

Chapter 11

1. In a real estate company, the person responsible for determining the business philosophy for a company is
 - a. an office manager.
 - b. a broker or owner.
 - c. an individual who works there.
 - d. a president of the local trade association.

2. A new broker/owner attended a business planning seminar and liked the policy and procedures manual that another broker shared. The primary reason that the policy and procedures manual developed by the other company will *NOT* be useful for the new company is that it may
 - a. be outdated.
 - b. be unethical.
 - c. not be compatible with your organization's philosophy or business.
 - d. not anticipate all of the situations that need to be addressed.

3. A company's policies and procedures should be
 - a. oral rather than written.
 - b. flexible and change as the organization changes.
 - c. protected as confidential information.
 - d. followed only by management.

4. Regarding the differences between laws and ethics,
 - a. ethics may impose a higher standard for conduct.
 - b. laws usually impose a higher standard of conduct.
 - c. there are rarely any differences.
 - d. ethical compliance is a lot easier than obeying the letter of the law.

5. A company needs to adopt a code of ethics to
 - a. define its moral principles, rules, and standards of conduct.
 - b. establish a code for terminating people's employment.
 - c. designate what is expected of people in their personal and professional lives.
 - d. enhance its image in the public's view.

6. A company's code of ethics becomes meaningless when
 - a. it is inconsistent with the code of other companies.
 - b. it is inconsistent with the code adopted by a trade association.
 - c. the organization focuses on the results without regard to the process used to achieve them.
 - d. legal conduct is unethical.

7. Where are a company's written rules usually provided?
 - a. Employee handbook
 - b. Personnel procedures manual
 - c. Policy and procedures manual
 - d. All of these

8. Similar to the rulebook in a game, the company's rules must also provide
 - a. sanctions for offenders.
 - b. endorsements by senior management.
 - c. exceptions to the rules under certain circumstances.
 - d. immunities for people in certain positions.

9. In any organization, it is necessary to have
 - a. one set of acceptable behavior.
 - b. two sets of acceptable behavior, one for management and the other for those managed.
 - c. variable sets of acceptable behavior, depending on the amount of money involved.
 - d. rigid standards of conduct that are rarely, if ever, changed.

10. A policy and procedures manual can shield a company from legal liability when
 - a. the company does not practice within its established procedures.
 - b. procedures that affect independent contractors are written as if they are employees.
 - c. it is prepared and adopted after review by the company's legal counsel.
 - d. it is rarely, if ever, updated to reflect changes in the law.

11. Real estate license law generally requires the broker to
 - a. hire equal numbers of males and females.
 - b. ensure that the sales force represents the racial composition of the public it serves.
 - c. adhere to common commission rates.
 - d. define the company's policy on agency.

12. The real estate company should express its philosophical commitment to equal opportunity in
 - a. integrating neighborhoods.
 - b. hiring anyone who applies to work at the office.
 - c. both housing and employment.
 - d. compensation.

13. A real estate brokerage company has the right to expect that all people who work for it, regardless of whether they are independent contractors or employees, comply with
 - a. the state's labor laws.
 - b. the state's licensing laws.
 - c. the local trade association's code of ethics.
 - d. the local zoning ordinances.

14. What is the primary reason for real estate license laws?
 - a. To protect the public
 - b. To articulate the value system and principles that govern each company's real estate practices
 - c. To define the "best practices" required in every real estate transaction
 - d. To identify the minimum standards of practice for listing and selling properties

15. What is the *MOST* important factor to ensure that a company integrates ethical practices throughout the organization?
- Provide a written code of ethics
 - Arrange for penalties for actions that do not meet the code of ethics
 - Ensure that every employee receives the employee handbook
 - Commit the entire organization to following the code of ethics
16. Of what value, if any, is a policy and procedures manual when two salespeople claim the same commission?
- No value; the salespeople will still have to file in small claims court.
 - No value; salespeople will have to take their dispute to the local association of REALTORS® for resolution.
 - Great value; a company manual provides ready answers for common dilemmas such as this one.
 - Some value; if the broker/manager agrees with the answer in the manual.
17. Which of the following general policies affect both employees and independent contractors?
- Equal employment policies
 - Vacation and sick leave
 - Attendance requirements
 - Expense accounts
18. In a real estate office, termination policies and procedures apply to
- only employees.
 - only independent contractors.
 - both employees and independent contractors.
 - only management.
19. Of the following general policies, which affect only employees and not independent contractors?
- Nonharassment policies
 - Substance abuse policies
 - Holiday time off
 - Grievance and termination
20. When a company stipulates procedures that apply to independent contractors, these policies
- eliminate the need for independent contractor agreements.
 - guarantee that their independent contractor status will not be challenged by the IRS.
 - will include recommendations rather than requirements that certain procedures are followed.
 - need not be followed by the independent contractors.

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1. b The principal owner(s) and senior management are responsible for business philosophy, ethical codes, and policies and procedures, ideally including input from lower levels of the organization. 234
2. c Policies and procedures manuals, personnel procedure manuals, and employee handbooks are all individualized documents, each unique to the business organization that wrote it. 235
3. b Although the rules, once formulated, must be followed by all concerned, they should be revisited from time to time to ensure that they support the organization as it changes and to address issues as they emerge and as laws change. 235
4. a Ethics may impose a higher standard of conduct. Laws tell us what we may not do, not what we should do, and therein lies a big difference. 237
5. a A company code of ethics reflects the cultural values established by the principal owners and senior management for their company, reflecting the company's business philosophy and the principles it values. It does not address issues in their personal lives. 238
6. c The ethical code becomes meaningless if senior management tolerates or ignores behavior that is contrary to the values it has established. 239
7. d All three manuals should address conduct, procedures, and sanctions. The personnel procedures manual is meant for managers, and the employee handbook tells the people who work for the company the day-to-day rules of conduct. The policy and procedures manual is the general operations manual that governs all of the company's operations. 234
8. a The company's rules must also provide sanctions for the offenders, and the rules must have teeth so that people take them seriously and know that there are consequences for digressions. Despite all the written words, the organization is defenseless if the behavior is not consistent with those words. 234
9. a There is no such thing as two sets of acceptable behavior. There should be only one standard to which both management and those managed adhere. Policies and procedures must be revised periodically to support changes in the law, the industry, and the organization and to eliminate outdated or conflicting rules. 235
10. c To avoid legal liability, the policies and procedures manual should be carefully reviewed by legal counsel to ensure that the policies are in compliance with state and federal laws, and that everyone consistently follows the stated guidelines. Rules should be updated as laws change. 235
11. d The broker must clearly define the company's policy regarding law of agency relationships to ensure that the sales force knows how to explain these options to the consumer. 238
12. c The company should express its philosophical commitment to equal opportunity in housing and employment. Fair housing laws never meant that agents were to cause integrated neighborhoods; equal employment opportunity laws do not require that the broker hire just anyone or pay everyone the same. 245
13. b The company policy should state that all of the activities in the organization must comply with the state's real estate license laws. 245
14. a A real estate company must live within the framework of an ever-expanding body of law that intends to protect consumers. The laws explain what is expected of licensees in a legal context, but a company also needs to articulate the value system and principles that govern its business practices so the workers understand what the company expects of them. 237
15. d Once the company adopts a code of ethics and distributes the written copy, the organization must be committed to following the code, requiring the active participation

- of everyone in the organization. 243
16. c Policies and procedures are especially valuable for providing ready answers for many of the dilemmas people face during the course of daily operations and help to resolve conflicts before they arise. 243
 17. a Equal opportunity policies apply to both employees as well as independent contractors. Employees, but not independent contractors, are given vacation and sick leave, expense accounts, and attendance requirements. 246
 18. c The company policy and procedures should cover termination policies and convey grievance procedures for everyone, including management, employees, and independent contractors. 248
 19. c Holiday time off applies only to employees because, by and large, independent contractors set their own work time frames. 248
 20. c The work status of independent contractors should be reaffirmed with careful wording in the company's policies and procedures. Certainly, the company must seek assurance that independent contractors comply with the state license laws; in other situations, such as attendance, the company may recommend guidelines. 249