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## PROFESSIONALISM & ETHICS IN VALUATION PROFESSION

### ABSTRACT:

Professionalism is generally understood as excellency in conducting the work, adherence to a set of standards and maintaining quality in work and good relationship with clients and others. The valuation of business enterprise is becoming a complicated as well as an important profession which requires professional skill, expertise, education and knowledge, and also good behaviour. In the present days, this profession needs a high level of integrity, transparency so that it helps the growth of business enterprise as well as for the growth of the profession. On the other hand, ethics among the Valuation professionals are equally important and necessity for smooth conduct of any Valuation assignment. Necessary steps have been taken by the Government of India as well as the professional institutes engaged in the profession for introducing due code of conduct which helps the professionals to get value and importance to the Government and also to the corporate world.

### INTRODUCTION: PROFESSIONALISM:

Professionalism means conducting any assignment with responsibility, integrity, accountability, and with excellence. "Professionalism" is commonly understood as an individual's adherence to a set of standards, code of conduct or collection of quality reports that characterize accepted practice within a particular area of activity.

Business Valuation is now-a-days a complex financial analysis which is to be undertaken by a qualified valuation professional with high level of expertise, knowledge and skill, communicating skill with sound educational background and a professional integrity. Hence, a high-level professionalism is necessary for the purpose of Business Valuation.

### **ETHICS:**

Ethics in profession govern the behaviour of a professional. It carries discipline in the profession that maintain certain principle or code of conduct while the Valuer accepts and conduct the Valuation assignment. It is not ethical to use any defective, inaccurate, misleading, false or deceptive claim, promise or representation in connection with any assignment. These unethical practices are considered to be detrimental and lose confidence in the results of Valuation work and affect the related individual.

The ethics are a set of codified rules, which the professional group accept and use while in practice. The particular professional association will use the same professional ethics, even though their opinion may differ and be unique to each person. Ethical principles may differ depending on the profession; for example, professional ethics that relate to a lawyer differ from those that relate to a Valuer or any other professional. But there are some universal ethical principles that apply across all professions which includes the following:

- a. Honesty
- b. Trustworthiness
- c. Loyalty
- d. Respect
- e. Adherence to the law
- f. Doing good and avoiding any harm to others
- g. Accountability & responsibility.

The primary intention of codes of conduct is to provide guidelines to maintain minimum standard of appropriate behaviour in a professional context which includes the general law of the land and the personal values of members of the profession.

### **ETHICS AND PROFESSIONAL CODES OF CONDUCT HELP IN THE FOLLOWING WAYS:**

- a. The Public: It builds confidence in the professional's work,
- b. The Clients: Brings transparency and certainty about how their matter will be dealt,
- c. The Members of the Profession: Provide a supporting framework to act inappropriately, and for giving an acceptable decision,



- d. The Profession as a Whole: Provide a common platform for understanding the practice, maintaining transparency and allowing for fair disciplinary procedures,
- e. Others Dealing with the Profession: As a whole, the profession will be accepted or considered as more reliable and easier to deal with.

### **PROFESSIONAL ETHICS :**

There are some general codes of conduct that apply to all the professions and the valuation professionals must adhere to them while accepting any assignment of valuation.

### **FIDUCIARY DUTIES:**

When a Valuer accepts any assignment, he must agree to take on a level of responsibility for that client's matter because the client becomes dependent on the Valuer in that respect. Thus, a fiduciary relationship has been created between the fiduciary (i.e., the valuer) and the principal (i.e., the client). Apart from the ethics and code, this fiduciary relationship means the Valuer has certain responsibilities to their client.

### **CONTRACTUAL OBLIGATIONS:**

When a Valuer enters into a contract with his client through oral or written agreement, it creates a legal binding and obligation to perform the terms of the contract in a specified manner. This means that the Valuer has to perform the duty with diligence and with due care and skill. This also includes that the Valuer has to maintain confidentiality and honesty, even if the same are not specifically written or mentioned in the contract. Moreover, the ethical issues stem from the relationships with the clients. Most of these issues can be overcome by having clear terms in a written agreement.

### **REFERRAL SOURCE:**

Referral creates a sense of trust. Collection of documents should be from authentic sources with strong referral, and proper disclosure is necessary in order to avoid any ambiguity.

### **OTHER LAWS:**

The Valuers in profession should also be aware of other relevant laws that are necessary to regulate the profession in a particular country. Valuation professionals must be vigilant in maintaining a strong working knowledge of Valuation as well as accounting standards and other necessary rules and regulation that effect directly in the assessment of fair value which will provide a reasonable and fair value estimate of the asset.

## **RULES & ACT:**

In order to bring betterment and maintain transparency, consistency in Valuation profession, the Government of India introduced the Companies (Registered Valuers and Valuation) Rules, 2017, Section 247 read with sections 458, 459 and 469 of the Companies Act, 2013 (18 of 2013), for model code of conduct for Registered Valuers. See clause (g) of rule 7 and clause (d) of sub-rule (2) of rule 12]

## **CONCLUSION & SUMMARY:**

India is projecting itself to be the second-largest economy in the world and the growth has already started. In order to create huge volume of jobs, the Govt, Corporations: public & private, and the entrepreneurs work together in order to generate new solutions and to build capabilities for growth of the economy. The Valuation of properties helps to identify the right price for an asset, especially when it is offered to be bought or sold and which is beneficial to both the buyer and the seller. It is also a powerful driver to manage the business enterprise and also for growth. Valuation helps to track the effectiveness of strategic decision-making process and also to track the performance in terms of estimated change in value. The Ministry of Corporate Affairs (MCA), Government of India, notified the following with the intention to bring a systematic and rule-based Valuation profession to facilitate its development.

- a. Section 247 of the Companies act, 2013 and introduced the Companies (Registered Valuers and Valuation) Rules, 2017.
- b. The MCA has designated the Insolvency and Bankruptcy Board of India (IBBI) as the authority for implementing the new regime of Registered Valuers

Valuation is becoming a global profession. The issues faced by Valuers in one country are impacting Valuation professionals in other countries. Hence, it is now required to develop standards of practice, code of conduct, ethics and principles in Valuation profession. Unless there is no efficiency and transparency, the growth of profession, which is now the need of the country, will be impossible. This situation is going to be completely changed soon and the future of the profession will be at par with or above the other professionals. It is going to be most sought-after profession and exposure to various ethics, standards, integrity and transparency is required so that the Valuation profession gets importance from the governments as well as the corporate world.