

NAME: _____

**OBSOLESCENCE FOR PERSONAL PROPERTY & FIXTURES
SELF-STUDY SESSION**

REVIEW QUESTIONS

1. Article XIII, section 1, of the California Constitution provides that all property is taxable unless exempt by the Constitution or by statute.
 True
 False
2. All property is subject to the base year value limitations of article XIII A unless specifically exempted.
 True
 False
3. _____ is the process of valuing a group of properties as of a given date using _____ for taxation purposes.
4. Data pertinent to the assessment of a specific property can only be considered by the assessor when the information is presented by the taxpayer before the assessment is enrolled.
 True
 False
5. What are the major appraisal approaches for estimating value for locally assessed property [mark all that apply]?
 Comparative sales approach
 Replacement/reproduction cost approach
 Historical cost approach
 Income approach
 Stock and debt approach
 All of the above

6. The cost approach is the preferred approach for the appraisal of land when reliable sales data for comparable properties are not available.
- True
- False
7. The rationale for the use of the cost approach is based upon the economic principle of substitution.
- True
- False
8. The replacement cost approach is the cost to replace an existing property with an identical property as a basis for estimating value.
- True
- False
9. In making a decision to purchase replacement property or equipment, a buyer would generally consider [mark all that apply]:
- Age of the property
- Remaining expected life of the property
- Cost to acquire the property
- Functionality of the property
- Expected cost to operate the property being replaced compared to the new property
- All of the above
10. Property Tax Rules 6 and 10 define valid cost components as including [mark all that apply]:
- Interest on borrowed or owner-supplied funds
- Entrepreneurial services
- Installation costs
- Labor
- Material
- Freight or shipping costs
- Other costs typically incurred in bringing the property to a finished state
- Sales or use tax

11. A property's recorded purchase price does not necessarily reflect all costs required to estimate value for assessment purposes, nor does it necessarily exclude costs which do not contribute to value.
- True
- False
12. _____ is the loss in value which may be the result of wear and tear either from use or exposure to various elements.
13. External obsolescence may include the loss of value due to [mark all that apply]:
- Changing marketplace
- Design of the property
- Exposure to elements
- Environmental factors
- All of the above
14. The _____ measures depreciation according to its separate sources of physical deterioration, functional obsolescence, and external obsolescence.
15. For the business property statement, each piece of equipment is not identified and valued separately, but rather, the equipment is valued as a group based on the type of business and the classification of the property.
- True
- False
16. Technological progress can affect the value of an asset. Indications of changes in technology may include [mark all that apply]:
- Changes in equipment design
- Lower acquisition costs for newer equipment
- Changes to processes
- Increased capacity in newer equipment
- Lower operating costs for newer equipment
- All of the above

17. If the depreciation for an asset is 25 percent, then the percent good would be:
- 25 percent
- 80 percent
- 20 percent
- 75 percent
- None of the above
18. The _____ or _____ method is based on the relationship between physical age and estimated economic life.
19. There are various methods of estimating physical deterioration. Three methods include:
- a _____
- b _____
- c _____
20. Match the definition of each term when determining the condition of equipment while estimating physical deterioration.

1	Excellent
2	Fair
3	Salvage
4	Poor
5	Good

	Equipment which may require general repairs and some replacement of minor elements in the foreseeable future to raise them to the capacity of being used to or near their original specifications.
	Equipment not possible to realize full capacity in their current condition without extensive repairs and/or the replacement of major elements in the near future.
	Items that are in near-new condition and have had very little use.
	Equipment that may or may not have been modified or repaired and are capable of being used at or near their fully specified use.
	Equipment whose value remains in the whole property or a component of the whole property that has been retired from service.

21. When the capacity or efficiency of a property to perform the function for which it was intended declines, _____ is present.

22. Match the definition of each term.

1	Straight-line method
2	Chronological age
3	Effective age
4	Average service life
5	Physical life
6	Observation method
7	Breakdown method

	The estimated number of years that a new property will physically endure before it deteriorates or fatigues to an unusable condition purely from physical causes.
	The number of years that have elapsed since an item was originally built or placed into service.
	Measures depreciation according to its separate sources of physical deterioration, functional obsolescence, and external obsolescence.
	The average life term of a group of items.
	Where depreciation is estimated by dividing the actual or effective age of a property by the estimated economic life.
	The apparent age of a property in comparison with a new property of like kind.
	Where physical deterioration is estimated by observing the condition of the property.

23. Where equipment has undergone rapid changes in technology, reproduction cost and replacement cost are likely to be similar.

True

False

24. The cost estimate that results from the cost-to-capacity method represents the cost of a new, modern replacement asset of the same capacity as the subject property.

True

False

25. There are few industries where functional obsolescence may be typically found.

True

False

26. External obsolescence is typically incurable because it is not within the control of the property owner and because it is always permanent.
- True
- False
27. A plant not operating at full capacity may be caused by physical deterioration, functional obsolescence, or external obsolescence.
- True
- False
28. Inutility must be evaluated in the context of whether the obsolescence has not been recognized through market forces typically in place for a recent sale.
- True
- False
29. The difference in the computation for _____ and for _____ is the reason attributed to the excess operating expenses.
30. Consistent with section 441(d), any evidence and/or data submitted by the taxpayer may be subject to verification by the county assessor through a review of source documents.
- True
- False