



UNIVERSITY  
OF  
JOHANNESBURG

**Department of Finance and Investment Management**  
**Advanced Property Valuation and Management A**  
**PVM8X02**

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**LAST ASSESSMENT**

**November 2016**

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**Time: 3 hours**

**Marks: 150**

**Assessor:** Mr A Kruger

**Moderators:** Mrs M Serfontein

**INSTRUCTIONS:**

- This paper consists of 11 pages.
- Answer ALL questions in the **answer book** provided.
- Silent, non-programmable calculators may be used, **unless** otherwise instructed.
- Where applicable, show all calculations clearly.
- Answers with Tippex and in pencil will **not** be marked.
- Scratch out all open spaces and empty pages.
- All the best.

Question	Topic	Marks	Time
1	Objective test questions – various topics	50	60 minutes
2	Plant and equipment	25	30 minutes
3	Feasibility studies	25	30 minutes
4	The Bill of Rights	50	60 minutes

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150

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180 minutes

## QUESTION 1

**[50 marks]**

### REQUIRED:

Select the correct option by colouring (●) the appropriate letter on the answer sheet in the answer script.

1. Business decisions based on \_\_\_\_\_ value reduce risk while business decisions based on inflated value damage reputations and cause losses?
  - a. Fair
  - b. Market
  - c. Assessed
  - d. Business
2. The use of buildings and land are divided into how many categories in a town planning scheme?
  - a. 12
  - b. 3
  - c. 6
  - d. 36
3. Major equipment and mechanical systems include which of the following?
  - a. The plumbing and electrical system; or
  - b. The heating; ventilation and air conditioning system, plumbing and electrical system; or
  - c. Property product analysis as well as the heating; ventilation and air conditioning system; or
  - d. None of the above.
4. Which one of the following are not controlled by zoning and other land use regulations?
  - a. number of units allowed
  - b. utilities
  - c. parking requirements
  - d. building lines
5. The conclusion of highest and best use should be clearly stated in terms of?
  - a. Use(s)
  - b. Timing for use(s)
  - c. Market participants
  - d. All of the above

6. Which of the following possibilities are not to be considered when analysing the highest and best use as improved?
  - a. Modify existing use
  - b. Selling existing building
  - c. Continue the existing use
  - d. Demolish the existing improvements
7. The use of land is not influenced by?
  - a. Climate
  - b. Topography
  - c. Economy
  - d. Trends
8. Property Valuation was first recognised as profession during the depression. Which decade did this depression occur?
  - a. 1900's
  - b. 1910's
  - c. 1920's
  - d. 1930's
9. Which of the following statements is incorrect? The use of land is influenced by?
  - a. Climate do not influence land usage.
  - b. Climate influences land usage.
  - c. Topography
  - d. Trends
10. Highest and best use can be defined as the reasonably and legal use of vacant land or an improved property that is physically impossible, appropriately supported, and financially feasible and that results in the highest value?
  - a. True
  - b. False
  - c. Possible
  - d. Impossible
11. Which of the following tests are implicit and are applied to develop adequate support for the appraiser's highest and best use opinion?
  - a. Legally permissible and physical possible; or
  - b. Maximally productive; or
  - c. Financially feasible; or
  - d. All of the above.
12. Vacant land is?
  - a. Land on which no improvements have been made
  - b. Land in its unnatural state
  - c. Land that has been improved
  - d. Information on the characteristics (physical) of the site

13. Wetlands are defined by which characteristic(s)?
  - a. Soils and floodplain
  - b. Hydrology and soils
  - c. Soils, hydrology and vegetation
  - d. Hydrology and vegetation
14. Environmental considerations include which factor amongst others?
  - a. Lack of air quality
  - b. Local climate
  - c. Unavailability of satisfactory water supply
  - d. No pattern of drainage
15. Interior description involves?
  - a. Electrical systems
  - b. Attached equipment
  - c. Air conditioning and ventilation
  - d. Painting decoration and finishing
16. Quality is?
  - a. the cost and durability of improvement
  - b. durability and efficiency of improvement
  - c. durability of improvement
  - d. cost, durability and efficiency of improvement
17. Which one is not a basic condition that has to be met when establishing a township?
  - a. Restrictive title deed conditions must be cancelled
  - b. The necessary servitudes must be registered.
  - c. If the land is proclaimed mining land, it must either be de-proclaimed or reserved for township purposes.
  - d. a 600m<sup>2</sup> park must be provisioned for.
18. The purpose for which an urban property may be used is controlled by?
  - a. the government
  - b. the owner
  - c. town planning scheme
  - d. the local municipality
19. Valuers are employed for their?
  - a. Lack of training
  - b. Subjective approach to value
  - c. Independence in workings as individual valuers
  - d. Ability to work in groups

20. The following are 4 agents of production?
- a. Durable, land, entrepreneur, commerce
  - b. Land, labour, capital, entrepreneur
  - c. Raw materials, human resources, commerce, industry
  - d. None of the above
21. Which of the following is a crucial element in the highest and best use analysis?
- a. The use effect and other specialized uses; or
  - b. The timing for a specific use; or
  - c. The risk effect; or
  - d. None of the above.
22. Which is not a primary source of information?
- a. public records
  - b. real estate ads
  - c. published news articles
  - d. interviews with market participants
23. Which one is an example of transactional adjustments?
- a. use
  - b. physical characteristics
  - c. conditions of sale
  - d. location
24. \_\_\_\_\_ holds that the value of property tends to be set by the price that would be paid to acquire a substitute property of a similar utility and desirability within a reasonable amount of time?
- a. substitution
  - b. Balance
  - c. Externalities
  - d. Market Analysis
25. The one is not a basic element of comparison?
- a. Financing terms
  - b. Conditions of sale
  - c. Qualitative analysis
  - d. Location
26. To estimate demand valuers do not consider?
- a. the number of potential buyers
  - b. their purchase power
  - c. sellers
  - d. none of the above

27. The process by which a value indication is derived in the sales comparison approach, best describes?
- a. Data analysis
  - b. Comparative analysis
  - c. Quantitative analysis
  - d. Qualitative analysis
28. Qualitative analysis techniques include?
- a. trend analysis
  - b. relative comparison analysis
  - c. ranking analysis
  - d. All of the above
29. \_\_\_\_\_ analysis is applicable when a large amount of market data is available?
- a. Relative Comparison
  - b. Ranking
  - c. Trend
  - d. Physical
30. Which one of the following is not part of an efficient valuation process?
- a. communication
  - b. logical sequences
  - c. two different languages
  - d. well balanced
31. Interpreting and instruction can include the following step(s)?
- i) establishing the purpose of the valuation
  - ii) determine clients requirements
  - iii) determine **exactly** what has to be valued
  - iv) determine when the valuation report must be submitted
- a. i, ii, iii
  - b. i, iv
  - c. all of the above
  - d. none of the above
32. The purpose of annexures is to?
- a. provide evidence of what has been said
  - b. make the report longer
  - c. make the report more appealing
  - d. all of the above

33. Identified parcel or tract of land, including improvements if any is known as?
- Real property
  - Personal Property
  - Trade Fixtures
  - Real estate
34. A valuer with a good character and integrity have the following, except?
- Be loyal to his principal
  - Carry out every instruction to the best of his ability
  - He can do whatever he wants
  - Be prepared at all times
35. Valuation ethics refers to certain aspects. Which one of the options below is not one of those aspects?
- Acceptable or unacceptable valuation reports
  - Accurate or poor estimates of market value
  - Morally correct conduct as valuer
  - Special training
36. Which of the following are factors of value?
- Preference
  - Utility
  - Scarcity
  - B and C
37. Which one of the following is not a factor influencing land use decisions?
- Climate
  - Topography
  - Humidity
  - Trends
38. Land has certain attributes, which one of the following is not a common attribute of land?
- Physically immobile
  - Durable
  - Infinite Supply
  - Unique in its location and composition
39. Which of the following recognizes that land is a resource to be shared by all people and that land is a commodity that can be owned, traded, and used by individuals?
- Law
  - Sociology
  - Geography
  - Economics

40. Which of the following is not an objective of a valuer?
- Keep complete up to date records of the transactions in the market
  - Distort market value in favour of a client
  - Process and analyse those records to determine trends in the market.
  - Constantly do research on property related matters
41. What is the third sequence applied in the transactional adjustments?
- Conditions of sale
  - Financing terms
  - Real property rights conveyed
  - Market conditions
42. Which of the following options is not a quantitative adjustment?
- Data analysis techniques
  - Cost-related adjustments
  - Capitalization of income differences
  - Percentage adjustment
43. In the application of the sales comparison approach quantitative adjustments are made to the sales price of comparable properties. Which of the following is not considered to be such an adjustment?
- Financing terms
  - Market Conditions
  - Property Rights conveyed
  - Leasehold improvements
44. In which order is the sales comparison approach generally applied?
- 1: Inspection, 2: quantitative adjustments, 3: qualitative adjustments, 4: reconciliation.
  - 1: Inspection, 2: qualitative adjustments, 3: quantitative adjustments, 4: Pro forma reconciliation.
  - 1: Qualitative adjustments, 2: quantitative adjustments, 3: Inspection, 4: reconciliation.
  - 1: Pro forma reconciliation, 2: Inspection, 3: quantitative adjustments, 4: qualitative adjustments.
45. Transactions relating to comparable properties can be obtained from which sources?
- Deeds office
  - Property Intellect
  - Windeed
  - All of the above
46. The market value for a single residential property is determined by using?
- Sales comparison approach
  - Cost approach
  - Income capitalization approach
  - None



47. The professional valuer should make sure that the instruction is very clear on the following aspects?
- Identification of the property,
  - The purpose of the valuation,
  - Arrangements to do an inspection of the property,
  - All the above
48. In the valuation process, determining the highest and best use is essential. Which of the following processes is considered complementary to investigating highest and best use?
- Market research and neighbourhood analysis.
  - Defining the valuation problem.
  - Age estimation
  - Functional utility analysis.
49. The providing of sufficient information in order to convince the client of the true value of a property is considered?
- Complementary purpose of the valuation report.
  - Secondary purpose of the valuation report
  - A primary purpose of the valuation report.
  - A tertiary goal.
50. To convey information is the ..... of the valuation report?
- Primary purpose
  - Secondary purpose
  - Sole purpose
  - Most important purpose.

## QUESTION 2

[25]

You should be aware of the Aurora Mine saga.

### AURORA LIQUIDATORS DEFEND THEIR DECISIONS

Dineo Bendile | 2 years ago

JOHANNESBURG – Liquidators, who filed a damages claim against Aurora Empowerment Systems, on Monday told the High Court in Pretoria, they believed they were making a financially sound decision when they sold two Pamodzi mines to the now defunct company.

The Pamodzi liquidators are demanding that Khulubuse Zuma, and his three co-accused pay R1,5 billion in damages caused to the mines.

Aurora directors are accused of stripping and selling the mines' infrastructure and causing the loss of around 5,300 jobs.

The liquidators have reiterated they believe they were misled into entering a business deal with Aurora.

Khulubuse's defence team argued that was not fully aware of the extent of Aurora's financial struggles because he was not involved in the daily running of the company.

The court has heard how several other companies were in the bid to buy the two mines, when Zuma and his co-directors reportedly made an offer nearly five times higher than the original asking price.

The company is accused of fraudulently stating that it could afford the R600 million it offered for the mines.

Meanwhile, angry workers are still picketing outside the court, demanding that Aurora directors pay the outstanding salaries owed to them.

Members of the National Union of Mineworkers are among those protesting outside the High Court, demanding justice be done.

Many of the miners were left destitute after Aurora closed down and have been waiting to be paid for almost five years.

They want Aurora directors to be held accountable for their actions.

(Edited by Refilwe Pitjeng)



You received an instruction to value the plant and equipment for the liquidator.

**Required:**

Describe the conceptual framework underlying the valuation of fixed asset (in-situ plant and machinery) valuations.

### QUESTION 3

[25]

South Africa is known as a mining country and mining has a large impact on the use of land. According to Rupprecht (2004) 'A feasibility study provides a definitive technical, environmental and commercial base and is the key element leading to a decision to invest or not to invest'.

**Required:**

Discuss the feasibility of a proposed mining venture.

### QUESTION 4

[50]

The Constitution of South Africa is the supreme law of South Africa. It provides the legal foundation for the existence of the republic, sets out the rights and duties of its citizens, and defines the structure of the government. South Africa's Constitution is one of the most progressive in the world and enjoys high acclaim internationally.

Chapter two of the Constitution contain the Bill of Rights. The Bill of Rights is a cornerstone of democracy in South Africa. It enshrines the rights of all people in our country and affirms the democratic values of human dignity, equality and freedom. The state and all citizens must respect, protect, promote and fulfil the rights in the Bill of Rights.

**Required:**

Discuss the impact of the Bill of Rights on:

- a) You as a citizen of South Africa; and (25)
- b) Your work as a property valuer in South Africa. (25)

### TOTAL MARKS

150