

## **WRITTEN EXAMINATION**

### **PAPER II**

**9 NOVEMBER 2006**

**10.45am – 12.45pm**

**Time Allowed – 2 Hours**

#### **Instructions to Candidates:**

1. Complete the Green Examination Information Sheet by stating your examination reference number (not your name) together with the area in which you are practising and the local Association of which you are a member. Attach the green sheet to the top of your answer pad and ring the numbers of the **three** questions that you have answered.
2. Write your reference number (not your name) on each page. Number each page in the top right-hand corner.
3. Write on one side of the paper only, leaving the margin on the left- hand side.
4. Start each answer on a separate sheet and place your answers in numerical order.
5. Time has been allowed for you to read through the Question Paper **and plan** your answers.
6. You should attempt to answer **three** out of the five questions, listing them on the green sheet.
7. All questions carry equal marks: 20 each.
8. Questions are framed so as to minimise the need to make assumptions but state clearly any that you do make and the reasons for them.
9. Where appropriate, you will be expected to state the relevant Act, Statutory Instrument or case upon which you have based your answers.
10. You may use imperial or metric measurements in your answers. Please indicate which units you are using.
11. The presentation and clarity of your answers is important.

## PAPER II, Q 1

You have been approached by a prospective client, Mr Brown, who already farms 250 hectares, of mainly arable land. He wishes to purchase an off-lying area of 100 arable hectares in his son's name and to be run as a separate business.

Mr Brown proposes to borrow the capital from the Bank but the Bank Manager has asked to what extent the business would be self-supporting and capable of servicing an interest charge.

Produce a basic

- **budget** and

8 marks

- **quarterly cash flow**

4 marks

for the operation of the business for the first harvest year (excluding capital investment) for presentation to your client and the Bank Manager.

Set out clearly your **assumptions** in **notes** as to a simple rotation and entitlements and any other matters you consider appropriate to include.

6 marks

General

2 marks

## PAPER II, Q2

Your client has recently returned home to farm his elderly father's mixed 50 ha arable and suckler herd farm, only to find that his father's failing health has meant that he is not aware of recent legislation on agricultural waste. A neighbouring landowner has threatened to complain to the relevant authority about accumulating "rubbish" and pollution worries.

Your client needs you to advise him on the new regulations as they affect the farm.

Write a **letter** to your client to advise him on

- the new waste regulations

12 marks

- the consequences of non-compliance

6 marks

General

2 marks

## PAPER II, Q3

Your owner-occupier client has just received a telephone call from an agent working on behalf of a well-known telecommunications company. They are anxious to increase coverage in your client's area and have identified an ideal spot for a new 15m mast approximately 200 metres to the rear of the farmyard. Your client is very interested in negotiating terms with the agent, in order to obtain income from an alternative source.

Prepare **detailed Heads of Terms** (making assumptions where necessary) to be sent to the telecommunication company's agent.

20 marks

## PAPER II, Q4

There is one matter outstanding relating to your client's father's Inheritance Tax affairs. The solicitors have written to you stating that the District Valuer is claiming that there is a difference between the market value and the agricultural value of Home Farmhouse. It has been agreed it was both a farmhouse and of a 'character appropriate' to the holding.

The local DV has given the following figures:

Market Value	<b>£525,000</b>
Agricultural Value	<b>£315,000</b>

The solicitors have asked you to discuss the figures with the DV as the difference between the two values is subject to IHT at 40%

Home Farmhouse is a charming tile-hung brick and tile dwelling with a gross external area of 350m<sup>2</sup> and located in the commuter belt. It is well away from the main farm buildings. You are aware that there is strong demand for properties like this in the locality, especially if there is land attached. You have a number of agreements on other properties where the difference is less (but none of your comparables is of the same quality as Home Farmhouse).

Write **notes** in preparation for a meeting with the DV setting out detailed reasons why you think the percentage difference should be different.

10 marks

Set out in a **letter** to the solicitors the reasons why there could be a difference between the two figures as the beneficiary has asked them for an explanation.

10 marks

## PAPER II, Q5

Your client, Ms Plum, owns a medium sized holding which is let to a farming partnership in which she is a partner. When you met her recently you agreed to investigate the possibility of applying for planning permission for residential development of a small detached stone barn, which is located some distance from the main buildings up a metalled track. She has asked you to write to her setting out what needs to be done to bring this to fruition. The Local Planning Authority has indicated, informally, that it would be sympathetic to some form of development. Connecting all of the services, however, may be difficult to achieve.

Compose a **letter**, in straightforward terms, to Ms. Plum outlining the steps required including

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| a. the issues surrounding tenure   | 5 marks |
| b. other pitfalls she is likely to encounter   | 7 marks |
| c. the feasibility of any scheme (itemising heads of costs she is likely to incur and any possible grants) | 6 marks |

to help her in her decision making.

General	2 marks
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