**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**



**NATIONAL WRITTEN EXAMINATION**

**PAPER I**

**10 NOVEMBER 2016**

**9.00am – 10.30am**

**Time Allowed – 1½ Hours**

**Instructions to Candidates:**

1. Complete the Green Examination Information Sheet by stating your examination candidate 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 two questions that you have answered.
2. Write your candidate number, the number of the question and the page number in the top right hand corner of each page.
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 **two** out of the three questions, ringing their numbers on the green sheet. Where relevant state whether you are answering for England, Wales or Scotland.
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.

**Question 1**

This question has eight parts (A) to (H). Please answer only **FIVE** of them. Each earns an equal four points.

1. Provide brief details of the “Greening” rules for arable land only and the exemptions that apply under the current CAP regime.
2. A conflict of interest may be a reason why you could not accept instructions to undertake a job for a client. Give two examples of a conflict of interest and also two further examples of different reasons why you could not undertake a job.
3. What is a “Risk Assessment”? Give one example of an identified risk and explain how a firm might best handle it.
4. What are the requirements for handling rents paid to your firm in respect of land you manage for a client?
5. Name the bases of valuations identified in the “Red Book”. Give three examples of valuations to which the Red Book does not apply.
6. What are the legal requirements that have to be met for a house to be marketed and let by an agent?
7. Outline the basic requirements to enable an applicant to qualify for succession to a tenancy of agricultural land that commenced in 1961.
8. What insurances are a professional firm of Surveyors and Valuers likely to require? Are there any minimum requirements of cover?

**Question 2**

You have been asked to prepare a valuation of a property owned by Mr and Mrs Farmer in a popular holiday area close to your office. The purpose of the valuation is secured lending as they need a bank loan to build a new grain store. The property comprises:

* a large six bedroomed farmhouse, three bedrooms of which have recently been used for a bed and breakfast business by Mrs Farmer, currently producing income of around £27,000 per annum.
* a farm worker’s cottage with an agricultural occupancy condition. It is currently vacant.
* modern farm buildings for general machinery and grain storage
* 420 acres of arable land
* 50 acres of woodland on the edge of the farm, of which 10 acres were planted two years ago.
* a building plot with planning permission on the High Street.

1. What governs the content and format of your report? What is the basis of valuation? Please also give the formal definition of this. **2 marks**
2. Summarise in bullet point format the key headings you will use in the main part of a full valuation report and what you will attach as appendices to the report.

**10 marks**

1. Does the bed and breakfast business or agricultural occupancy condition have an impact on the value of the property? Please explain the reasoning for your answer.

**4 marks**

1. The banker has asked you to address valuation uncertainty and valuation risk in your report. What should be covered for these in autumn 2016? **2 marks**
2. Explain where you obtain and how you use comparable property information to assist with your valuation. **2 marks**

**Question 3**

You have taken a telephone call from Mrs Ann Smith whose 55 year old husband, John Smith, was killed last week in a car accident. She would like to meet you following the funeral to discuss her options for the future and her short-term concerns.

You know the following:

* the farm which was owned and farmed by John is 80 hectares with poor facilities and a modest farmhouse
* the land is heavy clay but all arable
* cropping this year is 20 ha first wheat, 20 ha second wheat and 20 ha winter barley. You do not know what is planned for the remaining land
* in previous years, a third of the cropping was sold forward for harvest movement with the remainder sold before Christmas
* John was a sole trader and apart from some casual help had no staff. John completed his own BPS application
* John has invested heavily in machinery and has used the Annual Investment Allowance to reduce his Income Tax liabilities
* Ann has converted a building on the farm to an office and runs a successful insurance brokerage from there. She works full time and has little practical farm experience.
* their only child, Robert, is 18 and has just started an agricultural degree
* John’s will leaves the farm and business to Ann outright. There is a mortgage of £250,000 and an overdraft facility

In **bullet points**, set out briefly your notes and recommended action in preparation for the meeting under the following headings giving, where appropriate, the pros and cons for each option you have identified:

1. In the short term, the options for managing the farm and John’s business until harvest 2017. Flag up any issues which might be a problem **10 marks**
2. After 2017, the alternatives if Robert decides he wants to take over the farm after leaving University **5 marks**
3. If, after 2017, neither Ann nor Robert want to manage the farm **5 marks**