

**MODEL QUESTION PAPER OF VALUATION EXAMINATION FOR ASSET CLASS: LAND AND BUILDING WITH EFFECT FROM 1<sup>st</sup> APRIL, 2019**

1. When proportionate change in price is equal to proportionate change in quantity demanded of any commodity, then such demand is called:
- unitary elastic demand
  - relatively elastic demand
  - relatively inelastic demand
  - cross elasticity

Ans. (a)

2. Other things remaining the same, the law of demand states that:
- the higher the price, the higher the quantity demanded
  - the higher the price, the lower the quantity demanded
  - the higher the price, the lower the quantity supplied
  - the lower the price, the lower the quantity demanded

Ans. (b)

3. A market which has only one seller selling a homogeneous product to many buyers is known as:
- monopoly
  - oligopoly
  - perfect competition
  - monopolistic competition

Ans. (a)

4. \_\_\_\_\_ is regarded as the reward for entrepreneur.
- Rent
  - Investment
  - Profit
  - Capital

Ans. (c)

5. The frequency at which one unit of currency is used to purchase domestically produced goods and services within a given time period is known as:
- velocity of money
  - speed of money
  - momentum of money
  - count of circulation of money

Ans. (a)

6. Which of the following is not a cause of demand-pull inflation?

- a. Increase in wages and salaries
- b. Increase in government spending
- c. Increase in interest rates
- d. Increase in exports

Ans.(c)

7. 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. 1.50

Ans. (c)

8. Investment does not depend significantly upon the \_\_\_\_\_.

- a. population growth
- b. level of income
- c. progress of technology
- d. expectation of the entrepreneur

Ans. (b)

9. When economic activities go unreported or not measured by societies current techniques to monitor economic activity it falls under\_\_\_\_\_.

- a. mixed economy
- b. capitalist economy
- c. parallel economy
- d. socialist economy

Ans. (c)

10. When we take the sum total of values of output of goods and services in the country, without adding net factor incomes received from abroad, the figure so obtained is called:

- a. gross national product
- b. net national product
- c. gross domestic product
- d. net domestic product

Ans. (c)

11. In double entry system, accounts are primarily classified in to \_\_\_\_\_.

- a. receiver account & giver account
- b. income account & expenses account
- c. real account & nominal account
- d. personal account & impersonal account

Ans. (d)

12. 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)

13. Difference between selling price and variable cost per unit can be classified as \_\_\_\_\_ margin per unit.

- a. contribution
- b. gross
- c. net
- d. profit

Ans. (a)

14. \_\_\_\_\_ can be filed in the court of law for the violation of Directive Principles of State Policy given under the Constitution of India.

- a. Writ
- b. Civil suit
- c. Criminal case
- d. No action

Ans. (d)

15. Which of the following is not a requirement of a contract?

- a. Competent Parties
- b. Free Consent
- c. Legal Object
- d. Adequate Consideration

Ans.(d)

16. 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)

17. A contract to perform the promise, or discharge the liability, of a third person in case of default is known as:

- a. contract of indemnity
- b. contract of guarantee
- c. contingent contract
- d. quasi contract

Ans.(b)

18. *A* owes money to *B* under the contract. It is agreed between *A*, *B* and *C* that *B* shall henceforth accept *C* as his debtor instead of *A*. Which of the following statement is true?

- a. Now, *B* can claim payment from *C*.
- b. *B* cannot claim payment from *C*.
- c. *B* can claim payment from *A* only.
- d. Now, *B* cannot claim payment from either *A* or *C*

Ans.(a)

19. A person employed to do any act for another, or to represent another in dealing with third persons is called?

- a. Principal
- b. Agent
- c. Surety
- d. Principal debtor

Ans. (b)

20. A Tort is right:

- a. in rem
- b. in personam
- c. in rescission
- d. in novation

Ans. (a)

21. With reference to the Arbitration and Conciliation Act, 1996, if the parties fail to determine number of arbitrators, which statement holds true?
- The arbitral tribunal shall consist of sole arbitrator only.
  - The civil court shall take the cognizance of the matter.
  - The arbitral tribunal shall consist of a judge not less than the rank of a High Court Judge.
  - The arbitral tribunal shall consist of a judge not less than the rank of a District Judge.

Ans. (a)

22. With reference to auction sale, select the correct statement:

- The auctioneer can accept payment by means of a bill of exchange
- The auctioneer cannot sell goods on credit or accept payment by means of a bill of exchange
- The auctioneer shall mandatorily accept the payment of purchase price by means of a cheque
- The auctioneer can sell goods on credit as he deems fit

Ans. (b)

23. Mr. X desires a Court to give judgment that he is entitled to certain land in the possession of Mr. Y, by reason of facts which he asserts, and which Mr. Y denies, to be true. Select the correct statement.
- Mr. Y must prove the existence of the facts
  - There is no burden on either to prove the facts
  - Mr. X must prove the existence of the facts
  - The Registrar of the property concerned shall prove the possession

Ans.(c)

24. As per section 36 of the Insolvency and Bankruptcy Code, 2016, the liquidator shall hold the liquidation estate:
- as an agent of debtor
  - as an agent of committee of creditors
  - as a fiduciary for the benefit of all the creditors
  - as a fiduciary for the benefit of all the stakeholders

Ans. (c)

25. Section 231 (2) of the Companies Act, 2013 empowers a tribunal to \_\_\_\_\_, if it is satisfied that the compromise sanctioned under section 230 cannot be implemented satisfactorily, and the company is unable to pay its debts as per the scheme.
- wind up the company
  - restructure the debt
  - call for rearrangement
  - replace the management

Ans. (a)

26. 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)

27. The patterns of change within a year that tend to be repeated from previous period is called \_\_\_\_\_.
- a. irregular variation
  - b. seasonal variation
  - c. secular trend
  - d. cyclical fluctuation

Ans. (b)

28. Technology that permits safe, efficient, and inexpensive clean-up of contaminants in property tends to minimise \_\_\_\_\_ in asset value.
- a. decrease
  - b. increase
  - c. fluctuations
  - d. escalation

Ans. (a)

29. Which planning provision is required around the battery limit of industry and for industry having odour problem?
- a. No development zone
  - b. Green belt
  - c. Special permission zone
  - d. Industrial regulation zone

Ans. (b)

30. In which of the following Act, provisions for health and safety in industries are covered?
- a. The Environment Protection Act
  - b. The Forest Act
  - c. The Factories Act
  - d. The Industrial Dispute Act

Ans. (c)

31. Which of the following legislations does not provide for pollution control?

- a. The Water (Prevention and Control of Pollution) Act, 1974
- b. The Air (Prevention and Control of Pollution) Act, 1974
- c. The Environment (Protection) Act, 1986
- d. The Technology (Transfer of Abuse) Act, 2007

Ans. (d)

32. A valuer shall act with objectivity 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)

33. Under the Companies (Registered Valuers and Valuation) Rules, 2017, a valuer shall maintain records of each assignment undertaken by him and proper working papers for a period of \_\_\_\_\_.

- a. 5 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)

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. \_\_\_\_\_ means arranging or distributing lands and properties according to particular features or characteristics, purposes, uses, etc.
- Safety regulations
  - Zoning
  - Floor space index regulation
  - Subdivision regulations

Ans. (b)

36. The approach to valuation of rented properties depends on the \_\_\_\_\_.
- nature and behaviour of landlords
  - category of tenants - tenant protected or not protected under the applicable rent act
  - rent paying capacity of the tenant
  - 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?
- 50 per cent
  - 60 per cent
  - 70 per cent
  - 80 per cent

Ans. (c)

38. As per the Transfer of Property Act, 1882, immovable property includes \_\_\_\_\_.
- furniture
  - growing crops
  - grass
  - things permanently fastened to anything attached to the earth

Ans. (d)

39. A gift to two or more donees, of whom one does not accept it, is\_\_\_\_\_.
- void as to interest which he would have taken had he accepted
  - valid as to interest which he would have taken had he accepted
  - voidable at option of donor
  - valid at option of legal heir

Ans. (a)



40. Which of the following property may not be transferred?

- a. Growing crops
- b. Immovable property
- c. Grass
- d. An easement right without dominant heritage

Ans. (d)

41. The Hindu Succession Act, 1956 does not apply to \_\_\_\_\_.

- a. a follower of the Arya Samaj
- b. a Sikh by religion
- c. a child both of whose parents are Jains by religion
- d. a person who is a convert to Christian

Ans. (d)

42. Value is an estimate of what \_\_\_\_\_ ought to be.

- a. value
- b. price
- c. cost
- d. worth

Ans. (b)

43. The value at the end of utility period of the asset without being dismantled is called \_\_\_\_\_ value.

- a. salvage
- b. realisable
- c. scrap
- d. junk

Ans. (a)

44. An asset may not command value in the market, if it is\_\_\_\_\_ .

- a. useful
- b. scare
- c. in abundance
- d. transferable

Ans. (c)

45. Which of the following shaped plot of land may command the highest value?
- a. Triangular
  - b. Square
  - c. Irregular
  - d. Narrow strip

Ans. (b)

46. Property is a \_\_\_\_\_ concept.
- a. physical
  - b. legal
  - c. technical
  - d. social

Ans. (b)

47. The price that would tend to prevail in a free, open and competitive market based on equilibrium set by the forces of demand and supply is called:
- a. value in exchange
  - b. value in use
  - c. optimum value
  - d. realisable value

Ans. (a)

48. What is the subject matter of valuation of real property?
- a. Interest in a property arising out of ownership of tangible assets
  - b. Land and Building
  - c. tangible assets
  - d. only interest arising out of ownership of goodwill of the owner

Ans. (a)

49. A fund formed by setting aside an annual recurring amount for a given period to recoup capital invested in a landed property is called:
- a. sinking fund
  - b. amount of ` 1 per annum
  - c. annual value
  - d. investment value

Ans. (a)

50. Amount of Rs.1 per annum is worked out by which of the following formula?

- a.  $r / \{(1+r)^n - 1\}$
- b.  $\{(1+r)^n - 1\}/r$
- c.  $r / \{(1+r)^n + 1\}$
- d.  $\{(1+r)^n + 1\}/r$

Ans. (b)

51. A company is prepared to pay a rent of Rs.15,000 per annum, provided renovation work around into Rs.50,000 is carried out by the owners. The owner desires that the renovation should be carried out by the company and is prepared to accept a low rent. What rent so the company offer based on 9 per cent rate of interest? Present value of Rs.1 per annum at the 9 per cent and 5 per cent for 15 years is 7.334.

- a. Rs.8,182/-
- b. Rs.3,668/-
- c. Rs.11,667/-
- d. Rs.12,141/-

Ans. (a)

52. A proposed development of Metro rail 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)

53. 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 market
- d. Heterogeneity

Ans. (c)

54. Which of the following would discourage demand of real estate?

- a. Occupied by protected tenant
- b. Potential of capital appreciation
- c. Regular income
- d. Redevelopment potential of the property

Ans. (a)

55. Which is Green Building Rating System in India for New Construction?

- a. Leadership in Energy and Environment Design (LEED) India
- b. The Indian Green Building Council (IGBC)
- c. National Building Code (NBC)
- d. Environment Protection Agency (EPA) India

Ans. (a)

56. 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)

57. In case the unexpired period of lease is too long then reversionary value would be \_\_\_\_.

- a. negative
- b. zero
- c. negligible
- d. less than zero

Ans. (c)

58. 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)

59. In relation to a lease agreement, the actual rent specified in the lease is called \_\_\_\_.

- a. contractual rent
- b. effective rent
- c. negotiated rent
- d. standard rent

Ans. (a)

60. In leasehold property, lessor's interest, on a date of valuation, consists of:
- capitalized value of rent reserved under the lease for perpetuity.
  - capitalized value of profit rent reserved under the lease for unexpired period of lease and right of reversion of property before expiry of lease period.
  - capitalized value of rent reserved under the lease for term of lease and right of reversion of property after expiry of lease period.
  - capitalized value of rent reserved under the lease for unexpired period of lease and right of reversion of property after expiry of lease period.

Ans. (d)

61. A project may be accepted when cash flow indicates \_\_\_\_\_.
- positive net present value
  - negative net present value
  - zero net present value
  - zero internal rate of return

Ans. (a)

62. The discount factor used to appraise capital investment decision is a measure of:
- the opportunity cost of capital of the business
  - the current inflation rates
  - the opportunity cost of capital of all business in the same industry
  - the current high street interest rate

Ans. (a)

63. For which of the following property, profit method of valuation is most appropriate?
- Vacant Land
  - Petrol pump
  - Residential Home
  - Public School

Ans. (b)

64. The market demand curve shows \_\_\_\_\_.
- effect on market supply of a change in the demand for a good or service.
  - marginal cost of producing and selling different quantities of a good.
  - quantity of a good that consumers would like to purchase at different price s.
  - effect of advertising expenditures on the market price of a good.

Ans. (c)

65. 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)

66. 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)

67. Which of the following property is normally valued by sales comparison method?
- a. service property
  - b. investment property
  - c. non-investment non-marketable property
  - d. an owner occupied small residential house

Ans. (d)

68. Which of the following piece of land would command higher rate of land value in the residential zone?
- a. Having frontage to depth ratio as 2.0
  - b. Having frontage to depth ratio as 6.0
  - c. Having frontage to depth ratio as 0.2
  - d. Having frontage to depth ratio as 0.6

Ans. (a)

69. Which of the valuation method is generally used for carrying out valuation of large plots when sale instances of large size plots in the locality are not available?
- a. Direct Sales comparison method
  - b. Hypothetical plotting scheme
  - c. Method as per Schedule – III of Wealth Tax Act
  - d. By direct comparing rental instances

Ans. (b)

70. Mr. A. developed a real estate project. Gross development value of completed project is Rs.500 crore, construction cost and other developmental costs Rs.200 crore, and Developer's profit is 10 per cent of value of completed project. Calculate the residual land value?
- Rs.250 crore
  - Rs.200 crore
  - Rs.150 crore
  - Rs.270 crore

Ans. (a)

71. In a joint venture agreement, the share of the developer is less when \_\_\_\_\_.
- estimated Building cost is equal to the land component
  - estimated Building cost is more than the land component
  - estimated Building cost is less than the land component
  - the FSI permitted on the plot is less

Ans. (c)

72. Quick estimation of cost of construction can be carried out by\_\_\_\_\_.
- sum of digit method
  - detail estimation
  - plinth area rate
  - discounted cash flow method

Ans. (c)

73. Actual survival life of the building before it collapses is called the \_\_\_\_\_.
- useful life
  - economic life
  - physical life
  - residual life

Ans. (c)

74. \_\_\_\_\_is the actual service life of the building.
- Social life
  - Physical life
  - Economic life
  - Life equal to average age of the buildings in neighbourhood

Ans. (c)

75. Decrease in value of the property through wear and tear is called as:

- a. depreciation
- b. economic obsolescence
- c. functional obsolescence
- d. technical obsolescence

Ans. (a)

76. 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. excess depreciation due to wear and tear

Ans. (c)

77. Depreciated Replacement Cost is market value of special purpose industrial plant building subject to potential\_\_\_\_\_.

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

Ans. (a)

78. Which of the following does not reduce physical life of building?

- a. Bad workmanship
- b. Periodic maintenance of the building
- c. Use of inferior materials
- d. Neglected maintenance of the building

Ans. (b)

79. Which one of the following valuation methodologies is most appropriate for valuing a non-income generating owner occupied residential bungalow?

- a. Discounted Cash Flow Method
- b. Direct Sales comparison Method
- c. Profit Method
- d. Hypothetical building scheme

Ans. (b)



80. 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)

81. When the result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values is known as \_\_\_\_\_.
- a. real investment value
  - b. liquidation value
  - c. synergistic value
  - d. hope value

Ans. (c)

82. Which of the following transaction is an arm's length transaction?
- a. Transaction between willing buyer and willing seller.
  - b. Transaction between parent and subsidiary company
  - c. Transaction between two old friends
  - d. Transaction between two brothers

Ans. (a)

83. While discharging a duty, a valuer has to safeguard the interest of -
- a. Public
  - b. Client
  - c. Valuer himself
  - d. Client's Advisor

Ans. (a)

84. Which of the following judgements recognises the concept 'Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible'?
- a. K.P. Varghese vs ITO (1981) 131 ITR 597 (SC)
  - b. Gold Coast Selection Trust Ltd. vs Humphray (1949) 17 ITR 19
  - c. Rustom C Cooper vs Union of India AIR 1970 SC 564
  - d. Hays Will Trust vs Hays and Others (1971) 1 WLR 758

Ans. (b)

85. In which of the following case, the concept of deduction of development cost to arrive at market value of undeveloped land from sale instances of developed land has evolved?
- Subh Ram & Others vs State of Haryana & others
  - Gold Coast Selection Trust Ltd. vs Humphray (1949) 17 ITR 19
  - Rustam C Cooper vs Union of India AIR 1970 SC 564
  - Duncan Industries Ltd. vs State of UP and Others AIR 2000 SC 355

Ans. (a)

86. In context of the property insurance, which of the following is a human peril?
- War
  - Age of the Property
  - Cyclone Facade
  - Upliftment

Ans. (a)

87. An insurance policy generally allows one to value the respective building and/or contents by \_\_\_\_\_.
- internal rate of return
  - replacement cost
  - floor space index
  - ground coverage

Ans. (b)

88. 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.
- Rs.1,00,000
  - Rs.3,00,000
  - Rs.2,00,000
  - Rs.1,50,000

Ans. (a)

89. When insurable amount is lower than 'value at risk', it is called:
- over insured
  - fair insurable amount
  - fair premium for insurance
  - under insured

Ans. (d)

90. Which of the following is not an essential quality of valuation report?

- a. A report written with too casual tone.
- b. A report is systematic and methodical
- c. A report is well set out.
- d. A report is concise and definite.

Ans. (a)

91. Which one of the following is a requirement of a valuation report?

- a. Preparing report without inspection and collecting relevant data
- b. To give report as per the value required by the client
- c. To give report which can withstand the test of cross examination
- d. To prepare report without market survey

Ans. (c)

92. While valuing asset where the valuer is not conversant with its features, which of the following is the best option?

- a. It is advisable to engage the services of an expert and the signed 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 mention in report about details of expert engaged.

Ans. (a)

**Attempt Questions 93 to 96 based upon the following case study:** (4 x 2=8 marks)

An owner purchased a piece of land admeasuring about 350 m<sup>2</sup> and constructed a bungalow of ground and one upper floor for his personal use some 30 years back. The bungalow is of first-class construction having a future economic life of 40 years and has got the total built-up area of 300 m<sup>2</sup>. The owner now desires to sale the same and has received an offer of Rs.55 lakhs with vacant possession or in the alternative he has been offered a gross yearly rent of Rs.2,00,000 for the bungalow and the plot together. There is good demand for such property in the locality.

Value of land in the locality for similar plots	=	Rs.8000 per sq.m.
Present replacement cost of such a bungalow	=	Rs.15,000 per sq.m.
Total outgoings	=	15 per cent of the gross rent
Annual sinking fund for redemption of Re. 1 at		
5 per cent in 70 years	=	0.0017
Amount of Re. 1 per annum in 30 years at 5 per cent=		Rs.66.439

Year's purchase at 3% in perpetuity = 33.33

93. What is the amount of depreciation of the bungalow?

- a. 42.86 per cent
- b. 11.29 per cent
- c. 15.30 per cent
- d. Nil

Ans. (b)

94. What will be the depreciated replacement cost of the bungalow?

- a. Rs.39,91,950
- b. Rs.38,11,500
- c. Rs.35,12,250
- d. Rs.45,00,000

Ans. (a)

95. What will be the insurable value for reinternment policy?

- a. Rs.39,91,950
- b. Rs.45,00,000
- c. Rs.65,00,000
- d. Rs.38,11,500

Ans. (b)

96. What will be the market value of the property by income approach?

- a. Rs.66,66,000
- b. Rs.56,66,000
- c. Rs.55,00,000
- d. Rs.50,00,000

Ans (b)

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