YOUR INSIGHT JOURNAL

THE VALUATION PROFESSIONAL

APRIL 2023

ICMAI REGISTERED VALUERS ORGANISATION

About ICMAI Registered Valuers Organisation

The Companies Act, 2013 brought into the light the concept of 'Registered Valuers' to regulate the practice of Valuation in India and to standardize the valuation in line with International Valuation Standards. Consequentially, The Ministry of Corporate Affairs (MCA) notified the provisions governing valuation by registered Valuers [section 247 of the Companies Act, 2013] and the Companies (Registered Valuers and Valuation) Rules, 2017, both came into effect from 18 October, 2017.

In view of the above, the Institute of Cost Accountants of India (Statutory body under an Act of Parliament) has promoted ICMAI Registered Valuers Organisation (ICMAI RVO), a section 8 company under Companies Act, 2013 on 23rd February 2018, which is recognised under Insolvency and Bankruptcy Board of India (IBBI) to conduct educational courses on Valuation for three different asset classes - Land & Building, Plant & Machinery and Securities or Financial Assets and to act as frontline regulator as Registered Valuers Organisation. ICMAI Registered Valuers Organisation is an Academic Member of International Valuation Standards Council.

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FROM THE CHAIRMAN's DESK

CS (Dr.) Shyam Agarwal
Chairman
ICMAI Registered Valuers Organisation

The Indian startup ecosystem is very different today from what it was a decade ago. As the landscape has grown fiercely competitive over the years, ventures move from one animal tag to another that essentially sums up their operational strategies. We have the unicorns and their dream success runs to hit billion-dollar valuations. Interestingly, Indian startups saw an unprecedented funding swing, unicorn creation and IPOs in 2021 despite the pandemic. For a long time, analysts have been questioning the viability of Indian unicorns based on their valuation-to-revenue multiples.

The unicorn tags created based on high-potential TAM are primarily consumer-facing businesses, hoping to bridge the margin gap with scale. But growth or scale cannot substitute hard-core profitability, and downsizing the business or a decline in valuation is inevitable in such cases. We are now witnessing the end of the VC-led 'bubble' resulting in huge funding rounds, especially in the edtech and fintech space, and the subsequent rise in unrealistic valuations. From now on, it will be a game of the alphas and the betas. Unicorns with solid fundamentals (the alphas) will continue to attract investors. Others must tie the loose ends and strengthen their business basics.

Simply put, startups need to pivot from a high-burn, high-growth, and diversified approach to a profit-focused, slightly lower-growth but less cash-burn model. If this is not addressed, the ecosystem may see further consolidations (and layoffs) in the coming days.

FROM THE PRESIDENT's DESK

CMA Vijender Sharma
Nominee Director
ICMAI Registered Valuers Organisation

President
The Institute of Cost Accountant of India

As we look back over the last year, the M&A markets and overall economy have experienced significant changes and challenges. All industries have been impacted by the constantly changing markets caused by a number of factors, including geopolitical uncertainty (e.g., Ukraine war, contentious elections, U.S. – China tensions, etc.), economic difficulties such as inflation and rising interest rates, continued strain on supply chains and the difficulties in maintaining a strong workforce.

As we look into 2023, and with all of the uncertainties in the market, it is still expected that the M&A markets would be resilient and continue to be active, albeit at lower levels. Until there is a significant liquidity gap in the markets if, and when, strategic cash and private equity dry power drop to historically lower levels, we still expect solid M&A activity in 2023. From a valuation perspective, however, it is expected that valuations would continue to level off but not dramatically. We expect 2023 to be another one of those dynamic years, one with plenty of challenges but opportunities as well. Stay nimble and be ready to adapt to changes. Use technology and data to make well-informed decisions so that your businesses can perform at their highest levels.

FROM THE MD's DESK

Dr. S. K. Gupta
Managing Director
ICMAI Registered Valuers Organisation

Uncertainty continues throughout the world, moving from a pandemic to conflict, inflation and supply chain impacts. Uncertainty is a double edged sword - it can make a valuers role more complicated but also increases the demand for high quality valuation skills as investors look for additional advice in times of change. There are also several emerging challenges that valuers will need to navigate in 2023 and beyond.

As the global economy continues to evolve, the demand for high-quality valuations will only increase, making it an exciting time to be a valuer. Those who are able to adapt to the trends and challenges of the profession will be well-positioned to succeed in the years ahead.

Valuers will need to play a more consultative role, helping companies and investors understand the financial implications of ESG risks and opportunities, for instance as new regulation is developed, when might be best timing to make an acquisition or disposal, or whether to retrofit assets. This may also involve providing guidance on how to manage and mitigate ESG risks, or helping companies develop sustainability strategies that create value for all stakeholders.

PROFESSIONAL DEVELOPMENT

ICMAI REGISTERED VALUERS' ORGANISATION

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The Institute of Cost Accountants of India
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PROFESSIONAL DEVELOPMENT PROGRAMS

February '2023 to April '2023	
Date	**PD Programs**
1st-2nd-3rd February 2023	Learning Session in Valuation
04th-5th February 2023	Advanced workshop on Valuation
06th-12th February 2023	30 Hours Online Certificate Course in Valuation in association with Insolvency & Bankruptcy Board of India (IBBI
6th February 2023	Perspectives on International Valuation Standards Council, International Valuation Standards
7th February 2023	Learning Session IMPACT OF UNION BUDGET ON VALUATION
8th-09th-10th February 2023	Master Class on Tools and Techniques of Valuation
11th-12th February 2023	Demystifying Complex Valuation Issues
15th-16th February 2023	Learning Session on Valuation
17th February 2023	Master Class
18th February 2023	Master Class
20th February 2023	Learning Session on Valuation
23rd-24th February 2023	Fire Side Chat
25th-26th February 2023	Learning Session on Valuation
25th-26th February 2023	Mastering Case Studies
27th-28th February 2023	Master class on Valuation
1st March 2023	Seminar on Journey and Success Stories of Women
03rd-04th March 2023	Master Class
05th March 2023	Achieving Excellence in Valuation
06th March 2023	International Women's Day
09th-10th March 2023	Master class on Valuation
13th-14th March 2023	Workshop on Valuation
15th March 2023	Interactive Meet of Registered Valuers
16th-17th March 2023	Learning Session on Valuation
18th-19th March 2023	Certificate Course in Valuation Standards

20th-21st March 2023	Master Class on Valuation
22nd March 2023	Valuation boot Camp
23rd-24th March 2023	Learning Session on Valuation
25th-26th March 2023	Master Class on Valuation
25th-26th March 2023	Crash Course Preparation for Valuation Examination
27th-28th March 2023	Learning Session on Valuation
29th March 2023	Competency Building Program in Valuation
30th-31st March 2023	Valuation Roundup
05th-06th April 2023	Achieving Excellence in Valuation
08th-09th April 2023	Workshop on Valuation
13th -14th April 2023	Master Class on Valuation
15th-16th April 2023	Valuation Bootcamp
15th-16th April 2023	Crash Course Preparation for Valuation Examination
20th-21st April 2023	Learning Session on Valuation
25th-26th April 2023	Master Class on Valuation

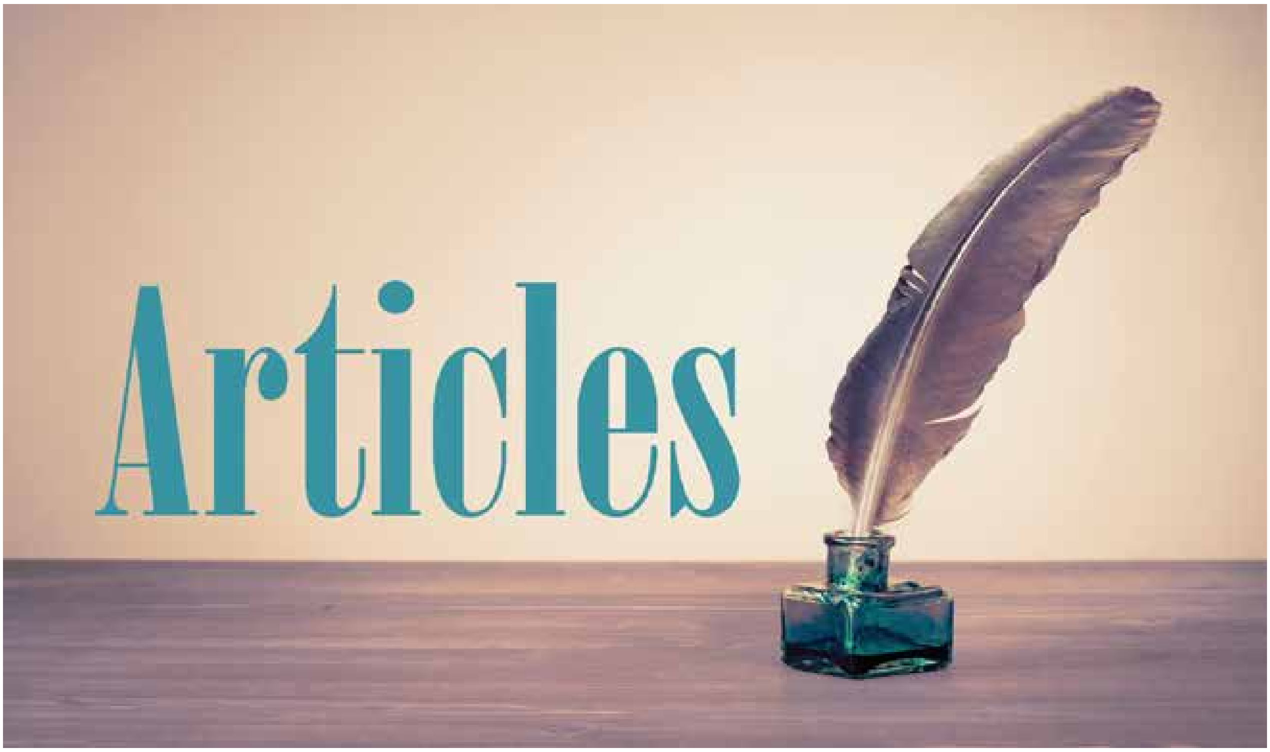
PROFESSIONAL DEVELOPMENT PROGRAMS

50 Hours Training Programs

February ‘2023 to April’2023	
Date	**Programs**
03rd Feb to 05th Feb & 09th Feb 12th Feb 2022 (Seven Days Program)	50 Hrs. Educational Course on Valuation (Plant & Machinery, Land & Building
02nd Feb to 05th Feb & 10th Feb to 12th Feb 2023 (Seven Days Program)	50Hrs Educational Course on Valuation in Securities or Financial Assets
23rd Feb to 26th Feb & 03rd Mar to 05th Mar 2023 (Seven Days Program)	50Hrs Educational Course on Valuation in Securities or Financial Assets
17th Mar to 19th Mar & 23rd Mar to 26th Mar 2023 (Seven Days Program)	50Hrs Educational Course on Valuation in Securities or Financial Assets
7th April to 9th April and 13th April to 16th April 2023 (Seven Days Program)	50Hrs Educational Course on Valuation in Securities or Financial Assets
21st Apr to 23rd Apr & 27th Apr to 30th Apr 2023 {Seven Days Program}	50 Hrs. Educational Course on Valuation (Plant & Machinery, Land & Building

Upcoming Professional Development Programs

Date	PD Programs
29th -30th April 2023	Learning Session on Valuation
04th -5th May 2023	Master Class on Valuation


Articles

THE ART OF ART VALUATION

Dr. S. K. Gupta
Managing Director
ICMAI Registered Valuers Organization

To own a piece of art does not mean just a canvas. It's about owning a piece of history, owning a piece of that artist, and immortalizing him forever…

The Perspective

Art valuation is a part of financial valuation that deals with the estimation of the fair market value of works of art. The practice of art valuation combines the techniques of financial valuation with subjective views on the cultural value and significance of a particular artwork. Art valuation is a sophisticated branch of financial valuation since it requires a high level of expertise in valuation methods, as well as deep knowledge of the art world. It can be used for different purposes, including investments in works of art, tax planning, and insurance. Valuation of artwork is a perfect example of why financial valuation is both an art and a science.

Art valuation

There is no one answer to the question, "What is the value of art?" To some people, art is a valuable investment that can appreciate over time. Others see art as a way to express their taste and style. And for many people, art is simply something that brings them joy. Value is the quality of the artworks in terms of concept and the depth of the idea behind the work plus the execution of the work.

An art-specific subset of financial valuation, is the process of estimating the market value of works of art. As such, it is more of a financial rather than an aesthetic concern, however, subjective views of cultural value play a part as well. Art valuation involves comparing data from multiple sources such as art auction houses, private and corporate collectors, curators, art dealers, gallery owners, experienced consultants, and specialized market analysts to arrive at a value. Art valuation is accomplished not only for collection, investment, divestment, and financing purposes, but as part of estate valuations, for charitable contributions, for tax planning, insurance, and loan collateral purposes.

Facets of art valuation

Value is a tricky thing to define, but in the context of art, it can take on many meanings. Let's explore some of the different types of value that art can have. Art can have many different types of value, each with its own criteria and considerations. Understanding these types of values is crucial to appreciate and evaluate this complex and multifaceted form of expression that has captivated us for centuries.

Cultural value: Cultural value is the first type. This means that art is an important part of a society's heritage, identity, or tradition. Indigenous art is a great example of this, as it allows Indigenous communities to express their unique culture and history.

Historical value: Another type of value is historical value. Art can be significant because of its connection to a particular time period, event, or movement. For example, Renaissance paintings not only offer beauty but also insight into the cultural and political context of the time.

Aesthetic value: Aesthetic value is yet another type of value. Art can be valued for its beauty or emotional impact on the viewer. The Impressionist movement, for example, is famous for its beautiful use of colour and light that evokes a wide range of emotions.

Monetary value: Last but not least, art can have a monetary value. This means that it can be bought or sold for a certain price. A painting by a well-known artist can be worth millions of dollars because of its rarity and historical significance.

Key factors in Art valuation

The value of art is a complex subject that experts have studied and debated for centuries. Similar to traditional assets, the valuation of works of art may be driven by numerous factors. The art valuator should carefully assess all catalysts that can drive up the fair value of an art asset. Although personal value and preference may vary greatly, the methods by which one translates an appreciation and passion for art and design into dollars and cents remain the same.

Valuation estimates by auction

houses are typically given in ranges of prices to offset uncertainty. Generally, estimates are made by looking at what a comparable piece of art sold for recently, with estimates given in a range of prices rather than one fixed figure, and in the case of contemporary art especially, having few comparables or when an artist is not well known and has no auction history, the risks of incorrect valuation are greatest.

A variety of factors must be considered in determining an artwork's monetary value. The following variables are the primary factors influencing the valuation of artworks:

Artist : The artist is the most important factor to look at appraising art. Looking at history it's easy to see that some artists were more important than others and therefore their works will have more value than others. The prolificity of the artist affects the value as well. All things being equal, a work by an artist who produced more will not hold the same value as one who produced less. Other aspects of the artist to consider is when in their career the work was produced and whether the work represents their style

Artist's intent : It is important to consider the artist's intent. What is the piece trying to communicate? Is it a portrait, landscape, still life, or abstract work? Once you have determined the intent, you can begin to evaluate whether or not the piece achieves its goal. Are the color values pleasing? Does the composition feel balanced? Is there a clear focal point? Is there high contrast? Is the subject matter interesting? These are just a few questions you can ask yourself when considering a work of art.

Subject : Although it's a matter of taste to some degree, certain subjects will generally sell better than others, therefore increasing the value. It's important to keep in mind that this factor alone cannot determine the value of a work of art. It must be combined with other factors. For example, the subject of a work will narrow down the market of buyers who may be interested and as with anything, demand drives price.

The artwork : When determining the value of an artwork look at it's size, medium, it's message, whether it has any art-historical significance, and whether it is an edition. The cost of the material used for the work does not normally influence the price of the work unless it is an installation or sculptural work with high material costs like bronze.

Size : Size matters in art. Not to say that bigger is always better, however, it does represent a certain level of skill that often adds value to a work. It's also important to consider what the buyer is looking for however as a massive piece may not work in every space.

Technique : Technique definitely affects the value of art. Is it an original hand painted work? Or a very rare photographic process for example? These will most certainly add value. It's also important to examine works within the same medium to help determine the value. Comparing two paintings by the same artist may give a better indication of value than comparing a painting and a print for example, as one will have little to no affect on the value of the other.

Quality : Every artist has created bad works and good works. As with most other things, the higher the quality of the work, the more valuable it will be. Aside from the quality of the work itself, the quality of the materials can affect the value as well.

Colour : It has been noticed that **Colour** is a very strong influencer on the price of an artwork. At a recent auction, Sotheby's in London recognized a shocking trend that five of the six highest-selling masterpieces were mostly red. It appears that affluent cultures embrace the colour red to signify luck, passion, and fortune. Also, white colors rank high on the value scale while black, the least.

Activity of the art dealers : The price of artwork- may change due to the activities of art dealers. The dealers often enter into contracts with artists. It is common that art dealers may decide to acquire the works of artists at an auction, which subsequently affects the price of the artwork.

Edition : This factor does not apply to original painting, however in photography for example, or with any other technique where reproductions can be made, the edition influences the value of the work. The lower the edition, the higher the value might be. One-offs, therefore, will have the most value and therefore paintings, in general, are more costly than lithographs for instance.

Provenance : The provenance factor refers to an object's ownership record. When it comes to auctions, this can be an important contributor in influencing an artwork or an object's price.

Market and Demand

The current demand in the market is a key driver of an artwork's value. The demand is usually derived based on the demand for similar artworks.

However, the identification of comparables can be problematic due to the unique nature of the artwork. The market affects the value of all artworks. You may be in possession of a beautiful work of art, but if nobody's interested in buying it, unfortunately, it doesn't hold much monetary value. The art market is fluid and in a booming economy, art and other luxury goods become more sought after. Conversely, in a declining economy, the same piece could sell for half of its value. A great number of factors can affect the art market so it's important to keep an eye on it, try to spot trends and know what collectors are looking for at the moment.

Rarity : is determined by the frequency with which a work by an artist appears on the market, or the number of a specific type of work that is currently available from a particular period in an artist's career. When combined with demand, rarity becomes very important in appraisal.

Condition : is one of the most important factors in assessing value. Has the object been maintained in the same condition since its creation? If there are changes in the condition, what are they? Have they affected the *structure* of the object? Have they affected the *appearance* of the object? Has the object been *restored* since its inception? If so, has the original *integrity of the work* been upheld?

Importance of Date : The date a work of art is created is also crucial in two main ways. Firstly, art which has a high value is usually created soon after the conception of the style in which it is painted. For example, the most sought-after Impressionist works are painted during the main Impressionist era, while a similar looking painting in the same style by a 20th century artist reworking the style has much less value. Moreover, the most valuable work for particular artists are those created during or soon after the artist's main creative period.

The Artist and the Exhibition History : Much depends on the age of the artist. Even contemporary artists, within the same age group, could have varying prices. So usually the price range of artists who have a certain exhibition history would be dependent on size, medium (for which he or she is better known). In the case of an artist with a longer exhibition history—one that has had several museum exhibitions—his or her work would be much higher priced than their contemporaries." Therefore, when it comes to setting a price for a particular work of art, a lot hinges upon the artist in question and their exhibition history.

A legacy left behind : Lastly, a significant factor which increases an artwork's valuation is the death of the artist. When a famed artist passes away, their creative legacy lives on in the art that they leave behind. Therefore, through retrospective appreciation and sentiment alone, the demand for these pieces from both private buyers and galleries will generally increase. However, the death of the artist can also determine the artwork's valuation in a rather more mathematical sense. When an artist dies, the amount of original art available to purchase is naturally capped at the amount that they produced during their lifetime. For example, when one original Picasso piece is bought, that's one less original Picasso piece available to anyone else. Therefore, the death of an artist impacts the rarity of their work. This will certainly cause an increase in monetary value.

Conclusion

To conclude, to get a true sense of value you need to do much more than just compare what your work looks like to one that sold at auction. Valuing artworks involves consideration of a wide variety of factors, some indeed in conflict with each other. When valuing a work of art, you can see that a number of standard criteria have to be factored in. The challenge then is to decide what the real value is and what somebody will pay. Ultimately, the value of a work of art is subjective and can change over time. Today, the value of art is often determined by its market value, which can fluctuate depending on economic conditions. However, some experts argue that the true value of art lies in its ability to provoke thought and emotion, regardless of its monetary worth.

VALUATION OF EMPLOYEE SHARE OPTION PLANS

CMA M Kameswara Rao
Regd.Valuer (ICMAI/RVO/SFA/00311)

Now a days companies in private sector seek to issue Stock Options to employees as a retention tool. The Companies Act, 2013 and SEBI regulations have prescribed certain rules and regulations for issue of stock options. Let us briefly discuss the same

Section 62(1) (b) of Companies Act, 2013

Securities and Exchange Board of India(Share based employee benefits and sweat equtty) regulations, 2021.

Section 62(1)(b) of Companies Act, 2013 states that where a Company is having share capital and wants to issue further increased its subscribed capital, it shall first offer to employees under a scheme of Employees Stock Option, by passing a special resolution by the Company at its AGM/EGM subject to conditions laid down under Rule 12 of Companies (share capital and debenture) rules, 2014.

Where as Rule 12 of Companies (Share Capital and Debenture) Rules, 2014 states that where a Company other than a listed company cannot issue shares to its employees under Employees Stock Option Scheme unless it complies with the conditions specified therein.

From the above it can be seen that Rule 12 is not applicable to Listedd Companies and Listed compoaneis have to follows SEBI (Share Based Employee Benefit) Regulations 2014 under a scheme of Employees Stock Otion Scheme. As per these regulations a scheme of ESOS can be implemented as a Direct or through a trust.

If the Company choses to use direct method, it has follow the following procedure.

1. It has to issue a notice to the Stock Exchange where the Company's shares are listed atleast two days prior to the proposed Board Meeting where the scheme is being considered.
2. The board shall approve the scheme of ESOS and also approve notice for calling AGM/EGM for passing special resolution.
3. The outcome of the Board meeting shall be conveyed to stock Exchane within 30 minutes of the conclusion of the Meeting.

Having known the procedure for issue of Employee stock options under a scheme of ESOS broadly for a listed company let us try to find out how to value such options .

We have to calculate a fair value of the options being granted to employees. Forthis purpose we have two/three options

1. Black scholes model
2. Bionomial model
3. Montecarlo simulation model

Let us see each of these models how they work.

1. BLACK SCHOLES OPTION:

There is a specified formula for calculating the option premium which is price of the option. This is a mathematical formula as given below:

St * e -q(T-t) * N(d1) – K * e-r(T-t) * N(d2)

Where D1= [Ln(St/K) + (r-q+Sd^2/2) *(T-t]
Sd((T-t)^0.5)

Where as D2 = D1- Sd((T-t)^0.5)

Where S = Strike price on valuation date
K = Excercised price
r = Risk free rate
T = expected expiry time in years
t = current time in years
Sd = Volatality of the price of share annualised
q = Annualised dividend yield

BIONOMINAL MODEL:

The valuation under this model is by creating a bionominal tree for the valuation of the option price. Depending upon the conditions of the option exercise that a price may increase every three months either up or down by 5% ; the tree has to be constructed for the entire period of vesting period each branch for a period of three months . The value is calculated at every node and the value is discounted back to the start date. The value thus derived will be the option price.

MONTOCARLO MODEL:

Under this model works on probability distribution. The first step in this is set up probability distributions. A very complicated process is simulated for which there is neither analytical structure nor analysis available. Therefore, this model is lease used.

Some Key terminologies in Employee Stock Options Scheme:

GRANT DATE: Date of Meeting of Committee in which grant to employees is approved which is after approval of Share holders

VESTING PERIOD: The Employee is required to wait for certain period and follow the conditions specified to avail the vesting of option. This period is treated as Vesting period.

VESTING CONDITIONS: The terms and conditions specified in the agreement including service and performance which when fulfilled only the employee will acquire the right to purchase the shares.

VESTING DATE: The date on which the employee is finally eligible to purchase the shares at a predetermined price called the exercise price.

EXERCISE PRICE: The price of share which employee will be willing to purchase which is not less than the face value of the share after vesting.

EXERCISE PERIOD: This is the period of vesting date when employee can purchase the shares.

LOCK-IN PERIOD: The period during which the employee is not allowed to sell the acquired shares.

VALUATION OF STARTUP BUSINESS

CMA CS N. Rajaraman

Executive Summary

Startup valuations often require information from other companies that are like yours to determine the true value of a startup. Investors (at venture capital firms and beyond) will look at competitors and other companies in the same industry to best understand, how your company and business model fits into this landscape.

Investors/VC's will look at financials, funding rounds, how much those companies raised, pre revenue valuations, or post revenue valuations. Valuations don't necessarily define founder success— there is a lot more to it than that. This article deals with different valuation methods for early start-up businesses.

Valuation thoughts:

The question of startup valuation is one that founders struggle with, especially in the initial stages. If you are a pre-profitable startup company — or even pre-cashflow — how can you figure out what your company is worth? Valuation, intrinsically what one perceives as his value proposition and not what is found through various methods.

"Value" as something that exists beyond monetary terms (especially for pre revenue startups). "Valuation is both art and science," "The science is the easy part — researching valuations for comparable companies and constructing a revenue or EBITDA multiple. The art is more subjective. How strong is the team? How probable are the leads in the pipeline? How innovative is the technology?"

Those are the more nebulous aspects of "value." Another aspect is the valuation of similar companies that are already out in the market.

"Startups, by definition don't have a long track record of revenue, earnings or cash flow (if any) so much of the valuation exercise is conducted by looking at the marketplace of comparable companies and understanding how the industry for a type of startup values the companies within it,"

To value a startup: Think of value beyond monetary terms and then think explicitly about the monetary value of similar companies.

There are more than one way to figure out startup valuation for pre revenue startups or early stage startups.

The different valuation methods for early-stage startups are as follows

1. Standard Earnings Multiple Method

Standard earnings multiple, with additional consideration being attributed to recurring revenue models. This valuation method provides the greatest insight into free cash flow and how that metric will drive incremental value to a purchaser.

The multiple typically ranges between 5 to 8x the past three years average profit (yearly) but in SAAS (Software as a Service) businesses, likely in the 8 to 12x range.

Besides the standard profit model, other factors to consider are previous debt incurred or funding rounds as well as the intellectual capital of the product or service. In situations which strategic buyers are present, and a company has some sort of patent or proprietary technology, startup company valuations can grow tremendously without profit being on the books."

2. Human Capital Plus Market Value Method

"Figuring out startup valuation is no easy task for an investor because most of them have exceptionally low intangible/intangible assets ratio (ex-venture capital firms).

A potential startup investor should calculate a value of ideas, know-hows, and human potential of the team.

We can get to know the team and their expertise and assess the people who develop the project (when you work in a common sector of economy with those who you assess, e.g. IT, it could be a pretty simple task). Secondly, perform a purely mathematical valuation based on the obtainable market volume. When an investor knows at least some rough estimations, can easily extrapolate a startup's potential, and thus, future profits hidden in today's valuation."

3. 5x Your Raise Method

'value' of a company from metrics like monthly revenue multiple but more about the 'stake' the investor is receiving for their money — with a rule of thumb that investors will desire something in the neighbourhood of 20 to 25 percent. In short, value of a startup is roughly five times the amount you are raising.

The temptation here is to maximize entity valuation, but this creates a new problem for promoter/founder in the future when you go to raise next round (bad things happen to founders in down rounds). Thus, shoot for a strong and reasonable valuation, but don't shoot yourself in the foot."

4. Exit Method

Few of promoters wish to build a big operational business and have enough stake when it's sold. They suggest a method which is control based, meaning valuation leaves promoter enough stake on the exit. I have seen enough situations when the business needed to raise, but due to wrong evaluations on early rounds and subsequent terms on the late rounds, founders did not have an incentive to prove startup worth or grow the company further.

Build a model cap table with the main stages of business should go through (depends on the business model). That gives investor a tool for sensitivity analysis on what valuation and other terms are acceptable on early rounds of pre revenue startups to have a good exit. Of course, We assume that on Series A and later the valuation will be based on revenue growth or EBITDA."

5. Discounted Cash Flow Method

Preferred valuation method is the Discounted Cash Flow Method. The key to using this valuation method correctly for valuing startups is:

1. Estimating the total market for the startup company's product or services and its expected revenue growth.
2. Forecasting market share acquisition across a timeline.
3. Forecasting cash flow by identifying the startup's fixed and variable costs and future working capital and capital expenditures needs.

With all the forecasts, we cannot just take into account the most optimistic/pie-in-the-sky outlook. We need to consider that most startups fail completely — and a significant amount of the non-failures just squeak by. Apply a discount rate to these forecast that accounts for the risk inherent in them. We determine this rate according to the subject's lifecycle stage (seed/startup/early/expansion/later). All these numbers should be based on empirical data sources that are as trustworthy as possible.

Constructing a valuation in this way helps the founder have meaningful valuation conversations with investors and steers the conversation toward the real assumptions that drive value. Without this type of valuation, everybody is just shooting from the hip when talking about how to value a startup. Investors will often combine a DCF with another method to understand the valuation. There is another offshoot of this method, which combines both a DCF and comparable multiples.

6. Comparison Valuation Method

"Anchoring valuation in recent and comparable M&A deals or venture investments is often the most common way both founders and investors look at startup valuation, in my experience. Given the lack of much alternative, I think this is a fair way of looking at startup valuation.

Of course, the downside of this valuation approach is that a startup's valuation can hugely change depending on the market conditions, so be sure you know which valuation method is right for your startup company. For example, a certain type of startup might be in vogue versus another kind of startup, which will make a lot of startup valuation subject to investor whims and trends. However, this broader phenomenon is not unique to startups and exists in all financial markets."

7. Customer-Based Corporate Valuation Method

"I would recommend using an emerging methodology called 'customer-based corporate valuation.' It is more diagnostic and accurate because it infers and incorporates the most important determinants of corporate valuation — customer acquisition, retention, and monetization — directly into the valuation model, while traditional models do not.

Customer-based corporate valuation values a business by using sophisticated predictive customer analytics to uncover how well a company is acquiring new customers and retaining and monetizing existing customers. It then plugs this information into a standard discounted cash flow valuation model to come up with an estimate of the overall valuation of a firm."

8. Combo Platter Method

"Being in the Boston area, there is a bend towards more conservative financing vehicles (e.g. equity over convertible Debt) as well as more conservative valuations. Having started our company while at Babson College, we first did our financial models by the book, but were quickly told that valuations at our stage were not particularly tied to our financial assumptions, but rather things in the real world. The key metrics investors were looking for were tied to us 'de-risking' the business. Did we have a product? Were we the right team? Was this the right time and is the vision big enough?

We answered these and then backed them up with real-world valuation numbers from three sources. First and most dependable, was looking at Angel List for past 'enterprise' 'AI' 'Boston' deals and we came up with a best/moderate/worst case for a valuation. This was balanced with the Berkus method and the Risk Factor Summation method, which helped us refine the right valuation range.

9. Gross Profit x Competitor's Multiple Method

"The valuation method I prefer for valuing startups is gross profit multiplied by a multiple based on industry, offering, and revenue growth. Gross profit is a great indication of growth, company health, and market penetration while still properly valuing businesses that aren't profit optimized because they consistently invest back into the business.

For example, we valued our business by looking for public companies that are most similar to our business. We then used the same valuation formula they used but attributed to our gross profit. The formula we used:

Monetize More Gross Profit (Last 12 months) x 5.91 (Competitor's Multiple) = Current Valuation

When looking for similar companies, they must have a remarkably similar business model, industry, and customer base. In our case, we chose a competitor with a similar product."

10. Best for Me Method

"There are a variety of valuation methods to value a business including: book value, multiple of revenue, multiple of earnings, and more. As a buyer or seller, you will obviously want to select the valuation method that favours you most — assuming that the person on the other side of the transaction is going to use the method that favours you least.

Typically, however, each industry has a standard it favours that standard will likely govern the end value. A local retail business will probably sell for 1-2 times annual earnings plus assets/property that convey with the sale. A tech startup with high growth potential is going to be a multiple of future earnings based on the rate of growth it currently exhibits."

Bonus Valuation Method

As mentioned briefly above, there are multiple valuation methods to value a startup, and one not mentioned (but worth noting since this is arguably the most common startup valuation approach) is the Venture Capital Method

If working with a venture capital firm, you should know how they calculate valuations. Venture capital firms use this valuation method to establish an understanding of the value of a startup using this basic framework. In addition to the venture capital method, a VC Term Sheet is used to define the specific conditions of venture capital investments between an early-stage startup company and the venture firm itself.

So how should you Calculate your startup's valuation?

As you can see, different people have different valuation methods for figuring out startup valuation. However, the differences are pretty small — a slightly different calculation here; a shift in perspective there.

But many of them take both the human and the monetary elements into consideration when figuring out the "value" of a startup.

"Obviously valuation matters, but if you find the right partner that you think will actually help you in areas other than just money, think twice about just taking the highest offer," Lustig says. "Also, read the fine print. Many term sheets include other provisions that make the same valuation offer extremely different."

So, remember: You need to make both human and monetary considerations. But make sure you never forget the human, even when you're spending hours and hours on cap tables and calculations to value a startup.

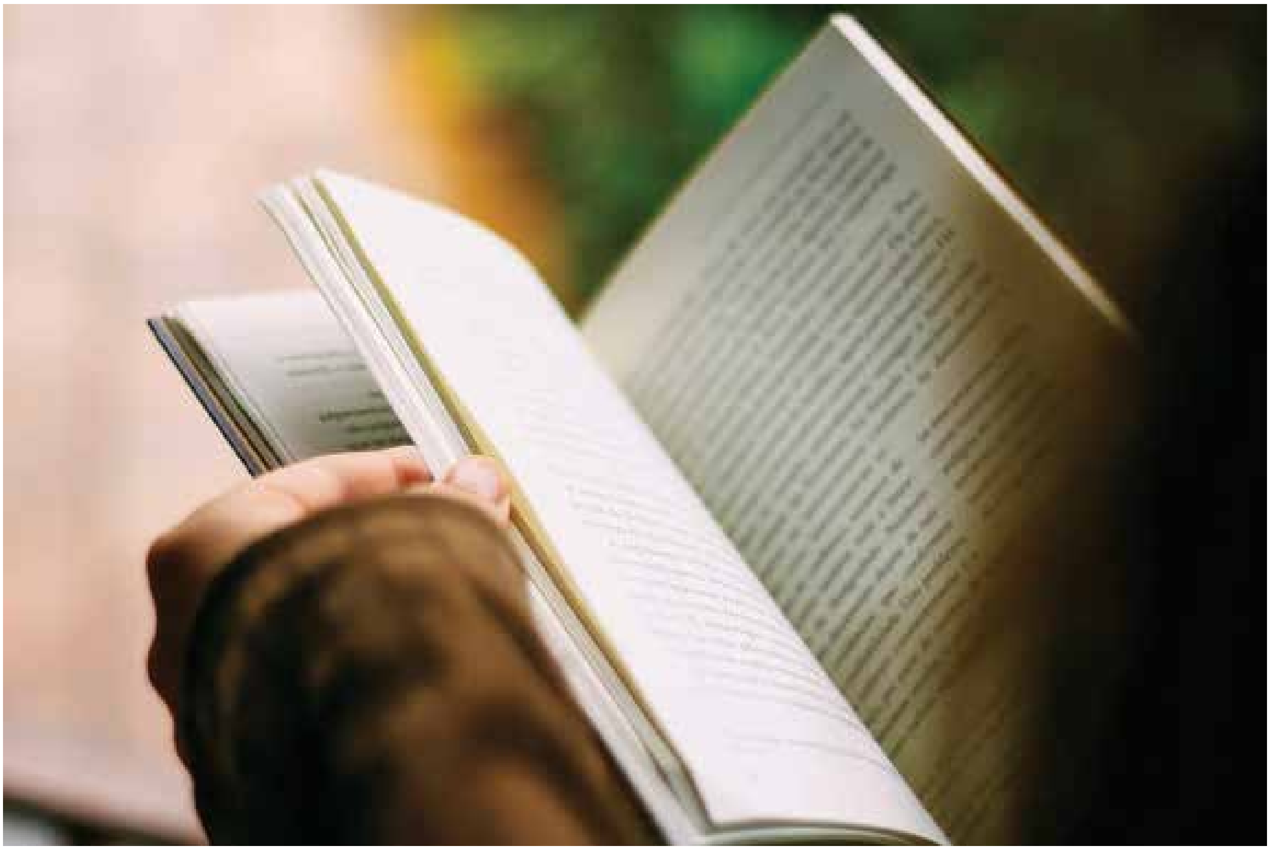
Because it's the people who really make your startup what it is.

Conclusion:

Startup valuations often require information from other companies that are similar to yours to determine the true value of a startup. Investors (at venture capital firms and beyond) will look at competitors and other companies in the same industry to best understand how your company and business model fits into this landscape.

They will look at financials, funding rounds, how much those companies raised, pre revenue valuations, or post revenue valuations. Valuations do not necessarily define founder's success or what does-founder-success-feel-like, there is a lot more to it than that. Access to resources to find that information either through public domain or other means give the edge to come to a fair valuation.

OTHER READINGS



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VALUATION IN THE TIME OF COVID 19

Deloitte Touche Tohmatsu India LLP

Valuations in the time of COVID-19

Introduction

The COVID-19 crisis continues to heavily affect the global economic, social, and political perspectives. An immediate and visible-tangible impact has been the significant, though varying, decline in capital markets across the world (which have been extremely volatile in recent times). Such volatility—in addition to market related technical factors—may be related to significant uncertainty experienced by investors as regards the perceived higher risk attached to future cash flows of businesses as also their tempered expectations as regards the quantum of such flows. While some of the risks may be temporary and muted, other risks would be more heightened reflecting expectations of severe/permanent disruptions in these businesses and the sectors in which they operate.

The uncertainty due to the impact of COVID-19 is expected to affect valuations of businesses, securities, tangible, and intangible assets carried out for various purposes such as:

- Impairment of assets
- Fair valuation
- Portfolio/fund reporting valuations
- Transactions/deal related valuation
- Tax and regulatory valuations
- Valuation for securitisation/hypothecation of shares/businesses

Due to the uncertainty caused by the crisis, the valuation of businesses has become more complex with the need to evaluate greater degree of variables and scenarios due to business related considerations resulting in a more nuanced application of valuation approaches and methodologies. This document outlines some of the considerations.

Given the imperatives of financial reporting, the most immediate and pervasive impact of the uncertainty due to COVID-19 is expected to occur on valuation exercises of businesses, securities, tangible, and intangible assets carried out for various accounting purposes, such as impairment of assets and other fair value measurement.

Valuations in the time of COVID-19

Key Business Considerations

01 Sector impact
While for some sectors, disruption could be temporary in nature, for others disruption may result in permanent / behavioral shift for products / services / transformation of business model.

02 Supply chain
- Supply chain disruption, impact on production / manufacturing activity / capacity utilisation levels.
- Simplicity of the supply chain and the extent to which it is online / digitised.

03 Working capital management
- Active collection of receivables.
- Negotiation for extended terms with suppliers.
- Negotiations / discussions with landlords for lease rental holidays or otherwise.

04 Liquidity
- Status of current cash / debt levels and evaluation of the company's liquidity needs and position.
- Liquidity issues / pressures and understanding how these are being funded temporarily?
- Sources of working capital required to "restart" the business impacted by the pandemic.

05 Leverage
Leverage and servicing of debt – Are the various terms / costs of debt / scheduled repayments being re-negotiated with the lenders?

06 Covenant breach / claims / disputes
Impact of actual / likely debt covenant breach, related claims/ disputes (including enforcement of force majeure clauses by all stakeholders).

07 Government incentives
Impact of various government stimulus programmes/relief packages covering fiscal and monetary measures.

08 Impact on staff
Rationalisation of staff, salary hike/freeze, etc. and also, availability of employees and the leadership team to work remotely.

09 Revival measures
Any discretionary cost reduction / efficiency improvement plans being planned by the management.

10 Scenario analysis
Various scenario cases to be evaluated - best, realistic, worse, especially where the impact of COVID-19 on the business is difficult to ascertain due to high uncertainty.

All the above aspects need to be factored in the projected earnings / cash flows of businesses and / or in the valuation parameters, while valuing the business in the time of COVID-19.

Valuations in the time of COVID-19

Key Valuation Considerations

Market approach - Comparable companies and comparable transactions methodology

- With depressed current multiples, should forward multiples be used to reflect updated market earnings measures? Are revised analyst estimates (incorporating impact of COVID-19) for the go-forward period available?
- Are comparable companies and the subject company being compared on a like-to-like basis, whether on historical or on forward looking basis?
- Does the current decline in comparable companies' share price due to market volatility on account of COVID-19 warrant an adjustment as regards the period over which prices are considered?
- How does one compute maintainable levels of earning in the current uncertain scenario?
- Are any one-time adjustments warranted?
- Should multiple of comparable transactions, which have happened prior to COVID-19 crisis, be considered with appropriate calibration?

Income approach - Discounted cash flow methodology

- Is intrinsic value as measured by the Discounted Cash Flow (DCF) given greater weight over the market approach in current conditions?
- How to model alternative scenarios in such times of unprecedented uncertainty?
- How to choose assumptions for projections in such extraordinary and unprecedented circumstances?
- Having regard to the uncertainty of the period over which the business/industry is expected to recover, what should be the period of projections?
- Is there a need to normalise the risk-free rate, considering inter-alia sovereign financing and stimulus programmes?
- Is the estimate of long-term equity risk premium in the discount rate aligned with current market volatility? If the impact on forecasts is uncertain, how should this be reflected in the discount rate?
- What should be the period for which beta of industry should be considered to appropriately capture systematic risk?

COVID-19 can impact multiple valuation parameters (such as discount rate, growth rates, multiples) and performance metrics/future cash flows. Care must be taken to avoid double counting the impact while undertaking valuations.

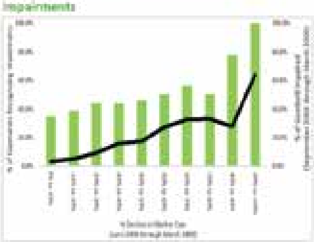
Valuations in the time of COVID-19

Financial Reporting Valuations

Impairment of assets

- Historically, declines in the stock market (on account of external events) can trigger testing of assets, goodwill, and other intangible assets for impairment.
- The Financial Crisis of 2008–2009 provides a guidepost to how companies viewed impairment testing during periods of market volatility. Our analysis shows that the impairments recognised by companies in our sample tracked closely with decreases in their stock price.

Greater market cap declines correlate with greater impairments



Market cap declines correlate with goodwill impairment

Source: S&P Capital IQ.; Population: Current S&P 500 companies publicly—traded as of January 2008.

Fair value measurement

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Fair value measurements (such as those involved in measuring, for example, impairment of assets and certain financial instruments) should reflect market participant views and market data at the measurement date under current market conditions.
- Estimating fair value generally involves judgment. The current uncertain environment requires extensive consideration of various facts and circumstances particularly in the rapidly changing macro economic factors/environment.
- Some of the key questions that one would need to answer include the following:
  - How to factor in the market participant's consideration of the increased uncertainty in the macro environment?
  - How would market participants transact (especially in times of such increased uncertainty)?
  - Should the decline in market prices triggered by the COVID-19 event be used as a benchmark for the increased uncertaincy?
- Answering these questions—in terms of the impact of various business considerations in evaluating the potential earnings of businesses and the application of various valuation methodologies and parameters—has become more challenging due to the uncertainty of the economic impact of COVID-19 across different businesses and sectors.

As the discernible impact of COVID-19 will be first seen in the results leading up to the quarter ending 30 June, aspects of possible impairments and fair value adjustments for accounting purposes, will come under greater scrutiny.

THE VALUATION PROFESSION IN 2023

International Valuation Standard Council

Nick Talbot
NSC Chief Executive

The valuation profession 1s constantly evolving, with new trends and developments emerging all the time. As we look look ahead to 2023, there are several key trends that are shaping the field and that valuers really need to be aware of.

ESG

One major trend that is shaping the valuation profession is the growing importance of sustainability and environmental, social, and governance (ESG) factors. As concerns about climate change and social responsibility become more pressing, investors and other stakeholders are increasingly seeking valuations that take these factors into account. ESG considerations could influence the future role of valuers in several important ways:

First valuers may need to become more proficient in assessing and incorporating ESG factors into their analysis. This can involve new methodologies and approaches to valuing assets and liabilities that take into account non-financial risks and opportunities, or becoming more familiar with sustainability reporting frameworks and metrics.

Second, valuers will likely need to work more closely with other professionals, such as sustainability consultants or data analysts, to gather and analyse ESG data. As the availability of ESG data and analytics increases, valuers may need to develop new skills in areas such as data analytics and data visualisation to effectively incorporate this information into their analysis.

Finally, valuers will need to play a more consultative role, helping companies and invdestors understand the financial implications of ESG risks and opportunities, for instance as new regulation is developed, when might be best timing to make an acquisition or disposal, or whether to retrofit assets. This may also involve providing guidance on how to manage and mitigate ESG risks, or helping companies develop sustainability stratigies that create value for all stakeholders.

Last year, IVSC issued a survey looking at the evaluation of ESG in valuation, which highlighted the growing demand for more information from investors and other users of valuations. It also clearly highlighted the array of standards, guidelines and metrics used by valuers today, creating further challenges around consistency and transperancy of ESG reporting. We will run our ESG survey again in 2023 and it will be interesting to assess the rate at which ESG considerations are being factored in the valuation analysis.

Technology

Another trend is the increasing use of technology in valuation. In recent years, there has been a proliferation of new software and tools that make it easier for valuers to perform their work. These tools range from simple spreadsheet-based models to more sophisticated software that can analyse large amounts of data and perform complex calculations. New technology has the potential to help improve the speed, accuracy and precision of valuations. For example, machine learning algorithms could be used to analyse patterns in financial data to inform valuation models. Valuers who are able to effectively utilise these tools will be in a strong position to deliver high-quality valuations more efficiently.

Last year NSC issued the first in a series of Perspectives Papers looking at the emergence of Automated Valuation Models and posing the question: "can an AVM ever produce an NS compliant valuation?' Over the next year, we will further explore some of the new and emerging technologies of relevance to valuers, through our Perspectives Papers.

In addition to the Perspectives Papers, the next edition of NS will incorporate new chapters on Data and Inputs and Models and is due to be published in 2024. This will provide valuers and other stakeholders with further requirements on the effective use of technology within the valuation process.

Global Business

A third trend that is shaping the valuation professsion is the increasing global nature of business. With the rise of international trade and the proliferation of multinational corporations, valuers are being called upon to value businesses that operate in a variety of different countries and regions. This requires a deep understanding of the local economic and political environment in each of these areas.

The increasing prevalence of cross-border transctions is creating new demand for valuation professionals with expertise in international standards and practices. Valuation professionals who are familier with the IVS and who have experience valuing assets and liabilities in different countries and markets are in high demand.

Theglobal nature of business is also requiring valuers to be more culturally sensitive and to have a deeper understanding of different cultures and market practices. This is especially important when valuing assets or liabilities in countries with diffent legal systems, business practices, and cultural norms.

IVSC membership has grown rapidly over recent years and last year our network of member and sponsor organisations reached 190. As well as a competitor differentation one of the benefits of membership is the opportunity to connect with and learn from like-minded organisations throughout the world. As the global nature of business evolves, this oportunity will become even greater and we invite any forward looking, quality focoused organisations with an interest in valuation, to join IVSC.

Emerging challenges for 2023 and beyond

Uncertainty continues throughout the world, moving from a pandemic to conflict, inflation and supply chain impacts. Uncertainty is a double edged sword - it can make a valuer's role more complicated but also increases the demand for high quality valuation skills as investors look for additional advice in times of change. There are also several emerging challenges that valuers will need to navigate in 2023 and beyond. One of the biggest challenges is the growing complexity of the business world. With the proliferation of new technologies, business models, and regulatory frameworks, valuers need to be able to adapt to constantly changing conditions. This requires a strong foundation in the principles of valuation, ethics and professionalism, as well as a willingness to stay up-to date on the latest developments within the NS.

NSC Valuation Professional Organisations (VPOs) are at the forefront of efforts to equip valuers with the knowledge and skills they need to navigate changing markets. Today, in NSC membership there are over 90 leading professional organisations providing education and qualifications. Together with the NSC, these organisations are working to enhance valuation quality and professionalism in the public interest.

Another challenge that valuers will need to overcome IS the grow1ng demand for transparency and accountability. As stakeholders become more sawy and sophisticated, they are increasingly seeking greater visibility into the valuation process. This means that valuers will need to be able to clearly articulate their methods and assumptions, and be prepared to defend their conclusions.

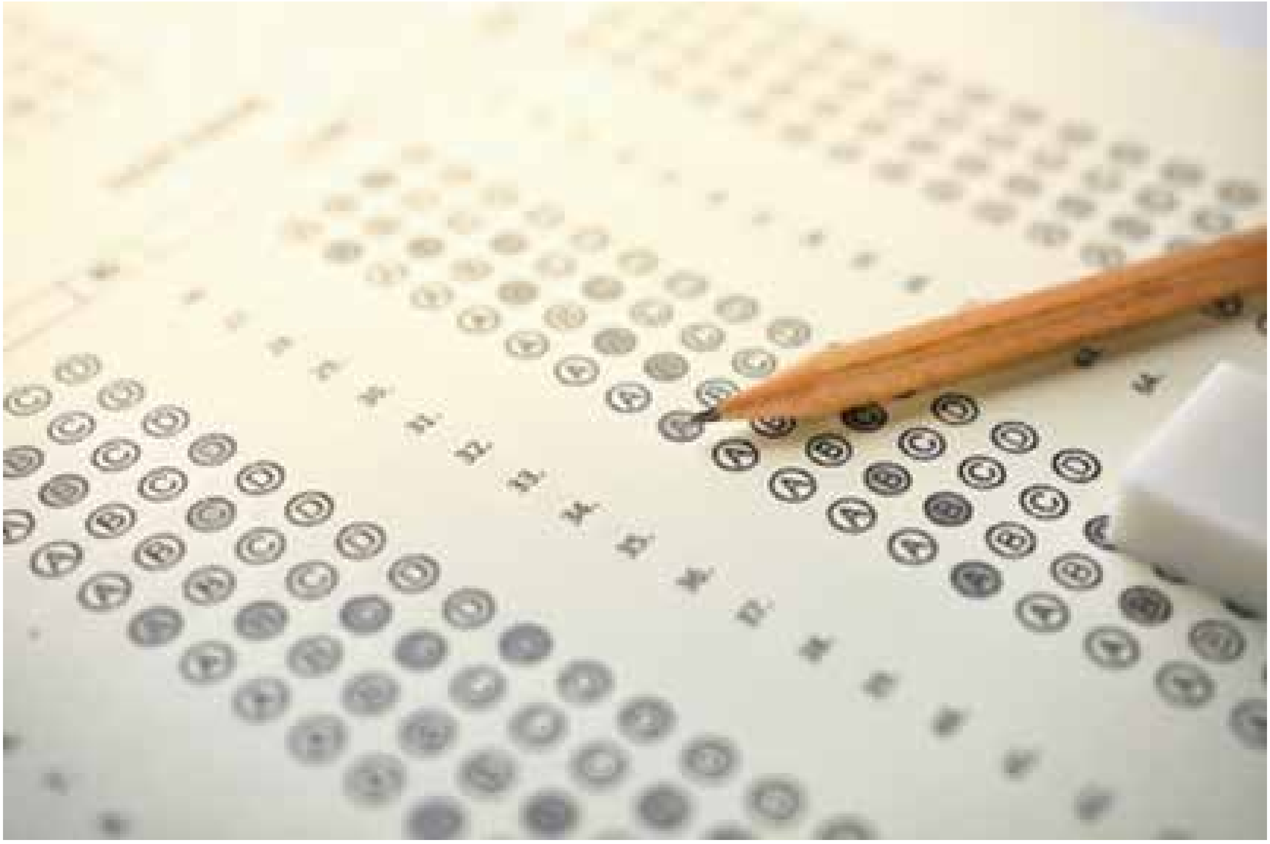
In April, we will publish an Exposure Draft outlining proposed changes to the IVS which would then come into effect in 2024. The consulation will be open for 12 weeks and will seek feedback from valuers and all those that are involved in the valuation process, as well as users of valuers information. Plesae do respond to the consulation whether to stay you agree or to express alternative approaches - the more feedback we get, the better the standards will be.

Underlining the importance of transperncy in valuations, the proposed changes will also include requirements and clarifications that focus on the role of non-valuers (eg. data providers), involved in the valuation process.

This will ensure IVS is relevant and applicable to all those involved in the valuation process, creating greater levels of transperancy and helping to build trust in valuation amongest all users.

Despite these challenges, the valuation profession remains a vital and growing field, and at IVSC we are seeing increasing recognition of this from some of the world's most significant regulatory, as well as investors leaders. As the global economy continues to evolves, the demand for high-quality valuations will only increase, making it an exciting time to be a valuer. Those who are able to adapt to the trends and challenges of the profession will be well-positioned to succeed in the years ahead.

MULTIPLE CHOICE QUESTIONS



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MULTIPLE CHOICE QUESTIONS

MCQ FOR SFA

1.If we include it, national income will be over-estimated:
a)Transfer payment
b)Income from abroad
c)Illegal income
d)Exports

Ans) Transfer payment

2.It is NOT a method to measure national income:
a)Adding all expenditure
b)Adding all incomes
c)Adding value of goodsand services
d)Adding all taxes

Ans) Adding all taxes

3.Which statement is true?
a)National Expenditure= National income + National production
b)National Expenditure = National income
c)National Expenditure =National income + National Taxes
d)National Expenditure = National income - Taxes

Ans) National Expenditure= National income

4.The term "capital structure" refers to mix of
a)long-term debt,preferred stock, and common stock equity
b)current assets and current liabilities.
c)total assets minusliabilities.
d)shareholders' equity.

Ans) long-term debt, preferred stock, and common stock equity

5.Which of the following term is used to represent the proportionate relationship between debt and equity?
a)Cost of capital
b)Capital Budgeting
c)Assets Structure
d)Capital structure

Ans) Capital structure

6.If compounding is done quarterly in year, the effective rate of interestis equal to
a)4 x nominal rate of interest
b)(1 + nominal rate of interest / 4)4
c)(1 + nominal rate of interest)/ 4
d)nominal rate of interest)/ 4

Ans) (1 + nominal rate of interest / 4)4

7.Which of the following statement(s) regarding IRR is true?
a)If IRR is less than the firm's cost of capital, the project should be rejected.
b)A project can have multiple IRRs depending on the cash flow streams.
c)A project can have only one IRR.
d)Both (A and (B)

Ans) Both (A)and (B)

8.In which case will an investor receive the most interest:
a)10%, compounded annually.
b)10%, compounded monthly.
c)10%, compounded quarterly
d). 10%,compounded daily

Ans). 10%,compounded daily

9.This type of risk is avoidable through proper diversification.
a)portfolio risk
b)systematic risk
c)unsystematic risk
d)total risk

Ans) unsystematic risk

10.Finance is defined as the management of money and includes activities like:
a)Investing
b)Borrowing
c)Lending
d)All of the above

Ans) All of the above

11.A balance sheet is a form of:
a)Activity reports
b)Static financial reports
c)Dynamic financial reports
d)None of the above

Ans) Static financial reports

12.Projected financial statement may not include:
a)Income Statement
b)Trial Balance
c)Balance Sheet
d)Cash Flow Statement

Ans) Trial Balance

13.Information about a company's objectives, strategies, and significant risks would most likely be found in the:
a)Auditor's Report
b)Management commentary
c)Notes to the financial statements
d)None of the above

Ans) Management commentary

14. Rent free accommodation is an example for ....
a) Allowance
b) Compensation
c)Perquisite
d)Profit in lieu of salary

Ans) Perquisite

15.The TDS Certificate issued by an employer to his employees in case of salary income is
a)Form 16

MULTIPLE CHOICE QUESTIONS

b)Form 26
c)Form 26A
d)Form 26Q

Ans) Form 16

16.The apex body of Income Tax Department is
a)Finance Ministry ofCentral Govt.
b)Central Govt. of India.
c)CBDT
d)Dept. of Revenue

Ans) CBDT

17.If both parents are earning then income of a minor child will be clubbed with
a)Income of parent having higher income
b)Proportionately withboth parent's income
c)Income of parent having lower income
d)Income of either parent

Ans) Income of parent having higher income

18.Salary Under Section 17(1) does not includes
a)Wages
b)Pension
c)Interest
d)Gratuity

Ans) Interest

19.Long Term Capital Assets (Shares) is held for
a)More than 36 months
b)More than 12 months
c)More than 24 months
d)Not more than 36 months

Ans) More than 12 months

20.Interest on Public Provident Fund Investment is __________
a)Taxable under the Head : Income from Other Sources
b)Taxable under the Head : Income from Other Sources
c)Allowed as Deduction
d)Exempt from Income

Ans) Exempt from Income

21.What is MAT?
a)Maximum Alternate Tax
b)Maximum Advance Tax
c). Minimum Advance Tax
d)Minimum Alternate Tax

Ans) Minimum Alternate Tax

22.Directors Sitting Fees will be Chargeable Under which Head?
a)Income From House Property
b)Income From Business & Profession
c)Income From Capital Gain
d)Income From Other Sources

Ans) Income From Other Sources

23.Loss under the head income from house property can be carried forward
a)Only if the return isfurnished before the due date mentioned u/s 139(1)
b)Even if the returnis not furnished
c)Even if the return is furnished after the due date
d)not furnished the return of loss

Ans) Even if the return is furnished after the due date

24.Loss from a speculation Business of a particular A. Yr. can be set off in the same A.Yr. from:
a)Profit And gains from any business
b)Profit and gains from any business other than speculation business
c)Income of speculation business
d) Income of any head

Ans) Income of speculation business

25.Which of the following could give rise to a capital gain (or allowable loss)
a)A gift of an asset to a charity
b)A transfer of an asset between a husband and wife who live together during the tax year in which the transfer occurs
c)A disposal caused by the death of the taxpayer
d)The receipt of compensation on the destruction of an asset

Ans) The receipt of compensation on the destruction of an asset

26.The income from sale of household furniture is:
a)taxable income
b)exempted income
c)capital gain
d)revenue gain

Ans) exempted income

27.The exemption under section 54 ,shall be available
a)To the extent of capital gaininvested in the HP
b)Proportionate to the net consideration price invested
c)To the extent of amount actually invested
d)To the extent of net consideration

Ans) To the extent of capital gain invested in the HP

28.Under which concept it is assumed that the enterprises has neither the intention nor the necessity of liquidation or of curtailing materiality the scale of operation_
a)Revenue realization concept
b)Matching cost concept
c)Going concern concept
d)Realization concept

Ans) Going concern concept

29. Fixed assets and current assets

MULTIPLE CHOICE QUESTIONS

are categorized as per concept of:
a)Separate entity
b)Going concern
c)Consistency
d)Time period

Ans) Time period

30.A firm is expected not to curtail its present scale and continue to operate at least at the existing level under, which of the following:
a)Accounting Period
b)Money Measuring Entity
c)Going Concern Entity
d)Accounting Entity

Ans) Going Concern Entity

31.Distinction between an expenditure whose benefit will be for a long period and whose benefit for a short period of say up to one year, is made under which of the following.
a)Accounting Entity
b)Going concern Entity
c)Money Measuring Entity
d)Accounting Period

Ans) Going concern Entity

32.Which of the following defines the term 'fair value'?
a)The price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the reporting date under current market conditions
b)The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
c)The weighted average price at which orderly transactions to sell assets or to transfer liabilities are taking place between market participants at the reporting date in the relevant market
d)The entry price at the measurement date from the perspective of a market participant that holds the asset or owes the liability

Ans) a

33.The definition of fair value focuses on ___________ because they are a primary subject of accounting measurement.
a)Assets and liabilities
b)Rights and obligations
c)Observable and unobservable inputs
d)Entry price and exit price

Ans) a

34.On which of the following Ind AS113 does not apply?
a)Ind AS 102 (Share-based Payments)
b)Ind AS 36(Impairment of Assets)
c)Ind AS 2 (Inventories)
d)All of the above

Ans) d

35.In order to perform a fair value measurement, an entity needs to undertake an in-depth search of all possible markets to identify the principal market or, in the absence of a principal market, the most advantageous market.
a)TRUE
b)FALSE
c)May be True or False
d)None of the above

Ans) b

36.What is the definition of the most advantageous market in Ind AS 113?
a)The one with the highest value activity for the asset or liability that can be accessed by the entity
b)The one maximises the amount that would be received for the asset or paid to extinguish the liability after transport and transaction costs
c)The one with the greatest volume and level of activity for the asset or liability that can be accessed by the entity
d)The one with the highest and best price for the asset or liability that can be accessed by the entity

Ans) b

37.In measuring value, which of the following 'approach', would you use?
a)Cost & Income
b)Cost & Market
c)Market & Income
d)Cost ,Market & Income

Ans) Cost ,Market & Income

38.Which of the following date is appropriate relating to valuation?
a)The date the report is signed
b)The date the analysis if finished
c)The effective date of the valuation
d)The date the report is sent to the client
Ans) c) The effective date of the valuation

39.Which of the following method is included in Income based approach?
a)Underlying Asset Method
b)Realizable Value Method
c)Market Price Method
d)Discounted Cash Flow Method

Ans) d) Discounted Cash Flow Method

40.Which of the following is a suitable method for valuation of knowledge based companies?
a)Knowledge
b)Earnings
c)Market
d)Market & Earning

MULTIPLE CHOICE QUESTIONS

Ans) Market & Earning

41.Which of the following is not one of the three fundamental methods of firm valuation?
a)Discounted cash flow.
b)Income or earnings - where the firm is valued on some multiple ofaccounting income or earnings.
c)Balance sheet - where the firm is valued in terms of its assets.
d)Market share.

Ans) Market share.

42.Which of the following represents the correct formula for valuing a share with a growing dividend?
a)Pt = d0 × (1 - g)/(r - g)
b)Pt = d0 × (1 + g)/(r + g)
c)Pt = d0 × (1 + g)/(r - g)
d)Pt = d1 × (1 + g)/(r - g)

Ans) Pt = d0 × (1 + g)/(r - g)

43.What is the value of the firm usually based on?
a)The value of debt and equity.
b)The value of equity.
c)The value of debt.
d)The value of assets plus liabilities.

Ans) The value of equity.

44.According to Black Scholes model, stocks with call option pays the_
a)dividends
b)no dividends
c)current price
d)past price

Ans) no dividends

45.According to Black Scholes model, purchaser can borrow fraction of security at risk free interest rate which is_
a)short term
b)long term
c)transaction cost
d)no transaction cost

Ans) short term

46.According to Black Scholes model, rate which is constant and known is classified as_
a)short term return rate
b)long term return rate
c)risk free interest rate
d)risky rate of return

Ans) risk free interest rate

47.In the Black-Scholes Option Pricing Model, what is the minimum and maximum value of N(d 1)?_
a)minus infinity to plus infinity
b)minus infinity to zero
c)minus one to zero
d)zero to plus infinity

Ans) minus infinity to plus infinity

48.In the Black-Scholes Option Pricing Model, if interest rates rise, the price of a call option will_
a)decline.
b)remain unchanged.
c)increase.
d)decline, then increase.

Ans) increase.

49.All of the following are assumptions of the Black-Scholes Option Pricing Model except_
a)markets are efficient
b)no dividends
c)interest rates are constant.
d)investors are generally bullish

Ans) investors are generally bullish

50.The expected volatility of the underlying asset is known as_
a)sigma
b)delta.
c)gamma
d)theta.

Ans) sigma

51.According to Black Scholes model, trading of securities and stock prices moves respectively_
a)constant and randomly
b)randomly and constant
c)randomly and continuously
d)continuously and randomly

Ans) continuously and randomly

52.......... refers to an external force that have a beating on the functioning of the business:
a)System
b)Culture
c)Environment
d)Society

Ans) Environment

53.Environment is within the control of the business:
a)Internal
b)External
c)Micro
d)Macro

Ans) Internal

54.Which of the following is correct order of process of business environment analysis?
(i). Scanning the environment to detect warning signals
(ii). Forecasting the direction of future environmental change
(iii). Assessment of current and future environme
a)i, ii, iii, iv
b)i, iv, ii, iii
c)ii, i, iv, iii
d)iii, ii, i, iv

Ans) i, iv, ii, iii

55.Macro environment is also called as:

MULTIPLE CHOICE QUESTIONS

a)General environment
b)Operating environment
c)Economic environment
d)Internal environment

Ans) Economic environment

56.External environment of business is:
a)Physical
b)Demographical
c)Economic
d)All of these

Ans) All of these

57.Which of the strategic tool is most commonly used for analyzing the macro environment?
a)SWOT Analysis
b)PESTLE Analysis
c)Factor Analysis
d)All of the above

Ans) PESTLE Analysis

58.PESTLE stands for:
a)Public, Economic, Social, Technological, Legal, Environmental factors
b)Political, Environmental, Social, Transferable, Legal, Economic factors
c)Political, Economic, Science, Technological, Legal, Environmental factors
d)Political, Economic, Social, Technological, Legal, Environmental factors

Ans) Political, Economic, Social, Technological, Legal, Environmental factors

59.PESTLE Analysis helps:
a)The managers and strategy builders to find where their market currently
b)Foresee where the organization will be in future
c)Both (a) and (b)
d)None of the above

Ans) Both (a) and (b)

60.Micro environment is also called as:
a)General environment
b)Operating environment
c)Economics environment
d)Political environment

Ans) Operating environment

61.Which of the following is benefit of business environment analysis?
a)It helps organization to identify the present and future threats and opportunities
b)Helps to understand the transformation of the industry environment
c)Contributes to identification of risk
d)All of the above

Ans) All of the above

62.......... is a statement which derives the role that an organization plays in a society:
a)Goals
b)Mission
c)Objective
d)Success

Ans) Mission

63.Michael Porter's five forces model includes:
a)New entrants
b)Suppliers
c)Buyers
d)All of the above

Ans) All of the above

64.PEST stands for:
a)Public, Economic, Social, and Technological factors
b)Political, environmental, social and technological factors
c)Political, economic, science and technological factors
d)Political, economic, social and technological factors

Ans) Political, economic, social and technological factors

65.......... is a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market:
a)Value chain
b)Swot
c)Pest
d)None of the above

Ans) Value chain

66.Secondary or support activities include:
a)Firm Infrastructure
b)Human Resource Management
c)Technology
d)All of the above

Ans) All of the above

67.Introducing new product or adding new features to existing products, is an example of .... strategy in an entity:
a)Product differentiation
b)Globalization
c)Growth
d)Retrenchment or sticking to major expertise of the entity

Ans) Growth

68......... strategy of an entity attracts quick competition:
a)Price skimming
b)Globalization
c)Retrenchment or sticking to major expertise of the entity
d)Product differentiation

Ans) Product differentiation

MULTIPLE CHOICE QUESTIONS

69.A business consists of inputs and processes applied to those inputs that have the ability to create:
a)Goodwill
b)Value
c)Outputs
d)None

Ans) Outputs

70.......... refers to a situation when two or more existing firms combine together and form a new entity:
a)Acquisition
b)Restructure
c)Demerger
d)Merger

Ans) Merger

71.When the profit-making company is merged with companies having accumulated losses is called:
a)Horizontal merger
b)Vertical merger
c)Reverse merger
d)Conglomerate merger

Ans) Reverse merger

72.When the firms engaged in unrelated type of business operations merged with each other is called:
a)Horizontal merger
b)Vertical merger
c)Reverse merger
d)Conglomerate merger

Ans) Conglomerate merger

73.The share exchange ratio in case of acquisition can be obtained by which of the following formulas:
a)EPS of target firm/EPS of acquiring firm
b)MP of target firm's share/MP of acquiring firm
c)BV of share of target firm/BV of share of acquiring firm
d)Any of the above

Ans) Any of the above

74.Sun Ltd and Surya Ltd go to liquidation a new company ABC Ltd is formed. It is a case of:
a)Amalgamation
b)Acquisition
c)Internal reconstruction
d)External reconstruction

Ans) Amalgamation

75.Which of the Indian Accounting Standard (IND AS) deal with business combination:
a)IND AS 202
b)IND AS 103
c)IND AS 109
d)IND AS 117
Ans) IND AS 103

76.Who shall identify the acquisition date:
a)The acquiree
b)The acquirer
c)The valuer
d)The proposer

Ans) The acquirer

77.Which of the following are commonly cited reasons for M&A?
a)Synergy
b)Market Power
c)Strategic realignment
d)All of the above

Ans) All of the above

78.Vertical mergers are those in which the participants are:
a)In the same industry
b)In different industries
c)In different phases of the value chain
d)None of the above

Ans) In different phases of the value chain

79.In the matter of Hindustan Lever Employee's Union (Supra) (1995) Supp (1) SCC 499, the Supreme Court dealt with the following issue of:
a)What method should be adopted for arriving at a proper exchange ratio
b)Discussed the problem of valuation in the case of amalgamation of two companies
c)Both (a) and (b)
d)None of the above

Ans) Both (a) and (b)

80.In the matter of Hindustan Lever Employee's Union (Supra) (1995) Supp (1) SCC 499, the Supreme Court mentioned that how many factors will have to be taken into account in determining the final share exchange ratio:
a)5
b)4
c)8
d)7

Ans) 8

The following information relates to Questions 81-84

Satish is an equity analyst with a regional investment bank. Satish reviews the growth prospects and quality of earnings for Phoenix Enterprises, one of the companies he follows. He has developed a stock valuation model for this firm based on its forecasted fundamentals. His revenue growth rate estimate is less than that implied by the market price. Phoenix's financial statements over the past five years show strong

MULTIPLE CHOICE QUESTIONS

performance, with above average growth. Satish has decided to use a lower forecasted growth rate in his models, reflecting the effect of "regression to the mean" over time. He notes two reasons for his lower growth rate forecast:

Reason 1- Successful companies tend to draw more competition, putting their high profits under pressure.

Reason 2- Phoenix's intellectual property and franchise agreements will be weakening over time.

Satish meets with Harish, a newly hired associate in his department. In their conversation, Harish states, "Security analysts forecast company performance using both top- down and bottom- up analysis.

I can think of three examples:

1. A restaurant chain forecasts its sales to be its market share times forecast industry sales.
2. An electric utility company forecasts that its sales will grow proportional to increases in GDP.
3. A retail furniture company forecasts next year's sales by assuming that the sales in its newly built stores will have similar sales per square meter to that of its existing stores."

Harish is reviewing some possible trades for three stocks in the health care industry based on a pairs- trading strategy. Harish's evaluations are as follows:

- HG Health is 15% overvalued.
- Corgent Cell Sciences is 10% overvalued.
- Johnson Labs is 15% undervalued.

81.Based on Satish's revenue growth rate estimate, the shares of Phoenix are most likely:
a) undervalued.
b) fairly valued.
c) overvalued.
d) need more information to answer

Ans) overvalued.

82.Which of the reasons given by Satish most likely justifies a reduction in Phoenix's forecasted growth rate?
a) Reason 1 only
b) Reason 2 only
c)Both Reason 1 and Reason 2
d)need more information to answer

Ans) Both Reason 1 and Reason 2

83.Which of Harish's examples of company performance forecasting best describes an example of bottom- up forecasting?
a) Restaurant chain
b) Electric utility company
c) Retail furniture company
d) none of the above

Ans) Retail furniture company

84.Based on his trading strategy, which of the following should Harish recommend?
a) Short HG Health and Corgent Cell Sciences
b) Buy Johnson Labs and Corgent Cell Sciences
c)Buy Johnson Labs and short Corgent Cell Sciences
d)none of the above

Ans) Buy Johnson Labs and short Corgent Cell Sciences

The following information relates to Questions 85-87

Manish, is analyzing the financials of Royal Enterprises. He intends to use a free cash flow to the firm (FCFF) model to value Roth's common stock. In the 2016 financial statements and footnotes he has identified the following items:

- Item #1: Royal reported depreciation and software amortization of $23 million in 2016.
- Item #2: The deferred tax liability increased by $17 million in 2016.
- Item #3: Royal reported income of $6 million in 2016 from the reversal of previous
- restructuring charges related to store closings in 2015.
- Item #4: Net income totaled $173 million in 2016.
- Item #5: The net increase in noncash net working capital accounts was $47 million in 2016.
- Item #6: Net capital spending totaled $86 million in 2016.
- Item #7: Royal reported interest expense of $19 million.

Manish estimated Royal's marginal tax rate to be 35%. He also expects Royal to be profitable for the foreseeable future, so he does not expect the deferred tax liability to reverse. As the base-year projection for his FCFF valuation, Manish calculates FCFF for 2016 as:

$FCFF2016 = \$173 + \$23 + \$6 + \$17 + [\$19(1 - 0.35)] - \$86 - \$47 = \$98.35$ million

85.In implementing the FCFF model to value Royal, did Manish correctly treat Items #1 and #2?
a) Both items were treated correctly.
b) One item was treated correctly and the other incorrectly.
c) Neither item was treated correctly.
d)none of the above

Ans) Both items were treated cor-

MULTIPLE CHOICE QUESTIONS

rectly.

86.In implementing the FCFF model to value Royl, did Manish correctly treat Items #3 and #4?
a) Both items were treated correctly.
b) One item was treated correctly and the other incorrectly.
c)Neither item was treated correctly.
d)none of the above
Ans) One item was treated correctly and the other incorrectly.

87.In implementing the FCFF model to value Royal, did Manish correctly treat Items #5 and #7?
a) Both items were treated correctly.
B)One item was treated correctly and the other incorrectly.
c)Neither item was treated correctly.
d)none of the above

Ans) Both items were treated correctly.

The following information relates to Questions 88-90
The Sanford Software Ltd. earned \$20 million before interest and taxes on revenues of \$60 million last year. Investment in fixed capital was \$12 million, and depreciation was \$8 million.

Working capital investment was \$3 million. Sanford expects earnings before interest and taxes (EBIT), investment in fixed and working capital, depreciation, and sales to grow at 12% per year for the next five years. After five years, the growth in sales, EBIT, and working capital investment will decline to a stable 4% per year, and investments in fixed capital and depreciation will offset each other. Sanford's tax rate is 40%. Suppose that the weighted average cost of capital (WACC) is 11% during the high growth stage and 8% during the stable stage. The calculation of FCFF in years 1 through 5 is shown in the following table:

Year	0	1	2	3	4	5
Sales	60.00	67.20	75.26	84.30	94.41	105.74
EBIT	20.00	22.40	25.09	28.10	31.47	35.25
EBIT (1 − T)	12.00	13.44	15.05	16.86	18.88	21.15
Dep	8.00	8.96	10.04	11.24	12.59	14.10
FCInv	12.00	13.44	15.05	16.86	18.88	21.15
WCInv	3.00	3.36	3.76	4.21	4.72	5.29
FCFF	5.00	5.60	6.28	7.03	7.87	8.81

88.Free cash flow to the firm (FCFF) in Year 6 is closest to:
a) \$14.14.
b) \$16.49.
c)\$18.26.
d)none of the above

Ans) \$16.49.

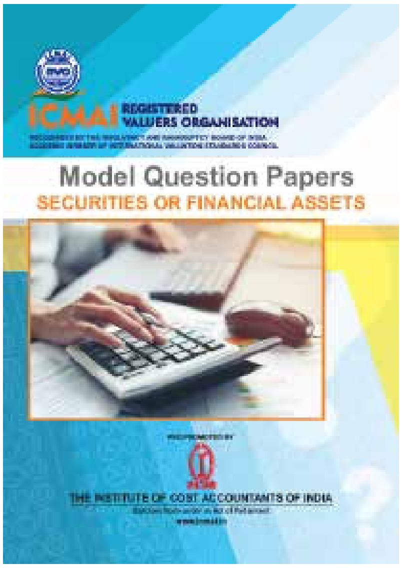
89.The terminal value in Year 5 is closest to:
a)\$206.12.
b)\$220.25.
c)\$412.25.
d)none of the above

Ans) \$412.25.

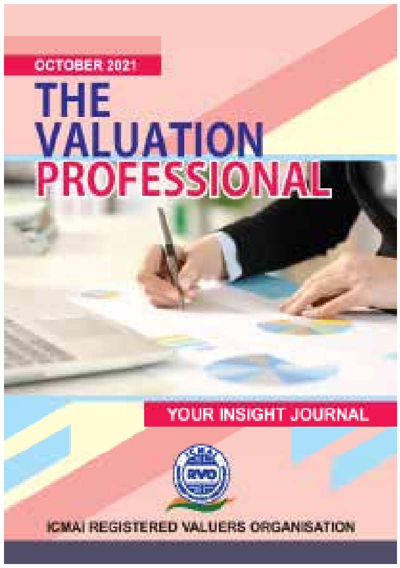
90.The value of the firm using a FCFF model is closest to:
a)\$149.04.
b)\$265.17.
c)\$270.35
d)none of the above

Ans) \$270.35

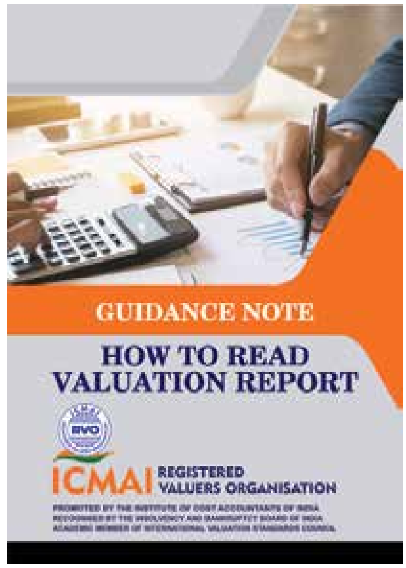
PUBLICATIONS



Model Question Papers
Securities or Financial Assets

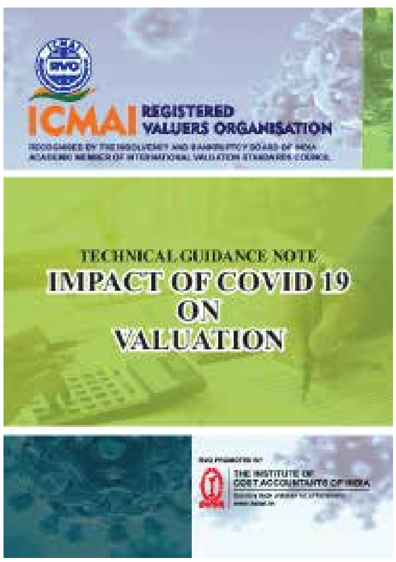


The Valuation Professional



Guidance Note
How to Read Valuation Report

Technical Guidance Note
Creation Maintenance and
Retention of Valuation Working
Papers



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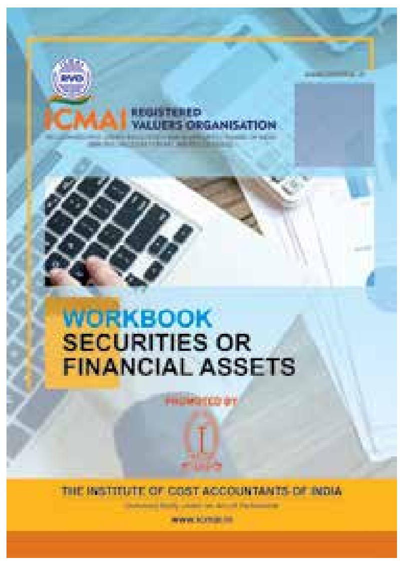
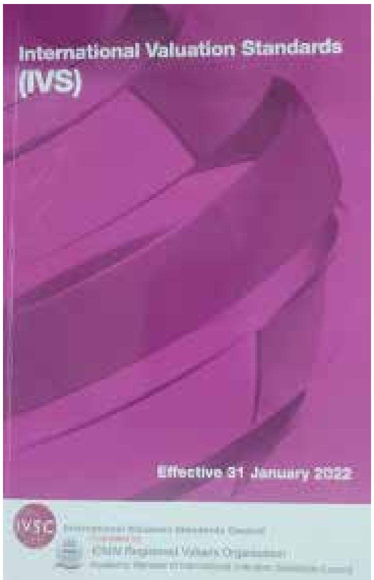
Impact of Covid 19
on Valuation



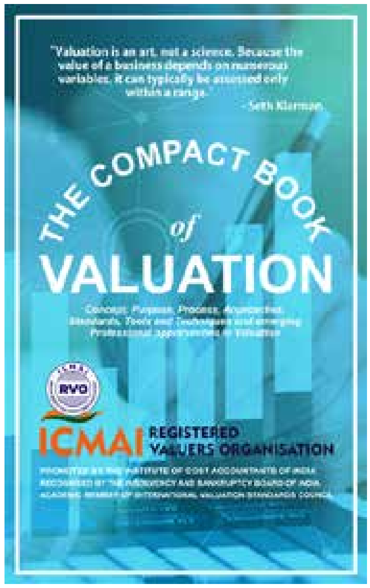
Work Book
Securities or Financial Assets

Link:- https://www.rvoicmai.in/publication/

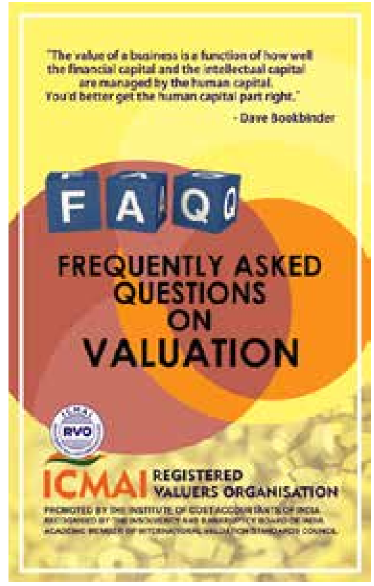
PUBLICATIONS



International Valuation Standards

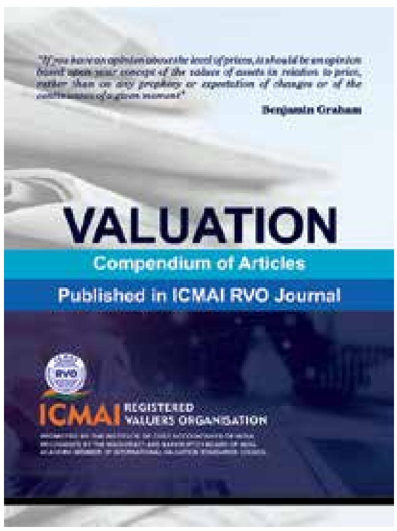


The Compact Book of Valuation

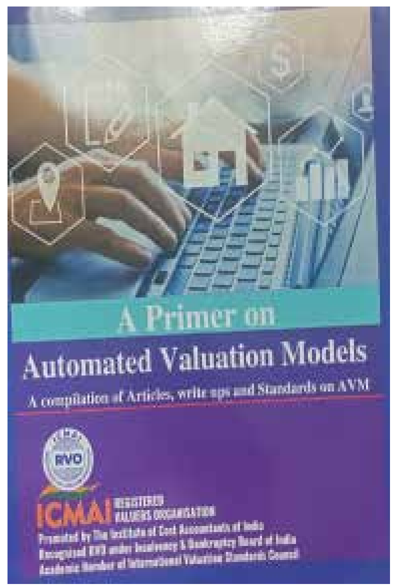


FAQ
Frequently Asked Questions on Valuation

Compendium of Perspective Papers



Compendium of Articles



Automated Valuation Models

Link:- https://www.rvoicmai.in/publication/

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GLOSSARY IN TERMS OF VALUATION

O

Orderly Liquidation Value – liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.

P

Premise of Value—an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; e.g. going concern, liquidation

Present Value—the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.

Portfolio Discount—an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.

Price/Earnings Multiple—the price of a share of stock divided by its earnings per share.

R

Rate of Return—an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.

Report Date—the date conclusions are transmitted to the client.

Replacement Cost New—the current cost of a similar new property having the nearest equivalent utility to the property being valued.

Reproduction Cost New—the current cost of an identical new property.

Required Rate of Return—the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.

Residual Value—the value as of the end of the discrete projection period in a discounted future earnings model.

Return on Equity—the amount, expressed as a percentage, earned on a company's common equity for a given period.

Return on Invested Capital—the amount, expressed as a percentage, earned on a company's total capital for a given period.

Risk-Free Rate—the rate of return available in the market on an investment free of default risk.

Risk Premium—a rate of return added to a risk-free rate to reflect risk.

Rule of Thumb—a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.

S

Special Interest Purchasers – acquirers who believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.

Standard of Value – the identification of the type of value being utilized in a specific engagement; e.g. fair market value, fair value, investment value.

Sustaining Capital Reinvestment – the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.

Systematic Risk – the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.

T

Tangible Assets—physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).

U

Unlevered Beta – the beta reflecting a capital structure without debt.

Unsystematic Risk – the portion of total risk specific to an individual security that can be avoided through diversification.

V

Valuation – the act or process of determining the value of a business, business ownership interest, security, or intangible asset.

Valuation Approach – a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.

Valuation Date – the specific point in time as of which the valuator's conclusion of value applies (also referred to as «Effective Date» or «Appraisal Date»).

Valuation Method — within approaches, a specific way to determine value.

Valuation Procedure — the act, manner, and technique of performing the steps of an appraisal method.

Valuation Ratio – a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.

Voting Control—*de jure* control of a business enterprise.

W

Weighted Average Cost of Capital (WACC) – the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.

OPPORTUNITIES FOR REGISTERED VALUERS

Companies Act, 2013

- *Private placement of shares*
- *Issue of Share on Preferential basis*
- *Issue of Shares for consideration other than cash*
- *Issue of Sweat Equity Shares*
- *Non- cash transaction involving directors*
- *Merger and Amalgamations*
- *Demergers*
- *Scheme of compromise or arrangement with creditors/members*
- *Submission of report by company liquidator*
- *Purchase of minority shareholding*

SEBI Regulations

- *SEBI (Issue and listing of Securitised debt Instruments and Security receipts) Regulation,2008*
- *SEBI (Infrastructure Investment Trusts) Regulations, 2014*
- *SEBI (Real Estate Investment Trusts) Regulations,2014*
- *SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015*
- *SEBI (Issue of capital and Disclosure requirements) regulations,2018*
- *SEBI(Appointment of Administrator and procedure for refunding to the investors) Regulations,2018*

Insolvency and Bankruptcy Code 2016

- *Determination of value of assets, realizable value, Fair value and liquidation value as the case may be*

Income Tax Act, 1961

- *Valuation Methodology for Issue of Unquoted Equity Shares – Rule 11UA(2)2 56(2)*
- *Issue of Unquoted Shares (Other Than Equity Shares) – Rule 11UA(1)(c)(c)*
- *Transfer of Shares and other Securities*
- *Valuation for Capital Gains*
- *Transfer Pricing – International Transactions between Associated Entities*
- *Indirect Transfer Pricing – Capital Gain arising to Non-Resident on transfer of shares of foreign company*
- *Valuation of Equity Shares held by the Minority share Holders.*

PROCESS FOR BECOMING REGISTERED VALUER

Process for becoming Register Valuer

1. Meet eligibility requirements, qualification and experience prescribed under Rule 4 of the Companies (Registered Valuers and valuation) Rules, 2017
2. Seek enrolment as a valuer member of ICMAI RVO
3. Complete 50 Hours Educational Course
4. Register and pass computer based Examination conducted by IBBI
5. Submit required Form along with fee in favour of IBBI and supporting documents to ICMAI RVO
6. ICMAI RVO shall verify Form & other Requirements and forward the same along with its recommendation to IBBI
7. On receipt of Form along with recommendation of ICMAI RVO, fee and other documents, IBBI shall Process the application for registration
8. After registration with IBBI, take up COP training with ICMAI RVO
9. On completion of training ICMAI RVO shall issue a Certificate of Practice to the Registered Valuer
10. Valuation certificate can be issued only after obtaining Certificate of Practice

EDUCATIONAL QUALIFICATION & EXPERIENCE

FOR 50 HOURS EDUCATIONAL COURSE

Asset Class	Eligibility/ Qualification	Experience in specified discipline.
Plant and Machinery	(I} Graduate in Mechanical, Electrical, Electronic and Communication, Electronic and Instrumentation, Production, Chemical, Textiles, Leather, Metallurgy, or Aeronautical Engineering, or Graduate in Valuation of Plant and Machinery or equivalent; (ii) Post Graduate on above courses.	(i) Five years (ii) Three years
Land and Building	(i) Graduate in Civil Engineering, Architecture, or Town Planning or equivalent; (ii) Post Graduate on above courses and also in valuation of land and building or Real Estate Valuation (a two-year full time post-graduation course).	(i) Five years (ii) Three years
Securities or Financial Assets	(i) Member of Institute of Chartered Accountants of India, Member of Institute of Company Secretaries of India, Member of the Institute of Cost Accountants of India, Master of Business Administration or Post Graduate Diploma in Business Management (specialisation in finance). (ii) Post Graduate in Finance	Three years

Any other asset class along with corresponding qualifications and experience in accordance with rule 4 as may be specified by the Central Government.

Note: The eligibility qualification means qualification obtained from a recognized Indian University or equivalent Institute whether in I ndia or abroad.".

PROCESS FOR IBBI EXAMINITION

a. The candidate may enroll for the examination on payment of the fee as prescribed by IBBI
b. Online examination with objective multiple-choice questions
c. The duration of the examination is 2 hours
d. Wrong answer attracts a negative mark of 25% of the assigned for the question
e. A candidate needs to secure 60% of marks for passing.

FORMAT AND FREQUENCY OF EXAMINATION

a. The examination is conducted online (computer-based in a proctored environment) with objective multiple-choice questions;
b. The examination centers are available at various locations across the country;
c. The examination is available on every working day;
d. A candidate may choose the time, the date and the Examination Centre of his choice for taking the Examination. For this purpose, he needs to enroll and register at https://certifications.nism.ac.in/nismaol/
e. A fee of Rs. 5900/- (Five thousand nine hundred rupees) is applicable on every enrolment;
f. The duration of the examination is 2 hours;
g. A candidate is required to answer all questions;
h. A wrong answer attracts a negative mark of 25% of the marks assigned for the question;
i. A candidate needs to secure 60 % of marks for passing;
j. A successful candidate is awarded a certificate by the Authority;
k. A candidate is issued a temporary mark sheet on submission of answer paper;
l. No workbook or study material is allowed or provided;
m. No electronic devices including mobile phones and smart watches are allowed; and
n. Use of only a non-memory-based calculator is permitted. Scientific Calculators (memory based or otherwise) are not allowed.

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

New Delhi, the 30th September, 2022

THE INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (ONLINE DELIVERY OF EDUCATIONAL COURSE AND CONTINUING PROFESSIONAL EDUCATION BY INSOLVENCY PROFESSIONAL AGENCIES AND REGISTERED VALUERS ORGANISATIONS) (AMENDMENT) GUIDELINES, 2022

In exercise of powers conferred by section 196(1)(aa) of the Insolvency and Bankruptcy Code read with regulation 5(b) and clause (ba) of sub-regulation (2) of regulation 7 of the IBBI (Insolvency Professionals) Regulations, 2016 and clauses (a) and (e) of sub-rule (2) of rule 12 of the Companies (Registered Valuers and Valuation) Rules, 2017, the Insolvency and Bankruptcy Board of India hereby makes the following amendments to the Insolvency and Bankruptcy Board of India (Online Delivery of Educational Course and Continuing Professional Education by Insolvency Professional Agencies and Registered Valuers Organisations) Guidelines, 2020, namely:-

1. (1) These amendments may be called the Insolvency and Bankruptcy Board of India (Online Delivery of Educational Course and Continuing Professional Education by Insolvency Professional Agencies and Registered Valuers Organisations) (Amendment) Guidelines, 2022.

(2) It shall come into force with immediate effect.

2. In the Insolvency and Bankruptcy Board of India (Online Delivery of Educational Course and Continuing Professional Education by Insolvency Professional Agencies and Registered Valuers Organisations) Guidelines, 2020 (hereinafter referred to as the principal guidelines), in Clause 9, in sub-clause (d), for the digit '100', the digit '200' shall be substituted.

3. In the principal guidelines, for Clause 11, the following shall be substituted, namely:-

"11. **Validity**
The Guidelines shall remain in force till further orders."

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ICMAI REGISTERED VALUERS ORGANISATION
RECOGNISED RVO UNDER INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

GUIDELINES FOR ARTICLES

The articles sent for publication in the journal "The Valuation Professional" should conform to the following parameters, which are crucial in selection of the article for publication:

- The article should be original, i.e. Not Published/ broadcasted/hosted elsewhere including any website.
- A declaration in this regard should be submitted to ICMAI-RVO in writing at the time of submission of article.
- The article should be topical and should discuss a matter of current interest to the professionals/readers.
- It should preferably expose the readers to new knowledge area and discuss a new or innovative idea that the professionals/readers should be aware of.
- The length of the article should not exceed 2500-3000 words.
- The article should also have an executive summary of around 100 words.
- The article should contain headings, which should be clear, short, catchy and interesting.
- The authors must provide the list of references, if any at the end of article.
- A brief profile of the author, e-mail ID, postal address and contact numbers and declaration regarding the originality of the article as mentioned above should be enclosed along with the article.
- In case the article is found not suitable for publication, the same shall be communicated to the members, by e-mail.

ICMAI REGISTERED VALUERS ORGANISATION

RECOGNISED RVO UNDER INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

PROMOTED BY: THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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