

NAME: _____

COUNTY: _____

**BASIC APPRAISAL
SELF-STUDY TRAINING SESSION**

REVIEW QUESTIONS

1. Appraisal is the process of estimating the value of specific property at a stated time and place.
 True
 False

2. Which prerequisites are required for goods to have value? [Mark all that apply.]
 Material or immaterial things
 Capacity for private ownership
 Demand or effective purchasing power
 Scarcity
 Utility
 All of the above

3. Market value, the price that a property will bring when it is sold in a market, is determined by only by the demand for the property.
 True
 False

4. When the quantity demanded and the quantity supplied are equal, there is a state of balance known as equilibrium; if the market demand increases, the price will decrease.
 True
 False

5. Use value is the value a specific property has for a specific use with regard to the property's highest and best use.
 True
 False

6. Expenditures for labor and materials are known as which of the following?

- Indirect costs
- Development costs
- Direct costs
- Historical costs

7. Match each term with the correct definition.

1	Price
2	Cost
3	Direct Costs
4	Indirect Costs
5	Development Costs

	The expenditures for labor and materials, sometimes called hard costs, or brick and mortar costs.
	It is the expenditure required to produce property.
	The amount actually paid for a property in a particular transaction.
	The all-inclusive cost necessary to develop the property.
	Expenditures for items other than labor and materials.

8. Value is the present worth of future benefits.

- True
- False

9. What types of value may a property tax appraiser may encounter? [Mark all that apply.]

- Assessed value
- Insurable value
- Going-concern value
- Book value
- Economic value
- All of the above

10. Which of the following is true regarding the concept of value in Revenue and Taxation Code section 110? [Mark all that apply.]
- All property is taxable and shall be assessed at different percentages of fair market value
 - Property must be exposed for sale in the open market
 - Both the buyer and seller must have knowledge of all the uses and purposes of the property
 - Neither the buyer nor the seller should be able take advantage of the exigencies of the other
 - All of the above
11. Section 110 establishes a rebuttable presumption that "full cash value" or "fair market value" shall be the actual purchase price if the terms were negotiated under specified conditions reflecting an open market transaction.
- True
 - False
12. The appraisal unit is referred to as the "unit to be appraised," "unit to be valued," "unit of appraisal," or "unit of value." It is the unit that people in the market buy and sell, and for single-family residences it includes the combination of land and buildings.
- True
 - False
13. The principle of unit valuation presumes that value accrues to assets because of their ability to generate benefits as a team rather than as a sum of the parts.
- True
 - False
14. When using the principle of unit valuation, the team assets are called "non-unitary" property and are appraised as separate appraisal units, while unrelated assets are called "unitary" and are appraised as a whole.
- True
 - False
15. The development process of finished goods can be divided into stages, or levels of production. At each stage, utility is added to the goods. Economists call this production. The stage of production concept applies equally to real and personal property until the final form of the product is achieved.
- True
 - False

16. A limited-market property is a property that has relatively few potential buyers at a particular time. Which of the following are examples of limited property? [Mark all that apply.]
- Large manufacturing plants
 - Railroad sidings
 - Research and development properties
 - Unique design features or changing market conditions
 - All of the above
17. If an appraiser determines that the use for a limited-market property would likely remain unchanged, the market value for property tax purposes should be estimated based upon the present use. If, however, the property's use would likely change to an alternative use, the value for property tax purposes should be based upon the alternative use.
- True
 - False
18. Property must be appraised for assessment purposes at its current use.
- True
 - False
19. Restricted value means the property value is premised on the restricted use rather than the most profitable or productive use.
- True
 - False
20. Which of the following property types would be assessed under the restricted value concept? [Mark all that apply.]
- Properties restricted for agricultural purposes for a specified number of years under a Williamson Act Contract
 - Properties where the owner must enter into a contract with a city or county that provides for the preservation of the property for a specified period of time
 - Golf courses that have real property which consists of a parcel of 10 acres or more and has been used either for non-profit or for-profit purposes for at least 24 consecutive months before the lien date
 - Lands within a Timberland Production Zone which is restricted to growing and harvesting timber and compatible uses approved by the county
 - All of the above

21. The appraisal of a golf course is based upon its use as a golf course even if the property has realistic potential at a higher and better use. The assessor may not consider the value of any rights to minerals upon the property.

- True
 False

22. Match each of the following terms with the correct definition.

1	Real property
2	Personal property
3	Private property
4	Public property

	Includes all property except real property
	Property that is owned and controlled by government vesting no exclusive use in any individual or group
	Includes the possession of, the claim to, the ownership of, and the right to the possession of land and improvements
	Property that is owned and controlled by individuals or groups for their exclusive use

23. Which of the following statements is true regarding the concept of property, rights, and ownership? [Mark all that apply.]

- Property is used to indicate one's exclusive right, title, or control of a thing to the exclusion of others
 Property is the highest right an individual can have to lands or tenements, goods or chattels, which does not depend on another person's courtesy
 Ownership is the collection of rights to use and enjoy property, including the right to transfer it to others
 All of the above

24. Which of the following properties are included in real property?

- Office equipment
 Land
 Machinery
 Improvements
 All of the above

25. Which of the following is not true about taxable property? [Mark all that apply.]
- All properties are taxable unless they are exempt by the Constitution
 - Only personal properties are taxable property
 - All properties are taxable and shall be assessed at the same percentage of fair market value
 - Both real property and personal property are taxable property
26. For property tax purposes, which of the following are classified as land? [Mark all that apply.]
- Natural vegetation
 - Quarries
 - Wells
 - Mines
 - Felled Timber
 - All of the above
27. The California Constitution requires that land and improvements be assessed together.
- True
 - False
28. In some instances, special taxes may apply to improvements but not land.
- True
 - False
29. The tests applied in determining if a fixture should be classified as real property or personal property include physical annexation, constructive annexation, and the intent of the owner.
- True
 - False
30. Examples of fixtures include which of the following items? [Mark all that apply.]
- A huge printing press, so large that it cannot be moved without substantial damage to the building
 - A vault door in a bank
 - A walkway or stairs permanently bolted to a large machine
 - All of the above

31. Improvements placed on governmentally owned tax exempt land for a private individual's use and purposes are taxable. An exception is public property on land that is recognized as a federal enclave; such property is exempt regardless of ownership or use.
- True
- False
32. For property tax purposes, a taxable possessory interest is a right to possess or use publicly owned real property.
- True
- False
33. Mineral rights held as possessory interests are not taxable real property.
- True
- False
34. Mines, minerals, quarries in the land, and all standing timber are all real property.
- True
- False
35. Standing timber is generally exempt from an ad valorem property tax.
- True
- False
36. What types of water rights are recognized under California law? [Mark all that apply.]
- Riparian
- Appropriative
- Pueblo
- All of the above
37. A development right that is separated from a landowner's bundle of rights and transferred, generally by sale, to another landowner in the same or a different area is known as a _____.
38. The Legislature has the power to exempt personal property from taxation or to allow differential taxation of personal property.
- True
- False

39. All property that may be seen, weighted, measured, felt or touched, or which is in any other manner perceptible to the senses—except land and improvements—is defined as intangible personal property.
- True
- False
40. All tangible personal property is taxable.
- True
- False
41. Examples of intangible assets and rights that are exempt from taxation include notes, debentures, shares of capital stock, bonds, deeds of trust, mortgages, and money kept on hand to be used in the ordinary and regular course of a trade or business.
- True
- False
42. Generally, intangible assets and rights are exempt from taxation, and the value of intangible assets and rights shall not enhance or be reflected in the value of taxable property.
- True
- False
43. Section 201.5 provides that a possessory interest in property acquired by or for the California Pollution Control Financing Authority shall be subject to taxation. Of the following, which properties could be subject to taxation?
- Real property only
- Real and personal property
- Personal property only
- Neither real nor personal property
44. The United States Constitution grants the state the power to tax federal property.
- True
- False
45. Ownership may take many forms and may be divided and shared under a number of possible arrangements. However, the rights constituting the full bundle of rights may not be split off or conveyed separately.
- True
- False

46. Real estate, the physical property, includes three spatial levels. Match the following terms with the correct descriptions.

1	Surface area
2	Above-surface area
3	Sub-surface area

	Rights to use the earth and everything attached to it; rights in land, buildings and other improvements, and crops.
	Area encompassed by lines drawn from the property's surface boundaries to the center to the earth; mineral and petroleum rights.
	Extends from the surface upward into space; also known as air rights.

47. Ownership or beneficial interests in land are referred to as estates in land and are classified into three major categories: freehold, possessory, and non-possessory estates.

- True
 False

48. The *fee simple estate* is the most complete form of ownership allowed by law and is subject only to limitations imposed by government. Match the following terms with the corresponding description.

1	Taxation
2	Eminent Domain
3	Police Power
4	Escheat

	It applies only when property is unclaimed after a reasonable period of time.
	It serves the interests of public health, safety, morals and/or general public welfare in the development and utilization of real estate.
	The right to acquire private property for such public purposes as public buildings, parks, streets, and other public uses.
	Power or right to tax real property.
	Building codes, zoning laws and regulations, and property subdivision ordinances.

49. In a life estate, generally, the grantor conveys a qualified fee simple interest to the grantee for the grantee's lifetime. When the grantee's life expires, the fee simple interest passes to which of the following persons?

- Heir
- Remainderman
- Income beneficiary
- Any other person

50. The grantor of a leasehold estate is known as which of the following?

- Lessee
- Lessor

51. Other property interests involve lesser interests than either freehold estates or possessory estates. Match the following by definition.

1	Licenses
2	Profits
3	Easements
4	CC&Rs
5	Liens

	It is the right held by a creditor to secure payment of a debt from the debtor's property
	It is the right of use over the real property of another
	It is the revocable right to use the land of another for a specific purpose
	It is an interest in real property that permits the holder to remove something from the land, such as soil, minerals, or oil and gas
	Contractual promises made by property owners to restrict the use of property in some way

52. The property tax appraiser, with few exceptions, must estimate the fair market value of the unrestricted fee simple estate, unencumbered by liens or leases, based on the highest and best use of the property.

- True
- False

53. What are the primary ways that an ownership in real estate can be held? [Mark all that apply.]
- Tenancy in common
 - Joint tenancy
 - Single ownership
 - Community property
 - All of the above
54. In which of the following forms of ownership is there a right of survivorship?
- Tenancy in common
 - Joint tenancy
 - Single ownership
 - Community property
55. The creation or transfer of a joint tenancy or tenancy in common may involve a change in ownership for property tax purposes, requiring the reassessment of the fractional interest transferred.
- True
 - False
56. A _____ is a form of concurrent ownership in which ownership is divided according to specific time periods.
57. *Market* can be defined as the organized action between buyers (demand) and sellers (supply) that permits trade.
- True
 - False
58. Real estate markets may be classified by geographic boundaries, by property type, or by scope of their participants.
- True
 - False
59. The basic function of any market is to _____.

60. Price is established in a competitive market through market transactions; through the interaction of demand and supply.

- True
- False

61. What are the characteristics that distinguish real estate from other economic goods?

62. From conception to completion, real estate projects often take months to complete. Therefore, supply of real estate is typically slow to adjust to both an increase and decrease in demand.

- True
- False

63. Real estate markets are subject to broad forces that affect supply and demand. Match each term to its corresponding definition.

1	Physical Forces
2	Demographic Forces
3	Economic Forces
4	Governmental Forces

	Zoning and building codes, development regulations, environmental regulation, police, fire, and health protection, etc.
	Topography, soil, climate, infrastructure, scenic beauty or view, size and shape of a parcel, etc.
	Population trends, household characteristics, changes in lifestyles and living standards, neighborhood characteristics, etc.
	Trends in employment and income, availability of financing, level of interest rates, rental and price patterns of existing properties

64. The primary determinants of real estate demand are population, income, buyers' tastes and preferences, price changes of other goods, the cost and availability of financing, and the expectations of buyers and sellers about the future. What are the three strongest determinants of demand?
- Population
 - Income
 - Buyers' tastes and preferences
 - Advances in technological know-how
 - Availability of financing
65. Which of the following is not a determinant of real estate supply?
- Costs of production inputs
 - Advances in technological know-how
 - Price changes of other goods
 - Expectations regarding future demand
66. Which of the following is a significant determinant of supply as well as of demand? [Mark all that apply.]
- Expectations regarding future demand
 - Income
 - Cost and availability of financing
 - All of the above
67. In the context of real estate, _____ can be used as a synonym for utility.
68. The physical aspect of real estate productivity concerns the natural characteristics of the land itself and the man-made improvements.
- True
 - False

69. Man-made characteristics of real estate fall into two categories: off-site and on-site improvements. Below are examples from each category. Match each category with the corresponding improvement.

1	Off-site improvements
2	On-site improvements

	Landscaping
	Sewage, water, and drainage systems
	Facilities for electric and gas power and telephonic communication
	Retaining walls, walkways, driveways and other paved areas
	Utility connections

70. Which of the following are often termed "infrastructure"?
- Off-site improvements
- On-site improvements
71. The facilities for electric and gas power and telephonic communication are usually the most important on-site improvements.
- True
- False
72. The three categories that the value-generating characteristics of a building are grouped into are functional efficiency, durability, and attractiveness.
- True
- False
73. Recurring interactions between different land uses at different geographic points are referred to as _____.
74. The productivity or benefits derived from real property depend upon its value. Since value is a function of the present worth of the anticipated future benefits, value also depends upon use.
- True
- False
75. If lands are contiguous, they will always have the same use.
- True
- False

76. In *The Appraisal of Real Estate*, a property's highest and best use is defined by which of the following? [Mark all that apply.]
- Legal
 - Physically possible
 - Most productive
 - Financially feasible
 - Reasonably probable
 - All of the above
77. A property should not be appraised on the basis of a use that is illegal.
- True
 - False
78. Deed restrictions are rights reserved by private persons as opposed to limitations imposed by government. In most cases, a property tax appraiser should recognize deed restrictions when analyzing highest and best use.
- True
 - False
79. CC&Rs are similar to zoning in that restrictions are imposed on the use of properties within the subdivision. In most cases, CC&Rs are more restrictive than zoning. CC&Rs are enforceable restrictions pursuant to section 402.1.
- True
 - False
80. If parcels are separately owned and separately used, they should not be combined for the purpose of highest and best use analysis.
- True
 - False
81. What are the two distinct concepts in highest and best use analysis?
-
-

82. There are questions that should be answered in the analysis of highest and best use of both a vacant property and a property as improved. Match each concept with the corresponding questions.

1	Highest and best use of a vacant property
2	Highest and best use of a property as improved

	Should the existing use be intensified?
	What is the most productive use of the subject parcel as vacant?
	What type of building or other improvement should be constructed on it?
	Should the existing use be changed?
	If the existing use is changed, should the existing improvements be demolished or significantly modified?
	When should it be constructed?
	What type of development will produce the highest residual income to the land, and hence the highest land value?

83. Highest and best use is always just one specific use.

- True
 False

84. A property's highest and best use may be prepared to change in the foreseeable future. The use to which a parcel is put before its transition to a future highest and best use is known as which of the following? [Mark all that apply.]

- Interim use
 Interchangeable use
 Transitional use
 None of the above

85. An interim use typically continues for a relatively short period of time before converting to a succeeding use, appears in transitional areas where older uses are yielding to newer ones, and may or may not contribute to current property value.

- True
 False

86. The total market value of transitional property is the sum of which of the following variables? [Mark all that apply.]

- The present worth of the net real property benefits from the interim use over the period of interim use
- The present worth of the salvage value of the interim improvements, if any, at the termination of the interim use
- The present worth of the net future real property benefits from the succeeding highest and best use
- All the above

87. An interim use contributes to current property value if the gross income derived from the use is less than operating expenses related to the use.

- True
- False

88. For some improved properties, the highest and best use of the land as through vacant may have changed from one use to another. This refers to which of the following concepts?

- Interim or transitional uses
- More than highest and best use
- Consistent use
- Excess and surplus land

89. A parcel may have more land than is economically needed to support its existing improvement and may be defined as either *excess land* or *surplus land*. Match each term with the correct description.

1	Surplus Land
2	Excess Land

	Allows for the expansion of the existing use or is separately marketable and hence possesses significant utility and value; it should be clearly identified and appraised separately
	Land that does not economically support the existing improvement but cannot be utilized to expand the current use or be sold separately; cannot be separated from the appraisal unit

90. The principle of anticipation holds that an estimate of value should always be based primarily on historical performance.

- True
- False

91. _____ is the net income that remains after costs of the other factors of production (labor, entrepreneurship, and capital) have been satisfied.
92. The principle of contribution holds that real property value is created and sustained when contrasting, opposing, or interacting elements are in a state of equilibrium.
- True
- False
93. The act of visualizing need and taking the necessary action and risk to produce products that fulfill such needs is the definition for which of the following factors?
- Labor
- Capital
- Land
- Entrepreneurship
94. The production of real estate requires the inputs of the four factors or agents of production: *land, labor, capital, and entrepreneurship*. The balance of these factors affects the productivity of the real estate asset.
- True
- False
95. _____ includes the ground, the airspace, and the natural resources found on the surface or in the sub-surface of the earth.
96. Which of the following includes human work directed toward production—that is, all wages and other operating expenses involving human work.
- Land
- Labor
- Capital
- Entrepreneurship
97. The principle of consistent use states that a property should be valued on the basis of a single use for the entire property. An appraiser may value a property based on one use for the land and another use for the improvements.
- True
- False

98. When market supply is greater than market demand there is excess supply, causing price to decrease. When market demand is greater than market supply there is excess demand, causing price to increase.

True

False

99. The principle of externalities states that activities or land uses external to a given property, and over which its ownership has very limited or no control or responsibility, will always have negative effects on the property's value.

True

False

100. Match the following principles of real estate marketability with their definitions.

1	Externalities
2	Change
3	Supply and Demand and Competition
4	Substitution
5	Regression and Progression
6	Conformity

	Holds that maximum value accrues to a property when a reasonable degree of homogeneity is present in the neighborhood or surrounding land uses
	Maintains that between dissimilar properties, the value of the superior property is adversely affected by the presence of the inferior
	In a free-market economy, price is determined by the competitive interaction between market demand and supply
	States that activities or land uses external to a given property, and over which its ownership has very limited or no control or responsibility, can have negative or positive effects on the property's value
	Recognizes the dynamic nature of real estate markets
	States that the upper limit of value tends to be set by the cost of acquiring an equally desirable substitute