prescription needs thirty years.

50. C. File a sworn notice with the Register of Deeds, then petition the court

Section 109 of PD 1529 requires notice under oath to the Register of Deeds and a petition to the court, which may order a new duplicate after notice and hearing.

51. D. Investigate the occupants' claim since the possession puts him on inquiry

A buyer cannot claim good faith if he ignores facts that would lead a reasonable person to inquire, such as possession by persons other than the seller.

52. A. In the memorandum of encumbrances annotated on the title

Encumbrances and other voluntary or involuntary dealings are annotated on the title's memorandum of encumbrances.

53. A. Executed as a public instrument acknowledged before a notary

Acts creating or transmitting real rights over immovables should appear in a public document (Art. 1358), and the Register of Deeds registers notarized instruments.

54. B. Not conclusive, but an indication of a claim of ownership

Tax declarations and receipts are not conclusive evidence of ownership but are good indicia of possession in the concept of owner.

55. B. Only upon full payment of the purchase price

In a contract to sell, the seller reserves ownership and full payment is a suspensive condition; ownership passes only when it is fulfilled.

56. B. Cadastral registration proceedings

In cadastral proceedings the government compels the settlement and adjudication of titles to lands in an area, unlike voluntary registration initiated by the claimant.

57. A. Mirror principle

The mirror principle holds that the title accurately reflects all facts about ownership and encumbrances, so a buyer in good faith may rely on it.

58. A. Allowed, as a case of hereditary succession

Article XII, Section 7 of the Constitution bars transfers of private land to aliens save in cases of hereditary succession.

59. B. 0.144 hectare

Area = 32 x 45 = 1,440 square meters; dividing by 10,000 square meters per hectare gives 0.144 hectare.

60. D. PHP 7,920,000

Area = (18 + 26)/2 x 30 = 660 square meters; price = 660 x 12,000 = PHP 7,920,000.

61. B. Registration of the project and a license to sell

PD 957 requires registration of the subdivision or condominium project and a license to sell before lots or units may be sold.

62. D. Prior written approval of the housing regulatory authority

Section 18 bars the owner or developer from mortgaging any unit or lot without prior written approval of the Authority, and loan proceeds must go to the project.

63. C. Refund of total payments with legal interest, excluding delinquency interest

Section 23 protects a buyer who desists because of the developer's failure to develop; he may be reimbursed the total amount paid, including amortization interest but excluding delinquency interest, with legal interest.

64. A. Liable for facilities promised in its brochures and advertisements

Section 19 of PD 957 makes the owner or developer answerable for facilities and improvements represented or promised in its brochures and advertisements.

65. D. Deliver the title of the lot to the buyer

Section 25 requires the owner or developer to deliver the title of the lot or unit to the buyer upon full payment.

66. D. Registered by the seller with the Register of Deeds

Section 17 requires all contracts to sell, deeds of sale and similar instruments to be registered by the seller in the office of the Register of Deeds.

67. C. Permission of the Authority and consent of the homeowners association or majority of buyers

Section 22 bars altering roads, open spaces and facilities in the approved plan without the Authority's permission and the written consent of the homeowners association or, absent one, a majority of lot buyers.

68. D. A residential condominium unit bought on monthly installments

RA 6552 covers sales of real estate on installments, including residential condominium apartments, but excludes industrial lots, commercial buildings and sales to tenants under agrarian laws.

69. B. Three months

A buyer with at least two years of installments gets one month of grace period for every year of installments paid: 3 years gives 3 months.

70. B. PHP 504,000

CSV is 50% of total payments plus 5% for each year beyond five: 50% + 2 x 5% = 60%; 0.60 x 840,000 = PHP 504,000.

71. B. PHP 1,350,000

50% + 15 x 5% = 125%, but the Maceda Law caps CSV at 90%; 0.90 x 1,500,000 = PHP 1,350,000.

72. C. PHP 300,000

With at least two but not more than five years of installments, the CSV is 50% of total payments: 0.50 x 600,000 = PHP 300,000.

73. B. Not less than sixty days from the due date

For buyers with less than two years of installments, RA 6552 grants a grace period of not less than 60 days from the date the installment became due.

74. C. 30 days after the buyer receives a notarial notice, upon full payment of the cash surrender value

Cancellation becomes effective 30 days from the buyer's receipt of the notice of cancellation or demand for rescission by notarial act and upon full payment of the cash surrender value.

75. D. Only once in every five years of the contract

RA 6552 allows the grace period right to be exercised only once in every five years of the life of the contract and its extensions.

76. A. Down payment, deposits and installments paid

RA 6552 provides that down payments, deposits or options on the contract are included in computing the total number of installment payments made.

77. B. May pay the full balance anytime without interest on the prepaid amount

RA 6552 gives the buyer the right to pay in advance any installment or the full unpaid balance at any time without interest, and to have the full payment annotated on the title.

78. A. An undivided interest, often held through the condominium corporation

A condominium is an interest in a unit together with an undivided interest in the common areas, which are usually held by a condominium corporation whose members are the unit owners.

79. C. 40 percent

Because condominium units carry an interest in land, foreign ownership in a project is limited so that Filipinos hold at least 60 percent, leaving at most 40 percent to foreigners.

80. B. Declaration of restrictions

The Condominium Act requires a declaration of restrictions, annotated on the title, which binds unit owners on the use and management of the project.

81. C. PHP 340,000

Commission = 0.05 x 6,800,000 = PHP 340,000.

82. D. PHP 45,000

Gross = PHP 225,000; listing broker's half = PHP 112,500; salesperson's 40% = PHP 45,000.

83. B. PHP 276,000

0.05 x 3,000,000 = 150,000 plus 0.03 x 4,200,000 = 126,000; total PHP 276,000.

84. B. PHP 3,157,895

Price x 0.95 = 3,000,000, so price = 3,000,000 / 0.95 = PHP 3,157,895; adding 5% of the net (PHP 3,150,000) understates the commission base.

85. C. Entitled to the commission under the exclusive right to sell

Under an exclusive right-to-sell listing, the broker earns the commission whoever sells the property within the listing period, including the owner.

86. C. Broker C, as the one who procured the buyer

In an open listing, only the broker who is the efficient procuring cause of the sale earns the commission.

87. B. Entitled to commission as the efficient procuring cause

Philippine courts award commission to a broker whose efforts were the efficient procuring cause of the sale, even if the owner closes it himself to evade payment.

88. B. PHP 21,572

PMT = P x i / (1 - (1 + i)^-n) with i = 0.07/12 and n = 180 gives about PHP 21,572.

89. D. PHP 1,400,000

Maximum loan = 0.80 x 5,000,000 = PHP 4,000,000; cash needed = 5,400,000 - 4,000,000 = PHP 1,400,000.

90. B. 1.25

DSCR = NOI / debt service = 1,200,000 / 960,000 = 1.25.

91. A. PHP 180,000

Simple interest = 1,500,000 x 0.08 x 1.5 = PHP 180,000.

92. D. PHP 128,000

Overage = 0.06 x (2,300,000 - 1,500,000) = 48,000; total = 80,000 + 48,000 = PHP 128,000.

93. D. PHP 14,000

5,040,000 / 360 = PHP 14,000 per square meter.

94. C. PHP 216,000

The base is the higher amount, PHP 3,600,000; 0.06 x 3,600,000 = PHP 216,000.

95. D. 12 percent

Cash-on-cash = 240,000 / 2,000,000 = 12 percent.

96. D. 70 percent

Break-even = (operating expenses + debt service) / PGI = 4,200,000 / 6,000,000 = 70 percent.

97. C. Mostly interest, with a small part reducing principal

Interest is computed on the outstanding balance, which is highest at the start, so early payments are mostly interest and the principal portion grows over time.

98. B. Higher rents and lower vacancy rates

Real estate supply is inelastic in the short run, so a demand increase is absorbed mainly through higher rents and lower vacancies.

99. A. Balloon payment

A balloon payment is the large lump sum due at the end of a loan that is not fully amortized by its periodic payments.

100. A. PHP 3,969,161

PV = 5,000,000 / 1.08^3 = 5,000,000 / 1.259712 = about PHP 3,969,161.

101. C. PHP 16,000,000

Value = NOI / R = 1,440,000 / 0.09 = PHP 16,000,000.

102. D. PHP 26,910,000

EGI = PHP 3,312,000; expenses = PHP 1,159,200; NOI = PHP 2,152,800; value = NOI / 0.08 = PHP 26,910,000.

103. D. 8 percent

R = NOI / price = 1,000,000 / 12,500,000 = 0.08 or 8 percent.

104. B. PHP 4,200,000

GRM = 4,800,000 / 40,000 = 120; value = 120 x 35,000 = PHP 4,200,000.

105. B. PHP 7,560,000

Depreciation = 12/50 x 6,000,000 = PHP 1,440,000; depreciated building = PHP 4,560,000; plus land = PHP 7,560,000.

106. A. PHP 90,000

(4,000,000 - 400,000) / 40 = PHP 90,000 per year.

107. A. PHP 4,850,000

Adjust the comparable toward the subject: subtract the pool the subject lacks and add the garage the subject has: 5,000,000 - 300,000 + 150,000 = PHP 4,850,000.

108. B. Substitution

The principle of substitution holds that value tends to be set by the cost of acquiring an equally desirable substitute.

109. B. Legally permissible, physically possible, financially feasible, maximally productive

Appraisers screen uses that are legally permissible and physically possible, then those financially feasible, and select the maximally productive one.

110. D. Functional obsolescence

Functional obsolescence is a loss in value from deficiencies in design or layout within the property itself.

111. A. External obsolescence, usually incurable by the owner

External (economic) obsolescence arises from factors outside the property and is generally incurable by the owner.

112. C. Regression

Regression states that the value of a superior property is reduced by its association with inferior properties nearby.

113. A. Contribution

Under the principle of contribution, a component's value is measured by what it adds to the whole, not by its cost.

114. A. The most probable price in an open, competitive market between informed parties under no compulsion

Market value is the most probable price a property should bring in a competitive and open market, with buyer and seller acting prudently, knowledgeably and without undue pressure.

115. A. Cost approach

For special-purpose properties with few sales and no income, the cost approach (land value plus depreciated improvements) is usually most reliable.

116. A. Income capitalization approach

Investors buy income property for its net income stream, so the income capitalization approach best reflects how the market prices it.

117. B. 11.2 percent

R = 0.70 x 0.10 + 0.30 x 0.14 = 0.070 + 0.042 = 11.2 percent.

118. C. PHP 8,500,000

Building income = 0.11 x 12,000,000 = 1,320,000; land income = 680,000; land value = 680,000 / 0.08 = PHP 8,500,000.

119. D. PHP 16,000

Assessed value = 0.20 x 4,000,000 = PHP 800,000; tax = 0.02 x PHP 800,000 = PHP 16,000.

120. C. Anticipation

The principle of anticipation holds that value is created by the expectation of future benefits.

Topics to review

- Property rights, title and registration
- Agency duties, brokerage and contracts
- Comparable, cost and income valuation methods
- Feasibility analysis and real estate ethics

Online question banks and study resources

Real estate broker - Pass Harbor (Question bank)

Real estate appraiser - Pass Harbor (Question bank)

Real estate consultant written exam - Pass Harbor (Question bank)

Official PRC board information

Current PRC exam programs

Independent study material prepared by Board Exam Desk.