

Annexure I
Insolvency and Bankruptcy Board of India

31st December, 2018

Subject: Syllabus of Valuation Examination for Asset Class- Plant and Machinery 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: **Plant and Machinery** as under:

I. Syllabus

Sl. No.	Syllabus	Coverage	Weight (%)
1.	<p>Principles of Economics</p> <ul style="list-style-type: none"> • Microeconomics <ul style="list-style-type: none"> - Consumption: Indifference Curve, Consumer’s Surplus, Elasticity - Price Mechanism: Determinants of Price Mechanism, Individual and Market Demand Schedules, Law of Demand & its Conditions, Exceptions and Limitations of Law of Demand, Individual and Market Supply Schedules, Conditions and Limitations, Highest, Lowest and Equilibrium Price, Importance of Time Element - Pricing of Products under different market conditions: Perfect and Imperfect Competition, Monopoly - Factors of Production and their pricing: Land, Labour, Capital, Entrepreneur and other factors - Theory of Rent - Capital and Interest: Types of Capital, Gross Interest, Net Interest - Organisation and Profit: Functions of Entrepreneur, Meaning of Profit and Theories of Profit 		4
	<ul style="list-style-type: none"> • Macroeconomics <ul style="list-style-type: none"> - Functions & Role of Money - Inflation: Types of Inflation, Causes, Effects, Inflationary Gap, Control of Inflation, Monetary, Fiscal and Direct Measures - Deflation: Causes, Effects, Deflationary Gap, Measures to Control Deflation, Deficit Financing - Savings and Investment: Savings and Types of Savings, Determinants of Savings, Investment, Types of Investment, Determinants of Investment, Relationship between Savings and Investment 		4

	<ul style="list-style-type: none"> - Components of Economy: Primary Sector, Secondary Sector, Tertiary Sector, Informal Sector in Urban Economy, Parasitic Components in Urban Economy - Concepts of GDP and GNP, Capital Formation 	
	<ul style="list-style-type: none"> • Parallel Economy - Definition of Parallel Economy, Causes and Effects of Parallel Economy on use of Land and its Valuation - Its impact on Real Estate Market - Construction Industry and Parallel Economy 	2
2.	<p>Book Keeping and Accountancy</p> <ul style="list-style-type: none"> - Meaning and objects of Book Keeping, Double Entry Book Keeping - Books of Prime Entry and Subsidiary Books: Cash Book, Bank Book, Journal, Ledger, Purchase and Sale Books, Debit and Credit Note Register, Writing of Books, Posting and Closing of Accounts - Trading Account, Profit and Loss Account, Income and Expenditure Account - Preliminary Analysis of Financial Statements - Cost, Costing and Elements of Cost, Fixed Expenses, Variable Expenses, Break-Even Point 	3
3.	<p>Law-General</p> <ul style="list-style-type: none"> - Indian Legal System: Salient Features of the Indian Constitution, Fundamental Rights, Directive Principles of the State Policy - Government: Executive, Legislature and Judiciary - Laws of Contract: Formation of a Contract, Parties, Void, Voidable and Unenforceable Contract, Contingent Contract, Misrepresentation and Fraud and effect thereof, Termination of a Contract, Remedies for Breach, Performance of Contract, Indemnity and Guarantee, Law of Agency - Tort: General Principles of Tort, Tort affecting Valuation - Law of Arbitration and Conciliation: Salient Features - Auction: Authority of Auctioneer, Duties of Vendor, Purchaser and Public, Misdescription and Misrepresentation, Advertisements, Particulars and Catalogues, Statements on the Rostrum, Conduct of Sale, Reservation of Price and Right to Bid, Bidding Agreements. Memorandum of the Sale. The Deposit, Rights of Auctioneer against Vendor and Purchaser - Laws of Evidence: Burden of Proof, Presumptions, Conclusive Proof 	10
	<ul style="list-style-type: none"> - Salient Features of the Insolvency and Bankruptcy Code, 2016 concerning Valuation - Salient Features of the Companies (Registered Valuers and Valuation) Rules, 2017 - Salient Features of the Securitization and Reconstruction of the Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002) concerning Valuation 	2

	<ul style="list-style-type: none"> - Section 5 (n) of the Banking Regulation Act, 1949 on “Secured Loan or Advance” - The Companies Act 2013: Section 192(2), 230 (1), 230 (2), 230 (3), 231, 232, 247 and 281(1) 	
4.	<p>Introduction to Statistics</p> <ul style="list-style-type: none"> - Data Classification and Processing, Graphical Representation of Data, Frequency Distributions - Measures of Central Tendency, Dispersion and Skewness - Elementary Theory of Probability and Probability Distributions, Sampling and Sampling Distributions, Estimation - Simple Test of Significance, Regression and Correlation, Multiple Correlation Coefficient - Time Series - Index Numbers 	2
5.	<p>Environmental Issues in Valuation</p> <ul style="list-style-type: none"> - Environment and Valuation - Differences between the Market Price and the Negative Value Consequent on Environmental Impact - Environmental Issues of Air Pollution, Water Pollution, Environmental Factors and their effects, Measures to Restore the Damage, Cost to Cure - Outlines of Environmental Legislations: The Indian Forest Act, 1927, The Water (Prevention and Control of Pollution) Act, 1974, The Air (Prevention and Control of Pollution) Act, 1981, The Environment (Protection) Act, 1986 - Laws related to Industrial Health and Safety 	4
6.	<p>Professional Ethics and Standards</p> <ul style="list-style-type: none"> - Model Code of Conduct as notified by Ministry of Corporate Affairs under the Companies (Registered Valuers and Valuation) Rules, 2017 - Ethical considerations under terms of engagements 	2
7.	<p>Valuation of Plant and Machinery</p> <ul style="list-style-type: none"> - Role, Functions and Responsibilities of a Plant and Machinery Valuer - Cost, Price, Value and Valuation. - Types of Market, Demand and Supply Curve, Buyer's and Seller's Bell Curve for Overall Sales performance - Annuities, Capitalisation, Rate of Capitalisation, Years Purchase, Sinking Fund, Redemption of Capital, Reversionary Value - Construction and use of Valuation Tables • Definitions of the various terms <ul style="list-style-type: none"> - Plant and Machinery, Furniture, Fixtures and Fittings – judicial interpretation of these terms - Market value, Highest and Best Use Value • Meaning of the terms <ul style="list-style-type: none"> - Basis of Valuation, Value in Use, Value in Exchange, Value to the Buyer, Value to the Seller, Value to the Occupier, Value in 	6

	<p>Existing Use In-Situ, Value in Existing Use in Ex-Situ, Value in Alternative Use in In-Situ, Value in Alternative Use in Ex-Situ, Liquidation Value In-Situ/Ex-Situ, Orderly Liquidation Value, Forced Sale Value</p> <ul style="list-style-type: none"> - Investment Property, Marketable Non-Investment Property, Non-Marketable Non-Investment Property with their characteristics and approaches to Value - Factors having direct bearing on Value (Valuation Maxims) like Physical, Legal, Social, Economic, Utility, Marketability, Transferability, Scarcity, Present Worth of Future Benefits and Intangible Rights 	
	<ul style="list-style-type: none"> • Identification and Physical Verification of Plant, Machinery and Equipment (PME) - Inventory (Listing of Machinery) and data to be collected while taking inventory - Importance of Technical Specifications of Plant and Machinery in Valuation exercise - Assessment of Condition of Plant, Machinery and Equipment based on Visual Inspection - Comparing Inventory with Plant and Machinery Records maintained by the Company - Ascertaining Discrepancy - Identification of Productive, Non-Productive, Surplus and Off-Balance Sheet Assets - Age, Effective Age, Total Economic Life, Economic Balance Life, Physical Life and their importance in Valuation - Factors affecting Life, both in terms of years or hours of use, depending on type of assets and maintenance - Definition and distinction of the terms - Historical Cost, Acquisition Cost, Book Cost, Written Down Value and Net Book Value - Items in the nature of buildings to be treated as Plant and Machinery- like Chimneys to the Boiler, Brick, Concrete or RCC Foundation for Plant and Machinery, Water and Sewerage Installations, Effluent Treatment Plant etc. 	4
	<ul style="list-style-type: none"> - Depreciation under The Income Tax Act, 1961 as well as The Companies Act, 2013 - Useful Lives to compute depreciation as per Schedule II of The Companies Act, 2013 - Factors to be considered for Componentization of Asset - Installed Capacity of the Plant, Actual Production, Raw Material Availability, Level of Technology used such as Current or Obsolete, Issues if any regards to these - Part, Fraction and Whole Valuation - Relationship of Earnings and Assets - Difference Between Business Specific Economic Viability and Economic Obsolescence - Efficiency of Plant Layout, Imbalances in different production sections and their relevance in valuation 	3

	Three Approaches to Value: Cost, Market and Income	
	<ul style="list-style-type: none"> • Cost approach <ul style="list-style-type: none"> - Reproduction Cost New, Replacement Cost New, Depreciated Reproduction Cost/Depreciated Replacement Cost (DRC), Difference and similarity in DRC and Market Value - Difference between Reproduction Cost New and Replacement Cost New - Methods of Computation of Reproduction Cost New - Market Inquiry of Current Cost of Brand-New Machine with Identical Specifications from same manufacturer i.e. Replica Indexation and its limitations, Cost to Capacity Method and its limitation - Methods of Computation of Replacement Cost New when Identical Machine/Plant is not available i.e. Machine/Plant of like Kind and Type, and factors to be taken into consideration. - Direct and Indirect Costs for Estimation of Reproduction New /Replacement Cost New - Meaning of the term Depreciation for Wear and Tear, Factors influencing Depreciation-its measurements and application by Valuers of Plant and Machinery - Concept of Salvage Value and Scrap Value along with the basis of the same - Methods of Depreciation – Observed Deterioration, Straight Line, Diminishing Balance (WDV) - Difference between Accounting and Technical Depreciation. - Factors to be taken into consideration for selection of Depreciation Method - Obsolescence- Technological, Functional and Economic - Depreciated Replacement Cost (DRC) subject to Potential Profitability - Limitations of Cost Approach 	6
	<ul style="list-style-type: none"> • Market Approach- Sales comparison method <ul style="list-style-type: none"> - Data Collection - Elements of Comparability and application of appropriate Weightages to Identified Comparable to Estimate Value of Subject Plant and Machinery Asset being valued. Instances when Sales Comparison Method is not feasible and limitations of Sales Comparison Method 	2
	<ul style="list-style-type: none"> • Income Approach <ul style="list-style-type: none"> - The concept of Income Approach - Gross Income-Outgoings, Net Income and Year's Purchase - Actual Income Vs Potential Income - Terminal Income - Remunerative and Accumulative Rates of Interest and various methods of determining the same - Capitalization of Earnings Method 	2

	<ul style="list-style-type: none"> - Discounted Future Earnings Method (DCF Technique) - Pitfalls of DCF Technique 	
	<ul style="list-style-type: none"> • Process of Valuation <ul style="list-style-type: none"> - Check List for Valuation of Plant and Machinery, documents to be studied prior to Plant Visit/Inspection, ABC analysis - The items to be treated as Plant and Machinery - The items to be treated as Land and Buildings - Physical Verification (Survey and Inspection) - Data Collection and Valuation Analysis under Replacement Cost New Method (Cost Approach) 	3
	<ul style="list-style-type: none"> • Broad categories of machines to be encountered by plant and machinery valuers in actual practice <ul style="list-style-type: none"> - Valuation of a machine for which current cost of identical brand-new machine is available - Valuation of a machine for which current cost of identical brand-new machine is not available - Valuation of a machine which is no longer manufactured - The reasons for the differences in the prices of the machines with same technical specifications and features by different manufacturers - The factors to be considered while adopting Cost Approach - Data Collection and Valuation Analysis under- Cost, Market and Income Approaches 	2
	<ul style="list-style-type: none"> • Leasing of plant and machinery <ul style="list-style-type: none"> - Definition of Lease - Leasing, Hiring and Renting - Obligations of Supplier of Asset, User of Asset, Hire Purchase Company/Lessor in cases of Loan, Supplier's Credit, Hire Purchase and Leasing - Leasing as an instance of Bailment, Nature of the Bailment Agreement, Features of Bailment, Contracts Law on Bailment. - Leasing Rules - Types of Leases and their characteristics - Steps in the structuring of a Lease Contract - Leasing from point of view of Lessor/Lessee - Limitations of Leasing - The structure of a Lease Agreement - Treatment of Leased Assets in Company Accounts – Accounting Practice for Leased Plant and Machinery as per Indian Accounting Standards - Assessment of Lease related risk - Risk and Return trade-off - Valuation of leased plant and machinery 	2
	<ul style="list-style-type: none"> • Valuation of plant and machinery for following purposes <ul style="list-style-type: none"> - Mergers and Acquisitions (including Purchase Price Allocation) - Financial Statements 	6

	<ul style="list-style-type: none"> - Impairment - Auction - Insurance - Leasing - Disposal. - Capital Raising - Corporatization and Privatization - Stamp Duty - Any other purpose not referred above - Study of Valuation Standards as per the provisions of the Companies Act, 2013 - Study of Indian Accounting Standards (Ind AS 16) as applicable to Valuation - Valuer as an Expert witness in Court - Valuers' Functions & Responsibilities, Error of Judgement and Professional Negligence 	
	<p>Case laws</p> <ul style="list-style-type: none"> - Fixture - Holland Vs. Hodgson (1872) L.R.7 C.P.328 at 335 (Australia) - Plant and Machinery in nature of Land and Buildings – Duncan Industries Ltd. Vs. State of U.P. and Other AIR 2000 SC 355 - Obsolescence – Westinghouse Elect. Corporation 93 NC App. 710, 379 S.E.2D 37(1989) (U.S.A) - Just because a Plant and Machinery are fixed in the Earth for better functioning it does not automatically become an Immovable Property - Sirpur Paper Mills Pvt. Ltd. Vs. The Collector of the Central Excise, Hyderabad AIR (1998) 1 SCC 400: (1998 AIR SCW 366: AIR 1998 SC 1489) - Plant and Machinery in nature of Land and Buildings - Official Liquidator Vs. Sri Krishna Deo and Ors. (AIR 1959 All 247) - Valuation of specialized Plant and Machinery by Cost Approach is subject to Potential Profitability - Symex Holdings Ltd. Vs. Commissioner of State Revenue, Supreme Court of Victoria, Australia-(2007) VSC 159 	1
8.	<p>Law - Plant and Machinery</p> <ul style="list-style-type: none"> - Sale of Goods and Agreements to Sell, Seller's Obligations as to delivery Time, Title, Description, Fitness, Quality and Quantity; Exclusion of Obligations, Sales by Sample, Passing of Property in Goods, Transfer of Title by Non-owner, Remedies for Breach of Contract, Rights of Unpaid Seller against Goods - Licensing of Industries and regulation of industrial activities under various laws; viz. Industrial Licensing Laws etc - Salient features of various acts such as the Factory Act, 1948, the Electricity Act, 2003, Labour laws with regards to regulatory measures for industrial undertakings 	3

9.	<p>Principles of Insurance and Loss Assessment</p> <ul style="list-style-type: none"> - Principles and legal concepts in relation to Insurance of Plant & Machinery, The Contract of Insurance, Insurable Interests and Liability to Insure, Duties of the Insurer and the Insured - The types of Fire Policies -Reinstatement Value and Indemnity Policies and policies for other perils, Terms and Conditions, Perils, Beneficial And Restrictive Clauses - Value at Risk, Sum Insured and Condition of Average, Over and Under Insurance, Inflation Provisions, other contents, Depreciation, Obsolescence and Betterment - Preparation of Claim for Damages due to Insured Perils - Obligations and Rights of Insurer and Insured 	4
10.	<p>Machine Tools, Factory, Utility Equipment and Electrical Installations</p> <ul style="list-style-type: none"> - Machine Tools - For Milling, Turning, Cutting, Drilling and Threading, Grinding, Shaping, Casting, Plastic deforming, Powder forming, Sheet metal, Welding, Fabrication - Factory Equipment - material handling and fire protection - Utility Equipment – for energy generation, energy consuming devices, for energy utilisation - Electrical Installations 	6
11.	<p>Industrial Processes</p> <ul style="list-style-type: none"> - Factory Planning and layout: Types of Plant Layout, Production Techniques, Automation, Mass Production, Batch and One-Off Production - Principles of Industrial Processes: Material flow, process sequences, automation and process control - Industrial Processes: The Normal Processes, Methods of Manufacture, Plant and Machinery utilised, Flow Diagrams and Inventory Compilation for the following specific industries: Textiles, Dairy, Vegetable Oil, Iron, Steel & Non-Ferrous Metal Production, Chemical and Pharmaceutical, Plastic and Rubber, Paper and Paper Products, Printing, Binding and Publishing, Food and Drink - The nature and function of trade specific machinery in the above industries 	6
12.	<p>Report writing</p> <ul style="list-style-type: none"> - Reports-Quality, Structure, Style - Report writing for various purposes like Sale/Purchase, Mergers & Acquisitions, Insurance, Liquidation and any other purposes for which a valuer is normally called upon for advice in general practice - Contents of the report: The Instructions (including basis of valuation) received from the clients showing scope of work, Date as on which valuation is made, Date of Report, Date of Inspection, Purpose of Valuation, Location of Assets, Valuation Definition considered, Approach/Method of Valuation, Procedure Adopted, Summary of Valuation, Assumptions and Limiting Conditions including Caveats, 	3

	Schedule of Plant and Machinery with Make, Model, Description, Year, Condition, Values	
13.	Case Study On valuation of plant and machinery mentioned under Part-7 above. This section will have a case study to test the ability to apply valuation techniques. There will be a comprehension narrating a transaction based on which questions will be asked.	8
	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.bsebt.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.

Annexure II**Insolvency and Bankruptcy Board of India****31st December, 2018****Subject: Syllabus of Valuation Examination for Asset Class- Land and Building 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: **Land and Building** as under:

II. Syllabus

Sl. No.	Coverage	Weight (%)
1.	<p>Principles of Economics</p> <ul style="list-style-type: none"> • Microeconomics <ul style="list-style-type: none"> - Consumption: Indifference Curve, Consumer's Surplus, Elasticity - Price Mechanism: Determinants of Price Mechanism, Individual and Market Demand Schedules, Law of Demand & its Conditions, Exceptions and Limitations of Law of Demand, Individual and Market Supply Schedules, Conditions and Limitations, Highest, Lowest and Equilibrium Price, Importance of Time Element - Pricing of Products under different market conditions: Perfect and Imperfect Competition, Monopoly - Factors of Production and their pricing: Land, Labour, Capital, Entrepreneur and other factors - Theory of Rent - Capital and Interest: Types of Capital, Gross Interest, Net Interest - Organisation and Profit: Functions of Entrepreneur, Meaning of Profit and Theories of Profit 	4
	<ul style="list-style-type: none"> • Macroeconomics <ul style="list-style-type: none"> - Functions & Role of Money - Inflation: Types of Inflation, Causes, Effects, Inflationary Gap, Control of Inflation, Monetary, Fiscal and Direct Measures - Deflation: Causes, Effects, Deflationary Gap, Measures to Control Deflation, Deficit Financing - Savings and Investment: Savings and Types of Savings, Determinants of Savings, Investment, Types of Investment, Determinants of Investment, Relationship between Savings and Investment - Components of Economy: Primary Sector, Secondary Sector, Tertiary Sector, Informal Sector in Urban Economy, Parasitic Components in Urban Economy - Concepts of GDP and GNP, Capital Formation 	4

	<ul style="list-style-type: none"> • Parallel Economy <ul style="list-style-type: none"> - Definition of Parallel Economy, Causes and Effects of Parallel Economy on use of Land and its Valuation - Its impact on Real Estate Market - Construction Industry and Parallel Economy 	2
2.	Book Keeping and Accountancy <ul style="list-style-type: none"> - Meaning and objects of Book Keeping, Double Entry Book Keeping - Books of Prime Entry and Subsidiary Books: Cash Book, Bank Book, Journal, Ledger, Purchase and Sale Books, Debit and Credit Notes Register, Writing of Books, Posting and Closing of Accounts - Trading Account, Profit and Loss Account, Income and Expenditure Account - Preliminary Analysis of Financial Statements - Cost, Costing and Elements of Cost, Fixed Expenses, Variable Expenses, Break-Even Point 	3
3.	Law - General <ul style="list-style-type: none"> - Indian Legal System: Salient Features of the Indian Constitution, Fundamental Rights, Directive Principles of the State Policy - Government: Executive, Legislature and Judiciary - Laws of Contract: Formation of a Contract, Parties, Void, Voidable and Unenforceable Contract, Contingent Contract, Misrepresentation and Fraud and Effect thereof, Termination of Contract, Remedies for Breach, Performance of Contract, Indemnity and Guarantee, Law of Agency - Tort: General Principles of Tort, Tort affecting Valuation. - Law of Arbitration and Conciliation: Salient Features - Auction: Authority of Auctioneer, Duties of Vendor, Purchaser and Public, Mis-description and Misrepresentation, Advertisements, Particulars and Catalogues, Statements on the Rostrum, Conduct of Sale, Reservation of Price and Right to Bid, Bidding Agreements. Memorandum of the Sale. The Deposit, Rights of Auctioneer against Vendor and Purchaser - Laws of Evidence: Burden of Proof, Presumptions, Conclusive Proof 	10
	<ul style="list-style-type: none"> - Salient Features of the Insolvency and Bankruptcy Code, 2016 concerning Valuation - Salient Features of the Companies (Registered Valuers and Valuation) Rules, 2017 - Salient Features of the Securitization and Reconstruction of the Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002) concerning Valuation - Section 5(n) of the Banking Regulation Act, 1949 on “Secured Loan or Advance” - The Companies Act 2013: Section 192(2), 230 (1), 230 (2), 230 (3), 231, 232, 247 and 281(1) 	2

4.	<p>Introduction to Statistics</p> <ul style="list-style-type: none"> - Data Classifications and Processing, Graphical Representation of Data, Frequency Distributions - Measures of Central Tendency, Dispersion and Skewness - Elementary Theory of Probability and Probability Distributions, Sampling and Sampling Distributions, Estimation - Simple Test of Significance, Regression and Co-relation, Multiple Correlation Coefficient - Time Series - Index Numbers 	2
5.	<p>Environmental Issues in Valuation</p> <ul style="list-style-type: none"> - Environment and Valuation - Differences between the Market Price and the Negative Value Consequent on Environmental Impact - Environmental Issues of Air Pollution, Water Pollution, Environmental Factors and their effects, Measures to Restore the Damage, Cost to Cure - Outlines of Environmental Legislations: The Indian Forest Act, 1927, The Water (Prevention and Control of Pollution) Act, 1974, The Air (Prevention and Control of Pollution) Act, 1981, The Environment (Protection) Act, 1986 - Laws related to Industrial Health and Safety 	4
6.	<p>Professional Ethics and Standards</p> <ul style="list-style-type: none"> - Model Code of Conduct as notified by MCA under the Companies (Registered valuers and valuation) Rules 2017 - Ethical considerations under terms of engagements 	2
7.	<p>Law-Real Estate</p> <ul style="list-style-type: none"> - Land Acquisition - The Right to Fair Compensation and Transparency in the Land Acquisition, Rehabilitation and Resettlement Act, 2013 - General Building Rules and Regulations - Rent Control Laws: Sections pertaining to Occupancy Rights of Tenants, Freezing of Rent and Protection against Eviction of Tenant and its effect on value of property - Right of Way and Section 52 - Licenses under the Indian Easements Act, 1882 - Salient features of the Real Estate (Regulation and Development) Act, 2016 and Real Estate Regulating Authorities established under the Act • The Transfer of Property Act, 1882 - Transfer of Immovable Property: Sale, Mortgage, Gift, Exchange, Assignment, Charge, Lien, Tenancies/Sub-Tenancies - Lease of Immovable Property, Lease granted by Private and Statutory Bodies - Impact of each on Valuation - Sections: 3, 5, 6, 7, 25, 53 and 53A of the Transfer of Property Act, 1882 • Laws Relating to Inheritance/Succession 	8

	<ul style="list-style-type: none"> - Mohammedan: Muslim Personal Law - The Hindu Succession Act, 1956, the Hindu Succession (Amendment) Act, 2005 (39 of 2005) - The Indian Succession Act, 1925: Law of succession for person other than Hindu and Mohammedan - Will & Testament, Succession Certificate 	
8.	<p>Valuation of Real Estate</p> <ul style="list-style-type: none"> - Cost, Price and Value - Types of Value - Basic elements of Value - Marketability, Utility, Scarcity, and Transferability - Factors affecting Value - Physical, Economic, Legal and Social - Highest and Best Use, Value in Use, Value in Exchange - Real Property: Rights and Interests in Real Estate, Types of ownerships and Types of occupancy in Real Estate - Annuities, Capitalization, Rate of Capitalization, Years' Purchase, Sinking Fund, Redemption of Capital, Reversionary Value - Construction and use of Valuation Tables - Urban Infrastructure and its influence on Value of Real Estate - Real Estate Market and its characteristics, Investment in Real Estate, Factors influencing Demand and Supply Schedule in Real Estate - Concepts of Green Building 	14
	<ul style="list-style-type: none"> • Income Approach to Value - Relation between Income and Value - Valuation of Property affected by the Rent Control Act, Licensed property under the Easement Act, 1882 and Leasehold properties under the Transfer of Property Act, 1882 - Derivation of Yield Rate from Market Derived Data - Remunerative Rate of Interest and Accumulative Rate of Interest - Types of rent: Outgoings, Income, Yield, Years' Purchase - Determination of Market Rent and Standard Rent - Lease: lessor and lessee: Types of Lease, Lease provisions and Covenants - Valuation of Lessor's Interest, Lessee's Interest including Sub-Lease in Leased Property. Premature Termination of Lease or Surrender of Lease - Real Estate as an Investment, Yield from Real Estate vis-à-vis other forms of Investments- Sound Investment Comparison - Investment Decisions: Discounted Cash Flow Techniques, Internal Rate of Return (IRR) and Net Present Value (NPV) - Profit Method: Valuation of Special Properties: Hotels, Cinema, Mall, Petrol Pump, Hill resorts 	8
	<ul style="list-style-type: none"> • Market Approach to Value - Types of Market, Demand and Supply Curve, Buyer's and Seller's Bell Curve for Overall Sales Performance 	8

	<ul style="list-style-type: none"> - Market Survey & Data Collection, Sources of Sale Transactions - Comparison of Sale Instances – Factors of comparison and weightages for adjustment in value - Hedonic Model and Adjustment Grid Model under Sales comparison Method - Land characteristics and its effect on Land Values - Hypothetical Plotting Scheme for value of large size land - Residue Technique and other development methods - Valuation for Joint Venture Development of property 	
	<ul style="list-style-type: none"> • Cost Approach to Value <ul style="list-style-type: none"> - Methods of Cost Estimates for Buildings - Life of Building: Economic/Physical/Legal - Factors affecting life of the building - Total Life, Age, Estimating Future Life - Various methods of Computation of Depreciation, Functional, Technological and Economic Obsolescence - Reproduction Cost/Replacement cost, Depreciated Replacement Cost (DRC) working, adopting DRC as Value subject to Demand and Supply aspect - Land Value by Market Approach and Building Value by Cost Estimation Method for Owner Occupied Bungalows, Factories, Public Buildings 	8
	<ul style="list-style-type: none"> • Various purposes of Valuation <ul style="list-style-type: none"> - Valuation of properties for purposes such as: Bank Finance, Auction Reserve, Building Insurance, Sale, Purchase, Valuation Disputes in Court, Probate, Partition, Rent Fixation, Stamp Duty, Capital Gain Tax, Lease and Mortgage of Property. Any other purposes not referred above - Study of Valuation Standards as per the provisions of the Companies Act 2013 - Study of Indian Accounting Standards (Ind AS 16) as applicable to Valuation - Valuer as an Expert witness in Court - Valuers' Functions & Responsibilities, Error of Judgement and Professional Negligence 	4
	<ul style="list-style-type: none"> • Important Case Laws on principles of valuation of Real Estate: <ul style="list-style-type: none"> - K.P. Varghese Vs. Income Tax Officer and Another, (1981) 131 ITR 597 (SC) - Gold Coast Selection Trust Ltd. Vs. Humphrey (1948) 2 All-ER 379 and (1949) 17 ITR 19 - R.C. Cooper Vs. Union of India, (1970) AIR SC 564 - Hays Will Trust Vs. Hays and Others (1971) 1WLR 758 - V. C. Ramachandran Vs. CWT (1979) 126 ITR 157 Karnataka HC - Subhkaran Chowdhary Vs. I.A.C. (Acq), (1979) 118 ITR 777 Kolkata HC (Special Value/ FMV) 	2

	<ul style="list-style-type: none"> - Wenger & Co. Vs. DVO (1978) 115 ITR 648 Delhi HC (Combination of Methods) - Sorab D. Talati Vs. Joseph Michem, Appeal No. 101 of 1949 in R.A. Application No. 805 of 1948 - CWT Vs. P.N. Sikand (1977) 107 ITR 922 (SC) - SLAO (Eluru) Vs. Jasti Rohini (1995) 1SCC 717 SC - Shubh Ram and Others Vs. State of Haryana (2010) 1SCC 444 - Jawajee Nagnathan Vs. Revenue Divisional Officer (1994) SCC (4) 595 (SC) - Chimanlal Hargovinddas Vs. SLAO, AIR SC 1652 - Duncan Industries Ltd. Vs. State of U.P. and Other AIR 2000 SC 355 - CWT Vs. Purshottam N. Amersey and Anr., (1969) 71 ITR 180 (Bom) - Dr. K.R. Dhairawan and Others Vs. J.H. Thakur and Others AIR 1958 SC 789 	
9.	<p>Principles of Insurance and Loss Assessment</p> <ul style="list-style-type: none"> - Principles and legal concepts in relation to Insurance of buildings. The Contract of Insurance. Insurable Interests and Liability to Insure. Duties of the Insurer and the Insured - The types of Fire Policies -Reinstatement Value and Indemnity Policies and policies for other perils, Terms and Conditions, Perils, Beneficial and Restrictive Clauses - Value at Risk, Sum Insured and Condition of Average, Over and Under Insurance, Inflation Provisions, other contents, Depreciation, Obsolescence and Betterment - Preparation of Claim for Damages due to Insured Perils. - Obligations and Rights of Insurer and Insured 	4
10.	<p>Report writing</p> <ul style="list-style-type: none"> - Reports-Quality, Structure, Style - Report writing for various purposes of valuation-Sale, Purchase, Purchase, Mortgage, Taxation, Insurance, Liquidation etc - Contents of the report: Instruction of Clients, Date as on which valuation is made, date of Report and Site Inspection, Location, Ownership History, Data Collection and Analysis, Type of Construction, Valuation Method, Value Estimation, Assumptions and Limiting Conditions including Caveats and Conclusion 	3
11.	<p>Case Study</p> <p>This section will have a case study to test the ability to apply valuation techniques. There will be a comprehension narrating a transaction based on which questions will be asked..</p>	8
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:

- e. The Examination is available from a number of Examination Centres across the country.
- f. The examination is available on every working day.
- g. 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.bsebt.com>.
- h. 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.

Annexure III

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:

III. Syllabus

Sl. No.	Coverage	Weight (%)
1.	<p>Macroeconomics</p> <ul style="list-style-type: none"> - National Income Accounting - Basics of Fiscal Policy - Basics of Monetary Policy - Understanding Business cycles 	4
2.	<p>Finance and Financial Statement Analysis</p> <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.	<p>Professional Ethics and Standards</p> <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.	<p>General laws</p> <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 	18

	<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- 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	
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	<ul style="list-style-type: none"> • 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 	33

	<ul style="list-style-type: none"> - 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 	
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

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