

MCQ'S FOR JALANDHAR

TRAINING

MCQ'S VALUATION GENERAL

1. A valuer shall act with objectively in his professional dealings by ensuring that his decisions are made_____.

- a) without the presence of any bias.
- b) with coercion.
- c) with confidence.
- d) with undue influence of any party

Ans.(a)

2. A valuer while respecting the confidentiality of information acquired during the course of performing professional services, shall maintain proper working papers for a period of _____.

- a) 3 years
- b) 2 years or such shorter period as required in its contract for a specific valuation
- c) 3 years or such longer period as required in its contract for a specific valuation
- d) 2 years

Ans.(c)

3. Integrity of registered valuer is seriously affected by _____.

- a) being honest
- b) being straightforward
- c) misrepresenting any facts or situations
- d) keeping public interest

Ans.(c)

4. Which of the following is not a duty of the valuer?
- a) To verify ownership in document and occupancy on actual site
 - b) To identify plot number in document as well as on-site
 - c) To be responsible for correctness of survey findings by his assistant
 - d) To investigate title of the property to be valued

Ans.(d)

5. Value is an estimate of _____ as it ought to be.
- a) price + profit
 - b) price
 - c) cost
 - d) value agreed between the seller and the buyer

Ans.(b)

6. The value at the end of utility period of the asset without being dismantled is called _____.
- a) salvage value
 - b) realisable value
 - c) scrap value
 - d) junk value

Ans.(a)

7. Real estate has some _____ and therefore has a value.
- a) profit
 - b) degree of immobility
 - c) characteristics of non-marketable and non-investment property
 - d) use

Ans.(d)

8. Which of the following factor is not physical yet affects the valuation of the subject property?
- a) Damages to the building
 - b) Gross Domestic Product

- c) Property location
- d) Neighbourhood properties

Ans.(b)

9. Property is a ____ concept.

- a) physical
- b) legal
- c) technical
- d) social

Ans.(b)

10. What is the subject matter of valuation?

- a) Interest in a property
- b) Land and Building
- c) Standard Rent
- d) Profit Rent

Ans.(a)

11. An annual recurring amount required to be set aside every year, for a given period of time, at the given rate of interest, to recoup capital invested in a landed property is called ____.

- a) sinking fund
- b) annual amount of Rs. 1
- c) annual value
- d) investment value

Ans.(a)

12. Which one of the following best defines Annual sinking fund?

- a) Annual sum required to be invested to amount to Rs. 1/- in specified years
- b) Monthly sum required to be invested to amount to Rs. 10/- in specified years
- c) Annual sum required to be invested to amount to Rs. 10/- in specified years
- d) Annual sum required to be invested to amount to Rs. 100/- in specified years

Ans.(a)

13. Actual survival life of the building before it collapses is called the _____.

- a) useful life
- b) economic life
- c) physical life
- d) residual life

Ans.(c)

14. Asset which has become outdated mainly due to the planning and designing being unsuitable for present day requirement of the user is an example of _____.

- a) technological obsolescence
- b) economic obsolescence
- c) functional obsolescence
- d) both technological obsolescence as well as economic obsolescence

Ans.(c)

15. Depreciated Replacement Cost (DRC) is market value of special purpose industrial plant building subject to potential _____.

- a) profitability
- b) cost
- c) price
- d) value

Ans.(a)

16. Which one of the following valuation methodology is most appropriate for valuing a non-income generating residential bungalow?

- a) Discounted Cash Flow Method
- b) Sales Comparable & Depreciated Replacement Cost Method
- c) Profit Method
- d) Direct Capitalization Method

Ans.(b)

17. While carrying out valuation of property for bank finance, which of the following is not to be taken into consideration?

- a) Age of the building
- b) Rent fetching capacity of the property
- c) Economic obsolescence
- d) Amount of loan

Ans.(d)

18. The income chargeable under head capital gains shall be computed, by deducting from the full value of the consideration received as a result of transfer of the capital asset, the _____.

- a) expenditure incurred wholly and exclusively in connection with such transfer
- b) expenditure incurred wholly and excessively after such transfer
- c) indexed cost of repairing to be carried out
- d) index cost of any improvements carried out after such transfer

Ans.(a)

19. If owner of plot A with house has a right of way over his neighbour's plot B for beneficial enjoyment of house, owner A is called _____.

- a) co-owner
- b) dominant owner
- c) joint owner
- d) servient owner

Ans.(b)

20. Which of the following transaction is an arm's length transaction?

- a) Transaction between parties at auction sale.
- b) Transaction between parent and subsidiary company
- c) Transaction between two old friends
- d) Transaction between two brothers

Ans.(a)

21. Which of the following is expressed by a valuer while giving expert evidence in the examination-in-chief in the court?

- a) Opinions regarding values with reasoning
- b) Evidence of facts
- c) Answers without reasoning

d) Answers only in 'yes' or 'no'

Ans.(a)

22. While valuing assets, where the valuer is not conversant with its features,
_____.

- a) It is advisable to engage the services of an expert and **thesigned** report of the expert be made a part of valuation report
- b) It is advisable to engage the services of an expert and his report need not be made a part of valuation report
- c) He can privately seek the services of such expert and need not disclose in the report
- d) It is enough to **mentionin** report about details of expert engaged.

Ans.(a)

23. Residual method of valuation primarily considers –

- a) market transaction value
- b) value to the owner**
- c) value from a taxation point of view
- d) All the three stated above

24. Residual method is applied when –

- a) there is no established market for sale or purchase of property
- b) only building or structure value is required to be determined.
- c) valuer is required to determine land value for development**
- d) Non of the above

25. The factor not to be considered when applying the Residual method of valuation is –

- a) Cost of expected sale of the finished property
- b) Cost of development
- c) Profit motive
- d) Social benefit of the project**

26. A tangible asset is one which –

- a) is available to the owner at all times
- b) is an asset which only produces income for the owner
- c) is an asset which can be touched**
- d) is available in the form of available money only
- e) None of the above

27. Amount of Re. 1 per annum –

- a) Is a factor generally less than Unity.
- b) Is always a fraction less than Unity.
- c) Is the reciprocal of Present Value.
- d) If rate of interest is Zero, this amount is Unity.**
- e) If rate of interest is Zero, this amount is also Zero.

28. Sinking Fund –

- a) Is a form of annuity.
- b) Is the reciprocal of Amount of Re. 1 per annum.**
- c) Is the Reciprocal of Years Purchase when considering dual rate.
- d) Is a form of reversionary value.

29. Year's Purchase is a term which indicates:

- a) Number of years for which the property is intended to be used.
- b) A number equal to current interest rate divided by capital value of the asset.
- c) The number of years over which payment is to be made for purchase of the property.
- d) None of the above**

"Money in the future is worth less than money in the present".

- a) Disagree with the statement.
- b) Agree with the statement.**
- c) Depends on the circumstances.
- d) It is the same. After all money is money today or tomorrow.

30. Residual method of valuation primarily considers –

- a) Market transaction value
- b) Value to the owner**
- c) Value from a taxation point of view
- d) Residual book assets

31. The factor not to be considered when applying the Residual method of valuation is –

- a) Cost of expected sale of the finished property
- b) Cost of development
- c) Profit motive

d) Social benefit of the project

32. The relationship between the total floor plan area of all floors and the land area is known as:

a) Floor Area Ratio (FAR) or Floor Space Index (FSI).

b) Covered Area Ratio.

c) Total Usable Area Ratio.

d) Gross Area Selection Ratio.

33. The correct definition of Depreciation:

a) Is loss in value due to age of the structure alone.

b) Is an estimate of loss in value caused to a structure for various reasons.

c) Similar to obsolescence.

d) In case of land, loss in land value due to contamination of the land.

34. In the 'sum of digits method' of calculating depreciation, it is estimated that if the life of the structure is 6 years. Therefore depreciation after the third year is:

a) 50% since half the period is over.

b) 30% being 10% for each year.

c) $\frac{4}{21}$

d) 40% being 12% for each year.

35. The Sinking Fund method of calculating depreciation is:

- a) Non interest method.
- b) As compared to straight line method, depreciation is generally less.**
- c) Is applicable only when an actual sinking fund has been set up by a lessor.
- d) An arbitrary method using estimation

36. The right of a lessor to possess leased property upon the termination of a lease is a right of:

- a) Termination
- b) Remainder lease
- c) Acceptance clause
- d) Reversion**

37. The remaining economic life of a building is equal to the:

- a) Total period of time in which real estate improvements contribute to property value.
- b) Estimated period of time over which improvements will continue to contribute to property value.**
- c) Number of years since construction was completed.
- d) Estimated period of time remaining until repairs will have to be made.

38. Methods of estimating accrued depreciation include:

- a) Economic age-life, modified economic age-life, sales comparison, break-down method**

- b) Economic age-life, comparative unit, sales comparison, break-down method
- c) Economic age-life, modified economic age-life, quantity survey, break-down method
- d) Economic age-life, modified economic age-life, sales comparison, comparative unit method

39. One of these is not a recognised method of calculating Depreciation.

- a) Percentage of Revenue method
- b) Method of lump sum or experience method**
- c) Declining balance method
- d) Sinking fund

40. How would the following structure be classified: An old load bearing structure with thick walls located in a modern prime location in a city centre was to be classified for calculating depreciation. It would be a case of:

- a) Economic obsolescence
- b) Functional deterioration
- c) Technological Obsolescence**
- d) Incurable depreciation

41. One of the following is not to be considered when calculating depreciation.

- a) Age
- b) Physical appearance**
- c) Usefulness
- d) Economic Obsolescence

42. A condition that decreases the utility of the property and is not economically feasible to cure is:

- a) Incurable utilizational depreciation
- b) Fully depreciated and treated as scrap
- c) Incurable functional obsolescence**
- d) Unfunctional obsolescence

43. It is loss in value from forces external to the property and is incurable

- a) Incurable depreciation
- b) Declining sinking fund
- c) Economic Obsolescence**
- d) Functional deterioration

44. Time share is a concept where:

- a) A property is owned by many people simultaneously
- b) Ownership is shared for a particular period of time**
- c) An operator runs a business and allows a stake holder to use the property as agreed upon
- d) A right to use ownership exists

45. Development rights issued by a competent authority under relevant laws in lieu of the area relinquished or surrendered by the owner or developer or by way of declared incentives by the government or authority is known as;

a) Transfer of Development Rights

b) Goodwill Transfer

c) Municipal Development Rights

d) Easement Rights

REPORT WRITING

1. A valuation report should –
 - a) only give an opinion of the final value
 - b) give only some essential details and the final value.
 - c) give everything in detail so that only a technical person can understand it.
 - d) be exhaustive but clear so that even a layman can understand it.**

2. The aim of a valuation report is to –
 - a) make the official who is a technical person reading the report understand it.
 - b) serve only the purpose for which it is written.
 - c) make any layman understand it.**
 - d) None of the above.

3. A report must state –
 - a) purpose for which it is made.**
 - b) purpose need not be mentioned as a valuation figure is all that is needed for any purpose mainly buy-sell price.
 - c) work out the value for different purposes and select the highest value.
 - d) work out the value for different purposes and select the lowest value.

5. Which plans/drawings should preferably be attached to the valuation report?

- a) None, as areas mentioned in calculation would suffice
- b) Only a site plan of the premises with suffice
- c) Only the plan/layout of the building
- d) Detailed drawings showing all dimensions and all construction details.
- e) As much detail as is considered necessary**

6. When making out a valuation report, if illegal construction has been made on the land owned by the owner, this should be –

- a) not considered at all
- b) full cost of construction to be included in the valuation figure
- c) a discounted figure for the illegal construction to be included in the valuation figure.
- d) all above three answers are incorrect**

7. Technical specifications of the structure –

- a) should be given in the valuation report**
- b) these are not necessary as construction cost is calculated by say the plinth area rate of CPWD.
- c) not to be given if valuation is done purely by the rent capitalization method.
- d) none of the above three statements in a), b) & c) is correct

MCQ'S INCOME APPROACH TO VALUATION

1. Under rent capitalization method, value of the property increases with_____.
- a) higher property tax
 - b) higher capitalization rate
 - c) lower capitalization rate
 - d) longer duration

Ans.(c)

2. In case the unexpired period of lease is too long then reversionary value would be_____.
- a) negative net present value
 - b) zero
 - c) negligible
 - d) less than zero

Ans.(c)

3. Which among the following is not a factor **affecting market rent**?
- a) City
 - b) Location
 - c) Type of building
 - d) Turnover of the lessee

Ans.(d)

4. In relation to a lease agreement, the actual rent specified in the lease is called _____.
- a) contractual rent
 - b) effective rent
 - c) profit rent

d) standard rent

Ans.(a)

5. Acceptance of project depends on –

- a) positive net present value
- b) negative net present value
- c) zero net present value
- d) zero internal rate of return

Ans.(a)

6. For which of the following, profit method of valuation is most appropriate?

- a) Vacant Land
- b) Petrol pump
- c) Residential Home
- d) School

Ans.(b)

7. The Profit Method of Valuation suggests that –

- a) capitalizing the profit to determine the value
- b) method does not work in case of loss
- c) the method is the same as the Income Capitalization technique
- d) All above statements are correct**

8. The Profit Method of Valuation includes only –

- a) profit from only tangible assets
- b) profit from both tangible and intangible assets**
- c) Profit from only intangible (or imaginary assets)
- d) None of the above three statements are correct

9. A 'going concern value' includes:

- a) **Both a value apportioned to tangible and intangible assets**
- b) Value of goodwill only
- c) Value of physical assets only
- d) Profit or loss value

MCQ'S COST APPROACH TO VALUATION

1. Cost Approach is useful mainly for valuing
 - a) Marketable properties
 - b) Non-marketable properties**
 - c) Properties which are ready for redevelopment
 - d) Going concern business properties

2. The cost approach to valuation is the best method of valuing properties and is generally preferred over other methods because -
 - a) Of its simplicity
 - b) It can be used in one and all circumstances for tangible assets
 - c) It does not involve finding out market rates or interest rates.
 - d) Above statement about cost approach to valuation is not correct**

3. Which of the following valuation would necessary involve using the cost approach to valuation.
 - a) An apartment (flat) in a multistoried building complex in a semi urban neighbourhood
 - b) An isolated guest house on an agriculture land**
 - c) A cinema hall in a semi urban neighbourhood
 - d) A hotel located near a petrol pump where tourists and truckers halt for rest and food

4. The building cost index is worked out by the CPWD or a similar organization based on:

a) Rates prevailing in the past

b) Estimates of building material and labour for the coming year as estimated by CPWD

c) Expected inflation as estimated by the Finance Ministry, Govt. of India

d) An index obtained by estimating demand/supply of housing determined by the Reserve Bank of India

5. A single storeyed house was constructed in 1993 at a cost of Rs. 10,00,000 (ten lakhs). What is the unindexed cost in 2000?

CPWD Index: 1993 index over 1981 = 244

2000 index over 1981 = 447

a) Rs. 10,00,000 x 447/100 x 244/100

b) Rs. 10,00,000 x 100/447 x 100/244

c) Rs. 10,00,000 x 244/100 x 100/447

d) Rs. 10,00,000 x 100/244 x 447/100

6. In calculating the Index numbers for basic cost construction of an RCC load bearing building CPWD (Central Public Works Department), the following items are not given any weightage.

a) Bricks

b) Stone Chips

c) Skilled labour wages

d) Internal wood work in the building

7. Quick estimation of costs of construction can be carried out by_____.

- a) sum of digit method
- b) detail estimation
- c) plinth area rate
- d) discounted cashflow method

Ans.(c)

8. In calculating the cost of construction for a building about two years old and valuing by the cost approach only.

- a) Cost of constructing the structure is to be depreciated by 30% as the building loses its maximum value in the first two years of its life.
- b) Depreciation to be done considering age of structure at 100 years fixed.
- c) No depreciation to be considered as building is "almost new".
- d) None of the above are correct.**

MCQ'S MARKET APPROACH TO VALUATION

1. The price that would tend to prevail in a free, open and competitive market on the basis of equilibrium set by the forces of demand and supply is called_____.

- a) value in exchange
- b) value in use
- c) highest and best use value
- d) realisable value

Ans.(a)

2. The sales comparison or market approach is very popular in the valuation of residential property. Which of the following statements is correct in regard to this approach as it applies to residential property?

a) When selecting comparables, it is not necessary to consider the quality of construction

b) When using by the sales comparison approach, the valuer compares the comparable properties to the subject property

c) Comparable sales data that are more than six months old should never be used by a valuer

d) The sales prices of comparables are always conclusive evidence of market value in the area.

3. A multistoreyed building has several flats, almost all similar. Two recently sold comparables were found. The valuer, using the market comparison approach, set up the following table:

Flat under Valuation	Comparable 1	Comparable 2
Date of Sale	1 ½ years ago	3 years ago
Rate per sq.ft.	Rs. 18,500	Rs. 18,000

What would be the best estimate of the rate?

- a) Rs. 18,500 per sq.ft.
 - b) Rs. 17,500 per sq.ft.
 - c) **Rs. 19,000 per sq.ft.**
 - d) Rs. 18,250 per sq.ft.
4. When comparing land values, the term 'Return frontage' is often used. This applies to land encompassing:
- a) Large Plots
 - b) No road frontage
 - c) Water front on one side
 - d) **Corner Plot**
5. In valuing land parcels by the sales comparison approach, various models based on land attributes/characteristics have been developed. Which of these is not a recognized
- a) Adjusted Grid Model
 - b) Hedonic Model
 - c) **Attribute Analysis Model**
 - d) Regression Analysis

6. What is the distinction between the terms market price and market value?
- a) Market price is synonymous with replacement cost while market value is the same as assessed value
 - b) Market price is what the seller asks for while market value is what the buyer actually pays
 - c) Market price is what the property sells for while market value is what the sales price should be to a typical buyer**
 - d) Market price is what is currently owned on the property while market value is what is actually paid for the property
7. The Belting method of valuation:
- a) Has been ruled as a method not suitable for valuing properties by the Supreme Court of India.
 - b) Can be applied only to properties which are at least 5000 sq. metres in area.
 - c) States that the land be divided into at least five belts to make this method valid.
 - d) In order to find out the realistic value of land the entire plot is divided into a number of convenient strips by lines parallel to the centre line of the road.**
8. Market approach basically operates on the_____.
- a) principle of increasing and decreasing returns
 - b) principle of substitution
 - c) principle of conformity
 - d) principle of contribution

Ans.(b)

9. Which of the following is not a source from which sale instances of immovable property in a particular locality can be collected?
- a) Sales record at the registrar's office
 - b) Advertisements in newspapers
 - c) Auction sale information from different authorities

d) Share market

Ans.(d)

10. Which of the valuation method is generally used for carrying out valuation of large plot when sale instances of large size plots in the locality are not available?

- a) Sales comparison method
- b) Hypothetical plotting scheme
- c) Hypothetical building scheme
- d) Adopting rental instances

Ans.(b)