

Certificate Course on Valuation

FAQs

Who is Eligible?

Members of the ICAI and students who have cleared their CA final examination.

How to Register?

Candidates have to fill in the Registration Form available herein or at the website of the Institute and submit the completed form along with the requisite fee to:

Corporate Laws & Corporate Governance Committee
4th, Floor, Main building,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Indraprastha Marg,
Delhi
Ph: 011- 30110461
Website : http://www.icai-org/post.html?post_id=3428&c_id=266

Fee Structure

At present, the fee payable is :

- (a) Registration Fee - Rs. 20,000/-** (Rupees Twenty Thousand only) including the fees/price for prospectus, background materials and first evaluation fee.
- (b) Examination Fee - Nil** for the First Evaluation and thereafter Rs. 1000/- each time if a candidate is required to reappear for any subsequent Evaluation Test.

Note:

Please note that Registration fee once paid is non-refundable under any circumstances and the Institute will not entertain any correspondence in this regard. Payment for the Course **can be made On-line** or through **Demand Draft/Pay Order in favour of “The Secretary, Institute of Chartered Accountants of India”**.

Course Contents

The Course on Valuation shall be comprised of the following four modules

Module 1 - Overview of Valuation

Module 2 - Valuation Techniques

Module 3 - Corporate Laws & Income Tax Implications

Module 4 - Application of Valuation Techniques & Project Presentation. Detailed Course Contents

Module 1 Overview of Valuation

Part-1

Introducing valuation

- What is value
- Differentiate price and value
- Who values businesses
- Purpose and role of a valuation
- Principles of valuation
- Definition of Standard of value (basis of valuation)

Fair Market value

Fair value

Investment value

Intrinsic value

- Premise of value

Going concern

Liquidation

- Valuation myths
- Valuation process
- Valuation Standards

Ethical Issues

Terms of Engagement (TOE)

Valuation Services

Documentation

Valuation Report

Assumptions & Limiting

Conditions

Reporting Guidelines

Using work of Expert

Drafting the Valuation

Report

Subsequent Events

Part – 2

Valuation Analysis

- Research techniques and planning
- Economy and industry research
- Historical analysis

Understanding the business

Understanding the Regulatory framework for the industry

Understanding the value drivers Accounting analysis

Accounting policy review

Length of financial history

Adjustments to financial statements

Assets and liability analysis including contingent assets and liabilities Income and expenses analysis Financial analysis Ratio analysis Cash flow analysis

- Strategy analysis

Michael Porter's Five Forces

SWOT

PEST

BCG matrix

GE/McKinsey matrix

ADL matrix

Core competencies

- Company risk analysis
- Prospective analysis – forecasting
- Techniques and elements of forecasting

Du Pont model and limitation

Sensitivity analysis

Scenario analysis

Simulation

Regression analysis

Time series model

Stress testing

Others

- Financial projection modeling
- Types of Due diligence
- Effect of due diligence on valuation

Part-1

Module 2

Valuation Techniques

- **Valuation Approaches**
 - Discounted cash flow (DCF) approach

Enterprise value

Equity value

Adjusted present value (APV)

Relative valuation approach

Price to equity (PER) and

PEG

Price to book

Price to sales

Price to cash flow

Enterprise value to EBITDA

Income approach

Earning capitalization

EVA (Economic Value added)

Asset Approach

Real option approach or contingent claim approach

- Selection of valuation approach
- Assigning Weight to Approaches

Theory and Practice

Mathematical versus

Subjective Weighting

- Valuation of Options

General Principles of Option

Valuation

Specific method for Valuing

Options

Binomial tree method

BSOPM

Black & Scholes valuation

Methodology

Part-2

- **Cost of capital**

Characteristics of cost of capital

Risk and cost of capital

Methods of Development of cost of capital

CAPM (Capital Asset Pricing Model)

APT (Arbitrage Pricing Theory)

DDM (Dividend Discount Model)

Development of WACC

Factors affecting cost of capital

Theory of Modigliani-Miller

Impact of Financial Leverage on Cost of Capital

Forecasting of interest rates and theories of interest rates

- Adjusting value through discounts and premiums

Control premium LOCD (lack of control discount)

LOMD (lack of marketability discount)

Other premiums and discounts

- Business damages vs. Business valuation

- Valuation in special situations;

1. Valuation of unlisted shares

2. Valuation of distressed company

3. Valuation of early stage company
4. Valuation in M & A
5. Valuation in buy-sell agreement
6. Valuation of Investment Company
7. Valuation of Intangibles
8. Valuation for financial reporting under IFRS
9. Valuation of real assets and real estate
10. Valuation for cross border mergers
11. Valuation of bonds, warrants and convertibles

Module 3

Corporate Laws & Income Tax implications

Part-1

- **Corporate Laws Aspects**

Mergers and Amalgamations

De-Mergers

Acquisitions / disposal of business / slump sale

Liquidation

Internal & External

Restructuring

- Legal aspects including

litigation and contingencies

VAT and other indirect taxes

Financial instruments

Equity investments

Preferential shares

Cross Border Taxation Issues

- Implication of Stamp Duty
- Regulatory overview

Regulating Valuers/Valuation

Professionals

SEBI regulations including

Takeover Code

Capital Market Controls

Reserve Bank Regulations

Part-2

- **Income Tax implications**

Capital gains / losses under tax treatment

Taxation on transfer of business/ securities

Treatment of business losses

Statutory Valuation

Wealth Tax Carry forward of losses LcE

Losses of closely held companies

Transfer pricing issues

ESOP

Module 4

Application of valuation techniques & Project Presentation

- Multiple case studies across industries/sectors like Pharmaceutical, Retail, Manufacturing, Banking, Insurance, Aviation, Mining, Infrastructure, private equity valuation, real estate etc.
- Evaluation of Project through Dissertation and/or viva voice/presentation

Frequently Asked Questions (FAQs)

Certificate Course on Valuation

1. Who is eligible to join this Course?

All the members would be eligible to join the Course. The students who have cleared their CA. final examination can also join the course. The Committee reserves the right to permit others including Government officials to join this course on the terms & conditions that it may decide.

2. Where this Course will be launched?

This course will be launched at New Delhi Mumbai, Kolkata, Chennai, Kanpur and in other metro cities as may be decided by the Committee.

3. When will the Classes commence for November- January Session and May- July Session?

In November for the November-January Session and in May for the May- July Session. However, the Committee reserves the right to reschedule the dates keeping in mind the number of Registrations and other factors.

4. Where will the classes be conducted?

The Committee will announce the venue at the time of confirmation of Registration or at least 7 days before the commencement of the course.

5. What will be the duration of the classes?

Classes will generally be held from 9:00 A.M. to 06:00 P.M. on alternate Saturdays/Sundays. However, the Committee reserves the right to re-schedule the programme as well as timings for any centre or all the centres.

6. Whether the participants, who are registered at one centre, will be allowed to join classes at another centre?

The participants registered at one centre will be allowed to attend the classes at another centre if the corresponding classes are going on at that other centre.

7. What will be the duration of the Course?

The duration of the course will be 300Hours comprising of:

- Self Study- 200 hours
- Class room teaching- 50 hours
- Case Study in Groups and project preparation - 50 hours

8. What will be the Overall Scheme for the Certificate Course on Valuation?

The candidates registered for the Course will have to attend the classes on alternate Saturdays/ Sundays. A candidate will have to attend a minimum of 45 hours of classes failing which, he will not be entitled to appear in evaluation test. However, the Committee may, at its discretion, allow the candidate to appear in the next session, (not as a right), but subject to such terms & conditions as it may deem fit to enforce. The candidates will be required to devote time to the self-study and case study given to them. Participants will be grouped (with not more than 5 course participants in one group) for preparing the case study and project report. They will be required to devote specified number of hours (see Course duration at 7 above) to Self study and case study for appearing at the Evaluation Test. They will be expected to prepare comprehensive project case studies and submit them to our evaluation team for appropriate marks at location to be considered as part of the overall evaluation process.

9. What will be the Course fee for this Certificate Course on Valuation?

Total amount to be paid for this Certificate Course on Valuation is Rs. 20,000/- (Rupees Twenty Thousand only). This amount is inclusive of fee/price of prospectus, background material reference book and first evaluation fee payable at the time of Registration. Course fee once paid is non refundable under any circumstances.

10. What will be the Evaluation process?

Participants who have successfully completed Course modules are eligible to appear at the Evaluation Test. A Board of Evaluators will examine and evaluate the presentation, dissertation and Report of the Case study allotted to the group of participants. Each participant of the group will also be evaluated individually. Adequate consideration in individual evaluation will be given to the performance, conduct and the quality of the outcome of the group task. Actual marks secured will not be disclosed to the participants and only successful candidates' name will be declared. In case a candidate has to re-appear for evaluation, assessment shall be done on individual basis only and such a participant may not be allowed to join another group for case study purpose.

11. What will be the Periodicity of Examinations?

Evaluation will be conducted twice a year, viz., after completion of class schedule.

12. What will be the Eligibility to qualify for the evaluation test?

The Committee reserves the right to formulate the criterion for the assessment of quality, level of knowledge and expertise of the participants and its evaluation by Board of Evaluators. The project reports prepared as case study in groups will be having maximum evaluation level of 100 and the written objective cum write up test will also have evaluation level of 100. Existing experience will also be considered as an important parameter. Participants are encouraged to share their actual real time valuation case studies after obtaining consent of their clients, where needed. Case Studies on no name basis will also be acceptable. The database of case studies will be available to the "Valuers Guild" through web-access in due course of time.

13. Is there any limit on the number of attempts for the evaluation test?

There will be no limit on the number of attempts for the evaluation test. The reappearance fee for each attempt will be Rs. 1000/-. The candidate will be allowed to reappear for the evaluation test only after six months of the previous attempt. The case study marks will be carried forward for calculating pass marks.

14. How many participants will be admitted at each Centre?

A batch will have a minimum 60 participants and a maximum of 100 participants.

15. Whether Background Material would be provided to the participants?

A list of Reference books would be provided to the participants, which the participants will be expected to study for deeper understanding of the concepts. All these books are available in the Central Council Library, Institute Head Quarter, New Delhi and at the Regional Council Library at Mumbai, Chennai, Kolkata and Kanpur. Participants are expected to do extensive self study for which, either before and/or during the sessions, a background material, prepared by the Institute, would be provided to the candidates to support the learning process. It may be clearly understood that valuation is a high ended and practical area of technical expertise and is continuously evolving in the ever changing economics scenario. No reference book or background material can provide such comprehensive practical knowledge which would be inculcated in the participants through the expert faculty, group based learning, interaction amongst participants, live case study and most importantly through post qualification Valuers Guild to be formed out of the successful participants.

16. Whether a Certificate will be given on completion of the Course?

On successful completion of the Course, a certificate will be awarded to the participants.

17. Who will be the faculty for this course?

Eminent Chartered Accountants and other professionals in practice and industry, eminent academicians from IIT, Universities and top management institutions including IIMs will be invited to lecture and interact with the participants.

18. Is a senior member of the profession having expertise in valuation, exempted from the Classes?

Very senior members of the profession who have already established their excellence in valuation exercise may send copies of at least 10 valuations (without disclosing the identity of clients/entities) of good quality to the Evaluation Directorate, who may, at its discretion, fully or partially exempt them from classroom study. The decision of Evaluation Directorate shall be final in this regard.

19. How this course will help the candidates?

Members completing the course will immensely be benefited out of the course, while implementing fair value concept in forming an opinion on financial accounts under IFRS. This course will provide an in-depth and comprehensive knowledge of theoretical as well as practical aspects of valuation at national and international level.

20. Key areas of Valuation

Mentioned herein are certain key areas where valuation plays a key role and qualified valuers who undergo this course are expected to act as experts for is suing an independent valuation report. Members in the industry can utilize these technique for internal decision making.

- i) Sell-side and buy-side mandate
- ii) Going public-IPO
- iii) Going private- LBO and MBO
- iv) Corporate restructuring and turnaround
- v) Secured lending including project finance
- vi) Securitization
- vii) Implementation of Basel II
- viii) Financial Derivatives
- ix) Portfolio management-Mutual fund, Hedge funds and professional investors
- x) Long term and medium term investment decisions-M&A, takeovers, strategic investments, financial investment including exit (disinvestment) valuation, capital budgeting, private equity investment , venture capital investments, buyback of shares and others

- xi) Profit and dividend distribution decision.
- xii) Borrowing decisions
- xiii) Financial risk management decisions
- xiv) Court case related valuation
- xv) Tax related valuation
- xvi) Development projects valuation
- xvii) Intangibles
- xviii) Financial reporting valuation
- xix) Equity research area
- xx) Insurance product valuation
- xxi) Estate and personal financial planning
- xxii) Corporate planning
- xxiii) Property valuation
- xxiv) Value based performance measurement
- xxv) Credit rating

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