

MODEL QUESTION PAPER FOR REGISTERED VALUER EXAMINATION (IBBI)
Q 89 to 94 - Case study - Answers

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1.0. INTRODUCTION

The details of questions Q89 to 94 of the model question paper issued by IBBI and the answers derived by me are reproduced here for the sake of those who would like to learn something more.

2.0. CASE STUDY

A business man purchased a plot of 1000 Sq.mt. in a posh locality of a city in the year 1987 for a price of Rs. 30,00,000. In the year 1988, he constructed a residential bungalow having 300 Sq.mt. built up floor area at ground level and 100 sq.mt. built up area at first floor level at the cost of Rs. 14,00,000. Prevalent replacement cost of similar bungalow as on today is Rs. 30,000 per sq.mt. Prevalent land price in the locality at present is Rs. 60,000 per sq.mt. Age of building is 30 years and the total life of the building is 60 years.

Q89. What will be the depreciation amount of the bungalow by adopting straight line method of depreciation and considering scrap value at 10 % ?

- a) Rs. 60,00,000
- b) Rs. 54,00,000
- c) Rs. 45,00,000
- d) Rs. 12,00,000

Q90. What will be the depreciation amount of the bungalow by adopting constant percentage method of depreciation?

- a) Rs. 54,00,000
- b) Rs. 47,37,600
- c) Rs. 60,00,000
- d) Rs. 54,46,000

Q91. What will be the market value of the land at present?

- a) Rs. 2,40,00,000



- b) Rs. 6,00,00,000
- c) Rs. 4,80,00,000
- d) Rs. 4,10,00,000

Q92. What will be the total market value of the bungalow property for the bank loan purpose?

- a) Rs. 6,00,00,000
- b) Rs. 6,66,00,000
- c) Rs. 6,12,00,000
- d) Rs. 5,66,10,000

Q93. What is the balance economic life of the building?

- a) 60 years
- b) 30 years
- c) Zero
- d) 45 years

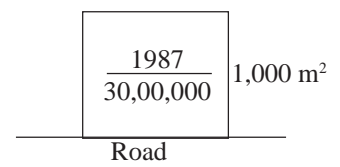
Q94. Which of the following will not be considered for the estimation of present market value of above property?

- a) Depreciation
- b) Current Replacement cost of the building
- c) Economic obsolescence
- d) Current land rate

3.0. ANSWERS

Data

Extent of plot	=	1,000 sq.m.
Year of purchase of plot	=	1987
Purchased amount	=	Rs. 30,00,000/-
Year of new construction	=	1988
Built up area of the building GF	=	300 sq.m.
Built up area of the building FF	=	100 sq.m.
Cost of building GF + FF (300 + 100)	=	Rs. 14,00,000/-





Replacement cost	=	Rs. 30,000/sq.m.
Prevalent land rate	=	Rs. 60,000/sq.m.
Age of the building	=	30 years
Life of the building	=	60 years
Salvage value assumed	=	10%

3.1. Q89. Total built up area	=	400 sq.m.
Replacement rate / sq.m.	=	Rs. 30,000
Replacement value - 400 x 30,000	=	1,20,00,000
Age	=	30 years
Life	=	60 years
Salvage value	=	10%
Depreciation percentage	=	$\frac{30}{60} \times 90 = 45\%$
Depreciation amount : 0.45x1,20,00,000=	=	Rs. 54,00,000

∴ The answer is 'b'

3.2. Q90. Life	=	60years
Rate of depreciation	=	$\frac{100}{60} = 1.66\%$
Depreciation amount	=	$P \left(1 - \frac{1.66}{100} \right)^{30}$
	=	1,20,00,000 x 0.3948
	=	Rs. 47,37,600/-

∴ The answer is 'b'

3.3. Q91. Extent of plot	=	1,000 m ²
Prevalent market rate	=	Rs. 60,000/m ²
Market value of land - 1,000 x 60,000=	=	Rs. 6,00,00,000/-

∴ The answer is 'b'

3.4. Q92. Land value - 1,000 x 6,000	=	6,00,00,000
Depreciated value of the building	=	0.55 x 1,20,00,000
	=	Rs. 66,00,000
Total value - Land + building	=	Rs. 6,66,00,000/-



∴ The answer is **'b'**

3.5.	Q93.	Total economic life of building	=	60 years
		Age of the building	=	30 years
		Balance economic life is 60 - 30	=	30 years

∴ The answer is **'b'**

3.6. Q94. While estimating the present market value of the property,

1. Depreciation is to be considered.
2. Replacement cost is to be considered.
3. Current land rate is to be considered.

Economic obsolescence need not be considered.

∴ The answer is **'c'**

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