MODEL QUESTION PAPER OF VALUATION EXAMINATION FOR ASSET CLASS: PLANT AND MACHINERY WITH EFFECT FROM 1st APRIL 2019

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. Other things remaining the same, the law of demand states that:

   a. the higher the price, the higher the quantity demanded  
   b. the higher the price, the lower the quantity demanded  
   c. the higher the price, the lower the quantity supplied  
   d. 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:

   a. monopoly  
   b. oligopoly  
   c. perfect competition  
   d. monopolistic competition

   Ans. (a)

4. _____ is regarded as the reward for entrepreneur.

   a. Rent  
   b. Investment  
   c. Profit  
   d. 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:

   a. velocity of money  
   b. speed of money  
   c. momentum of money  
   d. 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 recission
   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?

a. The arbitral tribunal shall consist of sole arbitrator only.
b. The civil court shall take the cognizance of the matter.
c. The arbitral tribunal shall consist of a judge not less than the rank of a High Court Judge.
d. 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:

a. The auctioneer can accept payment by means of a bill of exchange
b. The auctioneer cannot sell goods on credit or accept payment by means of a bill of exchange
c. The auctioneer shall mandatorily accept the payment of purchase price by means of a cheque
d. 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.

a. Mr. Y must prove the existence of the facts
b. There is no burden on either to prove the facts
c. Mr. X must prove the existence of the facts
d. 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:

a. as an agent of debtor
b. as an agent of committee of creditors
c. as a fiduciary for the benefit of all the creditors
d. 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.

a. wind up the company
b. restructure the debt
c. call for rearrangement
d. 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. Which of following activity is not the role of a valuer?
   
a. Physical verification
b. Estimation of replacement cost new
c. Market survey
d. Preparation of balance sheet

   Ans. (d)

35. Which of the following does not represent auction market?
   
a. Sale of goods to a highest bidder
b. Awarding contract to a lowest service bidder
c. Purchase of goods through internet
d. Purchase of goods through internet by bidding

   Ans. (c)
36. A movable article which is used to make a room suitable for working can be classified as ________.  

a. plant  
b. machinery  
c. furniture  
d. vehicle  

Ans. (c)

37. Which one of the following values represents value in exchange? 

a. Insurable value  
b. Market value  
c. Use value  
d. Indemnity value  

Ans. (b)

38. Which of the following can be considered as an investment property? 

a. A pharmaceutical unit  
b. Public school  
c. Townhall  
d. Tata Sumo owned by Jackson for private use  

Ans. (a)

39. Utility is the only value ingredient for which of the following property? 

a. Investment property  
b. Marketable non-investment property  
c. Service property  
d. Business assets  

Ans. (c)

40. Which of the following asset is a productive asset? 

a. The asset which is removed from the plant and lying idle  
b. Assets used in the plant for production  
c. Assets already sold  
d. Assets planned to be scrapped  

Ans. (b)
41. Number of years for which a new asset is profitably used for its intended purpose is known as ________.
   a. economic life
   b. normal useful life
   c. total life
   d. physical life

   Ans. (a)

42. Which of the following is considered to estimate net book value?
   a. Gross book value
   b. Reinstatement value
   c. Replacement Cost
   d. Market Value

   Ans. (a)

43. Which of the following building structure is treated as plant and machinery?
   a. Water tank for township
   b. Roads
   c. Sewer
   d. Chimney to boiler

   Ans. (d)

44. Which of the following is basis for charging depreciation under the Income Tax Act, 1961?
   a. Block of asset
   b. Item wise asset
   c. Replacement Cost
   d. Residual value

   Ans. (a)

45. Unit of maximum production according to the manufacturer's specification of equipment is known as__________.
   a. installed capacity
   b. actual production
   c. licensed capacity
   d. utilization capacity

   Ans. (a)
46. Which one of the following is the only option for an investor when his/her earnings level is below liquidation value of the asset?

   a. To liquidate assets
   b. To increase the asset base by acquiring additional assets
   c. To pledge the tangible assets as security and obtain additional capital
   d. To buy new assets

   Ans. (a)

47. Which of the following approaches is generally used while valuing specialized plant and machinery having limited marketability and which is rarely sold?

   a. Market
   b. Income
   c. Cost
   d. Sales comparison

   Ans. (c)

48. Which of the following is a direct cost component of replacement cost?

   a. Material cost
   b. Finance charges
   c. Legal fees
   d. License fees

   Ans. (a)

49. Damage caused to an asset naturally as a result of aging is known as _____.

   a. wear and tear
   b. economic obsolescence
   c. functional obsolescence
   d. operating obsolescence

   Ans. (a)

50. Which of the following depreciation methods has equal amount of depreciation worked out year wise?

   a. Straight line
   b. Reducing balance
   c. Sum of years digits method
   d. Block of assets

   Ans. (a)
51. Non-availability of spares results in which of the following form of obsolescence?
   a. Economic
   b. Technical
   c. Functional
   d. Wear and tear

   Ans. (c)

52. Which of the following represents limitation of cost approach?
   a. Quantifying depreciation for wear and tear
   b. Cannot quantify economic obsolescence
   c. Quantifying technological obsolescence
   d. Estimation of replacement cost

   Ans. (b)

53. Data collection by market approach does not normally include collecting which one of the following?
   a. Technical specifications
   b. Fixed Asset Register
   c. Date of installation
   d. Income attributable to the asset

   Ans. (d)

54. In which of the following methods, valuer adjusts prices paid for comparable assets with subject assets to estimate value of subject asset?
   a. Depreciated replacement cost method
   b. Discounted cash flow
   c. Rule of thumb method
   d. Sales comparison method

   Ans. (d)

55. Which of the approaches is used by a valuer to determine present value of future economic benefits of owning the property?
   a. Income
   b. Cost
   c. Market
   d. Rule of thumb

   Ans. (a)
56. Potential income means_______.
   a. income that an enterprise is capable of earning
   b. projected revenue
   c. actual income earned by an enterprise
   d. going-concern value
   Ans. (a)

57. To focus on major items during site visit is known as_______.
   a. ABC analysis
   b. Balance sheet study
   c. Market research
   d. Reconciliation of data received
   Ans. (a)

58. Which of the following are treated as buildings in a valuation exercise?
   a. Roads
   b. Foundation of machine
   c. Supporting steel structures for a boiler
   d. Fixtures
   Ans. (a)

59. Which one of the following is estimated by floating inquiry?
   a. Replacement cost
   b. Depreciated replacement cost
   c. Scrap value
   d. Fair value
   Ans. (a)

60. Which of the following criteria is used to determine replacement cost when cost of replica is not available?
   a. Use replacement cost of like kind and type
   b. Use historical cost of subject as replacement cost
   c. Use historical cost of comparable as replacement cost
   d. Use net book value of subject machine as a proxy of replacement cost
   Ans. (a)

61. Which one of the following is a relevant factor while adopting cost approach?
   a. Income
   b. Rate of return
   c. Weighted average of Capital
   d. Replacement cost
   Ans. (d)
62. Which one of following is a contract between owner of equipment and one who uses the equipment?

   a. Term deposit  
   b. Recurring deposit  
   c. Leasing  
   d. Sale agreement  

   Ans. (c)

63. A set of self-made and mutually acceptable terms of a transaction between the owner of a machine and the user of a machine for agreed consideration and period consistent with law is known as_________.

   a. building lease  
   b. liabilities of lessee  
   c. liabilities of lessor  
   d. lease agreement  

   Ans. (d)

64. In which of following purposes of valuation, replacement cost is considered as value of asset?

   a. Auction  
   b. Collateral security  
   c. Purchase price allocation  
   d. Insurance  

   Ans. (d)

65. Which one of the following tangible assets is not utilised in manufacturing activity of a manufacturing unit in operation, as at Valuation Date?

   a. Production machinery  
   b. Building housing production machinery  
   c. Land housing production building  
   d. Surplus land  

   Ans. (d)

66. Situation when carrying amount results into higher than a cash generating units’ recoverable value is known as _______________.

   a. Sale of asset  
   b. Purchase of asset  
   c. Write-off  
   d. Impairment  

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

   a. Wind up the company
   b. Restructure the Debt
   c. Call for rearrangement
   d. replace the management

Ans. (a)

68. Valuer may generally be invited under following capacity in Court:

   a. to cross examine the valuer of the other side
   b. to take the examination in chief of valuer of the other side
   c. to question the advocate of the other side
   d. to appear as an expert witness in court

Ans. (d)

69. Which of the following tasks are not covered within the scope of Valuers’ functions?

   a. To advise individual clients and corporate firms on effective strategies for buying properties
   b. To verify revenue
   c. To conduct marketing work to make the property attractive to potential purchasers
   d. To appear as an expert witness in court

Ans. (c)

70. Which of the following case law indicates that machines fastened to floor of a factory by owner is part of land?

   a. Holland Vs. Hodgson
   b. CIT Vs. Hindustan Polymers Ltd.
   c. Sunil Synchem Vs. CIT
   d. CIT Vs. Lucas Tvs. Ltd.

Ans. (a)

71. Which of the following is not an essential feature for contract of sale?

   a. Presence of two parties
   b. Sale of goods
   c. Consideration in terms of price
   d. Unconditional contract

Ans. (d)
72. The unpaid seller has right to stoppage of goods in transit only when___________.
   a. the goods are in transit
   b. buyer refuses to pay price
   c. buyer acts fraudulently
   d. document are forged

   Ans. (a)

73. Which one of the following industries is under licensing on account of environmental, considerations?
   a. Cottage industry
   b. Hand embroidery industry
   c. Packaging industry with injection moulding only
   d. Brewing of alcoholic drinks

   Ans. (d)

74. Which one of following peril is an add on cover in a standard fire insurance policy?
   a. Earthquake
   b. Aircraft damage
   c. Riots
   d. Storm

   Ans. (a)

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

   Ans. (c)

76. The first step to be followed for procedure to be adopted to obtain claim amount after a loss is ______.
   a. claim preparation
   b. paying salary to staff
   c. paying off the creditors
   d. company closure

   Ans. (a)
77. Which of the following statements is true in relation to obligation of insured on notification of a claim?

a. To defend the insurer  
b. To indemnify the insurer  
c. To investigate and settle potentially covered claim  
d. Ensure liability for the damage is covered by the policy  

Ans. (d)

78. The speed at which the workpiece advances through cutter in a cutting process is called ________.

a. feed rate  
b. cutting Speed  
c. optimal Speed  
d. spindle Speed  

Ans. (a)

79. which of the following is an object made by pouring hot metal into a container, so that when it hardens it has the desired shape?

a. atom  
b. shaping machine  
c. proton  
d. casting  

Ans. (d)

80. Process of joining two metal parts by melting them is known as ____________.

a. powder forming  
b. turning  
c. drilling  
d. welding  

Ans. (d)

81. Following is material handling equipment in a factory:

a. Pallet truck  
b. Spectrophotometer  
c. Boiler  
d. Fire extinguisher  

Ans. (a)
82. What is used to turn wind energy into electrical energy?
   a. Wind mill
   b. Air dryer
   c. Transformer
   d. Air compressor

   Ans. (a)

83. \( \Omega \) (Ohm) is the Unit of:
   a. Resistance
   b. Inductive Reactance
   c. Capacitive Reactance
   d. Capacitance

   Ans. (a)

84. Equipment arranged in a sequence as per requirement of articles to be manufactured is known as__________.
   a. process layout
   b. product layout
   c. combined layout
   d. project layout

   Ans. (b)

85. Process flow charts help us understand _______.
   a. raw material
   b. finished product
   c. equipment specification
   d. sequence of process

   Ans. (d)

86. Blast furnace is used in following industry:
   a. Steel
   b. Telecom
   c. Food processing
   d. Textile

   Ans. (a)
87. Which of the following is vital for calculating weight of reaction vessel in a chemical industry?
   a. location
   b. thickness of plate used
   c. year of manufacture
   d. depreciation per annum

   Ans. (b)

88. In case of dairy, the process that prevents cream and milk from separating is known as?
   a. Pasteurisation
   b. Homogenisation
   c. Sterilisation
   d. Emulsification

   Ans. (b)

89. Which of the following equipment is used for transferring heat from one fluid to another?
   a. Heat exchangers
   b. Centrifugal machines
   c. Hot air generator
   d. Incinerator

   Ans. (a)

90. Which one of the following is quality of a valuation report?
   a. Organised
   b. Valuation assumptions
   c. Terms of reference
   d. Letter of transmittal

   Ans. (a)

91. Which one of the following is a requirement of a valuation report?
   a. Preparing report without inspection
   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 consideration of valuation maxims

   Ans. (c)
92. A note on exclusion of site investigation for fear of contamination of Valuation site if any appears in __________ section of the report.

   a. transmittal letter  
   b. valuation methodology  
   c. valuation procedures  
   d. assumptions and limiting conditions

And. (d)

attempt questions 93 to 96 based upon the following case study. (4x2 = 8 marks)

You are given a valuation assignment to value a vehicle being a bulker for bank finance, proposed to be purchased by Mr. Y. Mr. X had purchased the vehicle for Rs.30 lakh in January 2014. Current cost of brand-new vehicle after considering negotiation discount in new condition is Rs.33 lakh as per dealer of vehicle. Your survey indicated that:

(i) recently similar vehicle with exactly similar mileage and model was sold for Rs.17 lakh and
(ii) asking prices for similar vehicles is Rs.18 lakh.

Based on your discussions with suppliers of vehicle and your own analysis, total economic life of vehicle is considered as 10 years, if vehicle is used for commercial use similar to the subject vehicle under valuation. Mr. X informed Mr. Y that Mr. X would be required to spend about Rs.2 lakh for repairs to the body of vehicle and replacement of worn out tyres. Your discussions with the mechanic indicated that the quote for repairs given by Mr. Y is reasonable and vehicle sold recently did not require repairs as compared to the subject vehicle. Book value of the vehicle as at valuation date is Rs.15.75 lakh. Your research has indicated that index for light, medium and heavy commercial vehicles in January 2014 is 111.6 and as at Valuation Date is 113.2.

93. Historical cost of vehicle is Rs. ___lakh.

   a. 30  
   b. 33  
   c. 18  
   d. 19

Ans. (a)

94. Replacement cost new of vehicle is Rs. ___lakh.

   a. 33  
   b. 30  
   c. 18  
   d. 19

And. (a)
95. Depreciation for vehicle by straight line method, considering age of vehicle as 4 years and salvage value as 5% is Rs. ___lakh.

   a. 12.54  
   b. 11.56  
   c. 6.84   
   d. 7.22   

   And. (a)

96. Depreciation of vehicle considering cost of repairs is Rs. ___lakh.

   a. 14.54  
   b. 13.56  
   c. 8.84   
   d. 9.22   

   And. (a)

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