

Indian Valuation Standards (as issued by the ICAI)

I. Formation of the Valuation Standards Board

1. The Institute of Chartered Accountants of India (ICAI), recognising the need to have the consistent, uniform and transparent valuation policies and harmonise the diverse practices in use in India, constituted the Valuation Standards Board (VSB) on 28th February, 2017.
2. The composition of the VSB is fairly broad-based and ensures participation of all interest-groups in the standard-setting process. Apart from the elected members of the Council of the ICAI nominated on the VSB, the following are represented on the VSB:
 - (i) Nominee of the Central Government representing the Ministry of Corporate Affairs on the Council of the ICAI
 - (ii) Representatives of Industry Associations
 - (iii) Representative of Central Board of Direct Taxes
 - (iv) Representative of Reserve Bank of India
 - (v) Representative from Comptroller and Auditor General of India
 - (vi) Representative of Insurance Regulatory and Development Authority of India
 - (vii) Representative of Securities and Exchange Board of India
 - (viii) Representatives of Academic Institutions
 - (ix) Representative of Indian Banks Association
 - (x) Eminent Professionals co-opted by the ICAI
 - (xi) Representative(s) of any other body, as considered appropriate by the ICAI

II. Objectives and Functions of the Valuation Standards Board

3. The following are the objectives of the Valuation Standards Board:
 - (i) To identify and suggest areas in which Valuation Standards need to be developed.
 - (ii) To formulate Valuation Standards with a view to assisting the Council of the ICAI in evolving and establishing Valuation Standards in India.
 - (iii) To engage with ICAI Registered Valuers Organisation for adoption of Valuation Standards formulated by ICAI.
 - (iv) To examine the extent upto which, ICAI Valuation Standards are to be aligned with globally accepted valuation practices and policies.
 - (v) To review, at regular intervals, the Valuation Standards, to keep abreast of statutory, technological or other developments and , if necessary, revise the same.
 - (vi) To provide, from time to time, interpretations and guidance on Valuation Standards.

(vii) To proactively interact with other national and international bodies engaged in the standard-setting process, inter alia by sending comments on various consultative papers like Exposure Drafts, Discussion Papers etc., issued by them.

(viii) To carry out such other functions relating to valuation and Valuation Standards.

4. The main function of the VSB is to formulate Valuation Standards to be recommended by ICAI to Registered Valuers Organisations in India, the Government and other regulatory bodies in India and abroad for adoption and implementation. While formulating the Valuation Standards, the VSB will take into consideration the applicable laws, customs, usages and business environment prevailing in India.

5. The VSB has also been entrusted with the responsibility of propagating the Valuation Standards and of persuading the concerned parties to adopt them in the preparation of valuation reports. The VSB will provide interpretations and guidance on issues arising from Valuation Standards. The VSB will also review the Valuation Standards at periodical intervals and, if necessary, revise the same.

III. Valuation Reports

6. While performing its function, the VSB will keep in view the purposes and limitations of valuation reports and the responsibilities of valuer. At the time of formulation of the Valuation Standards, the VSB will make possible efforts to explain the basic concept to which valuation principles should be oriented and state the valuation principles to which the practices and procedures should conform. The VSB will clarify the terms commonly used in valuation reports and suggest improvements in the terminology wherever necessary.

7. The responsibility for the preparation of valuation report in compliance with the Valuation Standards and for adequate disclosure of information that supports the conclusion is that of the valuer.

IV. Scope of Valuation Standards

8. The objective of issuing the Valuation Standards is to standardise the various principles, practices and procedures followed by registered valuers and other valuation professionals in valuation of assets, liabilities or a business. The Valuation Standards set out concepts, principles and procedures which are generally accepted internationally having regard to legal framework and practices prevalent in India.

9. The Standards will provide a benchmark to the professionals to ensure uniformity in approach and quality of valuation output.

10. Efforts will be made to ensure that the Valuation Standards are in conformity with the provisions of the applicable laws, customs and usages in India. In case of deviations, the provisions of the law will prevail and the valuation report should be prepared in conformity with such law.

11. The Valuation Standards by their very nature cannot and do not override the local regulations which govern the preparation of valuation report in the country. However, the government may determine the extent of disclosure to be made in the valuation report.

12. The Valuation Standards are intended to apply only to items which are material.

13. Any limitations with regard to the applicability of a Valuation Standard and the date from which a

particular Standard will come into effect will be specified in the respective Standard.

14. The Standards issued by ICAI include paragraphs in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual Standard should be read in the context of the objective stated in that Standard, this Preface & Framework for the preparation of valuation report.

V. Procedure for Issuing a Valuation Standard

Broadly, the following procedure is adopted for formulating Valuation Standards:

15. The VSB determines the broad areas in which Valuation Standards need to be formulated and the priority in regard to the selection thereof.

16. In the preparation of Valuation Standards, the VSB will be assisted by Study Groups constituted to consider specific subjects. In the formation of Study Groups, provision will be made for wider participation by the members of the Institute and others. Based on the findings of the Study Group(s), Draft of the proposed Standard will be prepared.

17. The Draft of the proposed Standard will normally include the following:

- (a) Objective of the Standard;
- (b) Scope of the Standard including limitations with regard to its applicability;
- (c) Significant Elements;
- (d) Principles and important considerations;
- (e) The date from which the Valuation Standards will become effective;
- (f) Any other necessary aspects.

18. The VSB will consider the draft and based on findings, an Exposure Draft of the proposed Standard will be issued for comments by the members of the Institute and the public.

19. After taking into consideration the comments received, the draft of the proposed Standard will be finalised by the VSB and submitted to the Council of the ICAI.

20. The Council of the ICAI will consider the final draft of the proposed Standard, and approve the same with or without modifications as appropriate.

21. The procedure followed for formulation of a new Valuation Standard, as detailed above, will also be followed for any revision thereof.

VI. Compliance with the Valuation Standards

22. The Valuation Standards will be mandatory from the respective date(s) mentioned in the Valuation Standard(s). The mandatory status of Valuation Standard implies that while preparing the valuation report, it will be the responsibility of the valuer to comply with the Valuation Standard.

23. Valuation Report cannot be described as complying with the Valuation Standards unless they comply with all the requirements of each relevant Valuation Standard, to the extent applicable.

VII. Effective Date

24. Valuers will be required to follow Valuation Standards in the preparation of valuation report issued on or after the date(s) specified in the Standard.

VII. Applicability of Valuation Standards:

These ICAI Valuation Standards will be applicable for all valuation engagements on mandatory basis under the Companies Act 2013. In respect of Valuation engagements under other Statutes like Income Tax, SEBI, FEMA etc, it will be on recommendatory basis for the members of the Institute. These Valuation Standards are effective for the valuation reports issued on or after 1st July, 2018.

The following Valuation Standards have been issued by ICAI:

- 1. ICAI Valuation Standard 101 – Definitions**
- 2. ICAI Valuation Standard 102 - Valuation Bases**
- 3. ICAI Valuation Standard 103 - Valuation Approaches and Methods**
- 4. ICAI Valuation Standard 201 - Scope of Work, Analyses and Evaluation**
- 5. ICAI Valuation Standard 202 - Reporting and Documentation**
- 6. ICAI Valuation Standard 301 - Business Valuation**
- 7. ICAI Valuation Standard 302 - Intangible Assets**
- 8. ICAI Valuation Standard 303 - Financial Instruments**

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