

CHAPTER 9: Managing the Office and Reports

MATCHING:

worker's compensation

return on investment

break-even point

management pricing worksheet

percentage pricing

operating budget

direct costs

depreciation

work order bids

capitalization rate

FICA

FUTA

Form I-9

hardware

income and expense report

1. _____ Occupancy level at which gross income for a property equals the total fixed and variable operating costs
2. _____ A method of relating a property's value, its net annual income, and rate of return on the owner's investment
3. _____ Expenses that can be attributed directly to the operation of a management firm or department
4. _____ Loss of value due to physical deterioration or functional or economic obsolescence
5. _____ A federal regulation requiring employers to pay retirement fund taxes (social security) for employees
6. _____ A regulation requiring employers to file federal unemployment tax returns for employees
7. _____ Employment eligibility verification form
8. _____ The physical parts of the computer that can be seen and touched, including the keyboard, printer and display screen
9. _____ A monthly financial report showing the income for the property, operating expenses and the amount remitted to the owner
10. _____ A method of computing management fees by itemizing management activities, calculating direct costs and adding a percentage for profit; often used when managing condo communities
11. _____ A projection of income and expense for the operation of a property over a one-year period
12. _____ A method of computing management fees based on a percentage of the gross collectible income; often an incentive to increase income
13. _____ A measure of profitability of a property, computed either before or after income taxes
14. _____ Laws that require an employer to obtain insurance coverage to protect employees who are injured in the course of their employment

15. _____ Bids from contractors that can provide important comparison data when considering future projects; should be revised annually

Chapter 9: True/False

1. T F Managers should find the best price for a computer and then buy the software to go on it.
2. T F Net operating income is collectible income minus operating costs before debt service.
3. T F An employer is responsible for withholding income taxes and paying a portion of the employees social security taxes.
4. T F A career track in property management often means moving from leasing agent to resident manager to field supervisor.
5. T F Current and expired leases should be filed together, by building.
6. T F A management pricing worksheet is useful when calculating charges for a condominium community.
7. T F Versatility is the most basic qualification of any person working in property management.
8. T F The capitalization rate indicates the level of risk.
9. T F A tax credit is an expense item like depreciation.
10. T F A budget forecast should be based on anticipated rental increases.

Chapter 9: Multiple Choice

1. Which of the following must be deducted from gross collectible income to arrive at net income?
 - a. Laundromat fees
 - b. Back rent payments
 - c. Vacant space
 - d. Vending contracts
2. Fixed expenses refer to expenses that
 - a. fluctuate every year.
 - b. are put aside for improvements.
 - c. do not fluctuate with the amount of occupancy.
 - d. increase or decrease with the amount of occupancy.

- 3. When both fixed and variable expenses are deducted from gross collectible income, the result is**
 - a. net operating income.
 - b. effective gross income.
 - c. potential gross income.
 - d. personal income.

- 4. Which portion of debt service should be considered an expense on the profit and loss statement?**
 - a. Principal and interest
 - b. Interest portion only
 - c. Principal portion only
 - d. Neither principal nor interest is considered on the profit and loss statement

- 5. The per-unit fee of a small property should be**
 - a. decreased in buildings with problem tenants.
 - b. decreased where there is deferred maintenance.
 - c. increased whenever possible.
 - d. increased due to inefficient decentralization.

- 6. The form an employer must file for all income and taxes withheld from an employee is called a**
 - a. W-2.
 - b. W-4.
 - c. 1099.
 - d. 941.

- 7. Which type of depreciation is deductible for tax purposes?**
 - a. Physical deterioration
 - b. Functional obsolescence
 - c. Economic obsolescence
 - d. Locational deterioration

- 8. The general formula for a capitalization rate is**
 - a. effective gross income divided by a rate.
 - b. net operating income divided by value.
 - c. net operating income divided by a rate.
 - d. potential gross income divided by value.

- 9. If the manager is required to live on the premises, the manager**
 - a. must pay taxes on the fair market value of the rent.
 - b. must pay into social security based on fair market value.
 - c. does not have to pay taxes on the fair market value of the rent.
 - d. must file a 1099 on the fair market value.

- 10. An example of direct costs include**
- a. general office overhead.
 - b. accounting department expenses.
 - c. corporate advertising.
 - d. resident manager's salary.