

**MODEL QUESTION PAPER FOR VALUATION EXAMINATION**  
**Asset Class: PLANT & MACHINERY**

1. The price elasticity of demand measures the change in the quantity demanded of a service in relation to a change in its price when nothing but the \_\_\_\_\_ changes.
- a) price
  - b) cost
  - c) quality
  - d) value

Ans.(a)

2. Other things remaining same, the law of demand states \_\_\_\_\_.
- a) the higher the price, the lower the quantity demanded
  - b) the higher the price, the higher the quantity demanded
  - c) the higher the price, the lower the quantity supplied
  - d) the higher the price, the higher the quantity demanded

Ans.(a)

3. A market which has only one seller selling a homogeneous product to many buyers, is known as \_\_\_\_\_.
- a) Monopoly
  - b) Oligopolistic
  - c) Perfect Competition
  - d) Monopolist Competition

Ans.(a)

4. Which of the following statements is not true about factors of production?
- a) Land means natural resources.
  - b) Labour means human resources.
  - c) Capital means financial resources.
  - d) Entrepreneurship means pursuit of opportunity beyond resources controlled.

Ans.(c)

5. Which of the following is not true about Ricardian theory of rent?
- a) Rent increases with increase in population.
  - b) Rent is surplus above cost.
  - c) Rent is unearned income.
  - d) Rent arises only in the short run.

Ans.(d)

6. Which of the following is not correct about functions of money?
- a) It is a medium of exchange.
  - b) It is a measure of economic power.
  - c) It is a standard of deferred payments.
  - d) It is a store of value.

Ans.(b)

7. 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)

8. 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)

9. Which of the following is an example of secondary sector of an economy?

- a) Mining
- b) Forestry
- c) Food Processing
- d) Pisciculture

Ans.(c)

10. How are Gross Domestic Product (GDP) and Gross National Product (GNP) related?

- a)  $GNP = GDP - NR + NP$
- b)  $GNP = GDP + NR - NP$
- c)  $GNP = GDP + EX - IM$
- d)  $GNP = GDP - EX + IM$

Ans.(b)

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. Discount received is recorded on which side of a cash book?

- a) Receipts
- b) Payments
- c) Income
- d) Expense

Ans.(b)

13. For a real estate construction company, which of the following are 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)

14. Proposed dividend is shown in the Balance Sheet of a company under the head \_\_\_\_\_.

- a) provisions

- b) reserves and surplus
- c) current liabilities
- d) other liabilities

Ans.(a)

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

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

Ans.(a)

16. Right to property is a \_\_\_\_ right.

- a) fundamental
- b) statutory
- c) constitutional
- d) human

Ans.(c)

17. 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)

18. 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)

19. In case of a \_\_\_\_\_, the duty is one imposed by the law and is owed to the community at large.

- a) contingent contract
- b) cecile agreement
- c) government tender
- d) tort

Ans.(d)

20. 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)

21. 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)

22. In a right skewed frequency distribution, \_\_\_\_\_.

- a) mean is typically greater than the median
- b) mean is typically less than the median
- c) mean is typically less than the mode
- d) mean is equal to mode which is equal to median

Ans.(a)

23. 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)

24. If two events A and B are mutually exclusive, the probability of occurrence of either A or B is \_\_\_\_\_.

- a) difference between individual probabilities of A and B
- b) sum of the individual probabilities of A and B
- c) always 1
- d) one minus sum of the probabilities of A and B

Ans.(b)

25. Gradual shifting of a time series over a long period of time is called as \_\_\_\_\_.

- a) periodicity
- b) cycle
- c) regression
- d) trend

Ans.(d)

26. 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) variations

Ans.(a)

27. 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)

28. Which of the following is not covered under the Indian Forest Act, 1927?
- a) Reserved forest
  - b) Village forest
  - c) Protected forest
  - d) Prohibited forest

Ans.(d)

29. 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)

30. 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)

31. A valuer, while respecting the confidentiality of information acquired during the course of performing professional services, shall maintain proper working papers for a period of \_\_\_\_\_.
- a) 3 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)

32. Integrity of registered valuer is seriously affected by \_\_\_\_\_.
- a) being honest
  - b) being straightforward
  - c) misrepresenting any facts or situations
  - d) ignoring public interest

Ans.(c)

33. Which of the following is not a duty of the valuer?
- a) To verify ownership in document and occupancy on actual site
  - b) To identify plot number in document as well as on-site
  - c) To be responsible for correctness of survey findings by his assistant
  - d) To investigate title of the property to be valued

Ans.(d)

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. Amount appearing in the schedule of fixed assets of balance sheet is \_\_\_\_\_

- a) Gross book value
- b) Salvage value
- c) Scrap value
- d) Worth

Ans. (a)

36. A movable article 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 value represents value in exchange?

- a) Insurable value
- b) Market value
- c) Use value
- d) Indemnity value

Ans (b)

38. Utility is the only value ingredient for following property

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

Ans (c)

39. Which of following aspect may be considered as legal aspect affecting value of asset?

- a) Capacity

- b) Capital cost
- c) Raw material shortage
- d) Custom duty

Ans (d)

40. Which of the following source is most reliable source pertaining to specification of machine?

- a) Internet
- b) Equipment catalogue
- c) Invoice
- d) Maintenance schedule

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) Age
- d) Physical life

Ans (a)

42. Useful life of an asset is affected by which of the following?

- a) Cost
- b) Replacement cost
- c) Wear and tear
- d) Net Book Value

Ans (c)

43. Which of the following is considered to estimate net book value?

- a) Gross book value
- b) Reinstatement value
- c) Replacement Cost New
- d) Market Value

Ans (a)

44. 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)

45. Which of the following is basis for charging depreciation under the Income Tax Act, 1961?

- a) Block of asset
- b) Item wise
- c) Replacement Cost New
- d) Residual value

Ans (a)

46. 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)

47. Valuing all machines individually out of group of machines in a plant is known as\_\_\_\_\_.

- a) Part
- b) Fraction
- c) Whole
- d) Part and Fraction

Ans (b)

48. Lowest value possible for a business is indicated by the\_\_\_\_\_.

- a) net book value of the assets appearing in balance sheet
- b) business enterprise value
- c) liquidation value of the net tangible assets
- d) value of intangible assets

Ans (c)

49. Which of the following approaches is generally used while valuing specialized plant and machinery?



- a) Market
- b) Income
- c) Cost
- d) Sales comparison

Ans (c)

50. 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)

51. 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)

52. Which of 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) Iowa Curve

Ans (a)

53. Date of commissioning of a new plant is useful for which of the purposes in valuation process?

- a) Computation of depreciation
- b) Computation of functional obsolescence
- c) Computation of economic obsolescence
- d) Computation of profit

Ans (a)

54. Depreciation caused to Machine in addition to physical wear and tear is known as \_\_\_\_\_.

- a) straight line depreciation
- b) depreciation due to usage
- c) written down value
- d) obsolescence

Ans (d)

55. 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)

56. 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)

57. In which of following method valuer adjusts prices paid for comparables 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)

58. Data collection by market approach does not normally include collecting one of the following?

- a) Technical specifications
- b) Fixed Asset Register
- c) Date of installation

- d) Income attributable to the asset

Ans (d)

59. 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)

60. Valuing assets by estimating net present value of future cash flows is known as \_\_\_\_\_.

- e) capitalization of earnings method
- f) discounted cash flow method
- g) sales comparison method
- h) future cash flow method

Ans (b)

61. Discounted Cash Flow technique is based on\_\_\_\_\_.

- a) Scrap value
- b) Present value of expected cash flow at a discount rate
- c) Stigma value
- d) Replacement cost new

Ans (b)

62. To focus 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)

63. Which of 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)

64. The current cost of brand new process plant is available in terms of\_\_\_\_\_.

- a) capacity per day
- b) second hand price
- c) repair cost
- d) cost to cure

Ans (a)

65. Which of criterion is used to determine replacement cost new when cost of replica is not available?

- a) Like kind and type
- b) Use historical cost of subject machine as replacement cost new
- c) Use historical cost of comparable machine as replacement cost new
- d) Use net book value of subject machine as a proxy of replacement cost

Ans (a)

66. Which of the following is reason for varying prices of machines with same technical specifications?

- a) Brand name
- b) Climatic conditions
- c) Obsolescence
- d) Depreciation

Ans (a)

67. Which of following factor is relevant while adopting cost approach?

- a) Income
- b) Rate of return
- c) Weighted average of Capital
- d) Replacement cost new

Ans (d)

68. Which of following factor is considered while adopting income approach?

- a) Income history
- b) Replacement cost new
- c) Asking price of comparable
- d) Depreciation for wear and tear

Ans (a)

69. 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)

70. It is an obligation of supplier of equipment in supplier's credit type leasing transaction \_\_\_\_\_.

- a) to provide equipment
- b) to pay for principal amount
- c) to pay for interest on principal amount
- d) to make hypothecation of equipment

Ans (a)

71. Law of bailment is applicable only to \_\_\_\_\_.

- a) land
- b) building
- c) movable property
- d) goodwill

Ans (c)

72. Risk and reward of ownership of asset is transferred to lessee in which of the following type of lease?

- a) Finance
- b) Operating
- c) Sale and lease-back

d) Specialized service lease

Ans (a)

73. Who identifies a machine under lease?

- a) Lessee
- b) Lessor
- c) Lessor suggests machine suitable to lessee
- d) Lessee suggests machine suitable to lessor

Ans (a)

74. A set of self-made and mutually acceptable terms of a transaction consistent with law is known as \_\_\_\_\_.

- a) lease transaction
- b) liabilities of lessee
- c) liabilities of lessor
- d) lease agreement

Ans (d)

75. In which type of lease, lessees recognise assets and liabilities in their balance sheets?

- a) Finance
- b) Operating
- c) Partial payment lease
- d) Specialized service lease

Ans (a)

76. Which of the following type of risk is considered as a default risk?

- a) Economy risk
- b) Interest rate risk
- c) Purchase power risk
- d) Currency risk

Ans (a)

77. Which of following approach is normally used for valuation of plant and machinery assets for leasing?

- a) Income
- b) Cost
- c) Market
- d) Cost and Market

Ans (a)

78. Bed length is one of factor used for quoting prices for which of the following machine?

- a) Lathe
- b) Milling
- c) Grinder
- d) Hacksaw

Ans (a)

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

- a) Auction
- b) Collateral security
- c) Purchase price allocation
- d) Insurance

Ans (d)

80. Which one of following is defined as amount by which the carrying amount of an asset exceeds its recoverable amount?

- a) Scrap value
- b) Market value
- c) Salvage value
- d) Impairment loss

Ans (d)

81. 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)

82. 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)

83. Which one of the following industry is under compulsory licensing on account of environmental, safety and strategic considerations?

- a) Dairy
- b) Light engineering
- c) Telecommunications
- d) Brewing of alcoholic drinks

Ans (d)

84. Which one of following is defined as engine, motor or other appliance which generates or provides power under the Factories Act, 1948?

- a) Electricity
- b) Prime mover
- c) Manufacturing
- d) Instrument

Ans (b)

85. 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)

86. When amount of insurance is less than the value of machinery damaged a loss payable is as per \_\_\_\_.

- a) sum insured
- b) reinstatement value reported
- c) condition of average
- d) indemnity value

Ans (c)

87. 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)

88. The fundamental principles on which insurance works is, \_\_\_\_\_.

- a) sum insured
- b) indemnity
- c) insurable interest
- d) utmost good faith

Ans (d)

89. 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)

90. Process flow charts help us understand \_\_\_\_\_.

- a) raw material
- b) finished product
- c) equipment specification
- d) sequence of process

Ans (d)

91. Tailor stitching a shirt for a customer falls under \_\_\_\_\_ method of manufacture.

- a) Job
- b) Batch
- c) Flow
- Lean

Ans (a)

92. Blast furnace is used in following industry-

- a) Steel
- b) Telecom
- c) Food processing
- d) Textile

Ans (a)

93. 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)

94. A note on exclusion of site investigation for contamination of Valuation site if any appears in \_\_\_\_\_ section of the report.

- a) Transmittal letter
- b) Valuation methodology
- c) Valuation procedures
- d) Assumptions

Ans (d)

95-100. Read the following passage and answer questions that follows (6x1 = 6 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.

95. Historical cost of vehicle is Rs. \_\_\_\_lakh.

- a) 30
- b) 33
- c) 18
- d) 19

Ans (a)

96. Replacement cost new of vehicle is Rs. \_\_\_\_lakh.

- a) 33
- b) 30.43
- c) 18
- d) 19

Ans (a)

97. 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

Ans (a)

98. Depreciation of vehicle considering cost of repairs is Rs. \_\_\_lakh

- a) 14.54
- b) 13.56
- c) 8.84
- d) 9.22

Ans (a)

99. Depreciated replacement cost of vehicle after considering repair cost is Rs. \_\_\_lakh.

- a) 18.46
- b) 16.87
- c) 9.16
- d) 9.78

Ans (a)

100. Fair Market Value of Vehicle for bank finance is Rs. \_\_\_\_\_lakh.

- a) 18.46
- b) 16.87
- c) 15.75
- d) 16

Ans (d)

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