



**Department of Finance and Investment Management**

**Property Valuation and Management A**  
**ADPVM01**

**SUPPLEMENTARY ASSESSMENT**

**June 2019**

**Time: 2 hours**

**Marks: 100**

**Assessor:** Mr A Kruger

**Moderator:** Mrs N Msibi

**INSTRUCTIONS:**

- The paper consists of 6 pages (front page included).
- The paper must be handed in together with you answer sheet.

Question	Topic	Marks	Time
1	Multiple choice questions chapters 1 - 6	25	30 minutes
2	The nature of value	25	30 minutes
3	Fundamentals of valuation	25	30 minutes
4	Money and capital markets	25	30 minutes
		100	120 minutes

**QUESTION 1**

**(25)**

1) Land is unique because?

- a. No two parcels of land have the same soil composition.
- b. No two parcels of land have the same owners
- c. No two parcels of land have the same tax levies
- d. No two parcels of land can occupy the same space on the face of the earth

2) The supply of land is?

- a. Increasing all the time
- b. Established by surveyors
- c. Infinite
- d. Finite

3) Valuation is?

- a. The act or process of telling the client the market value of the property
- b. The act or process of developing an opinion of value
- c. The report conveyed to the client
- d. A lucrative profession

4) A valuer?

- a. Determines value
- b. Determines price
- c. Measures and develops an opinion of value
- d. Measures price

5) The value of a property to a particular user is known as?

- a. Market equal to cost
- b. Value in exchange
- c. Use value
- d. Leasehold value

6) The tenant of a small, freestanding retail building is a baker who has installed ovens to bake bread. The ovens are large and heavy and were put in the building by removing the back wall of the building. You are performing a refinancing valuation of the property (site and improvements) only. What should you include?

- a. You should include the ovens as part of the property since it would be difficult to remove them
- b. You should not include the ovens as part of the property because they are trade fixtures
- c. You should include the ovens in the valuation because they are worth a lot of money and will add a lot to the property value
- d. You should not include the ovens because they add no value in most markets

7) Market value is?

- a. Always equal to cost
- b. Always equal to sale price
- c. The amount of money a property should sell for on the open market
- d. A fact that can be reported by the valuer

8) A good's capacity to satisfy human desires or needs is known as?

- a. Creative demands
- b. Utility
- c. Functional obsolescence
- d. Effective demand

9) Estimating market value for financial institutions requires identification of the desires and priorities of?

- a. Well-informed buyers and sellers
- b. A fully informed seller
- c. A typically informed purchaser
- d. A typically informed seller

10) Market value can be described as?

- a. The price a person paid for real property
- b. The cost of the land plus the cost of the building
- c. The present worth of future benefits
- d. Whatever someone will pay for something

11) The four agents of production are?

- a. Land, labor, capital, improvements
- b. Land, labor capital, entrepreneurship
- c. Land, labor, capital, money
- d. Land, improvements, labor, materials

12) Supply of single-family residential properties is most affected by?

- a. An increase in employment in the area
- b. A decrease in mortgage interest rates
- c. An increase in the number of apartments built
- d. An increase in the number of homes built

13) Demand for property may be affected by?

- a. Increasing population and employment.
- b. Availability of mortgage financing
- c. Increases in purchasing power
- d. All of the above

14) Two homes in the same suburb have the same amenities, size, features, and location. One is priced at R100000 and the other is priced at R110000?

- a. The lower-priced home will sell quickly
- b. The lower-priced home will attract more demand
- c. The lower-priced home will get more showings
- d. The lower-priced home will sell for the full list price

15) A lease?

- a. Must be for at least one year
- b. Conveys the right of occupancy to another
- c. Must include the landlord paying the taxes
- d. Does not affect the valuer since it does not affect the salable interest

16) Life right?

- a. Are not salable and therefore are never valued
- b. Represent the full bundle of rights limited by the life of a person
- c. Are not legal in most countries
- d. Cannot be used for income property

17) Externalities are?

- a. Factors outside the property that can affect the property value
- b. Losses in value due to design and changes in building standards
- c. Increases in value due to changes in land value
- d. Losses in value due to changes in buyer preferences

18) Servitudes are another division of property rights. They usually give the right?

- a. To cross over another person's property without permission
- b. To access the property to perform a specific service
- c. To use the property during the term of the lease to a tenant
- d. To reenter the property if the payments are not made on time to a lender

19) Zoning and environmental protection regulations are examples of?

- a. Clouds on title
- b. Public use
- c. Escheat
- d. Police power

20) A mortgage is a?

- a. Document that makes a borrower promise to repay the money
- b. Document that gives the interest rate and terms of a loan
- c. Pledge of collateral for a real estate loan
- d. Pledge of collateral for a car loan

21) A gross lease is?

- a. A lease in which the landlord receives stipulated rent and is obligated to pay all or nearly all operating expenses and real estate taxes
- b. A lease in which the landlord receives stipulated rent and is obligated to pay none of the operating expenses nor taxes
- c. A lease in which the landlord receives stipulated rent and passes through all or nearly all operating expenses and taxes
- d. A lease in which the tenant pays some expenses and the landlord pays some

22) Property (real estate) is?

- a. The rights in property
- b. The physical land and improvements affixed to the land
- c. What transfers on the day of registration
- d. The “bundle of rights”

23) The value of improved residential property is most influenced by?

- a. Passage of time
- b. Brokers opinions of the value of properties
- c. Changes in shopping patterns for consumers of goods and services
- d. Cost of construction increases

24) Which of the following is not a part of the market value definitions used by financial institutions?

- a. Buyer and seller are typically motivated
- b. The property sells in 90 to 120 days
- c. Payment is made in cash or cash equivalent terms
- d. Both parties are well informed

25) Investment value means?

- a. The value of a specific property to anyone
- b. The value of a property within a specific use
- c. The value of a property to a specific buyer with specific investment criteria
- d. The value that lenders will base loans on

**QUESTION 2**

**(25)**

You received an instruction from the executor of an estate to determine the value of the fixed property in the estate of the late Mr. Zwane. Briefly explain the different types of value to the executor and inform him that the Master of the Supreme Court require the market value for the fixed property in an estate. Discuss the four components of market value in detail.

**QUESTION 3**

**(25)**

Define, discuss and provide details of how the following concepts influence the value of property:

- a) Anticipation and change;
- b) Balance;
- c) Externalities;
- d) Substitution; and
- e) Supply and demand.

**QUESTION 4**

**(25)**

One of your friends is in the process of buying a house and has asked your advice with regard to financing the purchase. Describe all the financial products available for the financing of property purchases in South Africa to your friend. Recommend the most suitable product for the purchase of a residential property, provide reasons for your recommendation.

**TOTAL 100**