CHAPTER –9

QUESTION BANK

Chapter 1

1. 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

2. 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

3. 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

4. Refurbishment means:

   a) Completely renovating the existing structure
   b) Only providing modern amenities to the structure
   c) Demolishing the structure and reconstructing new
   d) Adding fresh area to the structure
   e) None of the above

5. A viability statement is –

   a) a forecast to determine total expenses to be incurred when executing a project
   b) only a forecast of determining sales value of a property.
   c) a forecast of sales and expected cost of development and other expenses and determining the profitability of the project.
   d) not at all a forecast is stated above, but history of a property indicating the past financial aspects of the property in question.

6. A financial flow chart –

   a) shows the income and outgoing during a particular period of time or on particular date.
   b) shows the profit and loss account of a property
   c) is a term interchangeably used for a balance sheet
   d) all the above statements are true
   e) all the above statements are false

7. In valuation practice, normally we consider only the following three methods viz. Income Capitalization, Comparative Sale method and the Cost Approach. The Residual method is rarely mentioned. The reason may be:

   a) The method as used is based on imaginary facts and figures
   b) The method has no sound technical reasoning.
   c) It is a modification of one of the three primary methods indicated above
   d) It is never been used in actually valuing a property

8. The viability statement is a forecast –

   a) of sales only.
   b) of the expected cost of development
   c) of expected major expenses
   d) of determining if the project will be a success or failure
   e) None of the above items listed a) to d)

9. The Residual method of valuation is a combination of either the market comparison approach or income approach and the cost approach.

   a) Before and After Method
   b) Average Method
   c) Income Capitalization Technique
   d) Check Method
   e) Sales and Income Modified Approach
   f) Unit Area Assessment Technique
   g) None of the above

Chapter 2

1. 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

2. 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

3. 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

4. The Hotel industry in India reaps huge profits from both tangible and intangible assets. Profit from intangible assets may be from:

   a) Quality of services
   b) Location of premises
   c) Characteristics of furniture, fittings, equipment, etc.
   d) Occupancy factor

5. A hotel business can be classified as a –

   a) 'going concern' business
   b) tangible property business only
   c) intangible property business only
   d) None of the above a), b) or c), but a service industry

6. 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

7. Goodwill value can include the market value to the extent that it is transferable. This statement:

   a) is absolutely true
   b) is absolutely false
   c) is only partly true
   d) goodwill value is not transferable

8. A goodwill is a separate element from the property:

   a) Statement is true
   b) Statement is not true
   c) Statement is partly true only
   d) Goodwill is an element of property

9. Goodwill value of a business is the difference between the Capitalized Value of Business and Fair Value of net assets of the business.

   a) Statement is true
   b) Statement is false
   c) Statement is partly true
   d) Goodwill is a business concept

10. Which of the following statement is correct.

    a) Hotels and restaurants should be valued on the basis of their trading potential.
    b) Hotels and restaurants should only be valued for their tangible assets only.
    c) There are generally no intangible assets associated with the hotel and restaurant
    d) Income in a restaurant from advertisements cannot be treated as part of profit.

Chapter 3

1. 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.

2. 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.

3. The Present Value of Re. 1 at 10% interest per annum into perpetuity is –

   a) 1 (One)
   b) 0 (Zero)
   c) 1.1
   d) None of the above
   e) Infinity

4. 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

5. A man has several alternatives to invest his money of Rs. 1.0 crore in any of these investments. Which is the most lucrative and secure (both conditions to be satisfied).

   a) To invest in fixed deposit at 7% simple interest. Interest paid annually at the end of the year in a Government owned bank.
   b) To invest in fixed deposit at 7% simple interest. 50% Interest paid in advance at the beginning of the year in a Government owned bank.
   c) Do not invest but keep the money for future use in cash.
   d) To invest with a private builder who desperately needs money and is willing to pay33% interest compounded annually when interest rates are only about 8% in the free money market.

6. Leaseholder's interest in a property will normally –

   a) Diminish with the passage of time.
   b) Increase with the passage of time.
   c) Remain the same till the lease is extinguished.
   d) None of the above answers is correct.

7. Gilt-edged security means:

   a) A secure investment with lower than market rate of returns.
   b) A valuation done against good security.
   c) A very secure investment with high returns.
   d) An insecure deposit paying high interest rate.

8. A discount rate –

   a) Is the maximum rate of return required by the investor.
   b) Is independent over the time period over which the investment is made.
   c) Is the minimum rate of return required by the investor.
   d) Has no relevance in valuation practice.

9. The Net Present Value:

   a) Takes into consideration the time value of money.
   b) The cash flow stream is irrelevant.
   c) Represents the rate of return on an investment.
   d) None of the above

10. The internal rate of return (IRR)

    a) Is the amount which one rupee invested today will become after some time at a certain rate of interest.
    b) Is the actual return obtained from an investment.
    c) Is calculated so that future discounted receipts and discounted payments invariably show a profit.
    d) Is a rate fixed by the Reserve Bank of India above which lending cannot be done by any bank or financial institution or government agency.

11. The Present Value (PV) is generally calculated by using one of the following equations; where, C = Cash Flow, D = Discount Factor, R = Interest Rate and n = No. of time periods.

    a) $PV = CD$
    b) $PV = C \div D$
    c) $PV = C(1 + R)^n D - C$
    d) None of the above

12. "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.

13. The fund that the investor might start for replenishing his capital is known as __________.

    a) Investment Income
    b) Rental Income
    c) Sinking Fund
    d) None of the above.

14. Present Value (PV) of Re. 1 as defined in Valuation Practice is a number.

    a) which is always less than unity.
    b) which is always more than unity.
    c) It is a factor which relates to a series of incomes over a period of time.
    d) None of the above.

Chapter 4

1. Synergistic Value is the result of a combination of two or more assets/interests where the combined value is more than the sum of the separate values.

   a) This statement is absolutely correct
   b) The statement is only partly correct
   c) There is no such value in valuation literature
   d) It is an imaginary value

2. When a lessee transfers property, then the lessor also claims a share in the profit. This deduction of the lessor's share in the increase of the leasehold property is known as –

   a) super profit
   b) goodwill profit
   c) unearned increase
   d) leasehold fallacy

3. The landmark judgement, Commissioner of *Wealth Tax, New Delhi Vs. Sri P.N. Sikand (1979) 107 ITR 922 (SC)* states that:

   a) the increase in value of the leasehold interest of the property leased is to be equally shared by both the lessor and lessee.
   b) only the lessor has the right to the increase in value
   c) only the lessee has the right to the increase in value
   d) the ratio of the lessor's and lessee's share is to be determined by negotiation and bargaining between the parties concerned.

4. When valuing any property by the income capitalization technique different rates of interest capitalization are used by different valuers. Which of the following statements is correct?

   a) If income is secure and safe, interest rate is low.
   b) If income is secure and safe, interest rate is high
   c) Rate of interest is only considered after assessing, market interest rates as prevalent in nationalized banks.
   d) There is no criteria for fixing capitalization rate, it is as per choice and experience of the valuer.

5. What exactly is meant by the term 'Reversion' in valuation practice?

   a) A technique whereby the valuation figure can be revised after submitting the report by the valuer to the appropriate authority.
   b) The property will revert to the lessor after the lessee fails to honour any agreement which may have been violated
   c) An assumption is made that after expiry of the lease period, the land or property will revert to the owner and a calculation of the value after this period is made and brought to present value.
   d) All above statements are incorrect.

6. The term Merger or Marriage Value is often used in valuation. It basically means:

    a) Leaseholder's interest in the property is extinguished when the merger takes place.
    b) The owner sells his property to the tenant.
    c) The tenant and owner agree to certain terms to increase revenue or value from the property so that both benefit mutually.
    d) None of the above

7. Reversion is a term used in valuation to indicate one of the following:

    a) Revision of rent
    b) The owner receives back the property after expiry of the lease agreement.
    c) The owner reverts the property to the tenant after revising the rent or lease agreement.
    d) The property is sold to a third party.

Chapter 5

1. An easement –

   a) is attached to owners not to properties
   b) can be self imposed
   c) requires that dominant and servient easements owners be the same person or related by blood or inheritance.
   d) can be created but never extinguished.

2. Select the correct answer.

   a) A servient easement has greater value than that without any easement rights.
   b) When benefit of an easement is not exercised for a long period of time, the easement may be considered extinguished or released.
   c) An easement may be with consent of only one party, ignoring the rights of the dominant easement owner.
   d) There is no Act or Legislation pertaining to Easements

3. Which of these are extractive materials:

   a) Water&Air
   b) Glass, Plywood &Electricity
   c) Sand, Coal, Stone Chips from a quarry & Edible Sea weeds from an ocean
   d) Fish in a river, Tea Leaves & ground nuts

4. An extractive material is classified as –

   a) a tangible economic property that creates profit
   b) an item that is not edible
   c) an item which is found only above ground
   d) that which may be tangible or intangible

5. Select the correct statement only.

   a) The cost approach is the only method for valuing mineral land
   b) For valuing mineral lands, the theory is to determine present value of future benefits
   c) The basic principle to value mineral lands is to estimate profits of the working mine for any one year and capitalize the profit, irrespective of other factors.
   d) In valuing a coal mine, the most important factor to consider is to estimate the quality of coal. Other factors do not matter much.

6. It is estimated that a quarry will deplete in 7 years. The income per annum is estimated at Rs. 36,000. After this, the quarry can only be used as a lake. The total present value of the lake today is estimated to be Rs. 1500 only. It is assumed that rate of return is 14%. Which valuation is correct for present value?

   a) Rs. 36,000 + 1,500 = Rs. 37,5000
   b) Rs. 36,000 x YP of Re. 1 @ 14% for 7 years = Rs. 36,000 x 4.288 = Rs. 154,368
   c) Rs. (36,000 x YP of Re. 1 @ 14% for 7 years) + 1,500
   = (36,000 x 4.288) + 1,500 = 154,368 + 1500 = Rs. 155,868

d) Rs. [36,000 x YP of Re. 1 @ 14% for 7 years]+1,500 (PV of Re. 1 in 7 years @ 14%)= (36,000 x 4.288) + (1,500 x 0.3996) = 154,368 + 599.40 = 154,968 (rounded off).

7. Study the following statements. Some or all statements may be true and/or false. Select the correct combination.

   i) Fire insurance is a contract in indemnity.
   ii) The principles of indemnity states that the insured property is to restored and made new.
   iii) Compensation in fire insurance is given at full value to rebuild a structure as per new design, if the entire structure is burnt in a fire.
   iv) In case of a fire, the duty of the valuer is to exactly assess the replacement cost required to theoretically put the property back in exactly the same condition as it was before the loss.

   a) Only i) and ii) are correct
   b) Only i) and iv) are correct
   c) Only iii) and iv) are correct
   d) Only ii) and iv) are correct
   e) Only ii) and iii) are correct
   f) All statements are incorrect
   g) All statements are correct

8. All insurance policies have what is known as "average clause". This indicates:

   i) In case of a dispute, the average value claimed by the victim and the Insurance Company is treated as the actual value for payment of compensation.
   ii) There is no such insurance policy having average clause
   iii) In case of an under insured policy, the Insurance Company is not obliged to pay any compensation.
   iv) It is not necessary to make an assessment for salvage value in case of a fire burning a portion of the structure.

   Some or all the above statements may be true and/or false. Select the correct combination.

   a) Only i) and ii) are correct
   b) Only i) and iv) are correct
   c) Only iii) and iv) are correct
   d) Only ii) and iv) are correct
   e) Only ii) and iii) are correct
   f) All statements are incorrect
   g) All statements are correct

9. Owelty money –

   i) is paid to equalize the assets value according to predetermined exact shares in case of partitioning.
   ii) is the total fees paid for partitioning the assets by the co-sharers to the court.
   iii) there is no such term
   iv) to be determined on the basis of valuation done by the valuer on market basis of value.

   Some or all above statements may be true and/or false.Select the correct combination.

   a) Only i) and ii) are correct
   b) Only iii) and iv) are correct
   c) Only i) and iv) are correct
   d) Only ii) and iv) are correct

e) Only ii) and iii) are correct
f) All statements are incorrect
g) All statements are correct

Chapter 6

1. The Doctrine of Unearned Increase was enunciated because of a famous court judgement. Select the correct judgement.

   a) Commissioner of Wealth Tax, New Delhi vs. Sri P.N. Sikand (1977) 107 ITR 922(SC).
   b) CIT vs. Smt. Ashima Sinha (1979) 116 ITR 26(Calcutta), 1980 Tax 56(1) 19 (Calcutta).
   c) Controller of Estate Duty vs. Radha Devi Jalan (1968) 67 ITR 761, Calcutta High Court.
   d) C.W.T. vs. Venugopal Konar & Ors. (1977) 109 ITR 52, Madras High Court.

2. The importance given to potential value was brought out in the following landmark judgement:

   a) Raja Vyricherla Narayan Gajapatiraju vs. The Revenue Divisional Officer, Vizagapatnam A.I.R. 1939 P.C. 98.
   b) J.N. Bose vs. C.W.T. (1976) 104 ITR 83 (Calcutta)
   c) Commissioner of Wealth Tax, New Delhi vs. Sri P.N. Sikand (1977) 107 ITR 922 (SC)
   d) None of the above

3. A hotel property located in the middle of the Gobi desert had 100 rooms. All rooms were furnished in expensive tapestry and very well done up. Food service was also excellent. There was no habitation nearby for several hundred kilometers. It was found that the occupancy rate was only about 10%. The owner of the hotel approached a local bank for a loan for working capital. On what basis should the valuer, value this particular property.

   a) by cost approach only
   b) by income approach only
   c) by comparative sale approach
   d) by both cost and income approach and take average of the two values.
   e) by all approaches mentioned in a), b), c) and give his opinion as to the amount of loan to be sanctioned.

4. A factory was located in an area of the city where pollution regulation has started to be strictly enforced recently. The factory has not complied with these regulations and is not in a position to comply with these at this site. Expensive machinery and equipment are lying idle and even the buildings of the factory cannot be used. How would you value the property for the purpose of selling the property on an "as is where is" basis.

   a) Market value of land + depreciated cost of construction of structures + depreciated cost of equipment.
   b) By capitalization method, considering the facts and figures of the previous years when factory was in operation.
   c) By considering to move the factory to another suitable location. Some items in the old factory premises may have to be scrapped or made to "cure" at the new premises.
   d) By two methods a) and b) and giving an opinion to the seller.
   e) By two methods a) and c) and giving an opinion to the seller.

f) By two methods b) and c) and giving an opinion to the seller.

5. Legal aspect of a property –

   i) does not have an impact on valuation
   ii) plays some part in the valuation process
   iii) is the only and single most aspect governing valuation
   iv) canbe taken care of in the valuation process by making appropriate adjustments.

   Which combination of the above statements is true.

   a) Only i) and ii) are correct
   b) Only iii) and iv) are correct
   c) Only i) and iv) are correct
   d) Only ii) and iv) are correct
   e) Only ii) and iii) are correct
   f) All statements are incorrect
   g) All statements are correct

6. A valuer was instructed by a prospective purchaser to value a property that the purchaser proposed buying with the assistance of finance from a mortgagee bank. The valuer was impressed by the property and clearly stated in his report that it would be a good buy for the purpose of getting a higher expected rent and treat it like an investment. The premises was locked at the time of inspection and only a cursory inspection was made. The valuer valued the property as if vacant and without studying plans or taking measurements. He valued the property by the Cost Approach at Rs. 40,00,000. A previous valuation report made out a month ago on behalf of the seller by another valuer was valued at Rs. 30,00,000. The client purchased the property and later defaulted in the installment payment. The reason why the valuation report was incorrect may be due to:

   a) The property was partly or fully tenanted which the valuer did not care to know
   b) No plans were checked
   c) No measurements were taken
   d) Method of valuation was incorrect
   e) Thorough inspection was not done and a check revealed that there was no toilet in the building.
   f) None of the above reasons a) to e)

   Select the incorrect answer.

7. The Chief Accountant of a multinational company instructed a valuer to revalue the company's assets, viz. factory buildings and plant and machineries installed in the factory. When the valuer asked about revaluing land, the chief replied "land is not to be revalued as land is of leasehold tenure from the government". Which of the below listed statement is correct.

   a) Land had to be valued for the lessee's interest
   b) Land was not to be valued as it did not belong to the company, which was only paying a nominal rent

c) Land was not to be valued as the Chief Accountant said lease will expire in 5 years time and an increment in rent was to be implemented after these 5 years.
d) The Chief Accountant said land need not be valued as all accounts with the superior lessor were clear and the company did nt have any liabilities on this account.

8. A well known industrialist invited a valuer to value his factory buildings and large leasehold land in a city area in Mumbai. The valuer after examining his title deeds said: "I cannot value this property because value of the entire property to you is zero". The industrialist was shocked and said, "Are you joking"? Possible reasons why valuer made the above statement.

i) The land lease had already expired.
ii) Land lease is to expire shortly and there was no clause of renewal.
iii) After expiry of lease, all assets would vest with the lessor free of cost.
iv) The valuer was joking

Select the correct answer.

a) All the above four statements are correct
b) Above statements in i, ii, iii are incorrect
c) Above statements in i, ii, iii are correct
d) All the above four statements are incorrect
e) Only statement No. iv) is correct

9. A very senior and experienced valuer once raised a question about share of Lessor's right and share of Lessee's right in total value of a leasehold land. He further said courts have given different rulings such as 50:50 share, 60:40 and 30:70 share in total value of land for Lessor's interest in land and Lessee's interest in land respectively and hence the question. The correct answer is:

a) 50 : 50
b) 60: 40
c) 30 : 70
d) All above ratios are incorrect
e) As per provisions of any agreement between the parties
f) As may be fixed by the court after litigation

10. A property was valued by adopting the following procedure, when it was tenanted under the Rent Control Act.

i) By adding the land value and scrap value of structure and discounting the entire value by deferring the value for 3 years.
ii) Valuing by income capitalization method by assuming a rental figure.
iii) Adding i) and ii) and averaging the figure
iv) Certifying that this is the correct value

Select the correct answer.

a) This method is correct and appropriate
b) Only step No. 1 is correct

c) Only Step No. 2 is correct
d) Any one of the procedures is correct. Depends on the Valuer's assessment of the situation.
e) This procedure has no validity

11. The method of increase in valuation of house property year after year and without any evidence of change for departing from earlier valuation has been held legal. Vide Hon'ble Calcutta High Court judgement *J N Bose Vs. CWT, West Bengal II (1976) 104 ITR 83.*

i) This statement is true
ii) This statement is false
iii) Fact is correct but quoted judgement is incorrect
iv) Fact is incorrect but quoted judgement is correct

Which combination of two statements from i, ii, iii, iv above arecorrect.

a) Statements i) and iii) are correct
b) Statements i) and iv) are correct
c) Statements ii) and iii) are correct
d) Statements ii) and iv) are correct

Chapter 7

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.

4. Date on which the valuation is being made –

   a) does not matter as value is constant over a certain period of time.
   b) should be clearly mentioned.
   c) only mentioning the validity of the report is sufficient.
   d) only the current date on which valuation is being done needs to be mentioned.

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. Facts about acquisition of land in the past or future to be given or not.

   a) All past and present condition of land acquisition to be given as far as possible.
   b) Past acquisition not to be mentioned.
   c) Future planned acquisition not to be mentioned or stated
   d) Above are all irrelevant, therefore do not deserve any mention in valuation report.

7. Valuing a property for the owner where others have easement rights.

   a) Discount to be given on valuation figure, if the property has given easement rights to a third party.
   b) No discount to be given, if the property has given easement rights to a third party.

c) No need to mention easement rights of any third party because after all the owner is the sole owner.
d) None of the answers above are correct.

8. 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

9. 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

10. 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 maximumvalue 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.

11. The Wealth Tax Act which came into force from April 1, 1989 it is mandatory to value tenanted properties using Part B Schedule III of the Act. In this Act Unbuilt area is defined as:

a) Area of land on which further construction is not possible.
b) 60% if the total area of land for metropolitan cities like Calcutta, Madras, Bombay, etc.
c) There is no definition of Unbuilt area under the Act
d) None of the above three statements are correct

12. In the income capitalization approach to valuation, the capitalization rate is fixed by considering –

a) current fixed deposit rates of interest in Nationalized banks less 30% for security purpose
b) yield from gilt edged securities
c) a fixed rate of 10% return
d) the highest and best interest rate
e) None of the above
f) All of the above factors

13. The rate of interest earned as remuneration on capital is known as Remunerative Rate. It depends upon –

a) security of the investment

b) on the stock market rate of interest
c) on the sinking fund return on investment
d) None of the above

14. Year's purchase (YP) is a term commonly used in valuation. It indicates:

a) Number of years for which the owner has held the property
b) Number of years for which installments are to be made, before the new owner can claim right, title and interest to the property.
c) It is the reciprocal of the sinking fund factor
d) None of the above

15. Under instructions from the Official Liquidator, you were required to value a house property which was fully tenanted by the Company (In Liquidation) under the Rent Control Act. Which of the following would be the correct procedure.

a) By income capitalization method i.e. by assuming it be still tenanted by the company in liquidation.
b) The Rent Control Act and Transfer of Property Act do not apply to such cases and the "Highest and Best Use" criteria would be used for valuation of such a property.
c) Make a valuation by existing Rental Method and also by considering that the premises was vacant and let the Court decide.
d) All three procedures indicated above are incorrect

16. There are four properties having exactly identical land with buildings. They have exactly the same location, area, size, maintenance, shape, design, age, etc. There are no balance potentials for further development. A valuer has valued these, but comes up with different values for each, why?

a) He has used different yardsticks and assumptions for each property
b) He has made a calculation error
c) He has assumed different locations as the same location can never have 4 different structures.
d) Legal aspects and usage of each property is different

17. In valuing by the Sale Comparison method, it is necessary to calculate the Total Weightage Score of each property. This essentially depends on certain factors. Which factor is incorrectly stated hereunder.

a) Light and ventilation in the building
b) Services provided such as water supply, sewerage, etc. in the building
c) On street abutting or off street abutting of the structure
d) The community occupying the premises
e) Office building/residential building/mixed usage

18. The cost approach to valuation is applied only for the following type of properties:

a) Marketable properties
b) Marketable and non investment properties
c) Properties that cannot be traded in the market
d) Investment properties which the owner does not wish to sell

19. When valuing by the cost approach, generally a depreciation analysis is carried out. This aspect covers –

    a) selection of the depreciation method to be applied to the land and building
    b) only to analyze the physical deterioration of the structure
    c) carry out an economic and functional analysis for obsolescence, examine physical conditions for the structure and select an appropriate method.
    d) All above answers are incorrect
    e) All above answers are correct

20. When valuing a property, choosing the correct method of valuation is important. Which method would you adopt if there is an old dilapidated vacant bungalow standing on a large parcel of land in a busy commercial centre of a metropolitan city.

    a) Income Approach
    b) Comparative method of valuation
    c) Cost Approach
    d) a combination of cost and income approach
    e) Residual method of valuation
    f) Hypothetical Analysis method
    g) None of the above

21. The rate of interest earned as remuneration on Capital is known as –

    a) Yield
    b) Years Purchase
    c) Remunerative Rate
    d) Sinking Fund
    e) Accumulative Rate

22. The Rate of Interest at which the amount of annual sinking fund is required to accumulate to capital invested, by the end of the period for which income is receivable, is known as:

    a) Sinking Fund Rate
    b) Accumulative Rate
    c) Yield
    d) Perpetual Rate of Interest
    e) Remunerative Rate

23. Which statement is correct?

    a) The Accumulative Rate of Interest is lower than the Remunerative Rate of Interest.
    b) The Remunerative Rate of Interest is lower than Accumulative Rate of Interest.
    c) Gross annual income from property is capitalized at Dual Rate when considering only remuneration rate of interest
    d) Net annual income from property is capitalized at Remunerative Rate of Interest in case Sinking Fund factor is to be considered.

e) The Sinking Fund rate is also known as Single Rate

24. Properties from which income is considered to be receivable in perpetuity:

    a) Accumulation of capital is necessary
    b) Accumulation of capital is not necessary
    c) Sinking Fund needs to be created
    d) Dual Rate capitalization becomes necessary
    e) None of the above is true

25. A valuer has been asked to give a Valuation Report for the same property for mortgage purpose and also for SARFAESI purpose by two different banks on the same date. The value is registered with both banks. What should the valuer do?

    a) Inform both bankers of the situation as this may be a case of fraud.
    b) Do both valuations and make the value the same for both banks.
    c) Do both valuations and in submitting the reports, make the SARFAESI value lower.
    d) Do both valuations and in submitting the reports, make the SARFAESI value higher.

26. This value represents the amount by which the value of a business enterprise, in its present form, exceeds the value of physical or other assets determined at market price.

    a) Book Value
    b) Goodwill Value
    c) Going Concern Value
    d) Liquidation Value

Answers

Chapter 1

1. (b) 2. (c) 3. (d) 4. (a) 5. (c) 6. (a) 7. (c) 8. (d) 9. (g)

Chapter 2

1. (c) 2. (d) 3. (b) 4. (a) 5. (a) 6. (a) 7. (a) 8. (a) 9. (a) 10. (a)

Chapter 3

1. (d) 2. (b) 3. (b) 4. (d) 5. (b) 6. (a) 7. (a) 8. (c) 9. (a) 10. (b) 11. (a) 12. (b) 13. (c) 14. (a)

Chapter 4

1. (a) 2. (c) 3. (a) 4. (a) 5. (c) 6. (c) 7. (b)

Chapter 5

1. (b) 2. (b) 3. (c) 4. (a) 5. (b) 6. (d) 7. (b) 8. (f) 9. (c)

Chapter 6

1. (a) 2. (a) 3. (e) 4. (e) 5. (d) 6. (f) 7. (a) 8. (c) 9. (e) 10. (c) 11. (d)

Chapter 7

1. (d) 2. (c) 3. (a) 4. (b) 5. (e) 6. (a) 7. (a) 8. (d) 9. (a) 10. (d) 11. (d) 12. (b) 13. (a) 14. (d) 15. (b) 16. (d) 17. (d) 18. (c) 19. (c) 20. (e) 21. (c) 22. (b) 23. (a) 24. (b) 25. (a) 26. (b)