

7.1) Definition

Valuation is the technique of determining the fair price or a value of a property such as a building, a factory, other engineering structure, land, etc.

Necessity of Valuation -

The main purpose of valuation are as follows -

- ① For Buying or selling property -
- ② ~~Taxation~~ When it is required to buy or sell a property, its valuation is required.

② Rent fixation -

In order to determine the rent of a property, valuation is required. Rent is usually fixed on certain percentage of the amount of valuation (6% to 10% of the valuation).

③ Taxation -

To assess the tax of a property its valuation is required. Taxes may be Municipal Tax, Wealth Tax, Property etc, and all taxes are fixed on the valuation of the property.

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(IV) Security of Loans or Mortgage - when loans are taken against the security of the property, its valuation is required.

(V) Compulsory acquisition - whenever property is acquired by law compensation is paid to the owner/Department. To determine the amount of compensation valuation of the property is required.

~~(VI) Valuation of a property is~~

(VI) Gift Tax - when property is gifted, the valuation of the property is necessary to assess the gift tax.

(VII) Insurance - To determine insured value of property for the purpose of fixation of insurance ~~fee~~ premium valuation is required.

COST :- It is the actual amount incurred in producing commodity.
- In Civil Engg cost of property, land cost plus the construction cost.

Price - It is the cost of the commodity plus profit of the manufacturer.
- In Civil Engg. Price of property is the cost of property plus the contractor's profit.

Value - It is the corresponding exchange of one commodity to any other commodity.
- In Civil Engg. Value of the property is expressed in terms of money. Value of the property is its utility. Value varies with time, demand supply ratio, etc.
Value of a property may not be same as its cost.

Difference Between Cost, Price and Value:

Sr. no.	Cost	Price	Value
1.	Cost is fixed for a particular property.	Price varies with % of Profit of the contractor	Value depends upon many factors and can change
2.	The Cost of construction is same in different parts in a particular city.	The price of the property can change with respect to time depending upon demand/supply.	The value of the property will be determined by its location and demand/supply.

Characteristics of Value:

- (i) Value depends upon the purpose for which it is valued.
- (ii) Value of the property means its worth or utility.
- (iii) The location of the property greatly affect its value.
- (iv) The cost of construction may have no relation with its value.
- (v) The value of a property within a short time may be more or less depending upon demand of supply.