

National Apartment Association Education Institute
Certified Apartment Portfolio Supervisor (CAPS) Practice Test

1. Which of the following is considered a valid resource for recruiting employees?
 - A. Current residents
 - B. Former employees
 - C. Family members of current employees
 - D. Unsolicited resumes

2. What is the **BEST** method to estimate an appropriate base salary for a new hire?
 - A. Review property operating budget to determine and apply the amount available.
 - B. Analyze market surveys and apply results to compensation data.
 - C. Review property performance data and apply results to salary data.
 - D. Analyze salary surveys and apply results to the regional market.

3. When disciplining an employee, a portfolio supervisor must document the specific problematic behaviors and:
 - A. Evidence of the behaviors.
 - B. Employee acknowledgment.
 - C. Specific expectations or remedies.
 - D. Violated policies or rules.

4. Which of the following statements should be included in an employee handbook to minimize a company's legal exposure regarding policies?
 - A. "Employees at all levels of the company are expected to treat each other with respect."
 - B. "The handbook is required reading for all employees."
 - C. "It is impossible to cover every workplace situation."
 - D. "The company was founded in the early 1900s."

5. Which term is defined as an ongoing, development-driven, long-term process that involves talent development and often is assisted by a peer?
 - A. Coaching
 - B. Mentoring
 - C. Performance review
 - D. Training
6. What is the purpose of a narrative in an owner's report?
 - A. It minimizes risk exposure.
 - B. It outlines fiscal performance.
 - C. It strengthens owner relations.
 - D. It explains the reasons for decisions.
7. What is the return on investment (ROI) if a property generates \$14,300 in net operating income (NOI) with an equity investment of \$125,000?
 - A. 8.74%
 - B. 11.4%
 - C. 14%
 - D. 20%
8. What accounting method records income and expenses in the period in which they are earned or incurred?
 - A. Accrual basis accounting
 - B. Cash basis accounting
 - C. Variance basis accounting
 - D. Bookkeeping
9. Which of the following conditions **MUST** be present for positive leverage to occur?
 - A. The average market rental rate exceeds the budget projection.
 - B. The equity amount is 5% or less than the property value.
 - C. The property produces a higher return than the loan's interest rate.
 - D. The property purchase price is more than the equity in the asset.

10. Which of the following scenarios produces the **MOST** revenue?
- A. 100 units, 85% occupancy at \$600 average rent
 - B. 100 units, 90% occupancy at \$600 average rent
 - C. 100 units, 95% occupancy at \$550 average rent
 - D. 100 units, 100% occupancy at \$500 average rent
11. A **GOOD** preventive maintenance program will accomplish which of the following?
- A. Reduce the need for regular inspections.
 - B. Reduce long-term maintenance projects.
 - C. Reduce risk and liability concerns.
 - D. Reduce the need for training staff.
12. Which term **BEST** describes a three-bedroom townhouse with one bathroom?
- A. Economically obsolescent
 - B. Economically undesirable
 - C. Functionally obsolescent
 - D. Functionally undesirable
13. What is the **MOST** important reason for a portfolio supervisor to ensure a successful transition for a new property owner and a new management company?
- A. A poor transition could adversely affect employees who remain with the new company.
 - B. A poor transition could affect resident satisfaction.
 - C. A poor transition could delay payment of management fees.
 - D. A poor transition will damage the reputation of the portfolio supervisor's company.
14. Which factor does a portfolio supervisor have the ability to change when creating an income growth plan for a property?
- A. Amenities
 - B. Location
 - C. Market trends
 - D. Rent control

15. Which of the following is the **MOST** likely reason an owner may choose to acquire, sell, renovate, or reposition a property?
- A. To secure tax benefits
 - B. To build portfolio strength
 - C. To further investments goals
 - D. To maximize return on investment (ROI)
16. The Occupational Safety and Health Administration is responsible for which of the following?
- A. Lead remediation and removal
 - B. Mold remediation and removal
 - C. Environmental health and safety standards
 - D. Workplace health and safety standards
17. The four steps to the bid process should include:
- A. Pre-bid meetings, bid documents, contract termination verification, and qualifications and evaluation of bids for award.
 - B. Pre-bid meetings, bid documents, insurance certificate checks, and qualifications and evaluation of bids for award.
 - C. Pre-bid meetings, bid documents, payment terms, and qualifications and evaluation of bids for award.
 - D. Pre-bid meetings, bid documents, verification of bidder, and qualifications and evaluation of bids for award.
18. Which of the following conditions **MUST** a contractor meet for a successful bid?
- A. Complete all bid requirements.
 - B. Complete the pre-bid meeting.
 - C. Submit an average price to complete the job.
 - D. Submit the number of employees who will be doing the job.
19. Three of the risks associated with property management are legal, financial, and safety. What is the fourth?
- A. Fraud
 - B. Property damage
 - C. Theft
 - D. Contractual

20. Either party may terminate a management agreement for cause. What is an example of “cause”?
- A. Insured property loss
 - B. Reassignment of owner’s agent
 - C. Retaliation
 - D. Sale of the property

The following 10 questions are to be answered based on the attached scenario.



CAPS Practice
Scenario - Meridian H

21. Comparing the 24-month projections to the December 2016 occupancy/vacancy plan, when did the property meet a vacancy level of nine units as proposed by the leasing schedule?
- A. November 2015
 - B. December 2015
 - C. November 2016
 - D. December 2016
22. In 2016, the NAA *Income and Expense Survey* reported the national market rate economic occupancy for garden properties as 92.6% of GPR. What was it for Meridian Hill Pointe?
- A. 75.8%
 - B. 81.2%
 - C. 94.8%
 - D. 95.4%
23. The original pro forma proposed a total annual operating income of \$15.33 per sq. foot in February 2016. What was the actual total annual operating income by December 2016?
- A. \$14.59
 - B. \$16.26
 - C. \$16.33
 - D. \$17.58

24. What is the budgeted physical occupancy compared to the budgeted economic occupancy in 2016?
- A. 78.4% vs. 75.8%
 - B. 82.6% vs. 81.2%
 - C. 95.5% vs. 95.4%
 - D. 96.4% vs. 94.8%
25. The original construction budget called for \$375,000 in furniture, fixtures, and equipment purchases through December 2016. During that period, what portion of that amount was paid for appliance replacement?
- A. 5.3%
 - B. 5.8%
 - C. 25.1%
 - D. 25.9%
26. At an average closing ratio of 34.7%, how many leases were secured through call center leads?
- A. 48
 - B. 96
 - C. 152
 - D. 274
27. What percent of traffic leads arose from the call center since units first came on line?
- A. 5.2%
 - B. 10.3%
 - C. 28.1%
 - D. 29.5%
28. As of December 2016, what is the debt coverage ratio (DCR) for the property?
- A. 1.04:1
 - B. 1.13:1
 - C. 1.35:1
 - D. 1.38:1

29. Marketing plan leasing goals were not met at the property. Adjusting the leasing goal schedule to coincide with the actual occupancy schedule, when should the property have met the 70% occupancy level?

- A. December 2015
- B. January 2016
- C. February 2016
- D. March 2016

30. Which action would have a direct positive impact on the debt coverage ratio (DCR)?

- A. Increase concessions.
- B. Refinance the property.
- C. Initiate capital improvements on site.
- D. Maintain expenses under budget.

End of scenario questions

31. An investor has decided to spend \$25,000 on water saving devices for showers in every unit and expects the to reduce overall water expense by \$300 per month. What is the payback period on the investment?

- A. 8.33 years
- B. 6.94 years
- C. 3.01 years
- D. 14.3 years

32. If a property generates an annual cash flow of \$48,250 and the down payment on a \$1,500,000 investment was \$450,000 what is the cash-on-cash return?

- A. 1.7%
- B. 10.7%
- C. 9.23%
- D. 2.8%

33. Which formula below determines Cash Flow?

- A. EGI-OE-DS
- B. EGI-OE-RR
- C. NOI-CE-RR-DS
- D. EGI-CE-RR-DS

34. Other Income typically represents what percentage of GPR?

- A. 1-5%
- B. 5-10%
- C. 10-15%
- D. 15-20%

35. EGI is best described as:

- A. GPR-VAC+OE
- B. GPR+OI
- C. GPR-VAC+OI
- D. GPR-OI

36. What is the CAP rate if a property has an NOI of \$480,000 and a value of \$9,267,235

- A. 5.17%
- B. 8.0%
- C. 15.2%
- D. 63.4%

37. Net Operating income divided by Owner's Equity equals:

- A. Direct Capitalization
- B. Return on Investment
- C. Cash Flow
- D. CAP Rate

38. What is the Owner's equity if the balance sheet shows liabilities equal to \$2,500,000 and assets equal to \$3,000,000?

- A. \$5,500,000
- B. 89%
- C. \$1,500,000
- D. \$500,000

39. The formula for calculating the operating expense ratio is?

- A. OE/NOI
- B. OE/GPR
- C. OE/EGI
- D. OE/GOI

40. Calculate the Net Operating Income using the following information:

GPR \$20,000

OI \$ 3,500

VAC 10%

OE \$12,000

- A. \$8,000
- B. \$9,500
- C. \$8,500
- D. \$10,000

41. What is the ROI of an investment that was purchased for \$3,000,000 and that has a current NOI of \$300,000?

- A. 10%
- B. 1%
- C. 90%
- D. 9%

42. What is the NOI using the following information?

GPR \$100,000

OI \$ 9,500

VAC 5%

OE \$36,000

- A. \$68,500
- B. \$126,900
- C. \$50,500
- D. \$10,000

43. Exposure if the number of units remaining to lease expressed as a percentage. What is the exposure on a property with 892 units if: 106 are vacant, 19 are leased and of 29 notices to vacate, 2 are preleased?

- A. 7%
- B. 10.9%
- C. 12.8%
- D. 13.1%

44. If the balance sheet shows assets equal to \$2,350,000 and liabilities equal to \$2,100,000, what is the amount of Owner's Equity?

- A. \$4,450,000
- B. \$250,000
- C. 10.6%
- D. \$2,600,000

45. What formula is used to calculate the operating expense ratio?

- A. OE/GPR
- B. OE/GOI
- C. OE/EGI
- D. OE/NOI