

# Valuation: VCM ATQs

## “Learnings from the Observations of Peer Review of Valuation Reports”



**VALUATION STANDARDS BOARD**  
**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

(Set up under an Act of Parliament)

**New Delhi**

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# **Valuation: VCM ATQs**

## **“Learnings from the Observations of Peer Review of Valuation Reports”**



**Valuation Standards Board**  
**The Institute of Chartered Accountants of  
India**

**Preamble**

Valuation Standards Board of ICAI (VSB) had organised a live Virtual CPE Meeting(VCM) on the topic- "Learnings from the Observations of Peer Review of Valuation Reports" on 11<sup>th</sup> July, 2021. The details of the VCM are as under:

**President ICAI:** CA. Nihar N. Jambusaria

**Vice President ICAI:** CA. Debashis Mitra

**Address by:** CA. Anil Bhandari, Chairman, VSB, ICAI  
CA. M. P. Vijay Kumar, Vice- Chairman, VSB, ICAI

**Speakers:** Dr. Debajyoti Ray Chaudhuri, CGM IBBI  
CA Rajan Wadhawan, Registered Valuer

**Director:** Shri Rakesh Sehgal, Director, ICAI

**Secretary:** CA. Sarika Singhal, Deputy Secretary, ICAI

The Webcast received overwhelming response and was attended by more than 700 viewers. The said webcast can be viewed again at <https://live.icai.org/vsb/vcm/11072021/>

There were many questions raised during the webcast. We have prepared answers to the questions (ATQs) raised during the webcast, which do not require application of valuation practices and principles. Also, repetitive questions and questions not related to subject matter have not be answered.

We would also like to mention that the Valuation Standards Board has brought out many publications and the Concept papers that may be referred for guidance and reference. All the below publications are available on the Committee link at ICAI website i.e., [www.icai.org](http://www.icai.org).

- ICAI Valuation Standards 2018

- Educational Material on ICAI Valuation Standard 103 - Valuation Approaches and Methods
- Educational Material on ICAI Valuation Standard 301- Business Valuation
- Valuation: Professionals' Insight- Series- I, II, III, IV, V and VI
- Answers to the Questions raised during the Live Webcast on "Valuation and Valuation Standards Compliance and other aspects under various Laws"
- Technical Guide on Valuation
- Frequently Asked Questions on Valuation
- Concept Paper on findings of Peer Review of Valuation Reports
- Concept Paper on All About Fair Value
- Sample Engagement Letter for accepting Valuation assignment
- Valuation: VCM ATQ's – Series - I, II, III, IV, V and VI

The answers have been given for reference purposes. Detailed analysis may be done, and other material may be referred.

Valuation Standards Board

New Delhi

31<sup>st</sup> July, 2021

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## **Note on Peer Review of valuation Reports issued by Registered Valuers**

It has become a common phenomenon to assume valuation to be subjective. This means, valuer can play with the numbers, can exercise his judgement to accommodate end result intended by the recipient. It is also stated that Valuation is Objective science and the examples to support this claim is that in many valuation reports the arbitrary assumptions made are as follows:

- Growth rate is assumed at 10%
- Terminal growth rate is assumed at 5%
- Beta is assumed at 1.
- Product Life Cycle is assumed as indefinite.
- Assuming Book value of Debt to be Market Value of Debt

### **1. Definition of Peer Review**

Peer Review System (PRS) is a mechanism of evaluating the professional/audit and assurance activities/services carried out by a Firm by peers by looking into the systems and procedures adopted and records maintained while carrying out professional/audit and assurance activities with the objective to evaluate and suggest improvements of systems, procedures and quality of reporting. The purpose of PRS is to improve the quality of service rendered by Firms by way of enhancing credibility, transparency and adopting best practices and imparting knowledge and skills.

### **2. Objective of Peer Review- Registered Valuers Organisation**

The purpose of the Peer Review System statement is to impart a framework for, planning, performing, reporting and administration of the peer review process.

Peer Review System is directed towards maintenance as well as enhancement of quality of professional/valuation related services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory requirements. Essentially, through a review of professional services engagement records, peer review identifies the areas where a RV/Firm may require guidance in improving the quality of his performance and

adherence to various requirements as per applicable technical Standards as well as proper and regular application of such frame across engagement test sample for Review.

### **3. Objective of Peer Review- Registered Valuers**

The main objective of Peer Review System is to ensure that in carrying out the professional/valuation related activities/services, the registered valuers:

- a) comply with Technical, Professional and Ethical Standards as applicable including compliance of other regulatory provisions and requirements thereto and
- b) have in place proper systems including documentation thereof, to adequately exhibit the quality of the professional/valuation related activities/services.

### **Peer Review of Valuation Reports issued by the Registered Valuers**

Registered Valuers Organisations conducted peer review of the Valuation Reports issued by their Valuers.

A peer review workshop was conducted by IBBI in association with ICAI RVO. MD/CEOs of eleven RVOs participated and made presentations on key findings emerging out of the peer review undertaken by them. Summary of findings during the peer review of valuation reports are provided below:

#### **General Observations**

- 1. Scope of work being vague and requisite details were found missing.
- 2. Insufficient explanation of supporting evidence.
- 3. An explanation on methodology applied to arrive at specific valuation was not provided.
- 4. Errors in numerical calculations and mismatch in logical sequencing.
- 5. Inconsistencies and contradictions were observed in various parts of the same report.
- 6. Assumptions were not clearly articulated.
- 7. Important sources for land ownership were not indicated.
- 8. In some cases, though purpose of valuation was mentioned, however, name of appointing authority was not mentioned.

9. Some references to important dates were missing.
10. There were no mention of caveats, limitations and disclaimers in the valuation report.
11. The major factors that were taken into account during the valuation not fully indicated.
12. Conclusion was not provided.
13. No mention of restrictions on use of the report, if any.
14. Notes to the report are identical across all asset categories.
15. Figures were computed based on provisional balance sheets.
16. The reports do not confirm having 'Considered' all three generic approaches to value and do not cite reasons for 'selection' of any particular method or for 'disregarding' any approach.
17. Valuation Reports do not make reference to outstanding liabilities.

### **Disclaimers and Disclosures**

1. No standardization in the disclosures observed.
2. Past history of the company should be disclosed in the report to substantiate the professional judgement, especially when the Company is listed and/or is a Multinational Company.
3. In case the company is a wholly Owned Subsidiary (WOS), Valuation Report should mention the layers of shareholding to substantiate the beneficial owner and at least minimum of one layer should be mandatorily mentioned as per Valuation Rules.
4. There should be a para of identity of valuer and other experts (if any) involved or assisted by.
5. Definition of "Fair Value" and "Liquidation Value" should be provided in the Report.
6. Since the corporate debtor is under CIRP, the report should consider Liquidation Value on 'going concern' basis.
7. Disclosure/disclaimer should not mention "Validity of Report is 3 years from the date of Report", as this provision is the requirement to maintain records for 3 years and not validity of Report or validity of valuation.
8. The valuer shall not disclaim liability for his/its expertise or deny his/its duty of care, except to the extent that the assumptions are based on statements of fact provided by the company or its auditors or consultants or information available in public domain and not generated by the valuer.



9. A statement explicitly restricting the end use of the report to intended user and for intended purpose only was missing in many valuation reports.
10. Statement or disclosure on conflict of interest needs to be specifically mentioned.

## Valuation Standards

1. Most valuation reports lacked an explicit declaration regarding compliance with the specific Valuation Standards.
2. Among the RVOs only ICAI has prescribed valuation standards for the asset class Securities or Financial assets. Some reports do refer to this. However, other RVOs have prescribed International Valuation Standards mostly IVS. Many of the reports do not refer to the valuation standard so adopted.
3. Scope of work was not provided in detail in engagement letter or in the Valuation Report.
4. In a few cases, it was observed that basis of valuation was not as per valuation standards.

## I. Major Findings of the 1<sup>st</sup> Peer Review of Valuation Reports

1. Valuation quality in general is affected by
  - a. Advocacy – Lack of independence.
  - b. Insufficient technical competence (e.g., Inadequate knowledge or insufficient technical skills)
  - c. Negligence (e.g., Inadequate valuation procedures or inadequate quality control)
 Of the above three quality issues, NEGLIGENCE is the major quality issue observed during peer review.
2. NEGLIGENCE is being contributed by the following lapses observed
  - a. Vague or undetailed scope (of work summary)
  - b. Insufficient explanation of supporting evidence
  - c. Lacking explanation of how methodology was applied to the subject property
  - d. Errors in grammar, math, logic
  - e. Inconsistencies, contradictions within the report
  - f. Assumptions not clearly stated

3. Insufficient explanation of supporting evidence
  - a. Valuation is an opinion of value, it needs to be properly supported for credibility. Must be supported by relevant evidence and logic -as necessary for the intended use.
  - b. Detailed listing on sources of data
  - c. Comprehensive Market data interpretation & Analysis
  - d. Steps involved in logical conclusion.
4. The Valuation is unbiased logical presentation of evidence that supports an opinion of value. Valuer's job is to present a report that clearly and competently explains a story of value.
5. Some important sources for land ownership not indicated.
6. No statement or disclosure on conflict of interest is specifically mentioned.
7. Purpose of valuation is mentioned however name of appointing authority is not mentioned
8. Some important dates are missing.
9. Valuation Standards not indicated.
10. There is no mention of caveats, limitations and disclaimers in the valuation report.
11. Partly indicates the major factors that were taken into account during the valuation.
12. Conclusion is not provided.
13. No mention of restrictions on use of the report, if any.
14. Partly indicates the major factors that were taken into account during the valuation.
15. Bases of Valuation not arrived as per Valuation Standards for liquidation value.
16. Stereo type notes have been given for all Assets.
17. Mere percentage has been applied.
18. Figures are computed based on provisional balance sheets.
19. Valuation Report does not mention of Liabilities.
20. Margin money with bank has been mentioned as NIL. Since no creditors can be settled as on date of Corporate Insolvency Resolution Professional other than through water fall line of settlement. Hence, margin money lying in bank cannot be directly settled and shall be made available to Resolution Professional for settlement under waterfalls.
21. The deviations from Valuation Standards noted. The deviations generally observed when reviewing the valuation reports pertain to the following:
  - a. Use of different valuation standards: It is observed that in some tangible asset

valuation reports, references were drawn to ICAI Valuation standards and definitions used from that standard, which was in contravention to adoption of IVS.

- b. Scope of work was not elaborately captured in engagement letter NOR in transmittal letter/ Executive summary for valuation
22. Restrictions on the use of report: A statement explicitly restricting the end use of the report to intended user and for intended purpose only was missing from valuation report.

**Summary of findings during the 2<sup>nd</sup> peer review of valuation reports are provided below:**

1. Significant improvement from previous year's peer review, however there is scope for further improvement.
2. Scope of work was vague and relevant details were not incorporated (This was there in previous year's peer review as well).
3. Appointing Authority was not stated.
4. Report stated that the valuer takes no responsibility for the data presented in the report.
5. Adherence/Compliance with valuation standards used was not specifically stated in the Report.
6. Absence of supporting evidence and analysis (This was there in previous year's peer review as well).
7. General lack of understanding of concepts and definitions.
8. Structure and formatting of the report was not as per Rule 8(3) of the Companies (Registered Valuers & Valuation) Rules, 2017.
9. Valuation Report only mentions 'The fee for the engagement is not contingent upon the results reported.' It does not specifically cover independence or conflict of interest covered in the Engagement Letter.
10. Important definitions were not there in the report.
11. Date of appointment was not mentioned in the Valuation Report. Valuation Date was also not mentioned in the Valuation Report.
12. While the nature and sources of the information used or relied upon was stated in the Valuation Report, the financial projections were not included in the sources of information.
13. Limitations in the form of non-availability of projections were addressed by ignoring the income approach for valuation. Some more justification for the same should have been incorporated.

14. Limiting Conditions that directly affect the Valuation were not clearly stated.
15. Valuation Approach- Management Certified Projections were used by the Valuers. It is advisable to provide information on:
  - procedures performed by the valuer especially with respect to projections provided by management;
  - reason for not considering certain methodologies;
  - current state of operations of the Company; and
  - financials as at the valuation date.
16. Valuers have considered full year cash flows for FY 2019-20 while the valuation date is in February e.g., 15<sup>th</sup> February, 2020.
17. Valuers have not mentioned COP number.
18. The purpose of valuation was not clearly stated.
19. Valuers have not clearly stated the face value of the instrument which was being valued.
20. Full disclosure of valuer's interest or conflict, if any, was not provided.
21. Nature and sources of information were not properly stated at one place.
22. Conclusion was not under a separate heading.
23. Assumptions and limitations were not justified and pertinent to the valuation in hand.
24. Significant uncertainty was not put under separate heading.
25. The extent of investigation undertaken including the limitation on that investigation set out in the scope of work were not disclosed.
26. Due diligence done, if any, was not separately described and discussed in detail.
27. The Premise, Assumptions were not stated under separate headings.
28. Executive Summary was not there in some reports.
29. There were number of typographical errors in the report.
30. Intended user of the Report was not stated.
31. Valuers did not state the reasoning for adoption of a particular valuation approach(es) in the valuation report.
32. While using DCF method, a disclaimer clarifying whether projections used were solely provided by Management or were rationalized subsequently with reasons thereof was not there.
33. Reasons to justify extent of Liquidation Discount applied were not recorded.
34. Some RPs insist on recording Realisable value instead of Liquidation Value.

35. The letters of engagement issued by IPs were not comprehensive.
36. Declaration on restriction on use, distribution and publication of report was not there.
37. Appropriate and suitable methodology was not used for valuation of lease hold property.
38. Any material uncertainty in relation to valuation was not commented upon.
39. While reviewing Plant & Machinery Valuation Reports certain deficiencies were observed such as:
  - erroneous report headings;
  - details of investigations conducted not provided; and
  - technical specifications of some machines not provided.
40. While reviewing Land & Building Valuation Reports certain deficiencies were observed such as:
  - lack of evidence for market survey of prices; and
  - non-authentication of physical measurements.
41. While reviewing Securities and Financial Valuation Reports certain deficiencies were observed such as:
  - due weightage not given to COVID-19 crisis;
  - steady growth of business presumed during pandemic;
  - non-inclusion of intangible related to IT enabled services;
  - the method of valuing subsidiaries was not provided; and
  - adoption of tangible asset valuation from the books of accounts.
42. Other Issues:
  - Appointment of Single Valuer (representing one class of asset) as an umbrella valuation engagement involving valuations under other classes of asset.
  - Fair Value of Financial Assets (ICDs, Receivables etc.) of companies under Insolvency/ resolution plan.
  - Liquidation Value – sometimes misused for lower bids under bankruptcy/ insolvency auctions.
  - Importance of rationale in valuer's report

## **Key Takeaways**

Some of the key takeaways of the exercise of Peer Review

- Past history of the company to be disclosed in the report to substantiate the professional

- judgement, especially when the Company is listed and/or Multinational Company.
- In case of Multinational Company audited financials should be commented in line with AS 21 (consolidation of Holding, Subsidiaries & Associate companies), section 441 read with section 444 of the Companies Act, 2006.
  - Where Key Managerial Person (KMP) is playing major role in valuing the shares, comments and its impact, if any, on valuation should be mentioned in the report.
  - In case the company is Wholly Owned Subsidiary (WOS), Valuation Report should mention the layers of shareholding to substantiate the beneficial owner and at least minimum of one layer should be mandatorily mentioned as per Companies (Registered Valuers and Valuation) Rules, 2017.
  - The Report should identify the Registered Valuer. There should be a para of identity of valuer and other experts (if any) involved or assisted by.
  - Definition of "Fair Value" and "Liquidation Value" should be provided in the Report.
  - Since the corporate debtor is under CIRP, the report should consider
  - Liquidation Value on Ongoing Concern Basis.
  - Disclosure/disclaimer should not mention "Validity of Report is 3 years from the date of Report", as this provision is the requirement to maintain records for 3 years and not validity of Report or validity of valuation.
  - The valuer shall not disclaim liability for his/its expertise or deny his/its duty of care, except to the extent that the assumptions are based on statements of fact provided by the company or its auditors or consultants or information available in public domain and not generated by the valuer.
  - Valuation Report should mention about the liabilities also, since valuation of liabilities are more crucial for a company under liquidation to map the available liquidation value of assets for settlement of creditors under water fall mode. The liquidation value is the minimum value to be arrived to settle operational creditors.

**Recommendations/Suggestions:**

1. Valuation report stated that since the projections were price sensitive information, the income approach has not been used. The confidentiality agreement entered by the company with the valuer should not deter the valuer from using financial projections. If it is still not possible, valuer should provide a cogent rationale for not using the projections.

2. The justification for using a discount rate should be provided.
3. Explicit declaration regarding compliance with the Valuation Standards (VS) followed in valuation is required to be stated.
4. COP Number should be stated in the report.
5. Identity of the Valuer with his/her registration number along with identity of other experts involved in the valuation should be provided.
6. While mentioning the purpose of valuation, Valuers should reproduce the sections and related provisions.
7. The Valuer must state the extent of examination and verification made in respect of the information on which his valuation is based. In case any public data is used, the source must be clearly stated with the extent of examination performed by the valuer.
8. Under NAV method, valuers must mention the details of Tangible Assets, Non-Current Assets, Current Assets and Liabilities rather than classifying them under broad heads. This will enable the user to understand the nature of assets or liabilities.
9. An executive summary to understand the valuation report shall be provided, it shall include the methodology used, the value, which is arrived, important dates, valuation standard followed and purpose of valuation etc.
10. The fees structure for the reviewer should be provided like in some other professions.

**Compliance with the guidelines issued by IBBI on Caveats, Limitations and Disclaimers (CLD) by the Registered Valuers in Valuation Reports:**

1. Caveats, Limitations and Disclaimers were not properly stated.
2. Valuer members now have better understanding that these provide protection to RVs coupled with responsibilities.
3. RVs welcomed the Guidelines issued by IBBI, however, actual implementation was lacking.
4. In some reports, a small list of assumptions was given while no caveats, limitations and disclaimers were given.
5. Only a few Caveats, limitations and disclaimers were captured.
6. In some of the reports, deviation from the Guidelines on Caveats, limitations and disclaimers were observed.
7. Some of the deviations from the Guidelines were that valuer did not state the 'Basis/ Bases of Value' in the Valuation Report, Industry Analysis and Comparison with similar

transactions were not done, review of title deeds and assumptions made for internal condition were not specifically stated, no comments were made on the adequacy of information in the report etc.

## **Conclusion**

It was observed that the reports still follow the tabular form of reporting wherein they miss out on addressing this aspect. The reports do not confirm having 'Considered' all three generic approaches to value and do not cite reasons for 'selection' of any particular method or for 'disregarding' any approach.

Further, there is no standardization in the disclosures required to be made or assumptions used in preparing the report.

Taking note of the findings of the Peer Review, the Registered Valuers should comply with the requirements of Law and Rules in letter and spirit.



**Answer to Questions raised during the Virtual CPE Meeting Series "Sundays with Valuation Experts" on the topic "Learnings from the Observations of Peer Review of Valuation Reports" held on 11<sup>th</sup> July, 2021**

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
1.	In your view why there is a need for Peer Review of Valuation Reports?	<p>In Oct'17, the Companies (Registered Valuers and Valuation) Rules, 2017 came into effect and provided that all the existing valuers can do valuation under Companies Act only till 31<sup>st</sup> March'18 and after same only a registered valuer can undertake these valuations. Hence within a short time span of 4 to 5 months the entire architecture and ecosystem for Registered Valuers was put in place by IBBI post a series of consultation, feedbacks and roundtable discussions.</p> <p>It was viewed that any reform can be successful if following two aspects are taken into account:-</p> <ol style="list-style-type: none"> <li>1) It has to be least destructive to the existing process.</li> <li>2) It embraces all the existing stakeholders and broadly gains their acceptance.</li> </ol> <p>Further peer review has following two well-known aspects:-</p> <ol style="list-style-type: none"> <li>1) Firstly, it is done by peers in a friendly manner.</li> <li>2) Secondly, it is an informal process undertaken only for learning purposes and has no regulatory actions.</li> </ol> <p>But, there may be a third aspect too: -</p>

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		<p>3) It is a two-way process of mutual learning wherein even a peer reviewer can learn from the peer review done. Hence the reviewer also becomes qualitatively better.</p> <p>The purpose of Peer Review System in valuation is to improve the quality of service rendered by Firms by way of enhancing credibility, transparency and adopting best practices and imparting knowledge and skills amongst the valuers.</p> <p>As per IBBI, these Peer Reviews are the first steps and in future it can be a precursor to formal inspection.</p> <p>Hence, registered valuers shall be prepared for these inspections as RVO's has also been given initial instructions in respect of same.</p>
2.	Can you please briefly explain the objective of Peer Review for both Registered Valuers Organisations as well as Registered Valuers?	<p>RVO's are subject to formal inspection and not peer review, peer review is being undertaken for registered valuers only. RVO's are very important part of the Valuation ecosystem and are hence subjected to formal inspection.</p> <p>IBBI works closely with all the RVO's for the entire peer review mechanism as the RVO's are the frontline regulators and they are the ones having ears on the ground and are in touch with the members.</p>

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		<p>Essentially Peer review is done for the Registered Valuers and the main objective is to ensure that in carrying out the professional/valuation related activities/services, the registered valuers:</p> <p>a) comply with Technical, Professional and Ethical Standards as applicable including compliance of other regulatory provisions and requirements thereto and</p> <p>b) have in place proper systems including documentation thereof, to adequately exhibit the quality of the professional/valuation related activities/services.</p>
3.	Some of the matters to be taken care of by the Valuers before accepting the engagement.	<p>Following issues must be identified by valuers before accepting the engagement of valuation:</p> <ul style="list-style-type: none"> <li>• Subject and interest to be valued</li> <li>• Scope of work</li> <li>• Date of valuation</li> <li>• Standard of value</li> <li>• Purpose of valuation</li> <li>• Premise of value</li> <li>• Assumption, Limiting conditions and scope limitations</li> <li>• Nature of Business</li> <li>• Knowledge of the Industry</li> <li>• Sources of information available</li> <li>• Governing laws and Regulations</li> </ul>
4.	What are the significant differences seen in valuation reports between last	All the RVO's agreed that the Structure and Contents of Valuation reports have improved significantly between the two peer reviews.

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
	year and this year's Peer Review of Valuation Reports?	<p>Some of the significant differences seen are as under:-</p> <ol style="list-style-type: none"> <li>i. Firstly, the issues regarding disclosures in reports have improved significantly.</li> <li>ii. Secondly, Hygiene issues were observed during previous peer review, and it was being contributed by the following lapses:- <ol style="list-style-type: none"> <li>a. Errors in grammar, math, logic</li> <li>b. Inconsistencies, contradictions within the report</li> <li>c. Insufficient explanation of supporting evidence</li> <li>d. Lacking explanation of how methodology was applied to the subject property</li> </ol> </li> </ol> <p>Hygiene in Valuation Report is one area where issues have reduced substantially thereby improving the quality of the reports.</p> <ol style="list-style-type: none"> <li>iii. Lastly, the second peer review took a greater cognizance on the usage of Caveats Limitations and Disclaimers and many observations were brought forward. Detailed Guidelines were issued by IBBI in Sep'20 which were discussed in detail with practical examples and illustrations of Caveats, Limitations and Disclaimers that should be used and also the ones that should not be used in a valuation report.</li> </ol>

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		However, as per IBBI, effective implementation of the guidelines is to be further looked into by the RVO's.
5.	Please advise on some of the key areas that still needs to be improved in the preparation of Valuation Reports?	<p>Some of the key areas that still needs to improve in Valuation Reports as observed in the current years Peer Review are:-</p> <ul style="list-style-type: none"> <li>i. Scope of work - it was vague and relevant details were not incorporated (This was there in previous year's peer review as well)</li> <li>ii. The purpose of valuation needs to be clearly stated</li> <li>iii. Absence of supporting evidence and analysis (This was there in previous year's peer review as well).</li> <li>iv. Appointing Authority was not stated.</li> <li>v. Date of appointment was not mentioned in the Valuation Report. Valuation Date was also not mentioned in the Valuation Report.</li> <li>vi. Structure and formatting of the report was not as per Rule 8(3) of the Companies (Registered Valuers &amp; Valuation) Rules, 2017.</li> <li>vii. Important definitions were not there in the report.</li> <li>viii. Adherence/Compliance with valuation standards used was not specifically stated in the Report.</li> <li>ix. Full disclosure of valuer's interest or conflict, if any, was not provided.</li> <li>x. Nature and sources of information were not properly stated at one place.</li> </ul>

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		<p>xi. Significant uncertainty was not put under separate heading.</p> <p>xii. Intended user of the Report was not stated.</p> <p>xiii. Valuers did not state the reasoning for adoption of a particular valuation approach(es) in the valuation report.</p> <p>xiv. COP Number not mentioned in the Valuation Report</p> <p>xv. Any material uncertainty in relation to valuation was not commented upon.</p> <p>xvi. The method of valuing subsidiaries was not provided; and</p>
6.	Some areas where you would advise Valuers to focus on?	<p>In their opinion following are the areas that valuers shall focus for their valuation assignments:-</p> <p>1) Firstly, the Guidelines issued by IBBI on Caveats, Disclaimers and Limitations shall be adhered to. No such Caveats Disclaimers and Limitations shall be used that have the impact of limiting his responsibility for the Valuation Report.</p> <p>2) Secondly, valuer shall clearly state the procedures/ measures undertaken by him to verify the information provided by the Management or the Resolution Professional.</p> <p>3) Third important aspect is the use of a consistent and acceptable valuation standard. The objective of a valuation standard is to bring about consistency and uniformity in the valuation reports and hence is very important to be</p>

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		<p>adhered to.</p> <p>4) Lastly, a registered valuer needs to take care of various hygiene issues like grammar, defects in logic and presentation issues.</p> <p>As a valuer, one needs to ensure to present a complete picture about the company and the valuation assignments in his report.</p>
7.	The Regulator has issued Guidelines on Caveats, Limitations and Disclaimers. Valuation is a very old profession. Why was a need felt for releasing of the same?	<p>Several events in the recent past have transpired to indicate the public concern on valuation and the impact on shareholders and other stakeholders. Fund Providers, both equity and debt, have been active in asking for enquiries into valuations submitted by companies for mobilizing funds and restructuring.</p> <p>Regulators have also been raising questions on the valuations submitted in the context of transactions entailing purchase/sale, income tax, fund mobilization and corporate restructurings.</p> <p>Further, Rule 8 of the Companies (Registered Valuers and Valuation) Rules, 2017 mandates that the Registered Valuers (RVs) shall state "caveats, limitations and disclaimers" to the extent they explain or elucidate the limitations faced by valuer, which shall not be for the purpose of limiting his responsibility for the valuation report.</p>

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		<p>This Rule aims to ensure that a valuation report does not carry a disclaimer, which has the potential to dilute the responsibility of the Registered Valuer or make the valuation unsuitable for the purpose for which the valuation was conducted. However, the scope of "caveats, limitations and disclaimers" was not clear to everyone, including users and RVs, and consequently, the RVs were having different practices in presentation of caveats, limitations and disclaimers in valuation reports.</p> <p>With a view to provide guidance to the Registered Valuers in the use of Caveats, Limitations, and Disclaimers in the interest of credibility of the valuation reports, the Insolvency and Bankruptcy Board of India had issued these Guidelines in September, 2020.</p>
8.	Share some Do's and Don'ts for the Registered Valuers while undertaking their professional duties.	<p>Section 247(2) of the Companies Act 2013, summarises Do's and Don'ts for the Registered Valuers while undertaking their professional duties. As per same the registered valuer is required to:</p> <ul style="list-style-type: none"> <li>• Make an impartial, true and fair valuation of assets which may be required to be valued;</li> <li>• Exercise due diligence while performing the functions of a valuer;</li> <li>• Make the valuation in accordance with such rules as maybe prescribed; and</li> </ul>



<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		<ul style="list-style-type: none"> <li>Not undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time during or after the valuation of assets</li> </ul> <p>Valuer uses technical tools and professional judgment to estimate the value of an asset (or a liability). While he has the freedom to use the best available tools and apply his wisdom, but he shall always remember that the value estimated by him must be understood by stakeholders uniformly and be comparable across assets, time and space so that prudent business decisions can be taken, based on such valuations.</p>
9.	What are the general mistakes made in the valuation reports by a valuer that must be avoided?	<p>Kindly refer to the findings of the peer review issued by IBBI and ICAI RVO for understanding the general mistakes that a valuer shall avoid.</p> <p>These findings have also been included in this booklet.</p>
10.	What is the scope of Peer Review and are there any guidelines formulated for it?	<p>The first Peer Review was the stepping-stone and learning from same formed the basis on which the second peer review was built upon.</p> <p>After the conclusion of 2<sup>nd</sup> peer review all the RVO's have been advised by IBBI to issue their Peer Review Policy.</p>
11.	Does IBBI or ICAI RVO intend to issue a peer review manual and/or	Yes, it is in process.

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
	statement of peer review at any point in time in the near future?	
12.	What is the status of the Draft Valuers Bill and when is it expected to become law?	The Bill is under active consideration at the moment.
13.	If a Chartered Accountant issues a Valuation Certificate for FEMA purposes, is it necessary to follow the same format in Valuation Report as provided in Valuation Standards? When FEMA permits any method to be used, is it enough if the method chosen is justified without providing reason for choosing other methods?	<p>The methodology to be adopted are at times clearly spelt out in Law and in that case, it cannot be overridden. Further, in Preface to the ICAI Valuation Standards it has been clearly stated that "The Valuation Standards by their very nature cannot and do not override the local regulations which govern the preparation of valuation report in the country.</p> <p>However, the government may determine the extent of disclosure to be made in the valuation report."</p>
14.	Projections given by management- are they needed to be verified in any manner by the valuers?	<p>ICAI Valuation Standard 201- clearly spells out</p> <p>"The judgments made by the valuer during the course of assignment, including the sufficiency of the data made available to meet the purpose of the valuation, must be adequately supported."</p> <p>"The valuer shall carry out relevant analyses and evaluations through discussions, inspections, survey, calculations and such other means as may be applicable and available to that effect."</p>

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		<p>ICAI Valuation Standards 2018 also states that a valuer is expected to exercise Professional Skepticism in all his Valuation Assignments.</p> <p>An attitude of professional skepticism means the valuer makes a critical assessment, with a questioning mind, of the validity of information obtained and is alert to information that contradicts or brings into question the reliability of documents or representations by the responsible party.</p> <p>Consequently, valuer needs to critically evaluate reasonableness of management developed prospective financial statements.</p> <p>Further, in case Management Certified Projections were used by the Valuers, it is advisable to provide information on:</p> <ul style="list-style-type: none"> <li>• procedures performed by the valuer especially with respect to projections provided by management;</li> <li>• reason for not considering certain methodologies;</li> <li>• current state of operations of the Company; and;</li> <li>• financials as at the valuation date;</li> </ul>
15.	Are there Peer Review Reports for other RVO's?	The Peer Review Report published by ICAI and IBBI are compilation of observations from peer review done by all the RVO's.
16.	Where can we find the recorded version of these Virtual CPE Meetings?	All the links to previous sessions can be accessed from the Valuation Standards

<b>S. No</b>	<b>Question</b>	<b>Answer</b>
		<p>Board webpage at ICAI website.</p> <p>Link is as under:-</p> <p><a href="http://icai.org/post/valuation-standards-board">http://icai.org/post/valuation-standards-board</a></p>
17.	If a valuer undertakes business valuation, and then the valuer appoints another valuer for fixed assets value, does it come under umbrella valuation?	<p>A valuer who undertakes business valuation can appoint another valuer for valuation of fixed assets of that business and refer same in his valuation report.</p> <p>For example, under IBC, the resolution professional can appoint different valuers for all three-asset class but ultimately he will need one valuer to compile all the values to ascertain the final single value for business.</p>



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