

State of Colorado Motor Vehicle Dealer Board

Dealer - Wholesaler - Salesperson - Auction Dealer

Mastery Examination Official Form

Please Print Legibly

Applicant Information

_____ - _____ - _____

First Name M.I. Last Name Social Security Number Date

This is a State of Colorado official document and is only to be used in its official capacity. The Motor Vehicle License Law Examination is designed to test your overall knowledge of the motor vehicle dealer and salesperson laws and regulations as established by the Colorado Legislature and the Motor Vehicle Dealer Board. To take this examination, you must be familiar with the Colorado Motor Vehicle Industry License Law & Regulations and the Motor Vehicle Industry License Law Manual.

This is an open book examination. A score of 100% is required to pass. Write the best answer for each question legibly on the blank line in black or blue ink. The examination administrator will grade the examination. Any applicant or licensee who is found to have falsified the examination affidavit or provided answers to the applicant may be subject to disciplinary action.

___1) The Motor Vehicle Dealer Board does not have among its members:

- a. three employees from the Motor Vehicle Division
- b. three members from the public at large
- c. three licensed used motor vehicle dealers
- d. three licensed motor vehicle dealers

___2) The Motor Vehicle Dealer Board is authorized and empowered to:

- a. issue or deny buyer agent licenses
- b. issue or deny manufacturer representative licenses
- c. issue or deny motor vehicle dealer and salesperson licenses
- d. all of the above

___3) The Motor Vehicle Dealer Board is authorized and empowered to:

- a. investigate any suspected or alleged violation by any motor vehicle salesperson
- b. investigate any suspected or alleged violation by any motor vehicle dealer
- c. order an administrative hearing be held if it believes there is probable cause that a violation occurred
- d. all of the above

___4) Dealers may be administratively fined by the Dealer Board up to what amount for each separate offense?

- a. \$2,500
- b. \$5,000
- c. \$10,000
- d. \$20,000

5) New and used motor vehicle dealers, wholesalers and wholesale auction dealers are required to have a surety bond in the amount of \$_____.

6) Motor vehicle salespersons are required to have a surety bond in the amount of \$_____.

7) Selling ___ or more vehicles or offering for sale more than ___ vehicles at the same address or telephone number in any one calendar year, shall be *prima facie* evidence that a person is engaged in the business of selling motor vehicles.

___8) The definition of a used motor vehicle dealer includes which of the following?

- a. public officers while performing their official duties
- b. trustees, executors or other persons appointed by an order of any court
- c. a person who with the intent to make a profit or gain attempts to negotiate a sale of a used motor vehicle
- d. mortgagees or secured parties attempting to sell up to 12 motor vehicles in one year constituting collateral

___9) Wholesalers may:

- a. make a profit or gain selling to dealers and wholesalers
- b. employ a motor vehicle salesperson
- c. conduct business in their own personal name
- d. hold both a wholesale license and a motor vehicle salesperson license at the same time

___10) Which of the following is not a requirement for motor vehicle dealers, used motor vehicle dealers, or wholesalers?

- a. report to the Dealer Board any transfer of 10% or more of ownership to one individual
- b. submit to the Dealer Board a written notice when a licensee changes the trade name of the business
- c. report to the Dealer Board when a licensee changes the site or location of the principal place of business
- d. submit to the Dealer Board a copy of a valid Colorado ID

___11) Three of the following are characteristics of an off-premise permit. Which one is not?

- a. the permit could be used for a permanent second location
- b. the permit cannot exceed six days except for the National Western Stock Show, the Colorado State Fair and the Denver Auto Show, which shall not exceed 20 days
- c. the permit shall be available for inspection at the sale
- d. consecutive permits for the same location are not allowed

___12) All motor vehicle dealers and used motor vehicle dealers must be open:

- a. a minimum of 12 hours per week
- b. a minimum of 4 hours 6 days per week
- c. a minimum of 40 hours per week
- d. every day from 8 A.M. to 9 P.M.

___13) The license of a motor vehicle salesperson may be denied, revoked, or suspended on the following grounds except:

- a. advertising a salvaged vehicle that identifies that vehicle as a salvage vehicle
- b. making a material misstatement in an application for license
- c. intentionally publishing or circulating any advertising which is misleading or inaccurate
- d. selling or attempting to negotiate the sale of motor vehicles for any motor vehicle dealer for which such salesperson is not licensed

___14) The license of a motor vehicle salesperson may be denied, revoked, or suspended on the following grounds except:

- a. having knowingly disposed of a stolen motor vehicle

- b. defrauding any retail buyer to such person's damage
- c. representing as "new" a motor vehicle that the salesperson knows is used
- d. not having a valid Colorado drivers license

___15) The license of a motor vehicle salesperson may be denied, revoked, or suspended on the following grounds except:

- a. to engage as a licensee without having in force a good and sufficient bond with corporate surety
- b. having been convicted of or pled nolo contendere to a felony
- c. using point of sale literature in advertising
- d. improperly withholding or misappropriating to such salesperson's own use money belonging to customers or other persons, received in the course of employment as a motor vehicle salesperson

16) A dealer, wholesaler or salesperson who is convicted of any felony or any crime pursuant to Article 3, 4 or 5 of Title 18, C.R.S. (felony or criminal misdemeanor) or like crime pursuant to federal law or law of any other state has _____ days to give the Dealer Board written notice of such conviction?

17) When a salesperson voluntarily leaves or is discharged from a dealership, the dealer must immediately return that salesperson's _____ to the Dealer Board.

18) A salesperson can change dealerships during the licensing year provided that a Change of Employer Notification form is submitted to the Board. It is unlawful for such salesperson to act as a motor vehicle salesperson until a new _____ is procured.

___19) A buyer agent may:

- a. be a person whose business includes the purchase of motor vehicles primarily for resale
- b. be retained or hired by a consumer to assist, represent, or act on behalf of such consumer in connection with the purchase or lease of a motor vehicle
- c. advertise the consumer's trade-in
- d. receive compensation from a dealer or salesperson

___20) A new motor vehicle has three of the following characteristics. Which one doesn't it have?

- a. a motor vehicle being transferred for the first time from a manufacturer
- b. a motor vehicle that is titled
- c. a motor vehicle which has not been used and commonly known as a "new" vehicle
- d. a motor vehicle with less than 1500 demonstration miles at the franchised dealer

___21) Which of the following would always indicate a motor vehicle is used?

- a. a vehicle with less than 1500 demonstration miles at the franchised dealer
- b. a vehicle with a properly assigned Manufacturer's Certificate of Origin
- c. a vehicle that is titled
- d. a vehicle with a Monroney label

22) Since 1985, the Federal Trade Commission's Used Car Rule has required that dealers prominently and conspicuously display the _____ on every used car or light truck offered for sale. This is also known as the "as is" sticker.

___23) Three of the following are required when a dealer is advertising a lease of a motor vehicle with a payment amount. Which one is not required?

- a. disclosing the cost of leasing versus the cost of purchasing.
- b. disclosing the number, amounts and due dates or periods of scheduled payments.
- c. disclosing whether or not a security deposit is required.
- d. disclosing that the transaction advertised is a lease.

___24) An advertisement would include:

- a. a commercial message in a flyer
- b. a commercial message in a direct mail literature
- c. a price on a vehicle windshield
- d. all of the above

___25) Which of the following must be identified in advertising?

- a. salvage vehicles
- b. taxi cabs and police vehicles
- c. flooded vehicles
- d. all of the above

___26) The only items that can be added to an advertised price are:

- a. dealer handling and preparation charges

- b. dealer handling charges and profit
- c. finance charges and sales tax
- d. none of the above

___27) A dealer may advertise in which of the following manners?

- a. using a qualifying statement which is not clear and is not adjacent to the offer
- b. using an asterisk to change the meaning of an advertising statement
- c. advertising using the word wholesale in connection with retail sales
- d. using a color picture in the ad that is not the same color as the actual vehicle being advertised as long as the disclosure, "vehicle colors may vary" is included

___28) A dealer's advertising must contain the dealer's licensed name and/or the word(s):

- a. classified ad
- b. motor vehicle
- c. dealer
- d. advertisement

___29) The Colorado Consumer Protection Act declares bait and switch advertising to be a deceptive trade practice. Bait and switch advertising would include which of the following?

- a. accepting a deposit for the advertised vehicle and then switching the purchase order to a higher priced vehicle
- b. requiring that tie-in sales or other undisclosed conditions be met prior to the sale
- c. making disparaging comments about the advertised vehicle, such as "this vehicle's 4-cylinder engine is not very powerful, you need a V-6 that cost more."
- d. all of the above

___30) Three of the following are required to be disclosed when a dealer is advertising a closed-end credit sale of a motor vehicle with a down payment amount, payment amount, number of payments, period of repayment or amount of finance charge. Which one is not required?

- a. tax rate
- b. amount or percentage of the down payment
- c. terms of repayment
- d. annual percentage rate

___31) A dealer has how many days to deliver or facilitate delivery of title from the date of sale?

- a. 15 days
- b. 30 days
- c. 45 days

d. 1 day

___32) Which of the following is not proof of ownership of a motor vehicle for a Colorado dealer?

- a. a used vehicle with a properly assigned Colorado title to the licensed dealer
- b. a used vehicle with a properly assigned out-of-state title to the licensed dealer
- c. a signed Monroney Label
- d. a new vehicle assigned by a MCO to the licensed Colorado dealer

33) Full-use dealer plates cannot be displayed on vehicles that are used by the dealership for any _____ purpose.

___34) Which one of the following statements is true regarding dealer demo plates?

- a. a demonstration drive may last up to 14 days
- b. a demo plate that is lost or stolen must be reported within 2 working days to the Department of Revenue Dealer Section
- c. a demo plate may be used on a commercial vehicle owned by the dealership
- d. a demo plate may be loaned to celebrities, athletes or accountants for personal use

___35) Which of the following is true regarding dealer demo plates?

- a. a dealer demo plate may be loaned out to a charitable organization such as for use in a parade
- b. dealer demo plates may be used on vehicles owned by the dealership such as tow trucks parts pickup vehicles or service loaners
- c. dealer demo plates may be displayed only on vehicles owned by or consigned to the dealer or wholesaler
- d. a dealer demo plate may be used on vehicles being delivered to the purchaser

___36) Which of the following is true regarding depot plates?

- a. depot plates may be used by a repair facility to road test a vehicle after repair during normal business hours
- b. depot plates may be used to transfer a vehicle from point of purchase to the dealers lot
- c. depot plates may be used as demo plates
- d. depot plates may be used to deliver a purchased vehicle to the consumer

___37) A new or used motor vehicle dealer may legally do which of the following with a temporary registration permit?

- a. issue a 7 day permit upon the sale of a motor vehicle to another dealer
- b. issue a permit for a demonstration drive by a consumer
- c. loan, give, borrow, sell, exchange or issue permits for or with another dealer
- d. issue a second permit to a consumer or another dealer

___38) How many temporary permits may a dealer issue for each road worthy vehicle sold?

- a. Zero - only the county clerk may issue a permit
- b. 1
- c. 2
- d. 3

39) Records of vehicle transfers and odometer statements must be retained for ____ years.

___40) The odometer law declares all of the following except:

- a. it is unlawful for any person to alter the odometer of any motor vehicle with the intent to change the number of miles indicated thereon
- b. it is unlawful to replace an odometer under any circumstance
- c. it is unlawful for any person, with the intent to defraud, to operate a motor vehicle on any street knowing that the odometer is disconnected
- d. it is unlawful for any person to advertise for sale or to install any device which causes an odometer to register any mileage other than the true mileage driven

___41) Three of the following types of motor vehicles are exempt from the Truth in Mileage Act. Which one is not exempt?

- a. motor vehicles 10 years old and older
- b. motor vehicles having a gross empty weight more than 16,000 lbs (more than 10,000 lbs in Colorado)
- c. motor vehicles with out-of-state titles
- d. motor vehicles that are not self-propelled (i.e. trailers)

___42) The federal cash reporting rule requires dealers to file federal form 8300 with the Internal Revenue Service when they receive more than \$10,000 cash in a single transaction. How many days does a dealer have to file this form?

- a. 5 days
- b. 15 days
- c. 30 days
- d. 45 days

___43) Which of the following is a false statement regarding dealers and buyers?

- a. a dealer must offer a warranty on all motor vehicles sold
- b. a buyer does not have 72 hours to change their mind on a motor vehicle sale that took place at the dealership
- c. a dealer shall clearly indicate on the customer contract when a vehicle is sold "as is" and without a guarantee
- d. a dealer shall clearly indicate on the customer contract when a vehicle is sold as a "tow away, not to be driven"

___44) Three of the following are deceptive trade practices. Which one of the following is not?

- a. making misleading statements of fact concerning the price of the goods
- b. employing bait and switch advertising
- c. representing goods as new when it is known that they are used
- d. the dealer discloses in the advertisement all known material information

___45) Three of the following are deceptive trade practices. Which one of the following is not?

- a. guaranteeing to a purchaser of a motor vehicle who conditions such purchase on the approval of a consumer credit sale or consumer loan that such purchaser has been approved for a loan if such approval is not final
- b. delivering good as promised
- c. accepting a trade-in on the purchase of a motor vehicle and selling the trade-in before the purchaser has been approved for a consumer loan if such approval is a condition of the sale
- d. failing to disclose in writing, prior to the sale, to the purchaser that a motor vehicle is a salvage vehicle

___46) A customer's trade-in vehicle on a financed deal may be sold:

- a. 72 hours after the buyer's order was signed
- b. as soon as the title has been signed over to the dealer
- c. only when the financing has been approved
- d. when the customer signs a power-of-attorney form

___47) Colorado's Lemon Law covers:

- a. new self-propelled vehicles, including pickups and vans

- b. new self-propelled vehicles, including pickups, vans, motor homes and motorcycles
- c. all new vehicles
- d. all of the above

___48) Which of the following is true about Colorado's Lemon Law?

- a. defects, such as a rattle or squeak, that do not substantially impair its use and market value are not covered
- b. prior to suing a manufacturer for refund or replacement vehicle, the consumer must first send a written notice of defect by certified mail to the manufacturer
- c. under law, a "reasonable number of attempts" to repair applies when the same defect exists after it has been subject to repair four or more times within the first year after the date of original delivery
- d. all of the above

___49) The proper steps to repossess a motor vehicle include:

- a. effect a lien creating a security interest
- b. allow the required payment to default (become at least 10 days late)
- c. send or hand deliver a "right to cure" letter to the debtor and allow the debtor 20 days to cure
- d. all of the above

50) Local law enforcement offices must be notified within _____ hour(s) before or after the repossession of a motor vehicle occurs.

___51) Which of the following may motor vehicle dealers sell on a Sunday?

- a. any car on their lot
- b. a boat trailer or snowmobile trailer
- c. no vehicles may be sold on a Sunday
- d. trucks over 10,000 lbs