

Insolvency and Bankruptcy Board of India

31st December, 2018

Subject: Syllabus of Valuation Examination for Asset Class- Securities or Financial Assets with effect from 1st April, 2019

In pursuance of the rule 5 (3) of the Companies (Registered Valuers and Valuation) Rules, 2017, the Insolvency and Bankruptcy Board of India, being the Authority, hereby publishes the syllabus, format and frequency of the 'Valuation Examination' to be conducted from 1st April, 2019 for the asset class: **Securities or Financial Assets** as under:

I. Syllabus

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

	<ul style="list-style-type: none"> - Agency Agreements • The Sale of Goods Act, 1930 <ul style="list-style-type: none"> - Contract of Sale - Definition of Goods - Price of Goods - Conditions and Warranties - Unpaid Seller • The Transfer of Property Act, 1882 <ul style="list-style-type: none"> - Definition of Immovable Property - Transfer and Sale of Property - Rights and Liabilities of Buyer and Seller - Mortgage of Property - Rights and Liabilities of Mortgager and Mortgagee - Gift of Immovable Property - Lease • The Indian Stamps Act, 1899 <ul style="list-style-type: none"> - Basics of Indian Stamp Act - Valuation for Duty - Instruments on which duty is levied • The Income Tax Act, 1961 <ul style="list-style-type: none"> - Taxes on Individuals - Taxes on Companies - Heads of Income- Income from Salary, Income from House Property, Income from Profits and Gains of Business or Profession, Income from Capital Gains and Income from Other sources - Clubbing and Set off provisions - Double Taxation Avoidance Agreement (DTAA) - Taxation on transfer of business - Transfer pricing issues - Employees' Stock Option Plan or Scheme • The Insolvency and Bankruptcy Code, 2016 (IBC) and Regulations <ul style="list-style-type: none"> - Part I of IBC: Preliminary - Part-II of IBC: Insolvency Resolution and Liquidation for Corporate Persons - The Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 - The Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016 - The Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017 • The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002) 	
5.	Financial Reporting under Indian Accounting Standards (Ind AS) <ul style="list-style-type: none"> - Indian Accounting Standard (Ind AS) 113, Fair Value Measurement 	5

6.	Overview of Valuation <ul style="list-style-type: none"> - Meaning of Value - Premise of Valuation - Purpose of Valuation - Valuation Standards - Valuation Engagements-Scope of Work - Valuation Process - Valuation Report - Documentation 	4
7.	Valuation Approaches <ul style="list-style-type: none"> - Cost Approach - Market Approach - Income Approach 	3
8.	Valuation Application <ul style="list-style-type: none"> • Equity / Business Valuation <ul style="list-style-type: none"> - Analysis of Business Environment - Entity's Business Strategy Analysis - Business Combinations- Amalgamation, Merger, Demerger, Arrangement & Restructuring - Forecasting - Cash flow Analysis - Appropriate Cost of Capital / Rate of Return - Valuation Adjustments • Fixed Income Securities <ul style="list-style-type: none"> - Types of Fixed Income Securities - Types of Different Debt Instruments - Terms used in Fixed Income Securities - Credit Rating of Bonds - Embedded Options - Interest Rate Derivative Products - Related Fixed Income Money Market and Derivatives Association of India (FIMMDA) Circulars • Option Valuation <ul style="list-style-type: none"> - General Principles - Option Valuation Models: Black and Scholes Valuation Methodology, Black and Scholes Merton Option Pricing Method, Binomial Tree Method, Monte Carlo Simulation • Valuation of other Financial Assets and Liabilities • Intangible Assets <ul style="list-style-type: none"> - Nature and Classification of Intangibles - Identification of Nature of Intangible Assets - Purpose of Intangibles Valuation - Valuation Approaches • Situation Specific Valuation <ul style="list-style-type: none"> - Distressed Asset Valuation - Start-up Entities Valuation - Valuation of Small and Medium Enterprises - Valuation of Cyclical Firms - Valuation of Investment Entities - Valuation for Insurance Coverage 	33

9.	<p>Regulations relevant to Financial Assets Valuation</p> <ul style="list-style-type: none"> • The Securities and Exchange Board of India Regulations <ul style="list-style-type: none"> - The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009– Chapter VI-A and Chapter VII - The SEBI (Prohibition of Insider Trading) Regulations, 2015 - The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 - The SEBI (Delisting of Equity Shares) Regulations, 2009 - The SEBI (Share based Employee Benefits) Regulation, 2014: Employee stock option schemes, employee stock purchase schemes and stock appreciation rights schemes • RBI and FEMA Regulations <ul style="list-style-type: none"> - FEMA (Transfer or Issue of Security by a Person Resident Outside India), Regulations, 2017 - Foreign Direct Investment (Pricing Guidelines) - Direct Investment by Residents in Joint Venture/ Wholly Owned Subsidiary abroad. - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks. - Guidelines on Sale of Stressed Assets by Banks 	4
10.	<p>Judicial Pronouncements on Valuation</p> <ul style="list-style-type: none"> - Miheer H. Mafatlal Vs. Mafatlal Industries Ltd. (1997) 1 SCC 579 - Hindustan Lever Employees' Union Vs. Hindustan Lever Limited And Ors. - Brooke Bond Lipton India Ltd.td. [1999] 98 Comp Cas 496 (Cal) - Dinesh Vrajlal Lakhani Vs. Parke Davis (India Ltd.) (2005) 124 Comp Case 728 (Bom HC) - Dr. Mrs. Renuka Datla Vs. Solvay Pharmaceutical B.V. & Ors. G.L. Sultania and Another Vs. The Securities and Exchange Board of India 	3
11.	<p>Case Studies</p> <p>This section will have two case studies to test the ability to apply valuation techniques. There will be two comprehensions narrating transaction based on which questions will be asked.</p>	16
Total		100

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

II. Format of Examination

The format of examination is as under:

- a. The examination is conducted online (computer-based in a proctored environment) with objective multiple-choice questions;
- b. The duration of the examination is 2 hours;
- c. A candidate is required to answer all questions;
- d. A wrong answer attracts a negative mark of 25% of the marks assigned for the question;
- e. A candidate needs to secure 60% of marks for passing;

- f. A successful candidate is awarded a certificate by the Authority;
- g. A candidate is issued a temporary mark sheet on submission of answer paper; and
- h. No workbook or study material is allowed or provided.
- i. A candidate may use a calculator which does not have memory.
- j. No mobile phone is allowed.

III. Frequency of Examination

The frequency of Examination is as under:

- a. The Examination is available from a number of Examination Centres across the country.
- b. The examination is available on every working day.
- c. A candidate may choose the time, the date and the Examination Centre of his choice for taking the Examination. For this purpose, he needs to enrol and register at <https://valuationregistration.bsebti.com>.
- d. A candidate needs to pay an Examination fee of Rs.1500 (One thousand five hundred rupees only) online on every enrolment.

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