

**State of Montana**  
**Property Management Pre-Licensing Course**  
**Contract Law, Leasing Principles, and Agency Test**

1. A relationship between a property owner and a property manager is established by a written contract. T or F
2. Leases are non-contractual agreements. T or F
3. If Bob rents a duplex to Lisa for a one year period, they most likely have a bilateral agreement. T or F
4. A signed management agreement gives the property manager the legal authority to guide the operation of the rental property. T or F
5. An example of a fiduciary relationship is one formed between a tenant and a property manager. T or F
6. Principals and agents are the sole parties in a fiduciary relationship. T or F
7. The named parties, owner and tenant, are usually the parties to a lease agreement. T or F
8. In a lease agreement, the parties are called landlord and tenant. T or F
9. A “gross lease” is used in commercial real estate when the parties are required to pay a portion of the operating expenses for the building in which they lease. T or F
10. A “net lease” is a common industrial lease requiring the tenant to pay rent plus certain costs incurred in the operation of the property. T or F
11. Lead based paint disclosures must be provided for all tenants renting in a building that is currently under construction. T or F
12. Residential buildings constructed before 1978 require lead based paint disclosures. T or F
13. Apartment buildings with more than 10 units do not require lead based paint disclosures. T or F
14. Lead based paint disclosures are required for all commercial properties. T or F

15. "Estate for Years" means that the lessor is agreeing to a lease that continues for a specific period of time. T or F
16. "Estate for Years" means that the lessor is in a lease agreement that is non-renewable after the expiration of the original lease. T or F
17. The tenant is referred to as the "lessor" in all legal documents. T or F
18. A "ground lease" is one which refers to bare land and lasts for at least 100 years. T or F
19. Property managers usually receive their commissions from tenants. T or F
20. A market analysis does not establish vacancy rates for a certain area of the market. T or F
21. The day-to-day upkeep of a property is called preventative maintenance. T or F
22. The term "cash flow" means net operating income minus debt service. T or F
23. The term "cash flow" means gross income minus free rent. T or F
24. The maximum amount of rent a property can produce is called "gross possible income." T or F
25. An asset manager usually lives on-site at the property and manages the day-to-day activities of the property. T or F
26. Preventative maintenance and deferred maintenance are the same. T or F
27. Apartment buildings constructed in or before 1977 require lead based paint disclosures. T or F
28. Employee dishonesty is usually covered by boiler insurance. T or F
29. For a commercial lease, when executed, the maximum term is one year. T or F
30. Failure to provide the property manager with a forwarding address relieves the property manager of the obligation to return the security deposit. T or F
31. A property manager may enter the rental premises at any reasonable time to make sure the tenant is repairing and maintaining the premises in good condition. T or F

32. Agency relationship is usually established between a property manager and owner by a written contract. T or F
33. A “meeting of the minds” is first accomplished when there is a mutual agreement. T or F
34. The relationship between a principal and tenant is an example of a fiduciary relationship. T or F
35. A “ground lease” is when the tenant is required to pay a share of specific operating expenses in addition to the base rent. T or F
36. A lease that continues for a specific period of time is a “lease for years.” T or F
37. “Tenancy at Will” is when the tenant is occupying the property with permission from the landlord but without a lease. T or F
38. The three requirements of a valid lease include: Offer and Acceptance, Valid Consideration, and Capacity to Contract. T or F
39. A market analysis establishes vacancy rates. T or F
40. The following are not components of a market analysis: Expense Report, One Year Operating Statement, and Five Year Focus. T or F
41. Preventative maintenance is the day-to-day upkeep of a property to reduce corrective maintenance costs. T or F
42. The following items are found as operating expenses on a financial statement: management fees, utilities, and insurance. T or F
43. Budgeting, accounting, and collections should be classified as “fiscal responsibilities.” T or F
44. The maximum amount of rent a property can produce is called the “gross potential income.” T or F
45. A site manager is a person who oversees the day-to-day affairs of a single operation. T or F
46. An asset manager is one who manages the financial affairs of the owners of a sizable number of investment properties. T or F

47. A program of regular inspection and care designed to detect and resolve a potential problem before major repairs are needed is called “preventative maintenance.” T or F
48. The goals of a property manager are to maintain the property, control costs, maximize revenue, and provide services to the tenants. T or F
49. A property manager’s compensation is based on whatever is agreed to in the management agreement. T or F
50. When an owner says they want to do the hiring and firing for his properties, you should run from the deal. T or F
51. “Tenancy at Sufferance” is when a tenant stays in possession of the property beyond the terms of the tenant’s rental agreement. T or F
52. A ground lease is also known as a gross lease. T or F
53. The presence of lead based paint in a residential property must be disclosed to the tenant at the time of renting. T or F
54. The owner of a property with lead based paint is not required to remove the paint if they disclosed its presence to the tenant. T or F
55. A tenancy at sufferance is when a tenant continues to occupy the property after the lease has expired and the owner continues to accept the rent payments. T or F
56. A tenancy at sufferance is another name for a tenancy at will. T or F
57. What is another name for a lease agreement?
- a. Writ of Possession
  - b. Occupancy Agreement

Example Scenario: After being on a one year lease, a tenant did not renew and is on a month-to-month lease. On April 16<sup>th</sup>, the property manager gave a 14 day notice letting their tenant know that effective May 1<sup>st</sup>, the rent will be increasing \$35 dollars. The tenant was not happy with the increase and let the property manager know that he would move out of the unit May 1<sup>st</sup>. The property manager then told the tenant that they could pack up and move out on April 25<sup>th</sup>.

58. Who gave proper notice?

- a. The Tenant
- b. The Property Manager
- c. Both gave proper notice
- d. Neither gave proper notice

59. The owner of a mobile home gave a written list of items that affected health and safety to the property manager of the mobile home lot. The property manager of the mobile home park did not address any of the items within 14 days. The owner of the mobile home formed a mobile home owner organization and sent the list to the property manager. The property manager fixed the issues but now wants to evict the owner. What are the property manager's options to evict?

- a. 30 Day Notice
- b. 90 Day Notice
- c. The property manager cannot evict the tenant without cause

**47 Correct = 80%**