

CALIFORNIA COMMUNITY PROPERTY

FINAL EXAMINATION

PROFESSOR SCHWARTZ

FALL 2005

INSTRUCTIONS

1. You will have **two (2) hours** to complete this examination.
2. This is a **closed book** examination. You may not use any other outside materials or speak with anyone during the exam.
3. The exam consists of two parts.
 - a. **PART ONE** consists of **30 multiple-choice questions**, the total of which is worth 50 percent of your final exam grade. Answer each multiple-choice question by indicating one letter corresponding to the response you believe to be most correct. Correct multiple choice answers are to be marked on the separate ParSCORE test form using pen or pencil and following the instructions on that form. If you change your answer, place a clear **X** through the wrong answer and mark the correct answer. A machine will score the exam and any ambiguities will be counted as wrong answers.
 - b. **PART TWO** contains **one essay** which is worth 50 percent of your final exam grade. Time limits are suggested for each section. If you are hand writing your essay, please write in the blue book(s) provided. Write only on the right side of each page, and on every other line. Please write legibly. If you are typing your response using exam software, be sure to save your work frequently to the diskette.
4. Write your exam number on your exam envelope; at the top of this page and every page of questions hereafter; your ParSCORE test form; and each blue book you use. **Do not** use your name, student ID number or Social Security number on any exam materials.
5. At the conclusion of the exam, turn in **all** exam materials including the ParSCORE form, blue books, computer disks, scratch paper and the exam in the envelope provided and submit them to the exam proctor. **Do not seal** the

envelope. Students who do not return all exam materials at the end of the exam may not be graded.

Good luck!

PART TWO

One Hour

All events occur in California.

In 1980 Wanda accepted a job with a good salary and full benefits as a graphic artist at Artco, a large design company, and she has worked there ever since. Hubbard is a self-employed carpenter. In 1988, Wanda and Hubbard decided to move in together to see if they were compatible. They agreed to place their money in a joint checking account at Wells Fargo Bank. Each deposited an equal amount.

In 1989, the couple moved to a rental house in Berkeley. In 1995, the landlord offered to sell them the house. It was a great opportunity, and Wanda and Hubbard used all the funds in their checking account to make the down payment of \$80,000. They needed a bank loan for the balance of \$220,000. The bank was concerned that Hubbard was self-employed, and insisted that Wanda take the loan in her name only. Wanda and Hubbard took title to the property as joint tenants, and used their earnings to make the monthly payments of \$2,000. On an average, this payment reduces the principal of the loan by about \$1,000 per month.

In June 1996, the couple finally decided to marry. As they bicycled home from the wedding ceremony at the Berkeley City Hall, a car hit them. Wanda suffered serious injuries. After a year of legal wrangling, Wanda obtained a settlement of \$100,000 from the driver. She opened a stock account with Schwab in her own name and deposited the \$100,000.

To relax on the weekends, Wanda decided to return to oil painting. Hubbard used \$50,000 inherited from his grandmother to build a studio for Wanda at the back of the house. In 1997, an art critic visited the studio and wrote about Wanda's beautiful artwork. As a result, Wanda sold a painting to the De Young Museum for \$10,000, which she also deposited into her stock account. Other than the settlement and the sale price from the painting, she made no other deposits or withdrawals from the account.

In 1997, Hubbard's father gave him \$10,000 to set up Hubbard's Cupboard, a small cabinet-making business. Hubbard's father invested another \$10,000 of his own, creating an equal limited partnership with his son in the business. Hubbard earns about \$50,000 per year from the business. Dad takes no salary or dividends.

In June 2006, Hubbard revealed to Wanda that he had fallen in love with the art critic who gave her the favorable review. He has moved out and is filing for divorce.

At divorce, what are the rights of Wanda and Hubbard with respect to:

1. The house, currently valued at \$600,000?
2. Hubbard's Cupboard, currently valued at \$200,000?
3. The stock account at Schwab?
4. Wanda's pension from Artco, which will pay \$900 per month starting in 2010, when Wanda will be eligible to retire.

END OF EXAM