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OBAFEMI AWOLOWO UNIVERSITY ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT

BSc.(Estate Management), Harmattan Semester Examination, 2010/2011 Session

ESM 515-Plant and Machinery Valuation 1

Instruction: Answer four questions in all.

TIME ALLOWED: 2 hours

- (1a) "Certain data can be physically identified and collected on a plant, equipment or machinery as distinct from some latent data. A specialist plant and machinery Valuer can readily discern this information in the course of inspection/survey". Discuss. [7 marks]
- (b) There are various problems besetting plant and machinery valuation in Nigeria. List ten of them and discuss. [8 marks]
- (2a) Explain the condition of average clause in relation to plant and machinery valuation. [5 marks]
- (b) PZ automobile company valued its plant and machinery in 2006 at N30 million, but insured it with Ark Insurance Plc for only N15 million in 2008. The loss adjustment established a sustained loss of N5 million under the "condition of average clause". Assess the financial obligation of Ark Insurance Plc to PZ automobile company to be incorporated in the annual report of the company. [10 marks]
- (3a) The firm of Taiwo & Co, Estate Surveyors and Valuers was commissioned by the Oyo State Government in 2008 to value Oyo State commercial water corporation plant located at Akinyele layout for privatization. Akinyele water plant was established by the then Oyo State Government in 1977 at the total cost of N55 million for portable water service, inclusive of installation cost. The plant is expected to produce at a full capacity of 20,000 tanks of water annually. However, due to the economic situation in the country the plant is producing 10,000 tanks annually. The plant was installed by Japanese technicians and serviced by the in-house experts at N1.5 million annually. Most spare parts are still being imported from Japan. The plant is functional and producing a net income of N3.5m annually. Investigation of the manual of the plants reveals that the physical life of the plant could be up to 60 years if regularly maintained.

Japanese Engineers installed a similar plant at Akure, Ondo State in 2005 at the total cost of N55 million. The plant is producing at 90% installed capacity and making a net income of N6.7million.

Information at the website of the manufacturing company states that the current market price of the same model of plant is 480,000 dollars.

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