

## Chapter 17

1. To ensure that management has the necessary information to adequately monitor and evaluate a company's operations, data must be
  - a. accurate, complete, and timely.
  - b. assembled on a computer system.
  - c. assembled by clerical staff.
  - d. at least a year old to detect trends.
2. One of the *BEST* ways to prescribe the flow of information and documentation in an office is to
  - a. train the support staff to be solely responsible for it.
  - b. develop an office procedures manual.
  - c. eliminate paper and use computers.
  - d. make the bookkeeper responsible for these procedures.
3. The state's licensing law requires that the real estate firm keep detailed records of
  - a. the independent contractor (IC) agreements.
  - b. the reasons for sales agreements falling through.
  - c. the length of time listings are on the market.
  - d. the escrow or trust accounts.
4. Which of the following is an immediate red flag that the office has a problem with listings?
  - a. Listings are clustered near the office.
  - b. There is a large disparity between listing price and sales price.
  - c. Buyers are offering above list price.
  - d. There are not enough listings on the market.
5. Who is responsible for activities that require a license?
  - a. The person performing the activity
  - b. The broker
  - c. The sales manager
  - d. The office manager
6. For which of the following activities should the real estate office have clear written procedures?
  - a. The distribution and tracking of referrals
  - b. The commission splits for each individual licensee
  - c. How to receive a real estate license
  - d. The circumstances under which an unlicensed individual can independently hold an open house
7. At what time should management institute strategies to maximize income?
  - a. At the end of the year after it is apparent the company did not meet its goals
  - b. Only when it is apparent that the salespeople's production is lagging
  - c. When the company's accountant recommends this course of action
  - d. As an ongoing practice to ensure the company's financial stability

8. The National Association of REALTORS® (NAR) periodically surveys buyers and sellers.  
The one consistent theme in every report is
- the lack of professionalism in the real estate industry.
  - the importance of satisfaction with a salesperson when making referrals to friends and family.
  - the lack of integrity and honesty in the real estate transaction.
  - the importance of paying for referrals.
9. When are quality control procedures *MOST* useful?
- They are relevant in manufacturing companies but not in real estate brokerage companies.
  - The cost of using quality control procedures does not reap sufficient benefit for the company.
  - The quality of services is more important to the consumer than it is to the company.
  - Quality control procedures can avoid problems that divert people's efforts from other income-producing activities.
10. One of the *MOST* important issues to consider when deciding to survey customers is whether
- salespeople will resent their customers being surveyed.
  - other brokerage companies use customer surveys.
  - the company is willing to act on the information that is gathered.
  - the company has sufficient computer capability to compile results from the surveys.
11. One of the major sources of dissatisfaction with a real estate company is
- miscommunication or misunderstanding.
  - company cost-containment measures.
  - from sellers who are annoyed that buyers learn so much from the internet.
  - from cooperating agents who wanted their offer accepted.
12. Which form of communication is actually the *LEAST* expensive?
- Overnight delivery of documents
  - First-class postage
  - Fax materials
  - Emails with attachments of scanned documents
13. A seller is furious with the listing salesperson, for both the advertising of his home and the manner in which the offer was conveyed to him. Until all the facts are known, how should the company respond?
- The salesperson is responsible for calming down the seller.
  - The manager should back the salesperson.
  - The manager should pass the responsibility to the responsible broker.
  - The company, the manager, and the salesperson should not disparage one another.

14. It is six months into the budget year and the manager discovers that the company has already spent 75% of its advertising budget. What is the *BEST* course of action?
- Cease all advertising until the last quarter of the year
  - Discuss the problem with the salespeople to see if they will assist in advertising costs
  - Use a courier service
  - Change the budget to reflect the current pace of spending
15. One simple technique to lower postage costs is to
- buy and use a postage scale.
  - apply an extra stamp to cover any weight issues.
  - use overnight delivery.
  - use packages instead of paper envelopes.
16. In the second quarter of the year, the brokers discover that the cost of sales is exceeding the amount budgeted because of the amount of the referral fees that have been paid to date on the sales transactions. What is the *BEST* course of action?
- Monitor the cost of sales for the next three months before making any decision
  - Lay off support staff
  - Terminate affiliation with the referral company
  - Refuse to cooperate on transactions with other brokers
17. What should be done if the company is responsible for paying heating and electric bills?
- Comparison shop for the best electric plans
  - Use prepaid plans for electricity and fuel
  - Schedule a property inspection
  - Schedule an energy audit
18. For *BEST* management of cash, in good times, a real estate company should
- upgrade computer equipment.
  - secure a line of credit.
  - avoid using the U.S. Postal service.
  - upgrade the office furnishings.
19. How much working capital should a company have on hand?
- One month
  - Three months
  - Six months
  - One year
20. What is the riskiest growth strategy?
- Restructure products and services
  - Venture into new markets
  - Sell off underperforming units
  - Cut expenses

## Chapter 17

1. a To ensure that management has the necessary information to adequately monitor and evaluate a company's operations, data must be accurate, complete, and promptly gathered and used. 416
2. b Because so many people handle documents, money, files, and computer input, an office procedures manual should be developed to manage the flow of information; specify who has access to what data and files; and maintain and retain data, files, and records as required by law. 417
3. d The state's licensing law requires that the real estate firm keep detailed records of the escrow or trust accounts. 417
4. b Brokers should be concerned when listings sit on the market longer than the norm, when many listings do not sell, and when there is wide disparity between listing and sales prices. 419
5. b The broker is ultimately responsible for seeing that all license requirements are satisfied, even if the broker has assigned the responsibility to someone else. No one should be permitted to perform activities for which a real estate license is required until that license has been properly issued. 420
6. a The company should have clear procedures (that are publicized and followed) for distributing and tracking referrals, and keep a master ledger as these assignments are made, recording them in each salesperson's file so that authoritative documentation is available. The state dictates how to receive a license and under no circumstances may an unlicensed individual independently hold an open house. (420-421)
7. d Management should institute strategies to maximize income as an ongoing practice to ensure the company's financial stability, not just when the market deteriorates or the company is not meeting projections.
8. b NAR periodically surveys buyers and sellers. The one consistent theme in every report is the importance of satisfaction with a salesperson when making future referrals to friends and family. 424
9. d Quality control procedures are most useful when they assist in avoiding problems that divert people's efforts from other income-producing activities, not just in manufacturing companies but also in real estate companies. 424
10. c Companies should only gather information that it intends to act on. Customers appreciate the opportunity to provide feedback, but they become dissatisfied if the company doesn't pay attention to what they say. 426
11. a One of the major sources of dissatisfaction with a real estate company is miscommunication or misunderstandings, which occur when salespeople do not return phone calls or answer emails, and when the clients do not know what the salesperson is doing for them. 424
12. d Today, emails with attachments of the scanned documents is the least expensive, most cost effective, and quickest method of communication. 433
13. d The manager should gather all the facts and talk with the salesperson involved. The company, the manager, and the salesperson must present a united front and not disparage one another in front of outsiders until the matter is resolved with the consumer. If the issue is suspected to involve legal issues, everyone must avoid making comments without legal advice. 328
14. b Management should monitor the per-contact cost over the course of several months and then rethink the distribution of its advertising dollars. The time may also come to retool the distribution of advertising and promotional costs between the company and the salespeople. Engage the salespeople in solutions; their participation also quells dissatisfaction. 432
15. a A very simple way to economize on postage is to buy and use a postal scale and affix

only the appropriate postage. Consider using second-day delivery instead of overnight. Better yet, use email with attached documents. 434

16. a Track referral and franchise fees over a long enough period to determine if there is sufficient added benefit to warrant the expenditure. It may be time to terminate the relationships. 432-433
17. d If the company is responsible for heating and electric bills, it should definitely contact the local utility company, schedule an energy audit, and act on its suggestions to reduce energy consumption. 432-433
18. b It is much easier and cheaper to secure a line of credit in good times before lenders get skittish over sagging markets. 436
19. c Companies should have at least six months or more of working capital to weather storms. They should have a line of credit in place before they need it. 436
20. b The riskiest growth strategies are ventures into new markets. The company would be better off selling underperforming units and cutting expenses. 439