

## Insolvency and Bankruptcy Board of India

No. IBBI/PR/2018/39  
31<sup>st</sup> December, 2018

### Press Release

The Central Government notified the commencement of section 247 (relating to valuers) of the Companies Act, 2013 with effect from 18<sup>th</sup> October, 2017. It also notified the Companies (Registered Valuers and Valuation) Rules, 2017 on 18<sup>th</sup> October, 2017.

2. The Central Government, vide a notification dated 23<sup>rd</sup> October, 2017, issued the Companies (Removal of Difficulties) Second Order, 2017 to provide that valuations required under the Companies Act, 2013 shall be undertaken by a person who, having the necessary qualifications and experience, and being a valuer member of a recognised valuer organisation, is registered as a valuer with the Authority. Vide another notification on the same date, the Central Government delegated its powers and functions under section 247 of the Companies Act, 2013 to the Insolvency and Bankruptcy Board of India (IBBI) and specified the IBBI as the Authority under the Companies (Registered Valuers and Valuation) Rules, 2017.

3. The Companies (Registered Valuers and Valuation) Rules, 2017, as amended, require that only a person registered with the IBBI as a registered valuer can conduct valuations required under the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016 with effect from 1<sup>st</sup> February, 2019. Subject to meeting other requirements, an individual is eligible to be a registered valuer, if he (i) is a fit and proper person, (ii) has the necessary qualification and experience, (iii) is a valuer member of a RVO, (iv) has completed a recognised educational course as member of a RVO, and (v) has passed the valuation examination conducted by the IBBI, and (vi) is recommended by the RVO for registration as a valuer. A partnership entity or a company is also eligible for registration subject to meeting the requirements. A person, who is rendering valuation services under the Companies Act, 2013, may continue to do so without a certificate of registration up to 31<sup>st</sup> January, 2019.

4. In pursuance of the rule 5 (3) of the Companies (Registered Valuers and Valuation) Rules, 2017, the IBBI, being the Authority, had published the syllabus, format and frequency of the valuation examination for the Asset Class of 'Securities or Financial Assets' on 30<sup>th</sup> December, 2017 and for the Asset Classes of (a) Land and Building, and (b) Plant and Machinery on 31<sup>st</sup> December, 2017 and has been conducting examination since 31<sup>st</sup> March, 2018.

5. In pursuance of the said rule, the IBBI, being the Authority, hereby publishes the syllabus, format and frequency of the 'Valuation Examination' to be conducted from 1<sup>st</sup> April, 2019 for the asset classes as under:

- a. Plant and Machinery:** Annexure I
- b. Land and Building:** Annexure II
- c. Securities or Financial Assets:** Annexure III

6. The details of examination are available on IBBI website [www.ibbi.gov.in](http://www.ibbi.gov.in).

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## Insolvency and Bankruptcy Board of India

31<sup>st</sup> December, 2018**Subject: Syllabus of Valuation Examination for Asset Class- Securities or Financial Assets with effect from 1<sup>st</sup> April, 2019**

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' to be conducted from 1<sup>st</sup> April, 2019 for the asset class: **Securities or Financial Assets** as under:

**III. Syllabus**

<b>Sl. No.</b>	<b>Coverage</b>	<b>Weight (%)</b>
1.	<b>Macroeconomics</b> - National Income Accounting - Basics of Fiscal Policy - Basics of Monetary Policy - Understanding Business cycles	4
2.	<b>Finance and Financial Statement Analysis</b> <ul style="list-style-type: none"> <li>• <b>Finance</b> <ul style="list-style-type: none"> <li>- Basic Concepts of Finance</li> <li>- Decisions in Finance</li> </ul> </li> <li>• <b>Financial Statement Analysis</b> <ul style="list-style-type: none"> <li>- Assets, Liabilities &amp; Equity and Incomes &amp; Expenses</li> <li>- Performance Analysis</li> <li>- Capital Structure Analysis</li> <li>- Credit Analysis</li> <li>- Cash Flow Analysis</li> </ul> </li> </ul>	6
3.	<b>Professional Ethics and Standards</b> <ul style="list-style-type: none"> <li>- Model Code of Conduct for Registered Valuers as notified by Ministry of Corporate Affairs (MCA) under the Companies (Registered Valuers and Valuation) Rules, 2017</li> <li>- Ethical considerations under terms of engagements</li> </ul>	4
4.	<b>General laws</b> <ul style="list-style-type: none"> <li>• <b>The Companies Act, 2013</b> <ul style="list-style-type: none"> <li>- Chapter IV - Share Capital and Debentures</li> <li>- Chapter XV - Compromises, Arrangements and Amalgamations and the Companies (Compromises, Arrangements and Amalgamations) Rule, 2016</li> <li>- Chapter XVII- Registered Valuers</li> <li>- The Companies (Registered Valuers and Valuation) Rules, 2017</li> <li>- Chapter XX -Winding Up</li> </ul> </li> <li>• <b>The Indian Contract Act, 1872</b></li> </ul>	18

	<ul style="list-style-type: none"> <li>- Offer, Acceptance and Revocation</li> <li>- Legal Contract, Void and Voidable Contracts</li> <li>- Contingent Contracts</li> <li>- Performance of Contracts</li> <li>- Consequences of Breach of Contract</li> <li>- Agency Agreements</li> <li>• <b>The Sale of Goods Act, 1930</b> <ul style="list-style-type: none"> <li>- Contract of Sale</li> <li>- Definition of Goods</li> <li>- Price of Goods</li> <li>- Conditions and Warranties</li> <li>- Unpaid Seller</li> </ul> </li> <li>• <b>The Transfer of Property Act, 1882</b> <ul style="list-style-type: none"> <li>- Definition of Immovable Property</li> <li>- Transfer and Sale of Property</li> <li>- Rights and Liabilities of Buyer and Seller</li> <li>- Mortgage of Property</li> <li>- Rights and Liabilities of Mortgager and Mortgagee</li> <li>- Gift of Immovable Property</li> <li>- Lease</li> </ul> </li> <li>• <b>The Indian Stamps Act, 1899</b> <ul style="list-style-type: none"> <li>- Basics of Indian Stamp Act</li> <li>- Valuation for Duty</li> <li>- Instruments on which duty is levied</li> </ul> </li> <li>• <b>The Income Tax Act, 1961</b> <ul style="list-style-type: none"> <li>- Taxes on Individuals</li> <li>- Taxes on Companies</li> <li>- Heads of Income- Income from Salary, Income from House Property, Income from Profits and Gains of Business or Profession, Income from Capital Gains and Income from Other sources</li> <li>- Clubbing and Set off provisions</li> <li>- Double Taxation Avoidance Agreement (DTAA)</li> <li>- Taxation on transfer of business</li> <li>- Transfer pricing issues</li> <li>- Employees' Stock Option Plan or Scheme</li> </ul> </li> <li>• <b>The Insolvency and Bankruptcy Code, 2016 (IBC) and Regulations</b> <ul style="list-style-type: none"> <li>- Part I of IBC: Preliminary</li> <li>- Part-II of IBC: Insolvency Resolution and Liquidation for Corporate Persons</li> <li>- The Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016</li> <li>- The Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016</li> <li>- The Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017</li> </ul> </li> </ul>	
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5.	<b>Financial Reporting under Indian Accounting Standards (Ind AS)</b> - Indian Accounting Standard (Ind AS) 113, Fair Value Measurement	5
6.	<b>Overview of Valuation</b> - Meaning of Value - Premise of Valuation - Purpose of Valuation - Valuation Standards - Valuation Engagements-Scope of Work - Valuation Process - Valuation Report - Documentation	4
7.	<b>Valuation Approaches</b> - Cost Approach - Market Approach - Income Approach	3
8.	<b>Valuation Application</b> <ul style="list-style-type: none"> <li>• <b>Equity / Business Valuation</b>  - Analysis of Business Environment  - Entity's Business Strategy Analysis  - Business Combinations- Amalgamation, Merger, Demerger, Arrangement &amp; Restructuring  - Forecasting  - Cash flow Analysis  - Appropriate Cost of Capital / Rate of Return  - Valuation Adjustments</li> <li>• <b>Fixed Income Securities</b>  - 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 Fixed Income Money Market and Derivatives Association of India (FIMMDA) Circulars</li> <li>• <b>Option Valuation</b>  - General Principles  - Option Valuation Models: Black and Scholes Valuation Methodology, Black and Scholes Merton Option Pricing Method, Binomial Tree Method, Monte Carlo Simulation</li> <li>• <b>Valuation of other Financial Assets and Liabilities</b></li> <li>• <b>Intangible Assets</b>  - Nature and Classification of Intangibles  - Identification of Nature of Intangible Assets</li> </ul>	33

	<ul style="list-style-type: none"> <li>- Purpose of Intangibles Valuation</li> <li>- Valuation Approaches</li> <li>• <b>Situation Specific Valuation</b> <ul style="list-style-type: none"> <li>- Distressed Asset Valuation</li> <li>- Start-up Entities Valuation</li> <li>- Valuation of Small and Medium Enterprises</li> <li>- Valuation of Cyclical Firms</li> <li>- Valuation of Investment Entities</li> <li>- Valuation for Insurance Coverage</li> </ul> </li> </ul>	
9.	<p><b>Regulations relevant to Financial Assets Valuation</b></p> <ul style="list-style-type: none"> <li>• <b>The Securities and Exchange Board of India Regulations</b> <ul style="list-style-type: none"> <li>- The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009– Chapter VI-A and Chapter VII</li> <li>- The SEBI (Prohibition of Insider Trading) Regulations, 2015</li> <li>- The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011</li> <li>- The SEBI (Delisting of Equity Shares) Regulations, 2009</li> <li>- The SEBI (Share based Employee Benefits) Regulation, 2014: Employee stock option schemes, employee stock purchase schemes and stock appreciation rights schemes</li> </ul> </li> <li>• <b>RBI and FEMA Regulations</b> <ul style="list-style-type: none"> <li>- FEMA (Transfer or Issue of Security by a Person Resident Outside India), Regulations, 2017</li> <li>- Foreign Direct Investment (Pricing Guidelines)</li> <li>- Direct Investment by Residents in Joint Venture/ Wholly Owned Subsidiary abroad.</li> <li>- Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks.</li> <li>- Guidelines on Sale of Stressed Assets by Banks</li> </ul> </li> </ul>	4
10.	<p><b>Judicial Pronouncements on Valuation</b></p> <ul style="list-style-type: none"> <li>- Miheer H. Mafatlal Vs. Mafatlal Industries Ltd. (1997) 1 SCC 579</li> <li>- Hindustan Lever Employees' Union Vs. Hindustan Lever Limited And Ors.</li> <li>- Brooke Bond Lipton India Ltd.td. [1999] 98 Comp Cas 496 (Cal)</li> <li>- Dinesh Vrajlal Lakhani Vs. Parke Davis (India Ltd.) (2005) 124 Comp Case 728 (Bom HC)</li> <li>- Dr. Mrs. Renuka Datla Vs. Solvay Pharmaceutical B.V. &amp; Ors. G.L. Sultania and Another Vs. The Securities and Exchange Board of India</li> </ul>	3
11.	<p><b>Case Studies</b></p> <p>This section will have two case studies to test the ability to apply valuation techniques. There will be two comprehensions narrating transaction based on which questions will be asked.</p>	16
<b>Total</b>		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 31<sup>st</sup> December, 2018. This means that any amendment in such laws, Acts or Rules effected after 31<sup>st</sup> December, 2018 shall be ignored.

## **II. Format of Examination**

The format of examination is as under:

- 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 calculator which does not have memory.
- j. No mobile phone is allowed.

## **III. Frequency of Examination**

The frequency of Examination is as under:

- i. The Examination is available from a number of Examination Centres across the country.
- j. The examination is available on every working day.
- k. 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 enrol and register at <https://valuationregistration.bsebti.com>.
- l. 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.

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