

**MODEL QUESTION PAPER FOR VALUATION EXAMINATION IN THE  
ASSET CLASS: PLANT AND MACHINERY  
(BASED ON REVISED SYLLABUS WITH EFFECT FROM 1<sup>st</sup> JUNE 2020)**

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

Ans. (b)

3. Theories of factor of production consider \_\_\_\_\_ to be the reward for the entrepreneur.
- rent
  - interest
  - profit
  - 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:
- velocity of money
  - speed of money
  - momentum of money
  - 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:
- 1.33
  - 0.33
  - 0.67
  - 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? law for the violation of Directive Principles of State Policy given under the.
- 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. (a)

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

Ans. (b)

25. 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)

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

Ans. (a)

27. As an independent valuer, the valuer should not charge \_\_\_\_\_ fee.
- a. professional
  - b. success
  - c. mandate
  - d. legal

Ans. (b)

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

Ans. (b)

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

Ans. (d)

30. Which of following activity is not the role of a valuer?
- Physical verification
  - Estimation of replacement cost new
  - Market survey
  - Preparation of balance sheet

Ans. (d)

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

Ans. (c)

32. A movable article which is used to make a room suitable for working can be classified as \_\_\_\_\_.
- plant
  - machinery
  - furniture
  - vehicle

Ans. (c)

33. Which one of the following values represents value in exchange?
- Insurable value
  - Market value
  - Use value
  - Indemnity value

Ans. (b)

34. Which of the following can be considered as an investment property?
- A pharmaceutical unit
  - Public school
  - Townhall
  - Tata Sumo owned by Jackson for private use

Ans. (a)

35. Utility is the only value ingredient for which of the following property?
- Investment property
  - Marketable non-investment property
  - Service property
  - Business assets

Ans. (c)

36. 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)

37. 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)

38. Which of the following is a 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)

39. 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)

40. 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)

41. 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)

42. Which of the following is a direct cost component of replacement cost?
- Material cost
  - Finance charges
  - Legal fees
  - License fees

Ans. (a)

43. Damage caused to an asset naturally as a result of aging is known as \_\_\_\_\_.
- wear and tear
  - economic obsolescence
  - functional obsolescence
  - operating obsolescence

Ans. (a)

44. Which of the following depreciation methods has equal amount of depreciation worked out year wise?
- Straight line
  - Reducing balance
  - Sum of years digits method
  - Block of assets

Ans. (a)

45. Which of the following represents limitation of cost approach?
- Quantifying depreciation for wear and tear
  - Cannot quantify economic obsolescence
  - Quantifying technological obsolescence
  - Estimation of replacement cost

Ans. (b)

46. For a valuation exercise using the market approach, data collection does not normally include collecting which one of the following?
- Technical specifications
  - Fixed Asset Register
  - Date of installation
  - Income attributable to the asset

Ans. (d)

47. 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)



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

Ans. (c)

49. Potential income means\_\_\_\_\_.
- income that an enterprise is capable of earning
  - projected revenue
  - actual income earned by an enterprise
  - going-concern value

Ans. (a)

50. Which technique helps to focus on major items during site visit is known as\_\_\_\_\_.
- Balance sheet study
  - Market research
  - ABC analysis
  - Reconciliation of data received

Ans. (c)

51. Which of the following are treated as buildings in a valuation exercise?
- Foundation of machine
  - Supporting steel structures for a boiler
  - Fixtures
  - Roads

Ans. (d)

52. Which one of the following is estimated by floating inquiry?
- Replacement cost
  - Depreciated replacement cost
  - Scrap value
  - Fair value

Ans. (a)

53. Which of the following criteria is used to determine replacement cost when cost of replica is not available?
- Use historical cost of subject as replacement cost
  - Use historical cost of comparable as replacement cost
  - Use replacement cost of like kind and type
  - Use net book value of subject machine as a proxy of replacement cost

Ans. (c)

54. Which one of the following is a relevant factor while adopting cost approach?
- Income
  - Rate of return
  - Weighted average of Capital
  - Replacement cost

Ans. (d)

55. Which one of following is a contract between owner of equipment and one who uses the equipment?
- Term deposit
  - Recurring deposit
  - Lease agreement
  - Sale agreement

Ans. (c)

56. 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\_\_\_\_\_.
- building lease
  - liabilities of lessee
  - liabilities of lessor
  - lease agreement

Ans. (d)

57. In which of following purposes of valuation, replacement cost is considered as value of asset?
- Auction
  - Collateral security
  - Purchase price allocation
  - Insurance

Ans. (d)

58. Situation when carrying amount results into higher than a cash generating units' recoverable value is known as \_\_\_\_\_.
- Sale of asset
  - Purchase of asset
  - Write-off
  - Impairment

Ans. (d)

59. 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)

60. 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. (a)

61. 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)

62. 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)

63. Which of the following case law indicates that machines fastened to floor of a factory by owner is part of land?
- Holland Vs. Hodgson
  - CIT Vs. Hindustan Polymers Ltd.
  - Sunil Synchem Vs. CIT
  - CIT Vs. Lucas Tvs. Ltd.

Ans. (a)

64. 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)

65. The unpaid seller has right to stop goods in transit only where the buyer\_\_\_\_\_.
- becomes insolvent
  - refuses to pay price
  - acts fraudulently
  - forged

Ans. (a)

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

Ans. (d)

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

Ans. (a)

68. 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)

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. Speed at which the workpiece advances through cutter in a cutting process is called: \_\_\_\_\_
- feed rate
  - cutting Speed
  - optimal Speed
  - spindle Speed

Ans. (a)

71.  $\Omega$  (Ohm) is the Unit of:
- Resistance
  - Inductive Reactance
  - Capacitive Reactance
  - Capacitance

Ans. (a)

72. Equipment arranged in a sequence as per requirement of articles to be manufactured is known as\_\_\_\_\_.
- process layout
  - product layout
  - combined layout
  - project layout

Ans. (b)

73. Process flow charts help us understand \_\_\_\_\_.
- raw material
  - finished product
  - equipment specification
  - sequence of process

Ans. (d)

74. Blast furnace is used in following industry:
- Steel
  - Telecom
  - Food processing
  - Textile

Ans. (a)

75. Which of the following is vital for calculating weight of reaction vessel in a chemical industry?
- location
  - thickness of plate used
  - year of manufacture
  - depreciation per annum

Ans. (b)

76. In case of dairy, the process that prevents cream and milk from separating is known as?
- Pasteurisation
  - Homogenisation
  - Sterilisation
  - Emulsification

Ans. (b)

77. Which of the following equipment is used for transferring heat from one fluid to another?
- Heat exchangers
  - Centrifugal machines
  - Hot air generator
  - Incinerator

Ans. (a)

78. An asset is officially appraised and priced on \_\_\_\_\_.  
a. verification date  
b. valuation date  
c. report date  
d. effective date

Ans. (b)

79. 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 in a court  
d. To prepare report without consideration of valuation maxims

Ans. (c)

80. 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

Ans. (d)

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

- I. You are given a valuation assignment to value a vehicle 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 on valuation date is Rs.15.75 lakh. Your research indicates that index for light, medium and heavy commercial vehicles in January 2014 is 111.6 and on Valuation Date is 113.2.

(4x2 = 8 marks)

81. Historical cost of vehicle is Rs. \_\_\_lakh.  
a. 30  
b. 33  
c. 18  
d. 19

Ans. (a)

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

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

Ans. (a)

83. 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)

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

- a. 14.54
- b. 13.40
- c. 8.84
- d. 9.22

Ans. (b)

II. A company ABC is in the manufacturing of steel sections, used for construction of industrial sheds and general fabrication. ABC was set up with a state of the art, German steel plant, in mineral rich area, with availability of minerals for the next 25 to 30 years for this plant. In April 2010, company ABC invested

- (i) Rs.95.0 Crores in Plant and Machinery
- (ii) Rs.10.0 Crores in erection and commissioning of Plant
- (iii) Spent Rs.1.0 Crore on foreign trips for finalizing and inspection of machinery and Rs.1.5 Crores for transportation of all the plant, machinery & equipment to site
- (iv) Incurred an expenditure of Rs.25.0 Lakhs on inauguration of the plant and Rs.50.0 Lakhs on administrative and other expenses.

The Company started commercial operations on October 10, 2012. After few years of successful operation, the promoters approached bank for finance in March 2017 to double the capacity.

You are assigned by the banker to value ABC plant and to assess, fair market value of the plant and machinery installed in the premises. After the initial discussion with promoters and receipt of FAR, you visit the plant and hold discussion with production and maintenance personnel. After physical verification of the plant and production and maintenance data, following information is gathered by you,

- (i) Plant and machinery is latest and in good operating condition
  - (ii) Raw material quality is very good, hence more people are thinking of setting up plants
  - (iii) Economic life of plant and machinery is 25 years.
  - (iv) Similar plant, made in China, can be installed with all costs inclusive, at Rs.98.0 Crores.
  - (v) The cost index in April 2010 was 120, in Oct 2012 were 135 and in March 2017 are 175.
- You are requested by banker for valuation of plant and machinery as on 31<sup>st</sup> March 2017.

(6x2 = 12 marks)

85. What is the acquisition cost of Plant and Machinery in April 2010?
- a. Rs.106.5 Cr
  - b. Rs.107.5 Cr
  - c. Rs.108.0 Cr
  - d. Rs.108.25 Cr

Ans. (b)

86. What is the age of Plant and Machinery for calculating depreciation as on March 31<sup>st</sup> 2017?
- a. 7.0 Years
  - b. 5.0 Years
  - c. 4.5 Years
  - d. 5.5 Years

Ans. (c)

87. What is the Net Book Value of Plant and Machinery as on date of valuation using SLM with 10% salvage value on valuation date?
- a. Rs.80.41 Cr
  - b. Rs.90.09 Cr
  - c. Rs.90.27 Cr
  - d. Rs.79.69 Cr

Ans. (b)

88. What is the total depreciation of plant and machinery on the date of valuation?
- a. 19.8%
  - b. 16.2%
  - c. 18.0%
  - d. 25.2%

Ans. (b)

89. What is the Reproduction Cost of Plant and Machinery, on the date of valuation?
- a. Rs.154.42 Cr
  - b. Rs.137.38 Cr
  - c. Rs.155.87 Cr
  - d. Rs.138.67 Cr

Ans. (d)

90. What is the Depreciated Replacement Cost of Plant and Machinery on the date of valuation?
- a. Rs.73.3 Cr
  - b. Rs.80.3 Cr
  - c. Rs.82.1 Cr
  - d. Rs.78.5 Cr

Ans. (c)

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