

**Level II**  
**Class Problem # 4**  
**Development of Allowable Expenses**

Given below is the statement of expenses for the Gateway SC as prepared by the owner's accountant. They are actual bank withdrawals and are assumed to be correct. In your analysis of the statement for appraisal purposes, you have decided that some items can be used as stated, others need to be eliminated, and some need to be pro-rated. Indicate with an "X" which items you would use as stated, pro-rated (over more than one year), or would eliminate from your reconstructed operating statement.

	<u>As Stated</u>	<u>Pro-Rate</u>	<u>Eliminate</u>
A. Management Fees	<hr/>	<hr/>	<hr/>
B. Advertising	<hr/>	<hr/>	<hr/>
C. Maintenance Personnel Salaries	<hr/>	<hr/>	<hr/>
D. Maintenance Personnel Benefits	<hr/>	<hr/>	<hr/>
E. Debt Service on Mortgage	<hr/>	<hr/>	<hr/>
F. Water and Sewage Fees	<hr/>	<hr/>	<hr/>
G. Electricity	<hr/>	<hr/>	<hr/>
H. Gas for Heating	<hr/>	<hr/>	<hr/>
I. New Roof	<hr/>	<hr/>	<hr/>
J. Miscellaneous Repairs	<hr/>	<hr/>	<hr/>
K. Supplies	<hr/>	<hr/>	<hr/>
L. Casualty Insurance--3 year policy	<hr/>	<hr/>	<hr/>
M. Liability Insurance	<hr/>	<hr/>	<hr/>
N. Snow Removal	<hr/>	<hr/>	<hr/>
O. Income Tax	<hr/>	<hr/>	<hr/>
P. Donation, Christmas Gift Expense	<hr/>	<hr/>	<hr/>
Q. Real Estate Taxes	<hr/>	<hr/>	<hr/>

**Level II**  
**Class Problem # 4 Answer**  
**Development of Allowable Expenses**

Indicate with an "X" which items you would use as stated, pro-rated (over more than one year), or would eliminate from your reconstructed operating statement.

	<u>As Stated</u>	<u>Pro-Rate</u>	<u>Eliminate</u>
A. Management Fees	<u>X</u>	<u></u>	<u></u>
B. Advertising	<u>X</u>	<u></u>	<u></u>
C. Maintenance Personnel Salaries	<u>X</u>	<u></u>	<u></u>
D. Maintenance Personnel Benefits	<u>X</u>	<u></u>	<u></u>
E. Debt Service on Mortgage	<u></u>	<u></u>	<u>X</u>
F. Water and Sewage Fees	<u>X</u>	<u></u>	<u></u>
G. Electricity	<u>X</u>	<u></u>	<u></u>
H. Gas for Heating	<u>X</u>	<u></u>	<u></u>
I. New Roof	<u></u>	<u>X</u>	<u></u>
J. Miscellaneous Repairs	<u>X</u>	<u></u>	<u></u>
K. Supplies	<u>X</u>	<u></u>	<u></u>
L. Casualty Insurance--3 year policy	<u></u>	<u>X</u>	<u></u>
M. Liability Insurance	<u>X</u>	<u></u>	<u></u>
N. Snow Removal	<u>X</u>	<u></u>	<u></u>
O. Income Tax	<u></u>	<u></u>	<u>X</u>
P. Donation, Christmas Gift Expense	<u></u>	<u></u>	<u>X</u>
Q. Real Estate Taxes	<u></u>	<u></u>	<u>X</u>