

Insolvency and Bankruptcy Board of India

30th December, 2017

Subject: Valuation Examination for Asset Class- Securities or Financial Assets

In pursuance of the rule 5 (3) of the Companies (Registered Valuers and Valuation) Rules, 2017, the Insolvency and Bankruptcy Board of India, being the Authority, hereby publishes the syllabus, format and frequency of the 'Valuation Examination' for the asset class: Securities or Financial Assets.

I. Syllabus

Sl. No.	Coverage	Weight (%)
<u>1a.</u>	Macro Economics <ul style="list-style-type: none"> - National Income Accounting - Basics of Fiscal Policy - Basics of Monetary Policy - Understanding Business cycles <u>No changes</u> 	4 <u>No changes</u>
<u>2b.</u>	Finance <ul style="list-style-type: none"> - Basic Concepts of Finance - Decisions in Finance - Financial Markets and Securities Markets <u>Financial Statement and Standard (Shifted from (d) Assets Liabilities & Equity and Income & Expenses Performance Capital Structure Analysis Credit analysis Cash Flow Analysis</u> 	<u>6.3</u>
<u>3e.</u>	Professional Ethics and Standards <ul style="list-style-type: none"> Model Code of Conduct <u>for Registered Valuers as notified by MCA under Companies (RV and V) Rules 2017 as notified by MCA</u> - Other Engagement Considerations - <u>Ethical Consideration under the terms of engagements</u> 	<u>4.5</u>
<u>d.</u>	Financial Statement Analysis shifted to serial no 2 <ul style="list-style-type: none"> - Assets, Liabilities, Income and Expenses - Performance Analysis, Capital Structure Analysis - Credit Analysis - Cash Flow Analysis 	3
<u>4e.</u>	General laws and Judicial Pronouncements <ul style="list-style-type: none"> • <u>The Companies Act, 2013 (shifted from serial no i below)</u> <ul style="list-style-type: none"> - <u>Chapter IV - Share Capital and Debenture</u> -- <u>Chapter XV - Compromise Arrangements and Amalgamation and Relevant Rules</u> Chapter XVII Registered Valuer The Companies (Registered Valuers and valuation) - Rules 2017 -- <u>Chapter XX - Winding Up</u> - Asset Classes • Indian Contract Act, 1872 <u>(No changes)</u> 	18 <u>(No changes)</u>

- Offer, Acceptance and Revocation
- Legal Contract, Void and Voidable Contracts
- Contingent Contracts
- Performance of Contracts
- Consequences of Breach of Contract
- Agency Agreements
- **The Sale of Goods Act, 1930 (No Changes)**
 - Contract of Sale
 - Definition of Goods
 - Price of Goods
 - Conditions and Warranties
 - Unpaid Seller
- **The Transfer of Property Act, 1882**
 - Definition of Immovable Property

	<ul style="list-style-type: none"> - Transfer and Sale of Property - Rights and Labilities of Buyer and Seller - Mortgage of Property - Rights and Liabilities of Mortgager and Mortgagee - Gift of Immovable Property - Lease <ul style="list-style-type: none"> • Indian Stamps Act, 1899 (No Changes) <ul style="list-style-type: none"> - Basics of Indian Stamp Act - Valuation for Duty - Instruments on which duty is levied • Income Tax Act, 1961 <ul style="list-style-type: none"> - Taxes on Individuals - Taxes on Companies and other entities - Heads of Income- Salary, <u>Income from House Property, income from profit and gain of Business or profession</u> Income, <u>income from Capital gain and Income from other sources</u> - Clubbing and Set off provisions <u>Double taxation avoidance agreement (DTAA) (shifted)</u> <u>Taxation on transfer of Business (now added)</u> <u>Transfer Pricing issues (now added)</u> <u>Employees Stock Option plan or Scheme (shifted)</u> • Insolvency and Bankruptcy Code, 2016 (elaborated now) <ul style="list-style-type: none"> <u>Part I of IBC Preliminary</u> <u>Part II of IBC Insolvency Resolution and liquidation for corporate person</u> <u>IBBI (Insolvency Process for Corporate Process) Regulations 2016</u> <u>IBBI (Liquidation Process) Regulations 2016</u> <u>IBBI (Voluntary Liquidation Process) 2017</u> <ul style="list-style-type: none"> - Corporate Insolvency Resolution - Corporate Liquidation <p>Judicial Pronouncements(shifted down)</p> <ul style="list-style-type: none"> • —Important Judicial Precedents of Valuation <p><u>SARFAESI 2002 (shifted from down)</u></p> 	
<u>5</u>	<p><u>Financial Reporting under Indian Accounting Standard (IndAS) Indian Accounting Standard (IndAS) 113 Fair value Measurement (shifted)</u></p>	<u>5</u>
<u>6</u>	<p>Overview of Valuation</p> <ul style="list-style-type: none"> - Meaning of Value - Premise of Valuation - Purpose of Valuation - <u>Valuation Standard (now added)</u> - <u>Valuation Engagements-scope of work (now added)</u> - Valuation Process - Valuation Report - Documentation 	<u>54</u>
<u>7g.</u>	<p>Valuation Approaches and Methodologies</p> <ul style="list-style-type: none"> - Income Approach - Market Approach 	<u>35</u>

	- Cost Approach	
<u>8h.</u>	Valuation Application <ul style="list-style-type: none"> • Equity / Business Valuation <ul style="list-style-type: none"> - Analysis of Business Environment - Entity's Business Strategy Analysis - Business Combination- Amalgamation, Merger, Demerger, Arrangement & Restructuring - Forecasting - Cash flow Analysis - Appropriate Cost of Capital / Rate of Return - Valuation Adjustments • Fixed Income Securities <ul style="list-style-type: none"> - Types of Fixed Income Securities - Types of Different Debt Instruments - Terms used in Fixed Income Securities - Credit Rating of Bonds - Embedded Options - Interest Rate Derivative Products - Related FIMMDA Circulars 	33(<u>no Changes</u>)

	<ul style="list-style-type: none"> • Option Valuation <ul style="list-style-type: none"> - General Principles - Option Valuation Models – Black and Scholes Valuation Methodology, Black and Scholes Merton Option Pricing Method - Binomial Tree Method, Monte Carlo Simulation • Valuation of other Financial Assets and Liabilities • Intangible Assets <ul style="list-style-type: none"> - Nature and Classification of Intangibles - Identification of Nature of Intangible Assets - Purpose of Intangibles Valuation - Valuation Approaches • Valuation Application: Situation Specific Valuation <ul style="list-style-type: none"> — Business Combination— Amalgamation, Merger, Demerger, Arrangement & Restructuring - Distressed Asset Valuation - Start-up Entities Valuation - Valuation of Small and Medium Enterprises - Valuation of Cyclical Firms - Valuation of Investment Entities - Valuation for Insurance Coverage 	
i.	<p><u>9</u> Laws and Regulations relevant to Financial Assets Valuation</p> <ul style="list-style-type: none"> • <u>Financial Reporting (shifted above)</u> <ul style="list-style-type: none"> - Financial Reporting (Indian Accounting Standards), Ind AS 113 (shifted above) • <u>The Companies Act, 2013 (shifted above)</u> <ul style="list-style-type: none"> — Chapter IV— Share Capital and Debenture - Chapter XV— Compromise Arrangements and Amalgamation and Relevant Rules - Chapter XX— Winding Up • SEBI Regulations <ul style="list-style-type: none"> - SEBI (ICDR), 2009-<u>Chapter VI –A and Chapter VII SEBI (LODR), 2015 now specific chapters have been given</u> - - SEBI (Mutual Fund) Regulations, 1996- (deleted) - <u>SEBI (Prohibition of Insider Trading)Regulations 2015</u> - SEBI (Share based Employee Benefits) Regulation, 2014 <u>Employee stock option schemes ,employee stock purchase schemes and stock appreciation right schemes</u> - SEBI (SAST) Regulations, 2011, - SEBI(Delisting <u>of Equity shares</u>) Regulations <u>2014</u> - ESOP Valuation(shifted just above) • RBI and FEMA Regulations <ul style="list-style-type: none"> - FEMA (Transfer or Issue of Security by a Person Resident Outside India), Regulations, 2017 - Foreign Direct Investment (Pricing Guidelines) - Direct Investment by Residents in Joint Venture/ Wholly Owned Subsidiary abroad. - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks. - Guidelines on Sale of Stressed Assets by Banks - <u>SARFESI Act, 2002 (shifted above)</u> • <u>Income Tax and Other Statues (clubbed at s no above)</u> 	410

~~- Capital Gain on Transfer of Assets~~

Serial no 10 Judicial Pronouncement on Valuation

Six case law –have been specifically incorporated in the syllabus of 3 marks

Miheer H Mafatlal Vs Mafatlal industries Limited (1997) 1 SCC579

Hindustan Lever Employees Union Vs Hindustan lever Limited and others

Brooke Bond Lipton India Limited (1999) 98 comp Case 496 (Cal)

Dinesh Vrajlal Lakani Vs Parke Davis (india Limited) (2005) 124 Comp Case 728 (Bom HC)

Dr Mrs Renuka Dalta vs Solvay Pharmaceutiocal BV & Ors

GI Sultania and another vs SEBI

	<ul style="list-style-type: none"> - Taxation on Income of Corporate Entities, Partnership - Carry Forward of Losses - Compliance of DTAA Agreements 	
11j	Case Studies (This section will have 2 case studies <u>to test the ability to apply for application of</u> valuation techniques. There will be two comprehensions narrating the transaction based on which questions will be asked from each case.)	1416
Total		100

Note: Wherever any law, an Act of Parliament or any Rule is referred to in the syllabus, the same shall be taken as in force as on 31st December, 2018. This means that any amendment in such laws, Acts or Rules effected after 31st December, 2018 shall be ignored.

II. Format of Examination

- a. The examination is conducted online (computer-based in a proctored environment) with objective multiple-choice questions;
- b. The duration of the examination is 2 hours;
- c. A candidate is required to answer all questions;
- d. A wrong answer attracts a negative mark of 25% of the marks assigned for the question;
- e. A candidate needs to secure 60% of marks for passing;
- f. A successful candidate is awarded a certificate by the Authority;
- g. A candidate is issued a temporary mark sheet on submission of answer paper; and
- h. No workbook or study material is allowed or provided.
- i. A candidate may use a non-memory based calculator.
- j. No mobile phone is allowed.

III. Frequency of Examination (Serial numbering changes)

The frequency of Examination is as under:

- a. I The examination is available from a number of Examination Centres across the locations in the country;
- b. J The examination is available on every working day;
- c. k. A candidate may choose the time, the date and the Examination Centre of his choice
- d. for taking the Examination. For this purpose, he needs to enrol and register
- e. at <https://valuationregistration.bsebt.com>.
- b.-
- e. ~~A candidate needs to provide PAN and Aadhaar to enrol for the examination.~~

~~Further details about the examination will be provided subsequently.~~

I. A candidate needs to pay an Examination fee of Rs.1500 (One thousand five hundred rupees only) online on every enrolment.

Further details of the Examination, if any, will be provided subsequently

