

MODEL QUESTION PAPER FOR VALUATION EXAMINATION
Asset Class: LAND and BUILDING

1. The price elasticity of demand measures how much the quantity demanded of a good change when it's _____.

- a) price changes
- b) products and cost changes
- c) only supply changes
- d) on consumption changes

Ans.(a)

2. Other things remaining same, which of the following is true about "Law of demand"?

- a) Quantity demanded of a commodity is inversely related to price
- b) Quantity supplied of a commodity is inversely related to price
- c) Quantity demanded of a commodity is directly related to price
- d) Quantity demanded of a commodity is not related to price

Ans.(a)

3. If a firm sells its output on a market that is characterized by a single seller and many buyers of a homogeneous product for which there are no close substitutes and barriers to long-run resource mobility, then the situation can be called as_____.

- a) Monopoly
- b) Oligopolistic
- c) Perfect Competition
- d) Monopolist Competition

Ans.(a)

4. Which of the following is not true about factor of production?

- a) Land involves natural resources
- b) Labour is associated with human resources
- c) Capital includes manmade resources
- d) Enterprise only includes labour and capital to carry out the production process

Ans.(d)

5. Two basic assumptions of Ricardian concept of rent is that _____.

- a) the land is used to produce food grains only and no other use of land is considered, and the theory operates only in short run
- b) the land is used to produce food grains and other uses are also considered and the theory operates only in short run
- c) the land is used to produce food grains and other uses are also considered and the theory operates only in long run

d) the land is used to produce food grains only and no other use of land is considered, and the theory operates only in long run

Ans.(d)

6. Which of the following is not correct about function of money?

- a) It is considered as a medium of exchange
- b) It is a measure of value
- c) It cannot be used as standard of the deferred payments
- d) Money imparts liquidity to various forms of the wealth

Ans.(c)

7. Which of the following may lead to demand-pull inflation?

- a) Increase in real wages and Salaries
- b) Increase in raw materials
- c) Increase in interest rates
- d) Decrease in exports

Ans.(a)

8. If a person has an income of Rs. 30000 and his consumption is Rs. 10000, then his propensity to save is_____.

- a) 1.33
- b) 0.33
- c) 0.67
- d) 1.5

Ans.(c)

9. Which of the following is an example of secondary sector of economy?

- a) Mining
- b) Forestry
- c) Food Processing
- d) Commercial Agriculture

Ans.(c)

10. How are Gross Domestic Product (GDP) and Gross National Product (GNP) related?

- a) $GNP = GDP - \text{net income from abroad}$
- b) $GNP = GDP + \text{net income from abroad}$
- c) $GNP = \text{Net National Product} - \text{net income from abroad}$
- d) $GNP = \text{Net National Product} + \text{net income from abroad}$

Ans.(b)

11. In double entry system accounts are **primarily** classified in to?

- a) Receiver account & Giver account
- b) Income account & Expenses account
- c) Main account & subsidiary account
- d) Personal Account & Impersonal account

Ans.(d)

12. Discount received is recorded on which of the following side of a cash book?

- a) Receipts
- b) Payments
- c) Income
- d) Expense

Ans.(b)

13. For a real estate construction company **which of the following is** not part of Profit and Loss Statement?

- a) revenue from apartment sales
- b) interest paid to lenders
- c) cash deposited in bank
- d) depreciation expense

Ans.(c)

14. Proposed dividend is shown in the Balance Sheet of a company under the head_____.

- a) provisions
- b) reserves and surplus
- c) current liabilities
- d) other liabilities

Ans.(a)

15. Difference between variable cost per unit and selling price can be classified as_____.

- a) contribution margin per unit
- b) variable margin per unit
- c) selling margin per unit
- d) sale per unit

Ans.(a)

16. Right to property is a ____.

- a) fundamental right

- b) directive principles of state policy
- c) constitutional right
- d) fundamental as well as personal right

Ans.(c)

17. Where the obligation in a contract is outstanding on the part of both parties, it is called a/an ____.

- a) void contract
- b) illegal agreement
- c) unilateral contract
- d) bilateral contract

Ans.(d)

18. Performance of contract is one of the methods to_____.

- a) create a new contract
- b) set-aside a contract
- c) make a contract void
- d) discharge a contract

Ans.(d)

19. In case of the _____, the duty is one imposed by the law and is owed to the community at large.

- a) Contingent Contract
- b) Cecile Agreement
- c) Government Tender
- d) Tort

Ans.(d)

20. As per Section 36 of The Insolvency and Bankruptcy Code 2016, the liquidator shall hold the liquidation estate _____.

- a) as an agent of debtor
- b) as an agent of committee of creditors
- c) as a fiduciary for the benefit of all the creditors
- d) with no responsibility whatsoever on him

Ans.(c)

21. Sec 231 (2) of the Companies Act 2013, empowers a tribunal to _____, if it is satisfied that the compromise or arrangement sanctioned under section 230 cannot be implemented satisfactorily with or without modifications, and the company is unable to pay its debts as per the scheme.

- a) wind up the company
- b) restructure the Debt
- c) call for rearrangement
- d) replace the management

Ans.(a)

22. Frequency distribution whose most values are dispersed to left or right of mode is classified as_____.

- a) skewed
- b) explored
- c) bimodal
- d) unimodal

Ans.(a)

23. When numbers are associated with weights, then obtained mean is said to be_____.

- a) weighted arithmetic mean
- b) harmonic mean
- c) standard mean
- d) geometric mean

Ans.(a)

24. If two events A and B are mutually exclusive, the probability of occurrence of either A or B is_____.

- a) difference between individual probability of A and B
- b) sum of the individual probability of A and B
- c) sometime difference between and sometime sum of A and B
- d) independent of each other

Ans.(b)

25. Gradual shifting of a time series over a long period of time is called as _____.

- a) Periodicity
- b) Cycle
- c) Regression
- d) Trend

Ans.(d)

26. Technology that permits safe, efficient, and inexpensive clean-up of contaminants in property tends to minimise _____ in asset value.

- a) Decrease
- b) Increase

- c) Sometime increase and sometime decrease
- d) Rise

Ans.(a)

27. Which planning provision is required around the battery limit of industry and for industry having odour problem?

- a) No development zone
- b) Greenbelt
- c) Special permission zone
- d) Industrial regulation zone

Ans.(b)

28. Which of the following is not covered under the Indian Forest Act, 1927?

- a) Reserved forest
- b) Village forest
- c) Protected forest
- d) Control over forests and lands being property of government

Ans.(d)

29. Which of the following **legislation** is not provided for pollution control?

- a) The water (Prevention and control of pollution) Act, 1974
- b) The Air (Prevention and control of pollution) Act, 1974
- c) Hazardous wastes (management and handling) Amendment rules, 1999
- d) Rules for coastal regulation zone

Ans.(d)

30. 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)

31. 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)

32. 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)

33. 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)

34. Under the Right to Fair Compensation and Transparency in the Land Acquisition and Rehabilitation Act,2013, market value is decided by the collector as per_____.

- a) circle rate/guidelines rates of last 5 years
- b) the average of the sale price for similar type of land being acquired, ascertained from the highest fifty per cent of the sale deeds registered during the preceding three years in the nearest village or nearest vicinity of the land being acquired
- c) purchase price of adjoining land
- d) purchase price paid by the owner at the time of purchase of land which is to be acquired

Ans.(b)

35. Which of the following would have effect on development potential and values of properties?

- a) Floor space index
- b) Ownership pattern
- c) size and height of rooms
- d) provision of utility services in a building

Ans.(a)

36. The approach to valuation of rented properties depends on_____.

- a) nature and behaviour of landlords

- b) category of tenants - tenant protected or not protected under the applicable rent act
- c) rent paying capacity of the tenant
- d) cordial and homely relationship between landlord and tenant

Ans.(b)

37. As per the Real Estate (Regulation and Development) Act, 2016, what percentage of collections needs to be deposited by developers in Escrow accounts towards the cost of construction including that of land?

- a) 50%
- b) 60%
- c) 70%
- d) 80%

Ans.(c)

38. As per the Transfer of Property Act, 1882, immovable property includes_____.

- a) furniture
- b) growing crops
- c) grass
- d) things permanently fastened to anything attached to the earth

Ans.(d)

39. Where, on a transfer of property, an interest therein is created in favour of a person to take effect only on the happening of a specified event, such interest is called _____.

- a) simple interest
- b) diminishing interest
- c) vested interest
- d) contingent interest

Ans.(d)

40. A mortgage is a transfer of an interest in a specific immovable property for the purpose of securing _____.

- a) the payment of money advanced by way of loan.
- b) fully paid up debts
- c) transfer of ownership of property
- d) transfer of rights to sublease

Ans.(a)

41. A gives Rs. 5,00,000/- to B on condition that he shall marry A's daughter C. At the date of transfer, C was dead. The transfer is void as _____.

- a) it is forbidden by the law

- b) court regards it as immoral or opposed to public policy
- c) it is impossible to fulfil the condition
- d) it is immoral transfer

Ans.(c)

42. The Hindu Succession Act, 1956 also applies to _____.

- a) any person who is a convert to Muslim from Hindu
- b) immovable property of the female Hindu Only
- c) any person who is Buddhist, Jain and Sikh by religion
- d) movable property of the female Hindu Only

Ans.(c)

43. Which of the following items cannot be transferred under Inheritance/Succession laws in India?

- a) Personal movable property
- b) Jewellery
- c) Property not owned by self
- d) Personal belongings

Ans.(c)

44. 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)

45. 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)

46. 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)

47. 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)

48. Property is a ____ concept.

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

Ans.(b)

49. 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)

50. What is the subject matter of valuation?

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

Ans.(a)

51. 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)

52. A project requires an investment of Rs.10 lakh and has an NPV of Rs.16 lakh. What is its profitability index?

- a) 1.0
- b) 1.6
- c) 0.6
- d) 3.2

Ans.(b)

53. 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)

54. A proposed development of Metrorail station in the city would_____.

- a) decrease in supply of real estate in surrounding area
- b) increase demand of real estate in surrounding area
- c) decrease cost of construction of buildings in surrounding area
- d) decrease demand of the real estate in surrounding area

Ans.(b)

55. Which one of the following is not a characteristic of real estate market?

- a) No Free flow of information
- b) It is imperfect market
- c) It is perfect investment market
- d) Heterogeneity

Ans.(c)

56. **Which factor** would negatively influence demand in real estate?

- a) Low liquidity
- b) Potential of capital appreciation
- c) Regular income
- d) Redevelopment potential of the property

Ans.(a)

57. 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)

58. 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)

59. 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)

60. 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)

61. Which of the following is not correct about 'surrender of lease'?

- a) Premature termination by lessee
- b) Unilaterally terminated by a lessee
- c) Terminated with the consent of the lessor
- d) It can happen post expiry of the lease

Ans.(d)

62. 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)

63. 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)

64. The market demand curve shows _____.

- a) effect on market supply of a change in the demand for a good or service
- b) marginal cost of producing and selling different quantities of a good
- c) quantity of a good that consumers would like to purchase at different prices
- d) effect of advertising expenditures on the market price of a good

Ans.(c)

65. 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)

66. 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)

67. The residual income from real estate available to land is representative of the principle of _____.

- a) surplus productivity
- b) balance
- c) increasing and decreasing returns
- d) consistent use

Ans.(a)

68. 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)

69. 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)

70. 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)

71. 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)

72. 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)

73. 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)

74. 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)

75. 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)

76. Under the provision of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), enforcement of security interest means _____.

- a) sale of assets of the borrowing party by the bank
- b) sale of charged assets by the secured creditor through the Debt Recovery Tribunal
- c) sale of charged assets by the secured creditor without court intervention
- d) getting bank's charge registered with central registry

Ans.(c)

77. 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)

78. 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)

79. Which return would you adopt as base while determining appropriate rate of the net profit, unless it is otherwise found unsuitable?

- a) The return from investments in stock and shares
- b) The return from gilt-edge security
- c) Interest paid in the saving account
- d) The return from investment in gold

Ans.(b)

80. Which of the following judgements deals with -Valuation is not an exact science. Mathematical certainly is not demanded, **nor indeed** is it possible.

- a) K.P. Varghese vs ITO (1981) 131 ITR 597 (SC)
- b) Gold Coast Trust Ltd. vs Humphray (1949) 17 ITR 19
- c) Rustam C Cooper vs Union of India AIR 1970 SC 564
- d) Hays Will Trust vs Hays and Others (1971) 1 WLR 758

Ans.(b)

81. 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)

82. In context of the property insurance, which of the following is a human peril?

- a) War
- b) Age of the Property
- c) **CycloneFacade**
- d) Upliftment

Ans.(a)

83. An insurance policy generally allows one to value the respective building and/or contents by-_____

- a) Internal Rate of Return
- b) Replacement Cost
- c) Floor space index
- d) Ground Coverage

Ans.(b)

84. A fire broke out in Hemant's factory and damaged half of the stock which was to be shipped to a nearby cloth dealer. His fire insurance policy had the average clause in it. Actual value of the stock: **Rs 3,00,000**, **Sum** insured for the stock:**Rs. 2,00,000**,**Loss** incurred: Rs. 1,50,000 (As half the stock was destroyed). The claim amount will be Rs._____.

- a) 1,00,000
- b) 3,00,000
- c) 2,00,000
- d) 1,50,000

Ans.(a)

85. When insurable amount is lower than 'value at risk', it is called_____.

- a) over insured
- b) fair insurable amount
- c) fair premium for insurance
- d) under insured

Ans.(d)

86. Upon paying the amount of loss to the insured, the insurer steps into the place of the insured, taking over all his rights. It is called exercise of _____.

- a) right of reinstatement
- b) right of contribution
- c) right of subrogation
- d) right to salvage

Ans.(c)

87. Where the opinion of an expert is required for litigation in valuation, the report_____.

- a) must rely on requirements imposed by the local authority where the property is located
- b) rely on requirements imposed by the local authority where the Client is registered
- c) rely on requirements imposed by the local authority of the registered office of the lawyer
- d) rely on requirements imposed by the local authority of the registered office of the reliant party

Ans.(a)

88. 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)

Attempt Questions 89 to 94 based upon the following case study

Net rental income of a fully developed and fully rented house is Rs. 15,000/- per month.

Outgoings are the 20% of gross rent. Estimate the value of landlord's interest considering 8% rate of capitalization. Rent Act is applicable.

89. What is the gross annual income from the house?

- a) Rs. 1,80,000.00
- b) Rs. 1,50,000.00
- c) Rs. 2,60,000.00
- d) Rs.1,50,000.00

Ans. (a)

90. What is the Outgoing to be deducted from Gross Rent?

- a) Rs. 36,000.00
- b) Rs. 38,000.00
- c) Rs. 40,000.00
- d) Rs. 35,000.00

Ans. (a)

91. What is the Net income from the property?

- a) Rs. 1,44,000.00
- b) Rs. 1,40,000.00
- c) Rs. 1,45,000.00
- d) Rs. 1,46,000.00

Ans. (a)

92. What is the approach to be considered in this case?

- a) Income Approach with capitalization for perpetuity
- b) Market Approach

- c) Income Approach
- d) Cost Approach

Ans. (a)

93. What is the sale value of the property?

- a) Rs. 18,00,000.00
- b) Rs. 20,00,000.00
- c) Rs. 22,50,000.00
- d) Rs. 18,36,000.00

Ans. (a)

94. What does it mean by "Rent Act Applicable"?

- a) The rent is Frozen Rent and term is applicable for perpetuity
- b) There is only term value
- c) There is term Value and Reversionary Value
- d) There is only Reversionary Value

Ans. (a)
