



VALUATION STANDARD

IOVRVF - NEWSLETTER / VOL.7 / 15TH MARCH 2020



PHOTO (from left to right): Dr. Navrang Saini (WTM, IBBI) and Chairman, IBBI Dr. M. S. Sahoo at Udaipur.

We've made some beginning with the valuation rules, since a beginning was supposed to be made.

It is getting wide acceptability by the valuer organizations and valuers. It will be in a gradual manner. Valuers will have to develop the profession in a proper manner with time.

Extract from

Dr. M. S. Sahoo's (IBBI's Chairperson) speech at IOVRVF's three days National Seminar at Udaipur on the 22nd of Feb 2020.

WHY VALUATION STANDARDS

WHAT IS VALUATION STANDARDS?

Valuation standards is a set of concepts, principles and rules that are to be adopted by valuation professionals while executing any valuation assignment so as to promote transparency and objectivity in valuation practice.

WHY VALUATION STANDARDS ARE REQUIRED?

As the credibility of valuation activity lies in transparency, objectivity and subjectivity, professional judgment of valuer is critical in valuations. One of the key reasons of regulating this domain is to bring consistency and uniformity. Different valuers have been taking different assumptions which may lead to drastic differences in value conclusion. In many cases, the valuation also lacks uniformity and generally accepted global valuation practices. To bring uniformity, the valuation rules prescribed Valuation Standards.

WHY TRAINING IS ESSENTIAL FOR PROFESSIONALS IN THE FIELD OF VALUATION?

- The field of valuation, as an area of activity, has huge potential that needs to be tapped. This requires the presence of experts possessing the right knowledge and capabilities. Training presents a prime opportunity to expand the knowledge base and build capabilities among valuers.
- Training is a vital mode for Professional development and endeavour to sensitize the Professionals about their roles and responsibilities.
- Training delivers the most comprehensive and complete foundational guidance & teaching to the Professionals and prepares them to conduct valuation assignments in accordance with greater understanding of rules and regulations governing the Valuation Profession.
- Attending training is essential to earn mandatory credit hours required to continue practice in the field of valuation as per the Companies (Registered Valuers & Valuation) Rules, 2017.

WHAT IS THE BENEFIT FOR A VALUER TO PARTICIPATE IN THE TRAINING PROGRAMS?

A Valuer will be able to:

- Identify the fundamental steps to conduct valuation assignments from beginning to end.
- Understand the scope of the work.
- Understand the essential contents for writing a Valuation Report.
- Identify the data required and understand its analysis, which becomes the foundation of process for conducting valuation.
- Identify an appropriate valuation method within the valuation approaches based on the specific purpose and standard of value for a given valuation assignment.
- Recognize the differences in the various assets specific standards of value and the nuances of their application in the valuation engagement.
- Have updated knowledge in the field of valuation including in-depth coverage of the latest/revised valuation standards.

WHAT ARE THE VALUATION STANDARDS IN INDIAN CONTEXT?

As per the Companies (Registered Valuers and Valuation) Rules, 2017 ("the Rules"), "Valuation standards" means the standards on valuation referred to in rule 18 of Rules. Valuation Standards are yet to be notified by the Central Government under Rule 18 of the Companies (Registered Valuers and Valuation) Rules, 2017. Until the Valuation Standards are notified by the Central Govt., a Valuer shall conduct valuation as per provision given in section 8, Conduct of Valuation. IOV Registered Valuers Foundation (IOV-RVF) has adopted International Valuation Standards (IVS).

Many Banks & financial Institutions in India have made it mandatory for Valuers to comply with International Valuation Standards (IVS) and that the Valuation Report to be submitted for the respective asset class shall be in conformity to the "standards" as enshrined for valuation in the IVS in "General Standards" and "Asset standards" as applicable.

WHAT ARE INTERNATIONAL VALUATION STANDARDS (IVS):

The International Valuation Standards (IVS) form the key guidance for valuation professionals globally and underpin consistency, transparency and confidence in valuations. IVS is considered as a benchmark for global valuation practice.

- IVS 2017 comprises five General Standards and six Asset Standards.
- The General Standards set requirements for the conduct of all valuation assignments including establishing the terms of a valuation engagement, bases of value, valuation approaches and methods, and reporting.
- The Asset Standards include requirements related to specific types of assets, including background information on the characteristics of each asset type that influence value and additional asset-specific requirements regarding common valuation approaches and methods used.

The essential Standards are tabulated herein below for ready reference

IVS GENERAL STANDARDS

IVS Number	Particulars	Brief
IVS 101	Scope of Work	Deals with the terms of engagement of a valuation engagement such as assets being valued, the purpose of the valuation and the responsibilities of parties involved in the valuation.
IVS 102	Investigations and Compliance	Investigations and Compliance include inspection of the asset and documents, evidences etc. It is important for a valuer to ensure that the investigation is appropriate for the purpose for which Valuation is being conducted as well as for the basis of value. Sufficient evidences must be collected during inspection & investigations.
IVS 103	Reporting	It is essential that the report shall be ambassador of the valuer as it communicates the information necessary for properly understanding the assignment and provides the intended users with a clear understanding of the valuation. Good valuation report is the one which ensures that anyone who reads it should come to the conclusion as that of the author of the report.
IVS 104	Bases of value	Bases of value also sometimes called as standards of value which describes the fundamental premises on which the reported values will be based. It depends on the purpose and dictates the whole process including the investigation, selection of approaches & methods and value conclusion.
IVS 105	Valuation approaches and methods	Valuation approaches & methods is the largest of general standards and is the heart of the valuation process. There are 3 approaches namely, Market, Income & cost approach, which are based on the 3 economic principle of price equilibrium, principle of anticipation of benefits & principle of substitution respectively. In the regulated regime it's important & mandatory that valuer understand choice of appropriate approach & method under different approaches to be adopted for every assignment

IVS ASSET STANDARDS

IVS Number	Particulars	Brief
IVS 200	Business and Business Interests	A business may differ depending on the purpose of valuation. However, generally a business conducts a commercial, industrial, service or investment activity.
IVS 210	Intangible Assets	An intangible asset is a non-monetary asset that manifests itself by its economic properties. It does not have physical substance but grants rights and/or economic benefits to its owner.
IVS 220	Non-Financial Liabilities	Non-Financial Liabilities are defined as those liabilities requiring a non-cash performance obligation to provide goods or services.
IVS 300	Plant & Equipment	Plant & Equipment are tangible assets that are usually held by an entity for use in the manufacturing/production or supply of goods or services, for rental by others or for administrative purposes and that are expected to be used for over a period of time.
IVS 400	Real Property Interests	Property interests are normally defined by state or the law of individual jurisdiction and are often regulated by national or local legislation. Before undertaking a valuation of a real property interest, a valuer must understand the relevant legal framework that affects the interest being valued.
IVS 410	Development Property	Development Properties are defined as interests where redevelopment is required to achieve the highest and best use.
IVS 500	Financial Instruments	A Financial instrument is a contract that creates rights or obligations between specified parties to receive or pay cash or other financial consideration. Such instruments include but are not limited to derivatives or other contingent instruments, fixed income, hybrid & equity instruments etc.

WHY VALUATION STANDARDS NEED TO BE ADOPTED?

Valuation is an important tool not only in the financial transactions but futuristic business proposals as well. The importance of valuation and valuers is growing globally especially in India as is evident with the enactment of Insolvency and Bankruptcy Code, 2016 (IBC, 2016) & notification of the Companies (Registered Valuers & Valuation) Rules, 2017 (the Rules). The changing dynamics of financial sector with a thrust on buyouts, mergers and acquisition has started making an impact on cases of insolvency where opinions on valuation have become critically important in decision making.

SIGNIFICANCE OF VALUATION STANDARDS

- To promote transparency, objectivity and consistency in valuation exercise.
- To lay down basis of set of principles, concepts and methodologies
- To promote the levels of public confidence in the profession.

- To reduce perceived threats as induced due to inconsistency in professional practice.
- Set asset specific guidelines

APPLICABILITY OF STANDARDS AS PER THE STAKEHOLDERS REQUIREMENTS FOR VALUERS.

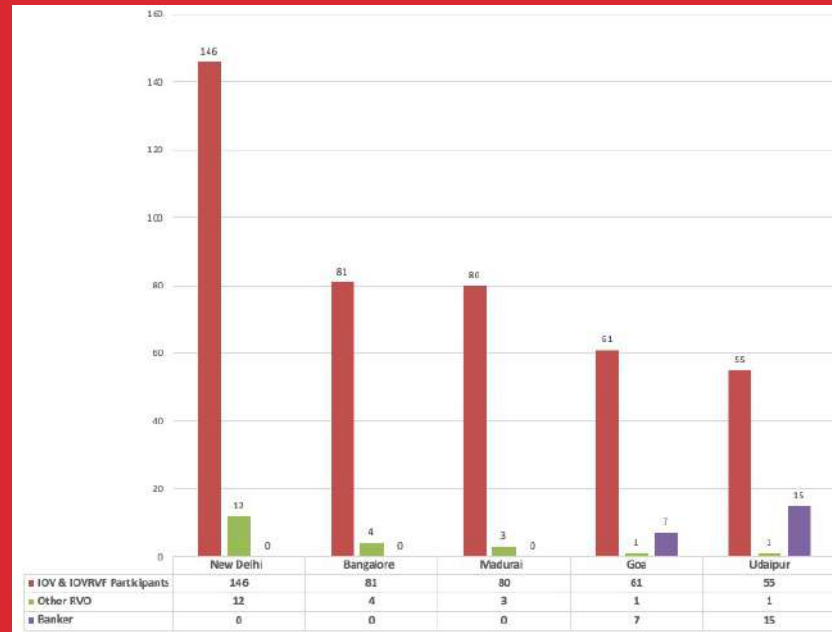
As, it is mandatory for Registered Valuers to comply with the Valuation Standards as notified under Rule 18 of the said Rules. Until the valuation standards are notified or modified by the Central Government, a Valuer shall make valuations as per Internationally Accepted Valuation Standards or Valuation Standards adopted by Registered Valuers Organisation.

Many Banks & financial Institutions in India have made it mandatory for Valuers to comply with International Valuation Standards (IVS) and that the Valuation Report to be submitted for the respective asset class shall be in conformity to the "standards" as enshrined for valuation in the IVS in "General Standards" and "Asset standards" as applicable.

WHERE DO WE STAND: VALUATION STANDARDS TRAINING

IMPORTANT ANNOUNCEMENT

On account of current scenario, IOVRVF has decided to post pone all the Seminars and training programs scheduled to be conducted at various locations in India, after 15th March 2020 for earning mandatory CEP credit hours by the members for the Financial Year 2019-20. Similarly, 50 hours educational courses under Rule 5(1) read with Rule 12(2)(a) and the training programs for obtaining Certificate of Practice (COP) scheduled to be conducted after 15th March 2020 are being postponed to a later date. The revised schedule for the above mentioned trainings and seminars shall be announced at a later date.



Graph 1: Participation of members and non-members in Valuation Standard Training

CEP programs at various locations in India (From left to right):

(1) CHENNAI (2) HYDERABAD (3) TIRUPATI (4) DELHI (5) MYSURU (6) PUDUCHERRY (7) TIRUPATI



IOVRVF's CONTINUING EDUCATIONAL PROGRAMS AT VARIOUS LOCATIONS



PHOTO (TOP RIGHT):

One day National Seminar and two days specialised Valuation Standard Training conducted at Margao, Goa on 22nd-24th January '20

PHOTO (BOTTOM LEFT):

Group photograph of delegates (few) attending three days Educational Program conducted at Udaipur on 22nd-23rd Feb '20.



प्रोफेशनल वैल्यूअर सरकार की आंख और कान की तरह कार्य करते हैं : डॉ साहू



PUBLISHED ARTICLES IN DIFFERENT LEADING DAILY NEWSPAPERS

Coverage of IOVRVF's Educational Programs in various leading newspapers. Photo (From left to right): National Seminar(s) at Goa, Indore (MP) and 3 days program at Udaipur, Rajasthan.

"A profession is a number of individuals in the same occupation voluntarily organized to earn a living by openly serving a certain moral ideal in a morally permissible way beyond what law, market, and morality would otherwise require."

- Socratic definition



TANUJ KUMAR BHATNAGAR

Fellow of Institution of Valuers
Insolvency Resolution Professional
Registered Valuer with IBBI Asset Class "Land & Building"
Registered Valuer with CCIT u/s 34 AB of W.T.Act for Category – Immovable Assets
Fellow of Institution of Engineers

KEY REPORT ELEMENTS

To keep a valuation report organized and easy to understand, a basic format may be followed. The main sections of a standard report are:

Title Section: If the report is short, the front cover can include any information that you feel is necessary including the author(s), users, report date. In a longer report, you may want to include a table of contents and a definition of terms.

Summary: The summary or executive summary consists of the major points, conclusions, and recommendations. It needs to be short as it is a general overview of the report. Some users will read the summary and only skim the report, so make sure to include all of the relevant information. It would be best to write this when the report is finished so one can include everything, even points that might be added at the last minute.

Introduction: The first part of the report needs to have an introduction. Here one can explain the assignment and inform the reader why the report is being made. One needs to give a definition of terms in the title section, and explain how the details of the report are arranged.

In Valuation Reports the Scope of Work is included here. The agreed limits set for assignment are indicated in report. It also elucidates the key purpose of valuation, identity of Valuer, Identity of Client & Other intended users, important dates, Currency of Valuation, Basis of Valuation, Nature & Sources of information, Nature & Extent of Valuer's work, Significant Assumptions and/or Special Assumptions, Restrictions if any, restriction if any on the distribution or publication of report and Valuation Standards adopted.

Body: This is the main section of the report. The previous sections needed to be written in plain English, but this section can include technical terms or jargon from the sector. There could be several sections, each clearly labeled with a subtitle. Information in a report is usually arranged in order of importance with the most important information coming first. A valuation report here may indicate the Approache(s) to Valuation, Methods applied, Key inputs used, Assumptions made. If you wish, an "Analysis" section can be included at the end of the main body to go over your findings and their significance.

Conclusion: This is where everything comes together. Keep this section free of jargon as many people will just read the summary and conclusion. Valuation Report should also indicate the principal reasons of conclusions reached.

Recommendations: This is where one can discuss any actions that need to be taken. In plain English, explain your recommendations, putting them in order of priority.

Appendices: This includes information that the Experts in the field of Valuation will read. It should have all the technical details that support your conclusions.

According to the Socratic definition - Each profession is designed to serve a certain moral ideal, that is, to contribute to a state of affairs everyone (all rational persons at their rational best) can recognize as good. So, physicians have organized to cure the sick, comfort the dying, and protect the healthy from disease; engineers to help produce and maintain safe and useful objects, and so on. Among its special standards may be a certain minimum of education, character, or skill, but inevitably some of the standards will concern conduct. These standards of conduct will be ethical (as distinct from moral); they will govern the conduct of all members of that group simply because they are members of that group (and not, as ordinary moral standard do, just because they are moral agents).

PROFESSION & PROFESSIONALISM is being regarded as more reliable or trustworthy in what one does for a living than one would (probably) be if that way of earning a living were not organized as a profession. This high status is deserved only insofar as the profession continues to meet the special standards it has set for itself. The current popularity of the terms professional and professionalism is evidence that, on the whole, the professions have been handling that burden pretty well.

Some professions have only a set curriculum to assure minimum knowledge (Graduate with the appropriate degree and one is a chemist) other professions have only a test. (Pass the examination and, however one learned the discipline, one is an actuary). And other professions have more complex standard. (So for example, to be a physician, one must graduate with a certain degree, work under supervision for a time, and pass certain examinations). If their profession has a good reputation for what it does, the declaration of membership will aid them in earning a living. Those who declare membership in a profession to which they do not belong are mere charlatans, quacks, impostor, or the like.

Where members of profession declare their membership voluntarily ("I am an architect"), they are part of a voluntary, morally permissible, cooperative practice. They are in position to have the benefits of the practice, employment as members of that profession, because the employer sought such-and-such and they (truthfully) declared their membership.

A profession's ethics imposes moral obligations on members of that profession. These obligations may, and generally do, vary from profession to profession (and, within a single profession, may also vary over time). These obligations appear in a range of documents, including standards of education, admission, practice, and discipline. A code of ethics is the most general of these documents, the one concerned with the practice of the profession as such.

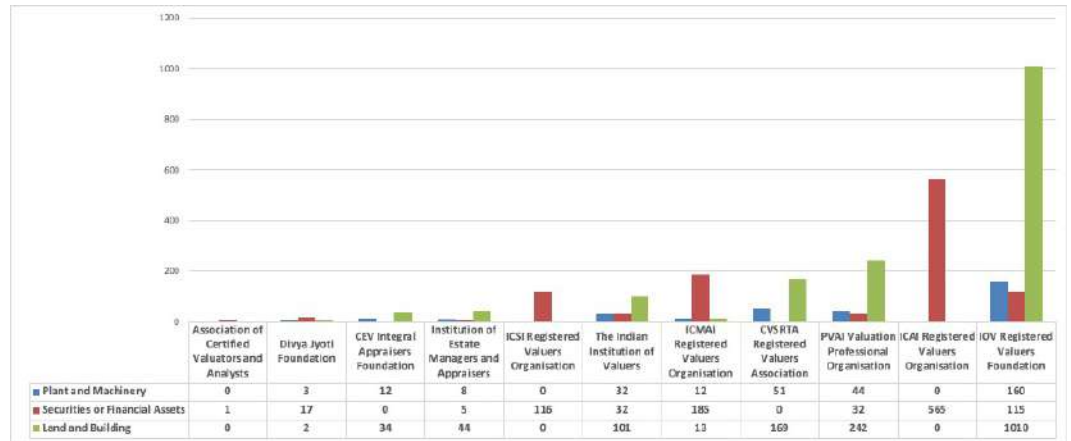
To promote and create interest of youth in India for Valuation as a profession, IOV has developed a special elementary and foundation course to be held at the graduation level. In all such ventures role of our faculty and their participation requires appreciation, making it possible for IOV to undertake and more so surging ahead with other such educational programmes.

COUNT THAT COUNTS!

Graph 2:
Comparison of total no. of
Registered Valuers (till date)

We have

1010 RVs
in Land & Building
asset class.



STAFF CORNER



**IOVRVF
ON
Holi-Day !!!**



**OUR MD's
BIRTHDAY!!!**



IF REGISTERING FOR 50 HOURS MEP
84489 88772 | 93151 24957 Or

MEP CERTIFICATE | FORM-A ASSISTANCE
82850 14720

YOU MAY VISIT US AT

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