

# CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS



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## WRITTEN EXAMINATION

### PAPER I

**15 NOVEMBER 2007**

**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 (not your name) on each page. Put the number of the question and the 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 **two** out of the three 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 I, Q 1

From the scenarios presented below, pick **four out of five** options and write short notes upon the methodology in carrying out a valuation of the assets. Include in your answers what statutory provisions, case law, guidance and/or similar points that may apply.

- a) Valuation of a 50 hectare grassland farm with a substantial house for the administration (probate) of a recently deceased client's estate.
- b) Valuation for stocktaking purposes of :-
  - [i] 20 homebred fattening cattle
  - [ii] 100 tonnes of milling wheat in store
  - [iii] 7 bags of three year old nitrogen in 600kg bags stored outside
- c) [i] Winter OSR sown on 1<sup>st</sup> October 2007 in a Michaelmas tenancy on a takeover date of 6<sup>th</sup> April 2008 for an 1986 Act tenancy
  - [ii] A field scheduled as permanent pasture in the tenancy agreement ploughed out without consent in September 2007 valued at 6<sup>th</sup> April 2008 for a valuation for 1986 Act tenancy
  - [iii] A midden/heap of farmyard muck 40m x 6m x 2m adjacent to an intended potato field.
- d) Three hectares of building land with planning permission for housing - Valuation for sale.
- e) A vacant farm bungalow, subject to an agricultural occupancy clause - valuation for sale.

Answer four out of options (a) to (e). Each option is worth 5 marks

## PAPER I, Q 2

Your client, Professor Field, was bequeathed a 400 acre cereal farm in 1980 by his aunt.

Up until the mid-1980's the farm was held on a typical agricultural tenancy, when the tenant went abroad unexpectedly leaving no successors.

Professor Field is considering selling off 55 acres of the farm, the portion east of the main trunk road, to an adjoining agribusiness, Cropwise Farms Ltd. There are no buildings or dwellings on this part. The land is currently in-hand and farmed on a contract farming arrangement in association with a neighbouring farmer, John Smith Farms. Cropwise Farms Ltd is land-hungry and has already indicated that it "is prepared to pay the going rate to purchase land". Currently, in Professor Field's area, bare land for cereals is fetching around £4,000 per acre on the basis of moderate demand.

You have been asked to give advice on the likely level of Capital Gains Tax liability Professor Field is due if the disposal date were this November.

The Professor has also asked what sort of valuations are required, what level of fee would be required for your advice and what negotiations are likely and with whom. Professor Field is a higher rate taxpayer.

Compose a straightforward **letter** to Professor Field outlining the issues involved. Your letter must include the following:

- |  |           |
|--|-----------|
| (a) The base value for the calculation                       | (3 marks) |
| (b) Ideas as to any likely overbid by the eventual purchaser | (4 marks) |
| (c) The best method of sale                                  | (2 marks) |
| (d) Tax calculation methodology and any reliefs available    | (5 marks) |
| (e) Likely pitfalls to be encountered                        | (4 marks) |
| (f) Likely fee structure                                     | (2 marks) |

Twenty marks in total

### **PAPER I, Q 3**

A farmer client expanded his business by taking on 200 hectares of bare let land in November 2004, under a separate agreement, to add to his existing holding which he has held under a full agricultural tenancy since November 1980.

The landlord of both holdings has indicated that he believes rent reviews are due. Your client has asked if the procedure is the same for both tenancies.

Please outline in your answer:-

1. The procedures that should be adopted. (5 marks)
2. The basis for the rent review for each tenancy. (5 marks)
3. The position if the parties are unable to reach agreement. (5 marks)

The landlord has also said that he would like to amalgamate the two holdings and let them under a single agreement, in return for which he would forego any increase in rent for a further 3 years.

4. Your client has asked what might be behind this proposal and on what terms should he consider this request? (5 marks)