

Name: Tania De CapuaID# [REDACTED]

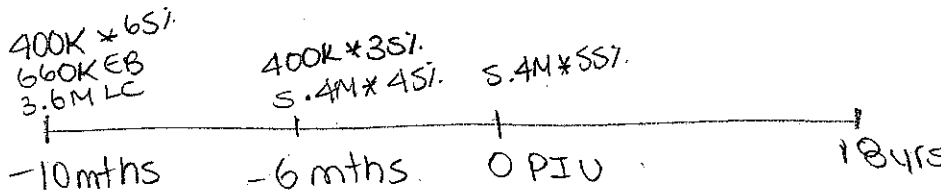
Fina450/1 AA (SUMMER 2011)

Quiz #1B (worth 5%)

May 17<sup>th</sup>, 2011

- Period of analysis is 18 years effective put-in-use ✓
- Demolition costs: \$400,000 ✓
- Construction Costs: \$5,400,000 (includes \$1,300,000 for condos)
- Land: \$3,600,000 ✓
- Building (Existing): \$660,000
- Demolition time: 4 months
- Construction time: 10 months (including demolition time) ✓  $10-4=6$
- Financing cost at 8.25% per annum, compounded monthly
- Financing of demolition costs: 65% down, and balance paid on completion of demolition ✓
- Financing of construction costs: 45% down, and balance paid on completion of construction ✓
- The condos were sold for \$4,100,000
- Taxable capital gains: 50%
- Tax rate: 40%
- Land sold for market value based on inflation rate
- Building sold for 39% above costs at put-in-use
- Inflation rate per annum: 2.85% ✓

Note: Assume financing costs of land transferred to ~~land~~ Building  
 Assume EUCC of Building is 45% of the building costs at put-in-use



TCOP

LC + FC

$$3.6M \left(1 + \frac{8.25}{12}\right)^{10} = \$3,855,299$$

EB + FC

$$660K + \left(1 + \frac{8.25}{12}\right)^{10} = \$706,805$$

Name:

ID#

**COMPLETE THE TABLES BELOW**

Land costs + financing costs	\$ 3 855 299
Existing building + financing costs	706 805
Demolition costs + financing costs	424 313
Construction costs + financing cost	5 501 976
<b>TOTAL COSTS OF PROJECT at piu</b>	\$ 10, 488, 393
CFAT Sale of Condos at piu	3, 544, 910
<b>NET COSTS OF PROJECT at piu</b>	\$ 6, 943, 483

piu = put-in-use

CFAT = Cash Flow After Tax

Selling price of Land	\$ 6, 111, 532
Land costs + financing costs	(3, 600, 000)
Existing building + financing costs	(706, 805)
Capital gains	1, 804, 727
Taxable capital gains @ 50%	902, 364
Taxes payable @ 40%	(360, 946)
<b>CFAT Sale of LAND</b>	\$ 5, 750, 586

Selling Price of Building	\$ 6, 751, 283
Capital gains tax @ 50% @ 40%	(378, 849)
Recapture tax	(1, 068, 548)
<b>CFAT Sale of BUILDING</b>	\$ 5, 303, 886

Name: Hadrien MalzoumID# 15571230

Fina450/1 AA (SUMMER 2011)

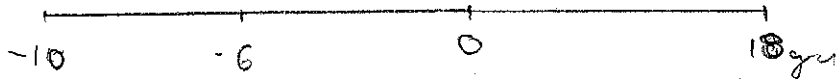
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- ✓ The condos were sold for \$4,100,000
- Taxable capital gains: 50%
- Tax rate: 40%
- Land sold for market value based on inflation rate
- Building sold for 39% above costs at put-in-use
- Inflation rate per annum: 2.85%

Note: Assume financing costs of land transferred to ~~land~~ building.

Assume EUCC of Building is 45% of the building costs at put-in-use



$$LC + FC \quad 3,600,000 \cdot \left(1 + \frac{8.25\%}{12}\right)^{10} = \$3,855,299$$

$$EB + FC \quad 660,000 \left(1 + \frac{8.25\%}{12}\right)^{10} = \$706,805$$

$$DC + FC \quad [400,000 \cdot 0.65] \left(1 + \frac{8.25\%}{12}\right)^{10} = \$278,438$$

$$[400,000 \cdot 0.35] \left(1 + \frac{8.25\%}{12}\right)^6 = \$145,875 \quad T \quad \$424,313$$

$$C + FC \quad [5,400,000 \cdot 0.45] \left(1 + \frac{8.25\%}{12}\right)^6 = 2,531,976$$

$$5,400,000 \cdot 0.55 = 2,970,000 \quad T \quad 5,501,976$$

Total 10,488,393

$$\begin{aligned} &609549.82 \quad 609550 \\ &\quad 585,000 \\ &1,300,000 \cdot 0.45 \left(1 + \frac{8.25\%}{12}\right)^6 \\ &\quad 715,000 \\ &1,300,000 \cdot 0.55 \\ &= 1,324,550 \end{aligned}$$

SP Condos	4,100,000	a
condo cost + FC	1,324,550	b
	2,775,450	c
CG 50%	1,387,725	d
Tax 40%	555,090	e
CFAT	3,544,910	a-e

Name: Hadrien Malzoni

ID#

9354022**COMPLETE THE TABLES BELOW**

Land costs + financing costs	\$3,855,299
Existing building + financing costs	706,805
Demolition costs + financing costs	424,313
Construction costs + financing cost	5,501,976
<b>TOTAL COSTS OF PROJECT at piu</b>	\$10,488,393 ✓
CFAT Sale of Condos at piu	3,544,910 ✓
<b>NET COSTS OF PROJECT at piu</b>	\$6,943,483 ✓

p i u = put-in-use

CFAT = Cash Flow After Tax

Selling price of Land	\$6,111,532 ✓
Land costs + financing costs <i>transferred to bldg</i>	3,600,000
Existing building + financing costs	706,805
Capital gains	\$1,804,727 ✓
Taxable capital gains	902,364
Taxes payable	360,946
<b>CFAT Sale of LAND</b>	\$5,750,586 ✓

Selling Price of Building	\$6,751,283
Capital gains tax	378,849
Recapture tax	1,068,548
<b>CFAT Sale of BUILDING</b>	\$5,303,886 ✓

Name: STEPHEN LAM

ID# 1030

Fina450/1 AA (SUMMER 2011)

Quiz #1A (worth 5%)

May 17<sup>th</sup>, 2011

- ✓ Period of analysis is 18 years effective put-in-use
- ✓ Demolition costs: \$300,000
- ✓ Construction Costs: \$5,000,000 (includes \$1,200,000 for condos)
- ✓ Land: \$3,400,000
- ✓ Building (Existing): \$600,000
- ✓ Demolition time: 2 months
- ✓ Construction time: 10 months (including demolition time)
- ✓ Financing cost at 8.45% per annum, compounded monthly
- ✓ Financing of demolition costs: 45% down, and balance paid on completion of demolition
- ✓ Financing of construction costs: 65% down, and balance paid on completion of construction
- ✓ The condos were sold for \$4,000,000
- ✓ Taxable capital gains: 50%
- ✓ Tax rate: 40%
- ✓ Land sold for market value based on inflation rate
  - Building sold for 36% above costs at put-in-use ✓
  - Inflation rate per annum: 2.65% ✓

Note: Assume financing costs of land transferred to ~~land~~ <sup>BUILDING</sup> ✓

Assume EUCC of Building is 45% of the building costs at put-in-use ✓

10 ✓

Name: STEPHEN LIMID# 5410363**COMPLETE THE TABLES BELOW**

Land costs + financing costs	3,647,147
Existing building + financing costs	643,614
Demolition costs + financing costs	319,340
Construction costs + financing cost	5,187,660
<b>TOTAL COSTS OF PROJECT at piu</b>	9,797,761
CFAT Sale of Condos at piu	3,449,008
<b>NET COSTS OF PROJECT at piu</b>	6,348,753

*piu = put-in-use**CFAT = Cash Flow After Tax*

Selling price of Land $3,400,000 \times (1 + 0.0265)^{8 \frac{10}{12}}$	5,564,240
Land costs + financing costs	(3,400,000)
Existing building + financing costs	(643,614)
Capital gains	1,520,622
Taxable capital gains 50%	760,313
Taxes payable 40%	(304,125)
<b>CFAT Sale of LAND</b>	5,260,115

Selling Price of Building $4,509,109 \times 1.36$	6,132,388
Capital gains tax $(6,132,388 - 4,509,109) \times 0.5 \times 0.4$	(324,656)
Recapture tax $(4,509,109 - 0.45 \times 4,509,109) \times 0.4$	(992,004)
<b>CFAT Sale of BUILDING</b>	4,815,728

Name: SAUD ABDULLA

ID# 9316809

Fina450/1 AA (SUMMER 2011)

Quiz #1A (worth 5%)

May 17<sup>th</sup>, 2011

- Period of analysis is 18 years effective put-in-use
- Demolition costs: \$300,000
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- Inflation rate per annum: 2.65%

Note: Assume financing costs of land transferred to ~~land~~ building.

Assume EUCC of Building is 45% of the building costs at put-in-use

$$\begin{aligned} \text{Land cost} + fc &= 3,400,000 (1 + 0.0845/12)^{10} = \$3,647,147 - \\ \text{EB} + fc &= 600,000 (1 + 0.0845/12)^{10} = \$643,614 - \\ \text{DC} + fc &= 0.45(300,000)(1 + 0.0845/12)^{10} = \$144,813 - \\ &= 0.55(300,000)(1 + 0.0845/12)^8 = \$174,527 - \\ &\quad \underline{\$319,340 -} \end{aligned}$$

$$\begin{aligned} \text{CCFC} &= 0.65(5,000,000)(1 + 0.0845/12)^8 = \$3,437,660 - \\ &= 0.35(5,000,000) = \$1,750,000 - \\ &\quad \underline{\$5,187,660} \end{aligned}$$

$$\text{TCOP} = \$9,797,761$$

Name: SAUD ABU LLA

ID# 9316809

**COMPLETE THE TABLES BELOW**

Land costs + financing costs	\$ 3,647,147
Existing building + financing costs	\$643,614
Demolition costs + financing costs	\$319,340
Construction costs + financing cost	\$5,187,660
<b>TOTAL COSTS OF PROJECT at piu</b>	\$9,797,761
CFAT Sale of Condos at piu	\$3,449,008
<b>NET COSTS OF PROJECT at piu</b>	<del>\$6,348,753</del>

p i u = put-in-use

CFAT = Cash Flow After Tax

Selling price of Land	\$5,564,240
Land costs + financing costs	3,400,000 \$
Existing building + financing costs	643,614 \$
Capital gains	1,520,626 \$
Taxable capital gains	\$760,313
Taxes payable	\$304,125
<b>CFAT Sale of LAND</b>	<del>\$5,260,115</del>

Selling Price of Building	\$6,132,388
Capital gains tax	\$324,656
Recapture tax	\$992,004
<b>CFAT Sale of BUILDING</b>	<del>\$4,815,728</del>