

VALUATION: VCM ATQS

“DISCLAIMERS, LIMITATIONS IN A VALUATION REPORT- ARE THEY EVEN REAL ?”



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

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Valuation Standards Board
The Institute of Chartered Accountants of
India

Preamble

Valuation Standards Board of ICAI (VSB) had organised a live webcast on the topic- "Disclaimers, Limitations in a Valuation Report- Are they even Real?" on 23rd May, 2021. The details of the webcast 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
Speaker:	CA. Rajan Wadhawan
Director:	Shri Rakesh Sehgal, Director, ICAI
Secretary:	CA. Sarika Singhal, Deputy Secretary, ICAI

The Webcast received overwhelming response and was attended by more than 3300 viewers. The said webcast can be viewed again at <https://live.icai.org/vsb/vcm/23052021/>

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

- 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 and V
- 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

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

Valuation Standards Board

New Delhi

30th June, 2021

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A Brief Note on Valuation and significance of Disclaimers, Limitations in a Valuation Report

Valuation and its inherent uncertainty

Valuation is the process of arriving at the economic value of an asset/group of assets/an entity undergoing insolvency and as such it concerns and impacts the community of shareholders and society at large. The process of valuation holds pivotal stand in the entire insolvency proceedings as the outcome relies heavily on it. Though central, valuation as a process, is generally laden with working with limited inputs and gathering of information from external sources and making estimates about the future viability of the entity or asset. All these bring in a factor of uncertainty in the valuation framework.

One of the main issues while dealing with valuation uncertainties is that a valuation is not a fact, but it is an estimate of the most probable range of possible outcomes based on the assumptions made in the valuation process. Market valuations are estimates of the most probable price that would be paid in a transaction on the valuation date. However, even where assets are identical and exchanged in contemporaneous transactions, fluctuations in the prices agreed between different transactions can often be observed. These fluctuations can be caused by factors such as differences in the objectives, knowledge or motivation of the parties. Consequently, an element of uncertainty is inherent in most market valuations as there is rarely a single price with which the valuation can be compared.

While this may be possible when the purpose of valuation are different, such variance is often observed even when the purposes as well as the circumstances in which the valuation is undertaken remain constant. In situation as these, the market may question the ability of the Registered Valuers and the integrity of the valuation exercise in its entirety. This is not in the interest of the stakeholders where crucial economic and commercial decisions are to be taken on the basis of valuation report.

Legal Framework regulating and streamlining Valuation Profession

To bring about uniformity in the valuation process and to raise confidence of users of valuation reports, **The Companies (Registered Valuers and Valuation) Rules, 2017** (Rules) were

introduced which provide a comprehensive framework for development and regulation of the profession of valuers. These rules set standards of professional conduct and performance for the valuation profession in the interest of stakeholders.

Rule 8 of the Rules lays down the guidelines to be followed by a Valuer while conducting valuation. This rule, among other requirements, 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 towards the valuation report."** This Rule aims to ensure that a valuation report does not carry a disclaimer or limitation, which has the potential to dilute the responsibility of the registered valuer or make the valuation report unsuitable for the purpose for which the valuation was conducted.

The Act has purported that the Rule 8 will help the users of the report make an informed decision in the light of the assumptions that a valuer had to make while arriving at the valuation number, while also providing the valuer with a flexibility to use just caveats, limitations and disclaimers given these did not infringe upon the valuers' responsibility towards the valuation report. However, ambiguity concerning the scope and definition of "caveats, limitations and disclaimers" amongst RVs and users of the reports, lead to the RVs having different practices in presentation of caveats, limitations and disclaimers in valuation reports.

This multifarious interpretation of "Caveats, limitations and disclaimers" lead to different valuation outcomes for the same project and created doubts in the eyes of users of valuation statements, including management, investor, courts of laws and the regulators.

It is imperative to address issues surrounding valuations in a market which is presently low in confidence on the quality of the work. Several events in recent past have transpired to provide an indication of 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. 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.

The Rules notified under the Companies Act, 2013 designates IBBI as the authority for development and regulation of the valuation profession. Exercising the powers vested in it by the virtue of Rules, to bring about uniformity in the usage and interpretation of "Caveats, limitations and disclaimers", the Authority constituted a **Committee of Experts** that **recommended guidelines in the context of disclaimers** in a Valuation Report. This process concerned the community of users and valuation professionals, and addressed the issue of disclaimers in a valuation report. to develop a standard template for disclaimers.

It was observed that a limitation arises if the RV is unable to obtain sufficient information and explanations considered necessary for the purpose of the valuation. Where such limitation results in the RV being unable to carry out the valuation in accordance with the normal approach to valuation, the valuation report shall be modified with a paragraph setting out the nature of circumstances, giving rise to the limitation.

Similarly, a disclaimer is required in a valuation report to mitigate the potential risk of the RV. The reasons for providing disclaimers in a valuation report are as under:

- i. A disclaimer protects the rights of a RV by cautioning and dissuading others when using the contents of a valuation report.
- ii. A disclaimer limits the liability of a RV since it serves both as a warning and a way to mitigate risk, a disclaimer protects a RV from liability. Anyone who reads the disclaimers should understand the risks involved in using the valuation report or acting upon the information that it contains.
- iii. A disclaimer protects the RV from incurring liability or limits the liability of the RV from the actions of the company or management or insolvency professional at whose instructions the valuation has been carried out.

The committee noted that a valuation report should not carry a disclaimer, which has potential to dilute the responsibility of the RV or makes the valuation unsuitable for the purpose for which the valuation was conducted. The valuation reports should be capable of being tested through the crucible of legal evidence in judicial proceedings. The following points may be considered while providing disclaimers in a valuation report. An RV may:

- i. identify the rights he/she wants to protect;
- ii. identify the areas where he/she might be subject to liability;

- iii. clarify that the contents of the valuation report pertain to specific use by the company; and
- iv. caution the reader of the potential risks.

However, that a disclaimer will not, by itself, be able to exclude an RV's liability in respect of negligence in performance of his duties.

Based on the recommendations of the committee and post consultation with the Registered Valuers Organisations (RVOs), the Insolvency and Bankruptcy Board of India (the Authority) came up with "**Guidelines on Use of Caveats, Limitations and Disclaimers by the Registered Valuers in Valuation Reports**".

Guidelines on Use of Caveats, Limitations and Disclaimers by the Registered Valuers in Valuation Report

These guidelines as issued by the authority titled Insolvency and Bankruptcy Board of India (Use of Caveats, Limitations and disclaimers in Valuation Reports) Guidelines, 2020 came into force in respect of valuations completed by Registered Valuers (RVs) on or after 1st October, 2020 with the objective to provide "guidance to the RVs in the use of Caveats, Limitations, and disclaimers in the interest of credibility of the valuation reports." These also provide an illustrative list of the Caveats, Limitations and, Disclaimers which shall not be used in a valuation report.

The guidelines mandates the RV to prepare valuation report under Rule 8 in adherence to these guidelines while simultaneously trusting the RVO with the task of ensuring the adherence of these guidelines through scrutiny of valuation reports.

The Guidelines identify the following areas where valuation is generally required:-

- i. Consummation of certain transactions like acquisition, disposal, merger amalgamation;
- ii. Internal decision making/ Corporate Governance
- iii. Regulatory Compliance: Companies Act, SEBI Regulations, Income Tax, Wealth Tax, FEMA etc.;
- iv. Fund mobilization- both equity and debt;

- v. Disputes (within and outside the Courts);
- vi. Borrowings and lending decisions; and
- vii. Insolvency and Bankruptcy proceedings.

Rule 10 read with section 247 of the Companies Act, 2013 (Act) require that a RV shall conduct valuations required under the Act. The Insolvency and Bankruptcy Code (Code) read with the regulations mandates that the valuations required under the Code or any of the regulations made thereunder shall be conducted by a registered valuer.

The guidelines recognize the concerns raised by the Adjudicating Authority about the sharp differences between valuations arrived at by two different RVs or the variation between the amount offered by a successful resolution applicant and the amount settled in the valuation reports undertaken under the ambit of the code.

The guidelines provide for a detailed and fully reasoned reports and also provide the contents of the valuation report. The last such compulsory inclusion in the valuation report is **Caveats, limitations and disclaimers**. Though the terms appear synonymus and interchangeable at first glance, there are some subtle differences in all the three.

Caveats, Limitation and Disclaimers- Guidelines mandate

- i. Caveats are warnings or cautions to the client/ user of service.
- ii. Limitation is a restriction on the scope of the RV's work including inspection or investigation of the data available for analysis that may be present and known to the RV at the outset of the valuation engagement or that may arise during the course of a valuation assignment.
- iii. A disclaimer is a statement intended to specify or delimit the scope of rights and obligations that may be exercised and enforced by parties in a legally recognized relationship. It is a statement denying responsibility intended to prevent civil liability arising for particular acts or omissions.
- iv. While caveat, limitations and disclaimers have different connotation, in the context of a valuation, the clauses may get used in an interchangeable manner as limitation or a disclaimer by a RV could be caveat for the user of the report. Hence it is imperative that the users of the report are familiarized about the same to enable them to assess the

- impact of the disclaimer/caveat/limitation on the credibility and reliability of the report.
- v. Any caveats, limiting condition or other disclaimers to the report must be clearly stated with appropriate specificity. In the preparation of a valuation report, the RV shall not disclaim liability for his expertise or deny his duty of "due care". However, it is recognized that a RV, shall prepare the valuation report of the company based on information and records concerned as provided by the management. The management remains liable for the correctness and veracity thereof. However, significant inputs provided to the RV by the management/owners should be considered, investigated and /or corroborated. In cases where credibility of information supplied cannot be supported, consideration should be given as to whether or how such information is used.
 - vi. The RV does not make or calibrate the projections but factors his response and the valuation assessment on the reliability and credibility of the information. The various projections of business growth, profitability, and cash flows etc, which are used in the valuation report are the company's estimates. The RV should consider the reliability and credibility of projections after testing the assumptions made by the management / owners / company in given market conditions and after sufficient inspection, enquiry, computation and analysis. The extent of evidence requires professional judgements and RV has to ensure that it is adequate for the purpose of valuation. The RV may disagree with the projections if they are conjectural or bordering on the unreal and accordingly make necessary modifications.
 - vii. A RV has the right to demand relevant information and basis of the projections before commenting thereon. It is the duty of the entity being valued to be fair and to provide accurate information about the subject asset.
 - viii. In a valuation report, the RV can state that the assumptions are statements of fact provided by the company and not generated by the RV. This warning statement is necessary as data provided by the company is often construed be a part of the valuation report. Notwithstanding this, the RV has to carry out sufficient inspection, enquiry, computations and analysis to ensure that valuation is properly supported.
 - ix. All valuations are to be carried out in sufficient detail to comply with the requirements of "due care". However, it can be reasonably expected that circumstances may place certain limitations regarding access to information or the time available. Hence, one has to recognize limitations of time and context in valuations, as it cannot constrain business need and flexibility.
 - x. Keeping in view business needs and circumstances and, in the interest of transparency,

any significant concerns regarding the justification, the information or the time available to complete the valuation be stated in the valuation report, together with appropriate explanation and implications.

- xi. The effort, diligence and level of expertise applied by the relevant Registered Valuer, need to be stated in the valuation report.

Conclusions

The use of caveats, limitations and disclaimers is an integral element in the valuation report as it serves the dual purpose of helping both the maker and user of the report achieve their objective. The users of the report are able to understand the results in the full context equipped with the understanding of the limiting factors used/faced by the RV while simultaneously giving the RV the flexibility to factor in the exiting uncertainties that the RV faced while preparing the report.

The usage guided by the guidelines issues by the authority will help bridge the discrepancies in the valuation reports of difference RVs and thus rebuild and restore the faith in the profession of valuation and the quality fo valuation reports.

**Answers to the Questions (ATQs) raised during the Virtual CPE Meeting Series
“Sundays with Valuation Experts” on the topic “Disclaimers, Limitations in a
Valuation Report- Are they even Real?” held on 23rd May, 2021**

S. No	Question	Answer
1.	The words Caveat, Limitation and Disclaimers, are they interchangeable? If yes, then mentioning all of them in the valuation report is not mandatory, kindly share view.	The words Caveat, Limitation and Disclaimers seems to be interchangeable, but they are quite distinct from each other and each one of them has different meaning. So, each term has its own significance in the Valuation Report. A disclaimer or limitation by the valuer becomes a Caveat for the reader of the report.
2.	What do you mean by Caveat, Limitation, and Disclaimers in a Valuation Report?	Caveat refers to the warning for the users before relying on the Valuation report or they are cautions which need to be considered by the users before relying on the Valuation Report. On the other hand, Limitation is basically from the perspective of a person who performed the work, it means restrictions on his scope of work like in case of Covid- 19 one cannot visit the inventory physically to do physical verification of it, so it is a limitation. Disclaimer is a statement intended to specify or delimit the scope of rights and obligations that may be exercised and enforced by parties in a legally recognized relationship. It is a statement denying responsibility intended to prevent civil liability arising for acts or omissions. It is different from the Caveats as it shows the contractual

		responsibility of the valuer that he owns towards one person only and not to all the users, so basically, he is disclaiming as the disclaimer, or the limitation may lead to Caveats for the users of the report.
3.	Realisable value in semi-finished goods and work in progress in case of civil works cannot be easily derived. In such case can we do inventory valuation basis cost actually incurred? Whether qualification needs to be done, or note will suffice for this purpose?	With respect to WIP in case of civil works an assessment while performing the valuation needs to be carried out taking into consideration: i) cost actually incurred; ii) Any IDC or other non-recoverable expenses; and iii) further plans to finish the construction. If there are no such plans, then the CWIP (Capital Work in Progress) might be totally a waste and we might have to write down the value.
4.	Which standard shall be followed while doing Valuation?	Since there are no Valuation Standards issued by Central Government to regulate the Valuation Profession, registered valuers are expected to adhere to the valuation standards adopted by their respective Registered Valuer Organisation under Companies Act. The Institute of Chartered Accountants of India has issued the ICAI Valuation Standards 2018 to ensure the consistent, uniform and transparent valuation policies for the members undertaking the Valuation Assignments. i. For valuation reports under Companies Act (Section 247): ICAI-RVO adopted standards and hence the ICAI Valuation Standards are mandatory for the members enrolled with

		ICAI RVO. ii. For all other valuation reports – It is recommendatory initially from 1st July 2018 for chartered accountants however will become mandatory once it is notified by The Ministry of Corporate Affairs.
5.	What is the legal validity of the Valuation report for the property under dispute for years, where it is publicly known that property developer is facing civil and criminal cases under NCLT?	The valuer should clearly lay out the information available to him and based on which he has performed the valuation, in his valuation report. In case of Real Estate valuation, it is extremely important for a valuer to put out a caveat about the claims, if he does not have any information about the home buyers claims or any other litigation.
6.	In case of Valuation assignment of textile mill, where a valuer needs to do the valuation of inventory quarterly, how shall a valuer justify the quantification of cotton available as inventory? Shall he stick to the amount available as inventory in books or should he apply his professional experience and logical mind as to why such inventory is lying in the stock and why it is not getting consumed if it is fit for use?	While valuing the inventory of cotton, it is not always questionable that why it is lying in stock as we all know cotton is a seasonal crop so it might be possible that it has been stored for the future use in the upcoming season or may have been stored for further processing like for making of yarn. Further valuer can justify the quantification of Inventory by doing physical verification. However, 100% verification is not possible so he can go for test sampling. Valuer can also consider some of the facts like date of purchase, its usage and usage life, normal cycle to convert the stock into sales, is it lying from an abnormal period like for several years etc.
7.	How to deal with a situation wherein there is lots of pressure from a client to increase the valuation in	In valuation, the valuer should be more concerned with the events upto the date of Valuation Report or the date mentioned in the

	case a positive event occurs after the date of valuation?	Valuation Report or date of signing of valuation report. However, if something has happened that may materially affect the valuation like a plant has been sold, in that case the valuer should factor that event in his analysis while doing valuation. So, how significant that event it should be kept in mind.
8.	Can a valuation report be issued without limitations and disclaimers?	It is not recommended to issue a Valuation report without mentioning any caveats, limitation or disclaimer.
9.	Is there any liability attached to professionals for incorrect valuation?	Yes, there are liabilities attached to a professional as after becoming Registered Valuer one is subject to the rules and regulations issued by IBBI. So, it is advised to the professionals to take some Professional indemnity or Insurance when they are embarking on this.
10.	In case of Valuation of Inventory, if the Registered Valuer is not able to physically verify the inventory say due to lockdown imposed by Government due to Covid or due to the riskiness to visit the site, in such a scenario, is it reasonable for a Registered Valuer to state the same as limitation or disclaimer in its Valuation Report?	Inability to do Physical Verification of Inventory due to current Pandemic shall be considered as a limitation in the Valuation Report, as the pandemic itself is a Caveat of which the users are already aware. However, the Valuer shall perform other alternative procedures to examine the value of inventory. He may check the supplementary records which may involve the reconciliation of the difference between carrying value of inventory at two different dates with the sales, purchase and subsequent use of the material etc.
11.	How to deal with contravention between Business valuation versus	Under Income Tax Act, a lot of valuations are rule based and prescriptive. Tax rules themselves lays

	valuation under Income Tax Act? (i.e., Rule 11UA for 56 / Slum sale/ demerger etc.)	out what needs to be done to arrive at a value. They are not providing a lot of subjectivity to the valuers, but they are more mathematical. However, there are exceptions like Under sec 56 (2) (viib) read with Rule 11UA of the Income Tax Act valuation can be done by DCF method as well. The results from using valuation methodology like the DCF, multiples, etc all may be totally different from the valuation which can be done under the Income Tax Act. So, the valuer should clearly specify in the Valuation Report that the valuation has been done in which context and with which perspective.
12.	Can you please discuss RERA valuation with special reference to Disclaimers, Limitations, Caveats?	A valuer should try to use more than one methodology for valuation of development of the project. The market multiples should be specifically investigated and in the end the results of both shall be corroborated. The valuer should clearly mention the Caveats, Limitations and Disclaimers relating to the RERA in his report, like what claims it has and how they are impacting the project. In case the data is not available then the same should also be mentioned in the Report.
13.	While doing an assessment of a loss claim, during a forensic assignment, are we supposed to go by the valuation standards? We found that the data given by the management and the data in the auditor's financial statement as well in the bank statements are at variance.	i. For valuation reports under Companies Act (Section 247): ICAI-RVO adopted standards and hence the ICAI Valuation Standards are mandatory for the members enrolled with ICAI RVO. ii. For all other valuation reports – It is recommendatory initially from 1st July 2018 for chartered accountants however will

	Should we treat this as a limitation or disclaimer?	become mandatory once it is notified by The Ministry of Corporate Affairs The assessment of a loss claim is not a valuation project, here a valuer is filing his report as an independent expert in his individual capacity so whatever data he has used and whatever analysis he has performed should be clearly spelled out. In case a valuer is unable to reconcile the two datasets it should also be clearly spelt out in the valuation report because it is a limitation on the scope of valuer which may affect the amount of claim.
14.	EBITDA / GP margin projected by the management is around 25% higher than the past trend, is it wise to accept it and provide an additional risk premium in the Cost of Capital. A valuer needs to mention this in the limitations or caveats instead simply capturing it in additional COC. Will it not absolve the Registered Valuer responsibility?	As a valuer we need to analyse what are the causes or reasons of increase in EBITDA/GP Margin. If we think that these projections are bordering on improbability, we need to make adjustments. Ideally the valuer should carry out an analysis of the financial projections and discuss it as storyline where he is disclosing his calculation like in cost of capital that this is the risk-free rate, beta, delta, alpha and market premium which he is considering. He shall justify that after considering the achievability of all these numbers this is the value that he has arrived at. So, the valuation should match to the story line and in case he is considering an additional risk premium the valuer should document the reasons for the same in working papers.
15.	Does the Valuation Report discount the impact of the limitations in arriving at the value for the purpose	In an Audit Report we generally quantify, there are rare circumstances where we do not quantify.

	of reporting by putting numbers to the limitations to the entire exercise? Like for instance does the valuation have any utility for the users without their being realistic because for an investor, he would like to see numbers to all the disclaimers and limitations else it becomes something like an Audit Report where understanding it for a user is a very tough task with so many caveats etc.	In valuation, a valuer needs to justify the number given to him and what are underlying assumptions and whether he is agreeing with the numbers or not. If not, what are the management action plans which convinced him to get agreed. As per IBBI guidelines- "In case your report is picked up for any questioning, the valuer should be able to justify his work through his working paper or his report and his work should be able to withstand the judicial scrutiny. While considering the confidentiality of the client, a valuer should give disclosures as it may vary from case to case. Sometimes the party do not have access to the client's account and the client want to present the report in summary form or the client may also have some contract with the valuer according to which the valuer is required to make some disclosures. So as long as the valuer performed a proper review and analysis of the historical data and future projection provided by the management, he will decide whether he needs to accept or downsize the projection or capture a higher risk trait, it is the valuer judgement.
16.	From a legal standpoint where the report may be tested in a court of law please clarify if the limitation clauses must specify the efforts of the valuer to overcome the limitations?	The efforts of the valuer can be justified from the working papers. For e.g.: If a valuer has written any letter or any other communication asking the management to discuss a conflicting matter, but management did not respond, then same can be used by the valuer as a proof of his efforts.

17.	Valuation of certain technical inventories such as petroleum etc. may require Valuer to rely upon information from another expert, in such a scenario what are the do's and don'ts from the perspective of Registered Valuer? Further what kind of limitation or disclaimer he can include in Valuation Report without diluting his responsibility in such a situation?	Eventually the amount of valuation arrived at in the Valuation Report is the responsibility of the valuer who is signing that report. However, in case of valuing the inventory having technical nature one can rely on the work of an expert. But before relying on the work of an expert, one should analyse the procedures, formula or any alternative procedures that have been used to get that value. The valuer must check if there is any disclaimer or limitation given by that expert in his report and what are its implications on his Valuation Report. The valuer must also refer to the guidelines provided by the IBBI w.r.t the valuation of physical assets. The valuer should also think from the user point of view that what question may arise in the mind of users while observing that Valuation Report.
18.	Shall a valuer add a disclaimer or a limitation regarding the Beta" assumption while doing valuation of a Private Limited Company where peer data is not available in public domain?	While calculating beta for the private limited company the valuer should workout the beta for other company(s) in the same industry in public domain. The valuer should not blindly accept the beta of one company. Where the data of a peer company is not available in public domain it shall not be classified as a limitation or disclaimer rather it shall come under the notes to his working.
19.	Is there any empanelment system for valuer?	IBBI is the only regulator of the Registered Valuers under different asset class.
20.	Can a valuer give range of valuation in his valuation report?	The valuation of companies and assets is made based on the available facts and circumstances and the conclusions arrived at in many cases will

		be subjective and dependent on the exercise of individual judgment. Hence, there is no indisputable single value and the estimate of the value is normally expressed as falling within a likely range. So, yes a valuer can give reasonable range of valuation in his valuation report. Para 23 of ICAI Valuation Standard- 202 also permits a reasonable range of values in certain circumstances as opposed to a single amount.
21.	Briefly discuss guidelines on the role & responsibilities of a CA as a valuer: (a) dependence on information/assumptions of Management for valuation (b) Can a valuer alter the assumptions of Management? If so, is it not putting the ball back to the Management, needing re-affirmation of the valuation based on altered assumptions.	(a) As per IBBI Guidelines- A Valuer can rely upon the representations of the owners/clients, their management and other third parties concerning the financial data, operational data and maintenance schedule of all plant machinery-equipment-tools-vehicles, real estate investments and any other investments in tangible assets except as specifically stated to the contrary in the report. As the work of Valuer involves an analysis of financial information and accounting records, his engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, a valuer expresses no audit opinion or any other form of assurance on this information. However, a valuer should consider the reliability and credibility of projections after testing the assumptions made by the management / owners / company in given market conditions and after

		sufficient inspection, enquiry, computation and analysis. The extent of evidence requires professional judgements and valuer must ensure that it is adequate for the purpose of valuation. The valuer may disagree with the projections if they are conjectural or bordering on the unreal and accordingly make necessary modifications. Generally, the valuer may analyse and accordingly require a revisit of the projections by the management and also in some cases may factor a risk adjustment in the discount rate etc., for his assessment of achievability of the projected results. The valuer shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents.
22.	What are the assumptions and limitations to be considered in a valuation report?	The assumptions and limitations to be considered in a valuation report may vary from case to case. So, one may refer to the IBBI Guidelines on "Use of Caveats, Limitations and Disclaimers by the Registered Valuers in Valuation Reports" to get better understanding of these in different types of Valuation engagements.
23.	How can a valuer place reliance on management representation letters and information provided to him?	As per IBBI Guidelines on Use of Caveats, Limitations and Disclaimers by the Registered Valuers in Valuation Reports-

		In the preparation of a valuation report, the Registered Valuer shall not disclaim liability for his expertise or deny his duty of "due care". However, it is recognized that a valuer can prepare the valuation report of the company based on information and records as provided by the management. The management remains liable for the correctness and veracity thereof. However, significant inputs provided to the valuer by the management/owners should be considered, investigated and /or corroborated by him. In cases where credibility of information supplied cannot be supported, consideration should be given as to whether or how such information shall be used.
24.	What is the responsibility of auditor where there is overvaluation by a professional valuer in his valuation report?	Where the auditor is relying upon the Report of a Registered Valuer, it is important for him to satisfy himself regarding the assumptions taken by the valuer while valuing that particular asset. The auditor shall not get absolved from his responsibility by stating that he has relied on the Registered Valuer report. Where he finds any deviation in the Valuation report, he shall communicate the same to the management and the disclose same in his audit report and its implications thereon.
25.	Can we have a check list, if not exhaustive but at least inclusive, as a guiding tool that a valuer can refer to justify or minimise the risk under	The guidelines issued by IBBI on "Use of Caveats, Limitations and Disclaimers by the Registered Valuers in Valuation Reports" dated 1st September, 2020 provides for the caveats limitations and disclaimer for the different asset

	the 3 terms - caveat, limitation & disclaimer?	class that a valuer should consider while conducting valuation engagement and preparing Valuation report.
26.	What are the exact norms for realistic valuation?	To perform realistic valuation, the valuer needs to comply with the ICAI valuation Standards, 2018 and should also act in accordance with the IBBI Guidelines. A valuer also needs to adhere to the various compliances covered under different laws governing that Valuation engagements.
27.	Clearly, valuation has a significant component of subjectivity. Is ICAI considering making a minimum level of relevant industry expertise (the industry in which the client operates in) as a pre-requisite for being eligible to do a valuation? This impacts the ability of the valuer to question management estimates. E.g.: get a minimum certification about an industry fundamental such as telecom / IT / bullion before being eligible to do a valuation. The disclaimers / limitations / caveats, while essential, can only be effective to an extent.	As per the Companies (Registered Valuers and Valuation) Rules, 2017, there is a defined eligibility criteria to become a registered valuer. For details one may refer these rules.
28.	By limiting the scope of registered valuer in the valuation report, how can the valuation report still remain reliable?	A limitation arises if the valuer is unable to obtain sufficient information and explanation considered necessary for the purpose of valuation. Where such limitation results in the Registered Valuer being unable to carry out the valuation in accordance with the normal approach to valuation, the valuation report shall be modified

		with a paragraph setting out the nature of circumstances, giving rise to the limitation. However, the Registered Valuer is independent of the client/company and have no current or expected interest in the Company or its assets and it is assumed that he has expertise in that particular asset class of which valuation he has done.
29.	While valuing unlisted entities, if it is not possible to use market approach then how shall a valuer do valuation and what kind of disclosures are required in a Valuation Report?	In case of valuation of unlisted entities first the valuer should try to find comparable listed companies operating in that space and then check if any transaction has happened in that industry. If the valuer is unable to find any direct comparable then he shall seek what is the closest proximity that he may find. If not found, it should be adequately caveated out in his report. So, whatever be the case, the valuer shall disclose what approach he used to carry out the valuation and which analysis he has performed to get the valuation result reported by him.
30.	If there is a variation in the valuation between the date of valuation and the date of signing the valuation report, in such a situation what are the roles and responsibilities of a valuer.	Kindly refer to para 36-39 of ICAI Valuation Standard 201- Scope of Work, Analyses and Evaluation which talks about subsequent events. Generally, a valuer would consider only circumstances existing at the valuation date and events occurring up to the valuation date. However, events and circumstances occurring subsequent to the valuation date, may be relevant to the valuation depending upon, inter

		alia, the basis, premise and the purpose of valuation. Hence a valuer should apply its professional judgement, to consider any of such circumstances / events which are relevant for the valuation. Such circumstances / events could be relating to, but not limited to, the asset being valued, comparables and valuation parameters used. In the event such circumstances / events are considered by the valuer the same should be explicitly disclosed in the valuation report.
31.	For valuation of a Pvt Ltd Company under Market approach, why don't we use the TP benchmarking analysis for determining the past margins? Though this may not help to identify a similar transaction.	While choosing comparables for carrying out the valuation of a private limited company, we can use transactions in the same space and/or available data of comparable public listed company(s). Benchmarking data for TP will be helpful but further analysis of that data may be required to ensure more robust assessment. While carrying out valuations one does need to keep in mind the concept of "GIGO", i.e., Garbage in Garbage out. Hence analysis of data is critical for any valuation.
32.	How to do valuation on replacement cost basis?	Under Replacement Cost method, an asset is valued considering the cost that a market participant shall incur to replace the asset of a similar/ comparable utility, as that of the subject assets being valued, adjusted for obsolescence. Please refer to paragraph 100 to 102 of ICAI Valuation Standard 103, to get further detail on the replacement cost method.
33.	How to go about valuation in case of a proposed demerger of division of various verticals of a company?	In case of demerger of a division into another operating entity, the shareholders of both the entities would like to know the Fair Market Value

	Should we use DCF for particular verticals of resulting companies or book value-based division of assets can be used?	of each division/business individually to ascertain the commercial agreement behind the demerger. For valuation of each division individually a valuer can adopt single or multiple methods prescribed under the three approaches in ICAI Valuation Standard 103. However, the method so selected shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs. However, in case of a demerger with mirror shareholding, i.e., a vertical demerger, no separate valuation is required as the economic interest of the shareholders remains the same.
34.	In real life, how do you find the similarity in valuation perspective between Buyer side and Seller side? Ideally, it should be same since Valuer is supposed to determine Fair Value.	Valuation standard 102 deals with different bases of valuation which may be used and this includes fair value, participant specific value etc. Participant specific value may be affected by factors such as synergy etc., thus leading to a different perception of value from the buyer's side and seller's side. Further, fair value of a business may be different from the transaction price of the business as it depends on the negotiation between buyer and seller.
35.	How should one consider the valuation of a future group in the present scenario, when one party is entangled in legal battle?	Valuer should clearly state the nature and present state of pending legal matters in the valuation report. If any assumptions relating to possible outcome (favorable or unfavorable) of the legal matter and its impact on valuation are considered by the

		Valuer while carrying out the valuation, the same should be provided in the report stating that the valuation is subject to those assumptions relating to legal matter.
36.	For impairment we generally consider 5-year projection with a terminal year. Management (Board) generally approves the annual projection. Futuristic projections are generally not approved by the Board, but by the operating management (MD/CFO). So, 1) How important and critical is it for the Board to approve these projections and take onus of the same? 2) Should this be made mandatory? currently, the Audit committee reviews the impairment working along with judgement before placing to Board, accordingly the literature does not specifically call out for the projection to be approved or reviewed. 3) how do we compel the Board to approve this projection, as we notice hesitancy from board to take onus of such futuristic projections and assumptions. 4) if Board does not approve projection beyond a year, does this require mentioning in the report.	Ind AS 36 prescribes the Value in Use should be estimated based on future cash flows projections of the business in its current condition. It does not include future cash flows arising from • A future restructuring to which an entity is not yet committed; or • Improving or enhancing the assets' performance Taking the above two points into consideration, it is critical that the projections for impairment analysis is approved by the Board to ensure that the projected cash flows does not include any cash flows on account of future expansion/restructuring to which the Board has not yet approved. While it is not mandatory as per Ind AS 36 to estimate Value in Use based on the Board approved projections, as a Valuer, it is recommended to request the Management of the Company to get it Board approved. Further, Management also provides representation that the projections is prepared based on their best estimate of future cash potentials of the business in its current condition and it does not include any cash flows associated with future restructuring or expansion that the entity is not yet committed.

37.	A listed company declared NPA in 2015 and the bankers took possession of the assets (two units) secured under SARFAESI act. Bankers auctioned one unit which was challenged in the high court and the case is subjudice. The company has no operations and revenues since 2016 as its both functional units were seized by the bankers. The company shares were suspended by NSE due to non-payment of listing fees and penalties and delisted in February 2021. A fair value of share for this entity was arrived at around Rs 14. Whether any valuation of share price can be arrived at all where the assets were seized and liability settlement with the bankers is pending?	Valuation can be undertaken for such entities. However, the valuation should be based on all the known and available facts. The Company may still have some value despite not owning any assets. Infact the valuation undertaken can be on the behest of the bankers or by the bankers themselves for the purpose of settlement of the liability. However, all these facts shall be appropriately disclosed in the Valuation Report.
38.	The valuation of building will differ if the building is self-occupied, it will differ if it has a tenant or if there are jhoppar patties around. It will also vary if it is in a flood prone area, besides a burial ground, near the India border etc. All these are points judged by the professional valuer.	Registered Valuers for different asset classes are to be different. If Land & Building valuation is required, it is to be carried out by a Land & Building valuers only who must bring in this knowledge.
39.	What precautions should be taken in valuing derivatives with currency swap?	Valuation of financial instruments that too derivative instruments are complex and requires specialized skill, knowledge and data. These need to be learnt / acquired to enable preparation of

		valuation of such instruments, especially where these are materially large. Valuer should factor in the terms of the derivative contract (such as principal amount, coupon, coupon frequency, repayment schedule etc. for domestic and foreign currency) and the market inputs as on the Valuation date (such as exchange rate, and risk-free rate in domestic currency and foreign currency etc.).
40.	Caveats, Disclaimers and Limitations- How much is too much or too little. Please give an example of a situation when you would report that the estimate of value must be read alongside Disclaimers and Limitation. Do we not always state that the estimate of value must be read with the specific mention of the clauses of limitation and disclaimers that may have a significant impact on the value?	Kindly refer to "Guidelines on use of Caveats, Limitations and Disclaimers by the Registered Valuers in a Valuation Reports". In the guideline, IBBI has shared illustrative examples of Caveats and Disclaimers that shall be included and that shall not be included in a Valuation Report. Further a valuation report should not carry a disclaimer, which has potential to dilute the responsibility of the Registered Valuer or makes the valuation unsuitable for the purpose for which the valuation was conducted. The valuation reports should be capable of being tested through the crucible of legal evidence in judicial proceedings.
41.	Can you please guide us about the factors that needs to kept in mind while valuing a film production company?	This is a complex area of valuation requiring in-depth understanding and knowledge on various film production houses to be able to compare and compute the valuation. The key value drivers in this industry are likely to be: a) Marketing b) No. of movies being released periodically

		c) Ownership of franchise / block buster movies / movie rights Moreover, Valuer should review the company's historical performance, future projections and underlying assumptions considered in future projections and whether the projections are in line with historical performance and industry outlook.
42.	Are there software available in the market for valuation of shares?	There are Softwares available in the market for standard valuation models such as DCF / Black Scholes etc. However, given the high level of professional judgement involved in valuation the assessment of value of a company/output from a software is always questionable and requires necessary amendments based on professional judgements.
43.	Valuations is beyond any science but the sword of accountability acts as covenant for the thought process or analysis. Hence, can we fix maximum responsibility in monetary terms before taking up the assignment.	There is always a possibility to mutually agree with the client on liability clause. However, Registered Valuer may be liable to others under law, which then would be left for law to deal with on a case-to-case basis. It is prudent for a valuer to place a limitation on his liability on the assignment.
44.	A retail service firm has been doing business in a conventional way and plans to do it on an online platform in future and hence wants to raise funds for the same. How can we validate the possibility of futuristic service ticket size to corroborate the valuation?	The valuer can adopt relative approach of valuation. He shall first look for comparable companies in the similar space or industry and use the comparable companies' approach. He can also look for recent transactions for such retail service firms to determine adequate multiples from therein.

		Further in case of valuation under DCF methodology he can assume the future projections basis the economic, industry and company analysis. He can also take projections from the management however he needs to carry out adequate analysis and evaluations on same so that he can be sure that reliance can be placed on these projections. For evaluating the projections, the performance of other companies / comparable businesses in terms of various key parameters for operations.
45.	Should we include the pool of ESOP shares in addition to shares already issued in pre-money valuation (which is yet to be issued, but reserved in advance in start-ups) in the valuation exercise?	This largely depends on the purpose. Generally, in case of fund raise rounds, the ESOP pool will have to be considered in full as that is committed quantity of shares at a pre-determined rate (which generally is low).
46.	Why is inflation rate baked in along with interest rate in NPV while valuing the Asset Retirement Obligation (ARO)?	ARO is estimated today for an amount to be incurred in future. Hence the current cost is projected to increase at an inflation rate to arrive at the future cost and then the same is discounted to present value to estimate the Asset retirement obligation.
47.	Generally, when the projections for valuation under DCF method are given by the client, the assumptions behind it and the rationale considered are more relevant / reliable (being commensurate to the conditions of that business entity/group/sector/industry) than the data available outside, which the valuer though can compare and	ICAI Valuation Standard 201- clearly spells out <i>"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."</i> <i>"The valuer shall carry out relevant analyses and evaluations through discussions, inspections,</i>

	analyse, but s/he cannot ignore the factors associated with that particular entity. Kindly share your view	<i>survey, calculations and such other means as may be applicable and available to that effect."</i>
48.	Brand valuation. Kindly share guidelines	Kindly refer to ICAI Valuation Standard 302-Intangible Asset which share guidelines and methods that can be used for valuation of Intangible Assets.
49.	In case of acquisition of commercial property wherein the title document (sale deed), a total consideration is discharged. This total consideration is for the undivided share of land along with the built-up area for the premises. In such case- 1.How do we value the land (undivided share) for the commercial premises as buildings? 2. How do we capitalize the stamp duty and registration fees and other direct costs incurred for the acquisition of the above-mentioned premises?	This is in the realm of Land & Building valuer. However, as a general principle, the value of the land is based on the market value of land which can be ascertained using market approach. Building may be valued based on Depreciated Replacement Cost (DRC) method. The sum of the building and land values may be compared with the market price of the commercial property and necessary adjustment to the valuation may be done as deem appropriate. Any other factors which similarly may have impact is considered in respect of each case. Accordingly, the land and building value can be determined by a fair allocation. Capitalization of stamp duty and registration fee is over and above the fair value as it is to the buyers account may be considered on the above allocation basis.
50.	A closely held Pvt Ltd Company is issuing shares to the existing members at face value of Rs.10/.	In Case of Rights Issue a) Under Companies Act – Valuation is not

	Whether in this case also the valuation of shares is needed when There is no premium in this.	mandatory b) Under Income Tax Act –If shares issued on premium, then only valuation is mandatory, else it might be considered as Income of the Company In case of Preferential Allotment a) Under Companies Act –Whether shares allotted on FV or premium, mandatory to obtain report of Registered Valuer b) Under Income Tax Act – If shares issued on premium, mandatory to obtain report of Registered Valuer
51.	In most valuation reports, the workings are not included by the valuer and simply the value per share is concluded. So why doesn't IBBI makes the Share Valuation workings mandatory to be mentioned in the report itself?	As per Rule 8 (3) of the Companies (Registered Valuers and Valuation) Rules, 2017, the valuer shall, in his report, state the following: - (a) background information of the asset being valued; (b) purpose of valuation and appointing authority; (c) identity of the valuer and any other experts involved in the valuation; (d) disclosure of valuer's interest or conflict, if any; (e) date of appointment, valuation date and date of report; (f) inspections and/or investigations undertaken; (g) nature and sources of the information used or relied upon; (h) procedures adopted in carrying out the valuation and Valuation Standards

		followed; (i) restrictions on use of the report, if any; (j) major factors that were taken into account during the valuation; (k) conclusion; and (l) 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. However, in addition to above it is also to be noted that unlike Audit Reports, which are historical reporting, Valuations are forward looking and valuer uses several confidential data for an entity to perform his assignment. The future projections are based on the strategies of a company which it might not want to disclose as these can be taken advantage of by a competitor too in case made public. It is because of this reason that most of the engagement letters includes the confidentiality clause. Hence a valuer maintains these data in his working paper and a does not disclose same in his valuation report.
52.	Consider a situation of a start up like CRED which had revenue of Rs. 52 lakhs and valuation of \$806 million. What kind of limitation, disclaimers would a valuer had gone through in coming up with this valuation?	It is difficult to narrate the factors considered by the investor to arrive at \$806 valuation for CRED. However, typically for a start-up, the key valuation considerations as well as limitations are the achievement of milestones assumed in the cash flows forecast.

		Any delay in funding the future cash infusion, cash burns etc. may impact achievement of the milestone and the overall valuation of the start-up. You can refer to chapter "Valuation of Start-Up Companies" in Educational Material on ICAI Valuation Standard 301- Business Valuation as issued by Valuation Standards Board of ICAI and ICAI RVO available at https://resource.cdn.icai.org/63123vsb51074.pdf
53.	How does the valuation reports consider balance sheets after Ind AS since major assets are on fair valuation which may be different in business valuation and for the purpose of Ind AS?	If one looks at the big changes: a) It is possible that PPE is revalued under Ind AS each year b) Investments could be held at fair value c) Loans could be at fair value Depending on the method of valuation, which is being considered for the entity, these could be appropriately factored into the same. For instance, if DCF based valuation is undertaken, the focus is on the cash flows and these do not affect the valuation and the adjustment for investment, loans are done at present fair value. Also, it is to be noted that fair valuation principle for valuation of business and valuation of assets for Ind AS are same.
54.	A start up having a very promising business model but a revenue of 10 lakhs in current year, has received a term sheet with a valuation of Rs. 100 crores, so what should be the	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.

	valuer stand as there may not be any other data available apart from the future projections of management?	Under DCF a valuer shall necessarily: - • Analyse the assumptions. • Test reasonableness of assumptions in context of historical records and current market conditions. • Mere estimations without substantiation do not facilitate independent valuation of fair value. Any valuer when works on any projections and estimations, he works with some inherent limitations. A valuer can use various tools and analysis like regression analysis to limit risks of these assumptions and to determine the fairness of projections. You can also refer to chapter "Valuation of Start-Up Companies" in Education Material on ICAI Valuation Standard 301- Business Valuation as issued by Valuation Standards Board of ICAI and ICAI RVO available at https://resource.cdn.icai.org/63123vsb51074.pdf
55.	How to do valuation of a newly incorporated company, which is converted from firm to company to get fund?	If it is on conversion of a firm to company with a running business, such business and its projections could be used as the basis for the valuation. However, this needs to be appropriately adjusted for taxes etc., based on the new structure.
56.	What about acceptable comparables, are these subject to disclaimer etc?	Application of Market approach for valuation is dependent on availability of listed companies/transactions which can be considered comparable to subject company being valued.

		Valuer typically selects the comparable companies/transaction based on similarity of the subject business with the identified comparables. Selection of such comparable companies is the subjective judgement of the Valuer and the basis for such selection is one of the key valuation considerations and the same should be narrated clearly in the valuation report. It is not a disclaimer, rather key valuation assumptions.
57.	Land or site should be valued at Guidance value, is the statement correct?	This is in the realm of a Land and Building Valuer. However, if the valuation is carried out for Indian Income Tax purpose as per Rule 11UA, then Land is valued based on the Guidance rate/Circle rate. In rest of the cases, land is typically fair valued based on prevailing market rates which could be different from the guideline value. Typically, adjustments are made for size, shape of the plot, frontage, nearby area, zoning and various such other factors for adjustments from comparable plots transacted in the same locality.
58.	Generally, u/s 56(2)(vii) b - Valuation Report given by a Chartered Accountant (previously, now SEBI Registered Merchant Banker) is questioned by the AO by comparing it with the actual performance achieved by the company. How can we mitigate this?	Valuation under DCF is an estimation and hence the forecasts and projection cannot match the actual performance. Valuation at two different dates cannot be same due to change in the various internal and external socio-economic factors that impact the concerned asset.

		However, a valuer and assessee both shall analyse the variance between the actual and projections and prepare a just and proper reason to justify their valuation assumptions and a reasoning as to why the actuals were significantly or materially different. For such situation, a valuer shall maintain documentation which provides: (a) sufficient and appropriate record of the basis of the valuation report; and (b) evidence that the valuation assignment was planned and performed in accordance with the ICAI Valuation Standards and applicable legal and regulatory requirements, as the case may be.
59.	How should we compute the Competition Risk and incorporate the same in Discount Rate?	There are various strategic analysis that a valuer can undertake to ascertain the impact of competition risk. In Strategic Analysis the focus is external because factors outside the organisation have a powerful influence on it. Organisations appreciate that they can learn to manage their response to those influences, rather than assume there is nothing they can do. It is part of the overarching process of strategic planning and involves both Internal as well as External components. A) Five Forces B) SWOT Analysis C) PEST Analysis D) GE/McKinsey Matrix E) ADL Matrix

		The ultimate effect of the same could be even considered in the way the projections are drawn up by the company /management which factors such competition action and accordingly tempers the projections. Also, the valuer could make adjustments in the discount rate based on his evaluation of the achievability of the projections (which again considers this factor of competition)
60.	Kindly guide whether COVID impact should be taken in both cashflows and discount rate?	Dual impact of crisis shall be avoided in valuation i.e., if the impact of crisis has already been considered in future cash-flows then the need to apply additional risk premium shall be avoided. You can refer to the below webinar to understand how to capture impact of Covid-19 in valuation. Available at http://ecpl.live/ica/19042020/ You can also refer Valuation Professionals' Insight Series IV, which has multiple articles on this. It is available at https://resource.cdn.ica/63123vsb51074.pdf
61.	Can a valuation expert put disclaimers or limitations on the parameters selected for making a valuation report?	Refer to the IBBI guidelines on caveats, disclaimers and limitations. The valuer must abide by these requirements.
62.	How to do Valuation of a building constructed without approval of building plan. i.e., illegal structure.	Valuation of the building can be done by clearly stating the legal facts in the valuation report as a Caveat or Disclaimer. One can also clarify that the valuation is subject to assumptions considered for pending litigation if any.
63.	In the real context of providing valuation for projects in their initial phase for a different kind of idea of business, what kind of valuation	Project valuation is typically carried out based on Income Approach using future cash flow expected from the project over the remaining life

	technique or methodology can be used? (Example: In case of a project to be taken up, banks ask us for presenting your idea with the basis of Valuation of Intrinsic value of business)	of the project and at the end of project completion. Business idea makes sense only with robust projections which highlight the kind of business that could be built on this idea. A DCF valuation model backed by a business model which is built to expound the idea from scratch with justifiable rationale for the numbers projected shall be prepared.
64.	If the Valuation Report does not specify that the ICAI Valuation Standards 2018 have been used, can the valuation Report be relied upon for accounting of Impairment of Assets for the Financial Statements preparation as of 31st March 2021?	ICAI Valuation Standards are recommendatory in nature. ICAI RVO has adopted ICAI valuation standards and accordingly valuation done by Registered Valuers enrolled with ICAI RVO are mandatorily required to follow ICAI valuation standards. While it is recommended to consider ICAI valuation standard, if the valuation report does not specify that ICAI valuation standards 2018 have been used, then the report still can be relied upon, provided the recoverable value for impairment testing is estimated as higher of Value in Use and Fair Value less cost of sale and • Value in Use is estimated using the guidelines for cash flows projections and discount rate as prescribed in Ind AS 36; and • Fair value is estimated using approaches as suggested in Ind AS 113
65.	If asset is located abroad, how and who can undertake valuation of such assets?	A Valuer can undertake valuation of Assets located anywhere in the world; it shall not necessarily be in his country of residence. However, few complex issues such as correlation of cost of capital and currency of cash flow,

		country risk premium, and risk-free rate shall be considered appropriately.
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