

**MODEL QUESTION PAPER FOR VALUATION EXAMINATION IN THE
ASSET CLASS: LAND AND BUILDING
(BASED ON REVISED SYLLABUS WITH EFFECT FROM 1st JUNE 2020)**

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

Ans.(a)

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

Ans.(b)

3. Theories of factor of production consider _____ to be the reward for the entrepreneur.
- a. rent
 - b. interest
 - c. profit
 - d. capital

Ans.(c)

4. 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:
- a. velocity of money
 - b. speed of money
 - c. momentum of money
 - d. count of circulation of money

Ans. (a)

5. If a person has an income of Rs.30,000 and his consumption is Rs.10,000, then his propensity to save is:
- a. 1.33
 - b. 0.33
 - c. 0.67
 - d. 1.50

Ans.(c)

6. Investment does not depend significantly upon the _____.
- demand
 - level of income
 - progress of technology
 - expectation of the entrepreneur

Ans. (b)

7. Which of the following is not a characteristic of the informal economy?
- Easy entry
 - No taxes
 - Predominantly micro
 - Regulated businesses

Ans. (d)

8. In double entry system, accounts are primarily classified into _____.
- receiver account & giver account
 - income account & expenses account
 - real account & nominal account
 - personal account & impersonal account

Ans. (d)

9. For a real estate construction company, which of the following is not part of Profit and Loss statement?
- Revenue from apartment sales
 - Interest paid to lenders
 - Cash deposited in bank
 - Depreciation expense

Ans.(c)

10. Difference between selling price and variable cost per unit can be classified as _____ per unit.
- contribution margin
 - interest margin
 - rent margin
 - profit margin

Ans. (a)

11. Which chapter of the Constitution of India is non-justiciable in a court of law?
- Preamble
 - Fundamental rights
 - Fundamental duties
 - Directive Principles of State Policy

Ans. (d)

12. A contract to perform the promise, or discharge the liability, of a third person in case of default is known as:
- Contract of indemnity
 - Contract of guarantee
 - Contingent contract
 - Quasi contract

Ans.(b)

13. In case of a _____, the duty is one imposed by the law and is owed to the community at large.
- contingent contract
 - cecile agreement
 - government tender
 - tort

Ans.(d)

14. A Tort is right:
- in rem
 - in personam
 - in rescission
 - in novation

Ans. (a)

15. 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)

16. With reference to auction sale, select the correct statement:
- Auctioneer can accept payment by means of a bill of exchange
 - Auctioneer cannot sell goods on credit or accept payment by means of bill of exchange
 - Auctioneer shall mandatorily accept payment of purchase price by means of cheque
 - The auctioneer can sell goods on credit as he deems fit

Ans. (b)

17. Mr. X desires a Court 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)

18. 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)

19. 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)

20. Under SARFAESI Act 2002, a lender should approach which of the following agency, to file an application for enforcement of its security interest?
- Debt recovery tribunal
 - High court
 - National company law tribunal
 - District Court

Ans.(a)

21. When value of variables are associated with weights, then the mean obtained is said to be _____.
- weighted arithmetic mean
 - harmonic mean
 - standard mean
 - geometric mean

Ans.(a)

22. The patterns of change within a year that tend to repeat from previous period is called _____.
- irregular variation
 - seasonal variation
 - secular trend
 - cyclical fluctuation

Ans.(b)

23. Technology that permits safe, efficient, and inexpensive clean-up of contaminants in property tends to minimise _____ in asset value.
- gain
 - loss
 - fluctuations
 - uncertainty

Ans.(b)

24. Which planning provision is required around the battery limit for an industry having odour problem?
- No development zone
 - Green belt
 - Special permission zone
 - Industrial regulation zone

Ans.(b)

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

Ans.(c)

26. Which of the following is not a conduct most people associate with ethical behaviour?
- Bribing
 - Negotiating
 - Advocating
 - Lobbying

Ans. (a)

27. As an independent valuer, the valuer should not charge _____ fee.
- professional
 - success
 - mandate
 - legal

Ans. (b)

28. Professional independence is a subset of which one of the following pairs of fundamental principles?
- Integrity and due diligence
 - Integrity and objectivity
 - Due diligence and professional competence
 - Objectivity and due diligence

Ans. (b)

29. Which of the following would not be included in Valuer`s Engagement Letter?
- Timeline of the engagement
 - Management`s responsibilities with respect to financial records and accuracy of information
 - Terms of payment
 - Management representation

Ans. (d)

30. What is the date of assessing value for the assets under the Land Acquisition Act,2013?
- Date of proposal
 - Date of public hearing
 - Date of impact assessment
 - Date of notification

Ans. (d)

31. Which of the following factor is not affecting valuation of property as per the general building rules and regulations?
- Size of rooms
 - Population in the area
 - Height of building
 - Land use and Zoning

Ans. (b)

32. Which of the following is the main reason for enactment of Rent Control Act in India?
- Avoid exploitation of Tenants
 - To manage supply and demand
 - Easy availability of Dwellings
 - For betterment of economy

Ans. (a)

33. Which of the following is true with reference to Easement?
- It is a possessory right
 - It is a non possessory right
 - It is related to movable and immovable properties
 - It is a licence not a right

Ans. (b)

34. Which of the following is not a means of transfer, under the Transfer of Property Act,1882?
- Sale of Plot
 - Gift of land
 - Mortgage of plot
 - Hypothecation of Land

Ans. (d)

35. Which of the following is not the basic type of lease, under leasing of immovable properties?
- Building lease
 - Standard Lease
 - Sub Lease
 - Occupational Lease

Ans. (b)

36. The Hindu Succession Act, 1956 does not apply to a _____.
- follower of the Arya Samaj
 - Buddhist by religion
 - child both of whose parents are Jains by religion
 - person who has converted to Christianity

Ans.(d)

37. In the absence of a Will, a person's heirs can access control of the deceased person's assets after obtaining a _____.
- Inheritance claim
 - Succession certificate
 - Birth records
 - Family records

Ans.(b)

38. Which of the following is true with reference to valuation of bridges, roads and other infrastructure projects?
- These have value-in-exchange
 - These have value to the owner
 - These have value-in-use
 - These have value to the user

Ans. (c)

39. Which of the following factors is not physical factor but affects the valuation of a subject property?
- Damages to the building
 - Gross Domestic Product
 - Property location
 - Neighbourhood properties

Ans.(b)

40. While valuation of real-estate properties, dual rates are used generally for _____ properties.
- Freehold
 - Leasehold
 - Tenants occupied
 - Property with a claim dispute

Ans.(b)

41. Which of the following is not conforming to the definition of annuity?
- Interest on fixed deposit
 - Yield on G- sec
 - Return on one year term fixed deposit
 - Annual return on investment

Ans. (c)

42. To what amount will Rs. 1 invested at 6 per cent compound interest accumulate in 4 years?
- Rs. 0.982
 - Rs. 1.263
 - Rs.1.350
 - Rs.1.500

Ans.(b)

43. A fund formed by setting aside an annual recurring amount for a given period of time to recoup capital invested in a landed property is called ____.
- sinking fund
 - demolition fund
 - replacement fund
 - maintenance fund

Ans.(a)

44. A proposed development of four lane highway along a city suburban area ____.
- decreases supply of land for development in area along the road
 - increases demand of land in the area along the road
 - decreases demand of land in the area along the road
 - increase cost of construction in the area

Ans.(b)

45. Which of the following would have effect on development potential and values of properties?
- Floor space index
 - Ownership pattern
 - size and height of rooms
 - provision of utility services in a building

Ans.(a)

46. Demand for real estate in a specific location is not influenced by which of the following?
- Price of housing
 - Demand for automobiles
 - Cost of borrowing
 - Consumer's preference

Ans.(b)

47. Which of the following is not an objective for a green building code?
- Water conservation
 - Energy efficiency
 - Cost of construction
 - Dependence on virgin material

Ans. (c)

48. Which of the following does not represent correct meaning of properties, considered for valuation of properties, under income approach?
- Unoccupied property
 - Owner occupied property
 - Building under construction
 - Rent fetching property

Ans. (c)

49. Which of the following is not true with reference to wealth, in valuation of property?
- Wealth is material thing
 - Wealth consists of useful things owned by person
 - Property is benefit of wealth
 - All goods which satisfy human wants are wealth

Ans. (d)

50. In case the unexpired period of lease is too long then reversionary value would be ____.
- negative net present value
 - zero
 - negligible
 - less than zero

Ans.(c)

51. Which of the following is not correct about 'surrender of lease'?
- Premature termination by lessee
 - Unilaterally terminated by a lessee
 - Terminated with the consent of the lessor
 - It can happen post expiry of the lease

Ans.(d)

52. An investor purchases a property for Rs. 1 crore and then spends another Rs.20 lakh to redevelop the property in order to earn a higher rent, bringing the total cost to Rs.1.2 crore. The property is expected to produce a net operating income of Rs.10 lakh. Its unlevered yield is ____.
- 6.25%
 - 8.33%
 - 10.0%
 - 12.0%

Ans. (b)

53. A project requires an investment of Rs.10 lakh and has an NPV of Rs.16 lakh. What is its profitability index?
- 1.0
 - 1.6
 - 0.6
 - 3.2

Ans.(b)

54. Which of the following would be a least suitable approach to value a specialized property?
- cost of replacement,
 - income expected from the property
 - profit-producing qualities of the property
 - sales-comparison

Ans.(d)

55. In order to carry out valuation of immovable properties, under market approach, the fundamental requirement is that the property should be _____
- Investible
 - Transferable
 - Marketable
 - Non-investible

Ans.(c)

56. Use of sales comparison approach to valuation requires_____.
- information from sufficient sales of similar properties
 - sufficient income from the property
 - data on cost of acquisition
 - information regarding title of property

Ans. (a)

57. In a adjustment grid model exercise assignment of weightages to factors is best done on the basis of:
- Relative importance of factors to the local people
 - Relative importance to the valuer
 - Valuer's intuition and knowledge
 - Valuer's judgement of value

Ans.(a)

58. Size, shape, plot area, frontage and depth, vista, orientation, soil type, topography etc. are characteristics of land, are _____ factors that affect the value of a subject land.
- legal
 - cultural
 - physical
 - economic

Ans (c)

59. Which method of valuation is best used to estimate fair market value of land of large size on the basis of sale of smaller plots?
- Adjustment grid method
 - Hypothetical plotting method
 - Hedonic sales
 - Belting method

Ans.(b)

60. In its simplest form, the residual method yields the maximum purchase of a site as _____
- Expected price of the developed property –(expected development costs + allowance to cover risk and profit)
 - Expected income from property – development cost
 - Expected cost of development + profits
 - expected development costs + allowance to cover risk and profit

Ans. (a)

61. A real estate JV agreement does not include which of the following factors:
- Distribution of profits
 - Capital contribution
 - Management and control
 - Insurance

Ans. (d)

62. Which of the following valuation approach generally considered, which gives true investment made by the person with reference to immovable properties?
- Income
 - Cost
 - Market
 - Development

Ans.(a)

63. In valuation of immovable properties, bad workmanship in construction of building affects which of the following life of building?
- Economic life
 - Life to due to obsolescence
 - Physical life
 - Life due to legal constraints

Ans.(c)

64. 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:
- technological obsolescence
 - economic obsolescence
 - functional obsolescence
 - excess depreciation due to wear and tear

Ans. (c)

65. In valuation of buildings, depreciation is reduction in _____ with passage of time.
- Price
 - Value
 - Worth
 - Cost

Ans.(b)

66. Which of the following is true with reference to reproduction cost, under cost approach of valuation of immovable properties?
- It is not derived using cost inflation index
 - It is derived with same utility
 - It is derived with different material of construction
 - It is derived with the same material of construction

Ans.(d)

67. In which of following methods, valuer adjusts prices paid for comparable assets with subject assets to estimate value?
- Depreciated replacement cost method
 - Discounted cash flow
 - Rule of thumb method
 - Sales comparison method

Ans. (d)

68. Which of the following approach-property combination is not a practical valuation possibility?
- Income capitalization approach – house on lease
 - Sales comparison approach - Owner occupied
 - Cost approach –Public school
 - Income capitalization approach – owner occupied bungalow

Ans.(d)

69. Which of the following statements is true in relation to obligation of insured on notification of a claim?
- To defend the insurer
 - To indemnify the insurer
 - To investigate and settle potentially covered claim
 - Ensure liability for the damage is covered by the policy

Ans. (d)

70. Section 247(2) of the Companies Act 2013, any valuation undertaken should not be carried out using a method that is _____.
- an internationally accepted valuation methodology
 - adopted by any valuation professional organisation
 - specified by Reserve Bank of India, Securities and Exchange Board of India or any other statutory regulatory body
 - customized to client needs

Ans. (d)

71. Which of the following statement is not true with reference to fair value measurement under Ind AS 113?
- Fair value represents an exit price and is not an entry price
 - Fair value is market based measurement and not an entity specific measurement
 - Estimation of fair value based on Highest and best use premise
 - Fair value measurement is adjusted for transaction costs

Ans. (d)

72. Valuer may generally be invited under following capacity in Court:
- to cross examine the valuer of the other side
 - to take the examination in chief of valuer of the other side
 - to question the advocate of the other side
 - to appear as an expert witness in court

Ans. (d)

73. The Supreme Court observed that this value is “unaffected by the special needs of a particular purchaser” in _____ case.
- R.C. Cooper Vs. Union of India (1970)
 - CWT Vs. P.N. Sikand (1977)
 - Wenger & Co. Vs. DVO (1978)
 - Jawajee Nagnathan Vs. Revenue Divisional Officer (1994)

Ans. (a)

74. In which case did the Supreme Court hold that the factor can be discounted by making deduction by way of allowances at an appropriate rate ranging approximately between 20% to 50%, while deriving land rate of large plot of land from sale instances of small plot of land.
- Chimanlal Hargovindas Vs. Special Land Acquisition Officer (1988)
 - CED Vs. Radhadevi Jalan (1968)
 - CIT Vs. Ashima Sinha (1979)
 - CIT Vs. Anupkumar Kapoor & others (1980)

Ans.(a)

75. Which of the following is not an essential feature for contract of sale?
- Presence of two parties
 - Sale of goods
 - Consideration in terms of price
 - Unconditional contract

Ans. (d)

76. Which one of following peril is an add-on cover in a standard fire insurance policy?
- Earthquake
 - Aircraft damage
 - Riots
 - Storm

Ans. (a)

77. When amount of insurance is less than the value of machinery damaged a loss payable is as per _____.
- sum insured
 - reinstatement value
 - condition of average
 - indemnity value

Ans. (c)

78. Which of the following tasks are not covered within the scope of Valuers' functions?
- To advise individual clients and corporate firms on effective strategies for buying properties
 - To verify revenue
 - To conduct marketing work to make the property attractive to potential purchasers
 - To appear as an expert witness in court

Ans. (c)

79. An asset is officially appraised and priced on _____.
- verification date
 - valuation date
 - report date
 - effective date

Ans. (b)

80. Which one of the following is a requirement of a valuation report?
- Preparing report without inspection
 - To give report as per the value required by the client
 - To give report which can withstand the test of cross examination in a court
 - To prepare report without consideration of valuation maxims

Ans.(c)

Attempt Questions 81 to 90 based upon the following case studies.

- I. An owner purchased a piece of land measuring about 350 m² 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 m². The owner now desires to sale the same and has received an offer of Rs.55lakhs with vacant possession or in the alternative he has been offered a gross yearly rent ofRs.2,00,000 for the bungalow and the plot together. There is good demand for such property in the locality. Other information is as follows:

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

(4x2 = 8 marks)

81. What is the amount of depreciation of the bungalow?
- 42.86 %
 - 11.29 %
 - 15.30 %
 - Zero

Ans. (b)

82. 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)

83. 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)

84. 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)

- II. 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 building is 30 years and the total life of the building is 60 years.

(6x2 = 12 marks)

85. 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

Ans . (b)

86. 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

Ans. (b)

87. 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

Ans. (b)

88. 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

Ans (b)

89. What is the balance economic life of the building?
- a. 60 years
 - b. 30 years
 - c. 15 years
 - d. 45 years

Ans. (b)

90. Which of the following will not be considered for the estimation of present market value of above property?
- a. Deprecation
 - b. Current Replacement cost of the building
 - c. Economic obsolescence
 - d. Current land rate

Ans. (c)
