

Note: Answer all questions. All questions carry equal marks.

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) Residual book assets

2. 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

3. 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 as stated above, but history of a property indicating the past financial aspects of the property in question.

4. A financial flow chart –
 - a) shows the income and outgoing during a particular period of time or on a particular date.
 - b) shows the profit and loss account of a property
 - c) is a term interchangeably used for a balance sheet
 - d) applies to recoupment of money borrowed or loaned

5. 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

6. 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 attributed to the Owner

7. The Present Value of Re. 1 at 10% interest per annum into perpetuity is –
 - a) 1 (One)
 - b) 0 (Zero)
 - c) 1.1
 - d) Infinity

8. A discount rate –
- Is the maximum rate of return required by the investor.
 - Is independent over the time period over which the investment is made.
 - Is the minimum rate of return required by the investor.
 - Has no relevance in valuation practice.
9. The fund that the investor might start for replenishing his capital is known as _____.
- Investment Income
 - Rental Income
 - Sinking Fund
 - None of the above.
10. 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.
- This statement is absolutely correct
 - The statement is only partly correct
 - There is no such value in valuation literature
 - Is an imaginary value of estimated profits
11. 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 –
- super profit
 - goodwill profit
 - unearned increase
 - leasehold fallacy
12. The landmark judgement, *Commissioner of Wealth Tax, New Delhi Vs. Sri P.N. Sikand (1979) 107 ITR 922 (SC)* states that:
- the increase in value of the leasehold interest of the property leased is to be equally shared by both the lessor and lessee.
 - only the lessor has the right to the increase in value
 - only the lessee has the right to the increase in value
 - the ratio of the lessor's and lessee's share is to be determined by negotiation
13. What exactly is meant by the term 'Reversion' in valuation practice?
- A technique whereby the valuation figure can be revised after submitting the report by the valuer to the appropriate authority.
 - The property will revert to the lessor after the lessee fails to honour any agreement which may have been violated
 - 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.
 - All above statements are incorrect.
14. An easement –
- is attached to owners not to properties
 - 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.
15. 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.
16. 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
17. 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. What is the most likely reason?
- 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
18. 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
19. Which statement is correct?
- a) The Accumulative Rate of Interest is generally lower than the Remunerative Rate of Interest.
- b) The Remunerative Rate of Interest is generally lower than Accumulative Rate of Interest.
- c) Gross annual income from property is capitalized at Dual Rate when considering only remunerative 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.
20. 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 valuer 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.
21. 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
22. The concept of highest and best use is based on:
- a) A parcel of land is capable of fetching the highest and best price
 b) After modification of the existing structure, it would fetch the highest and best value.
 c) The structure built on the site would be put to the highest or best value
 d) The entire structure along with the land is being used yielding highest and best value to the landlord.
23. 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.
24. 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.
25. One of the following is not to be considered when calculating depreciation.
- a) Age
 b) Physical appearance
 c) Usefulness
 d) Economic Obsolescence
26. The present worth of Rs. 2,000 to be paid 10 years from today at 6% compound interest is (rounded off): Given that $(1.06)^{10} = 1.7908$.
- a) 1,790

- b) 1,117
 - c) 5,584
 - d) 3,580
27. 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.
- a) Transfer of Development Rights
 - b) Goodwill Transfer
 - c) Municipal Development Rights
 - d) Easement Rights
28. Properties with unique design or construction which restricts their utility to the use for which they were built is identified as _____ Real Estate.
- a) Residential
 - b) Commercial
 - c) Special Purpose
 - d) Industrial
29. 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 room
 - d) Provision of utility services in a building
30. The approach to valuation of rented properties depends on _____.
- a) nature and behavior 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
31. 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
32. 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
33. 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

34. 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

Attempt Questions 35 to 40 based upon the following 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 the building is 30 years and the total life of the building is 60 years.

35. 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
36. 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
37. What will be the market value of the land at present?
- a) Rs. 240,00,000
 - b) Rs. 600,00,000
 - c) Rs. 480,00,000
 - d) Rs. 410,00,000
38. What will be the total market value of the bungalow property for the bank loan purpose?
- a) Rs. 600,00,000
 - b) Rs. 666,00,000
 - c) Rs. 612,00,000
 - d) Rs. 566,10,000
39. What will be the balance economic life of the building?
- a) 60 years
 - b) 30 years

- c) Zero
- d) 45 years

40. 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

Attempt Questions 41 to 45 based upon the following case study.

A house property is now vacant. It consists of only the ground floor at present. The Municipal Corporation has given permission to build a shop on the ground floor with offices on two upper floors after demolition of the house. The shop will have a frontage of 6m and a depth of 20m. Two floors of offices will be built over the shop with independent approaches providing approximately 102 sq.m. of carpet area per floor. The offices are each expected to be let at Rs. 1,000 per sq.m. per annum on carpet area and the shop at Rs. 2,00,000 per annum and the resultant investment should sell on the basis of a 7% return. Assume the following data:

- i) Commission on sales @ 2%
- ii) Legal fees associated with sales @ 3%
- iii) a) Total actual construction cost = Rs. 6,72,000
- b) Professional fees on above @ 10%
- c) Demolition of old structure Lump Sum Rs. 10,000
- d) Finance charges = Rs. 49,584
- iv) The Developer expects a profit of 20% on the total development cost.
- v) The Land Surplus is L
- vi) The Net Land Price is X
- vii) Given $L = 1.5456 X$

41. Estimated gross sale proceeds per annum will be –

- a) Rs. 4,00,000
- b) Rs. 57,71,428
- c) Rs. 4,04,000
- d) Rs. 40,40,000

42. Net sales proceed (S) is –

- a) Rs. 40,40,000
- b) Rs. 54,82,858
- c) Rs. 56,56,000
- d) Rs. 28,85,700

43. Total development cost (D) is –

- a) Rs. 6,72,000
- b) Rs. 7,98,784
- c) Rs. 8,00,000
- d) Rs. 7,21,584

44. The Developer's Profit (P) is estimated at –

- a) Rs. 1,60,000
- b) Rs. 1,34,400

- c) Rs. 1,59,757
- d) Rs. 14,43,168

45. Considering the notations S, D, P, L and X as in questions 41 to 44, state which equation would be correct.

- a) $S = D - P + 1.5456 X$
- b) $S = D + P + X$
- c) $S = D + P + L$
- d) $S = P + L + 1.5456 X$

Attempt Questions 46 to 50 based upon the following case study.

The owner of a plot of land which was purchased 10 years ago for Rs. 10,00,000 constructed a hotel five years ago, spending Rs. 20,00,000 for building, furnishing, decoration, etc. and runs the same himself. The hotel has 60 single rooms and 40 double rooms besides all the other facilities such as a good and clean dining room which serves liquor and provides other necessary comforts. The vacancy percentage on the rooms is approximately 25% calculated on an annual basis. The room rent averages Rs. 300 per day for a single room and Rs. 500 per day for double room depending upon the season. Maintenance costs for the hotel portion are estimated to be 20% of the gross rent collected. The Government has imposed a luxury tax on room rent at 40%.

The restaurant runs for 365 days of the year and it has been estimated that after accounting for goods, liquor and paying off the dining room employees, the profit after paying all taxes (except income tax), accounting for depreciation, repair, maintenance, etc. works out to Rs. 25 per every person who either stays at the hotel or enters the dining room. Additional people not staying at the hotel but entering the restaurant is estimated to be 125 daily.

There is an income from other sources such as advertisements, commission, etc. of Rs. 3,00,000 per annum to the business.

46. The total income from hotel portion per annum is –

- a) Rs. 62,41,500
- b) Rs. 41,61,000
- c) Rs. 28,500
- d) Rs. 65,59,750

47. Profit to restaurant per annum is –

- a) Rs. 41,61,000
- b) Rs. 20,98,750
- c) Rs. 5,750
- d) Rs. 3,00,000

48. Total net profit to the owner is –

- a) Rs. 65,59,750
- b) Rs. 41,61,000
- c) Rs. 20,98,750
- d) Rs. 5,97,67,000

49. The profit that the owner makes is purely because of –

- a) the tangible assets
- b) the intangible assets

- c) both tangible and intangible assets
- d) only because of his personal goodwill

50. For income from other sources such as advertisement, commission, etc. assume tangible to intangible income in the ratio 40:60% and the yield at a percentage return of 13% and 15% respectively, what is the valuation from this portion of income?

- a) Rs. 9,23,077
- b) Rs. 12,00,000
- c) Rs. 21,23,077
- d) Rs. 0 (Zero). These are only non performing assets.