VALUATION: VCM ATQS

"VALUATION DATE, VALUATION REPORT DATE AND EVENTS BETWEEN THESE DATES !"

VALUATION STANDARDS BOARD
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up under an Act of Parliament)
New Delhi

Series-6

Valuation: VCM ATQs
"Valuation Date, Valuation Report Date and Events Occurring between these dates"

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 "Valuation date, Valuation report date and events between these dates!" held on 27th June, 2021. The details of the webcast are:

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. Tarun Mahajan
Director:	Shri Rakesh Sehgal, Director, ICAI
Secretary:	CA. Sarika Singhal, Deputy Secretary, ICAI

The Webcast received overwhelming response and was attended by more than 2000 viewers. The said webcast can be viewed again at https://live.icai.org/vsb/vcm/27062021/.

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 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

Valuation Date and Subsequent Events Treatment under Valuation

1. Introduction

In financial economics there is a concept called efficient market hypothesis, which says that market price of an asset reflects all the available information, whether it is public or private, and as soon as a new information arrives, market price is adjusted automatically. So, it is not the event which affects value, rather it is the arrival of information about the event which affects value.

Sometimes value of some assets remains constant for a long period of time, say months or even years, because no significant information arrived during this time period. On the other hand, sometimes value changes within a day or even in a minute or few seconds. So, value is not just date specific, but it is also time specific.

If the value is connected with time, a valuer must ask himself/herself, before making any valuation, "at what point of time does s/he need the value to be computed at"? Let us call this date a "Correct Valuation Date". This correct valuation date in-turn depends on the purpose of valuation.

2. Key provisions under ICAI Valuation Standards 2018

One of the key ingredients of determining fair value is the "valuation date". It is pertinent to note that valuation is a direct correlation of a valuation date to which it is linked. Valuation is time specific and can change with the passage of time due to changes in the condition of the asset to be valued and/ or market. Accordingly, valuation of an asset as at a particular date can be different from other date(s).

As per ICAI Valuation Standard-101, Valuation date is defined as
"Valuation date is the specific date at which the valuer estimates the value of the underlying asset."

ICAI Valuation Standard-102 – **"Valuation Bases"** provides that valuation date is one of the key elements of a valuation exercise as it will determine what information can be considered in a valuation. Usually, information which is not available at the valuation date is not considered for the purpose of valuation.

Para 36-39 of ICAI Valuation Standard 201 – "Scope of Work, Analyses and Evaluation" provides that

"36. The valuation date is the specific date at which a valuer estimates the value of the asset.

37. An event that occurs subsequent to the valuation date could affect the value; such an occurrence is referred to as a subsequent event.

38. Subsequent events are indicative of the conditions that were not known or knowable at the valuation date, including conditions that arose subsequent to the valuation date.

39. 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 purpose of valuation. Hence the 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, comparable 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."

While para 36 and 37 are self-explanatory, as per Para 38 subsequent events are indicative of the conditions that were not known or knowable at the valuation date (adjusting events), including conditions that arose subsequent to the valuation date. Hence an event like launch of a new product line by a company might not be known by a company as on the valuation date but it can be a subsequent event under ICAI Valuation Standards.

Further para 39 can be summarised as under for better understanding.

i. Generally, a valuer would consider only circumstances that existed at the valuation date and events occurring up to the valuation date.

ii. However, events and circumstances occurring subsequent to the valuation date may be relevant to the valuation depending upon, inter alia,
   a. the basis,
   b. premise and
   c. purpose of valuation.

iii. Hence the valuer should apply its professional judgement, to consider any of such circumstances / events which are relevant for the valuation.

iv. Such circumstances / events could be relating to, but not limited to,
   a. the asset being valued,
   b. comparable and
   c. valuation parameters used.

v. In the event such circumstances / events are considered by the valuer the same should be explicitly disclosed in the valuation report.

Examples of point number (ii) above can be stated as under: -

a. **'Premise of value'** refers to the conditions and circumstances of how an asset is deployed.

   Eg: A registered valuer is appointed on March'21 by two companies getting merged together on Feb'21 to provide valuation report by April'21. Here the valuation date is Feb'21 and the valuation report is to be submitted by Apr'21. The valuer and the company mutually decide Fair Value as the base of valuation and Going Concern as the premise.

   In March'21, the main manufacturing unit of one of the companies is destroyed by an earthquake which in turn jeopardise the going concern premise of valuation. Therefore, the premise of valuation will change from going concern to "as-is-where-is value" and hence, the valuer needs to consider this event as a subsequent event to arrive at a final value.

b. **'Basis of valuation'** means the indication of the type of value being used in a valuation assignment.

   Eg: Company 'A' appoints a registered valuer for providing a valuation report for the purpose of raising funds in Jan'21 and decides fair value as the base of valuation. Before the valuation report is signed, Company 'A' decides to acquire another entity in Feb'21 which is expected to bring in significant revenue synergy as it will open-up new market for Company 'A'. Hence, base for valuation will change from market value to participant specific synergy value and this event will be a subsequent event for the valuer.

c. **'Purpose of valuation**': A company wanting to issue shares appoints a Chartered Accountant to do valuation under Rule 11UA (2) under book value method as per the audited balance sheet as on 31st Mar 2021. Before the valuation report is signed by the Chartered Accountant on April'21, the company launched a new product line which will significantly impact its revenue in future. This event shall not be treated as a subsequent event by the valuer as the valuation is done for the purpose of Income tax act and valuation date is specified in the act itself. Hence, the valuer will not adjust events occurring after the specified date.

Further, some examples of point number (iv) above are given as under:-

a. information about asset being valued: appointment of a very reputed person as CEO, which is expected to influence future growth rate of the company.
b. information about comparable: downfall in PE ratio of comparable companies due to an unfavourable policy change by Government.
c. Valuation parameters: Due to increase in expected inflation rate in long term, significant rise is risk free rate of interest.

Hence, events occurring subsequent to the valuation date should not be taken into consideration while valuing an asset or business interests, except when at least one of the following conditions is true:

a. The subsequent events were reasonably foreseeable as on the valuation date.
b. The subsequent events are relevant to the valuation, and appropriate adjustments are made to consider the differences between the facts and circumstances on the valuation date and the date of such subsequent events.
c. The subsequent events are not used to arrive at the valuation, but only to confirm the value already arrived at.
d. Subsequent events may be an evidence of value rather than as something that affects value.

3. Key provisions of Ind AS-10 - Events after the Reporting Period

The Indian Accounting Standard (Ind AS) 10 'Events after the Reporting Period' issued by the Central Government under Section 133 of the Companies Act 2013 classifies subsequent events (to reporting period/date) under the following categories:

- Those that provide evidence of conditions that existed at the end of the reporting period – These are called **adjusting events after the reporting period**.

- Those that are indicative of conditions that arose after the reporting period. These are called **non-adjusting events after the reporting period**.

Recognition and Measurement

- **Adjusting events after the reporting period** – for adjusting events occurring after the reporting period, Ind AS 10 requires an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised.

  An example of an adjusting event after the reporting period is - the bankruptcy of a customer that occurs after the reporting period. It usually confirms that a loss existed at the end of the reporting period on a trade receivable and that the entity needs to adjust the carrying amount of the trade receivable.

- **Non-adjusting events after the reporting period** - An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

  An example of a non-adjusting event after the reporting period is a decline in market value of investments between the end of the reporting period and the date when the financial statements are approved for issue. The decline in market value does not normally relate to the condition of the investments at the end of the reporting period but reflects circumstances that have arisen subsequently. Therefore, an entity does not adjust the amounts recognised in its financial statements for the investments.

Disclosure Requirements under Ind AS-10

i. If an entity receives information after the reporting period about the conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.
ii. If non-adjusting events after the reporting period are material and non-disclosure could influence the economic decisions that users make based on the financial statements, accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:
    (a) the nature of the event; and
    (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

4. Comparison between ICAI Valuation Standards and Ind AS-10

While as per Ind AS -10 an entity needs to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised, only with respect to events that provide evidence of conditions that existed at the end of the reporting period, ICAI Valuation Standard - 201 provides that based on professional judgment of valuer, both adjusting and non-adjusting events, should be considered before arriving at the final value.

Further in Preface to the ICAI Valuation Standards it has been clearly stated that "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."

Since, Ind AS are notified under section 133 of The Companies Act, 2013 while making valuation reports for the purpose of Ind-AS, Ind AS 10 will override ICAI Valuation Standards.

Similarly, under Income Tax Act, valuation date is specifically spelt out in the respective section and hence, while preparing a report under the Income Tax Act, a valuer cannot make adjustment for information that arrives after the valuation date.

Answers to the Questions (ATQs) raised during the Virtual CPE Meeting of Series "Sundays with Valuation Experts" on the topic "Valuation date, Valuation report date and events between these dates!" held on 27th June, 2021.

S. No	Question	Answer
1.	Valuation date, Valuation report date and events between these dates- Kindly share your view and key issues	If the valuation date assigned by the client or chosen by the valuer is the same as the final valuation date, most likely there will not be much need for adjustment of information arriving after valuation date. Otherwise, the valuer may need to adjust value or make disclosures based on his professional judgement. To identify a right date of valuation we can divide valuation assignments into two parts. i. Pre-Transaction valuation: wherein a transaction occurs prior to the valuation report date e.g., preferential allotment, mergers and acquisitions, issue of sweat equity shares etc. ii. Post-Transaction valuation: wherein valuation is done after a transaction has already materialized, e.g., for accounting, taxation or litigations. Usually under The Companies Act, 2013, FEMA, IBC 2016 & SEBI, pre-transaction valuation is done. While under Income Tax, Ind AS & litigations, post-transaction valuation is done. Valuation consultancy is usually pre-transaction while valuation review is usually post-transaction. Information that arrives after valuation date may also be divided into two parts:

S. No	Question	Answer
		i. information about the conditions that existed as at the date of valuation. ii. information about events that occurred after the date of valuation. Broad guidelines are to a) consider above information for pre-transaction valuation; b) consider only the conditions that existed as at the date of valuation for valuation under Ind-AS; and c) consider information about events occurring post valuation date for post-transaction valuation. However, these are broad guidelines, however, the treatment may vary depending upon circumstance of the case.
2.	What does ICAI Valuation Standard, 2018 say for events subsequent to valuation date, viz a viz International Valuation Standards issued by IVSC and Red Book issued by RICS?	Amongst all the global valuation standards across the world, only ICAI Valuation Standards 2018 have provided specific guidance w.r.t subsequent events. Kindly refer to Para 11 of ICAI Valuation Standard-202 "Valuation report and documentation": It states that a valuation report should include minimum following three dates: i. date of appointment ii. date of valuation iii. date of valuation report

S. No	Question	Answer
		Kindly also refer to para 36-39 of the ICAI Valuation Standard 201 "Scope of work, analysis & evaluation". As per Para 36 - The valuation date is the specific date at which a valuer estimates the value of the asset. As per Para 37 - An event that occurs subsequent to the valuation date could affect the value; such an occurrence is referred to as a subsequent event. As per Para 38 - Subsequent events are indicative of the conditions that were not known or knowable at the valuation date (adjusting events), including conditions that arose subsequent to the valuation date. As per para 39 (summarised for better understanding)- i. Generally, a valuer would consider only circumstances that existed at the valuation date and events occurring up to the valuation date. ii. However, events and circumstances occurring subsequent to the valuation date may be relevant to the valuation depending upon, inter alia, the basis, premise and purpose of valuation. iii. Hence the valuer should apply its professional judgement, to consider any of such

S. No	Question	Answer
		circumstances / events which are relevant for the valuation. iv. Such circumstances / events could be relating to, but not limited to, a. the asset being valued, b. comparable and c. valuation parameters used. v. In the event such circumstances / events are considered by the valuer the same should be explicitly disclosed in the valuation report. Above paragraphs of ICAI Valuation Standard 201 should be read in the light of Preface to ICAI Valuation Standards. Para 10 of the Preface reads: "……………In case of deviations, the provisions of the law will prevail, and the valuation report should be prepared in conformity with such law." For example, if any valuation is done for the purpose of Income tax act and a valuation date is specified in the act itself then the valuer should take that date only and should not adjust events which occur after that.
3.	Treatment of post valuation date events while doing valuation under the Companies Act, 2013.	Under The Companies Act, 2013, valuation may be primarily classified as a pre-transaction valuation, i.e., transaction is entered into based on value certified by valuer, and post transaction valuation i.e., transaction is completed much late than the valuation date.

S. No	Question	Answer
		An example of post-transaction valuation is the Vodafone idea merger. In this, the date of signing of the valuation report was 19th March, 2017 while the effective date of merger was 31st August, 2018. Even the shareholders meeting of Idea happened on 12th October, 2017 which is roughly after six months from the date of valuation. Similarly, in HUL and GlaxoSmithKline merger, valuation report was dated 3rd December, 2018 while the effective date of merger was 1st April, 2020 which is again roughly 1.5 years later. If the gap between the valuation date and the report date is significant, it may make valuation less relevant. Therefore, a valuer should try to keep the valuation date and the valuation report date as close as possible. For example, in the case of Vodafone Idea merger, valuation report was dated 19th March, 2017 and the valuer had stated that the last available financial statements were up to 31st December, 2016 and so they had accordingly made adjustment for the further facts available till the date of report. The valuer did not mention any separate valuation date. Although, there were no "ICAI Valuation Standard" at that point of time, but one can safely assume that valuation date and report date were the same.

S. No	Question	Answer
		Similarly in case of HUL and Glaxo Smith Kline merger, the valuation report was dated was 3rd December, 2018 while valuation date was 30th November, 2018 and the gap between the two was of just three days. So, as a valuer, we should try and keep the valuation date and the valuation report date close so as to maintain the relevance of the valuation.
4.	Not under The Companies Act, but how do you react to a situation where the date of valuation is after the date of report signing?	One cannot have a date of valuation after the date of report signing.
5.	Under Insolvency and Bankruptcy Code, 2016 what challenges are faced by a valuer specially with reference to date of valuation?	Under IBC too, the challenge remains the same, i.e., the long-time gap between various events. Under IBC, a valuer is required to give valuation as on the Corporate Insolvency Resolution (CIRP) date, but resolution plans generally are accepted on a much later date than the CIRP date. Further, the law does not specify any duration for which valuation report remains valid. It remains the prerogative of the Resolution Professional or Committee of Creditors to decide that till what point of time the valuation report remains relevant and when they need to get a revised valuation done. Further, lack of information is another major challenge under IBC valuation. Getting information up to the CIRP date in itself is

S. No	Question	Answer
		extremely difficult and information about events after CIRP date becomes even a bigger challenge.
6.	When should a valuer refrain himself from considering events happening after the valuation date?	One such situation would be when a valuer is making valuation under the Income Tax Act. Here we do not adjust information that arrives after valuation date because- i. Herein a valuer is making a post-transaction valuation and that too after a year or may be even 2 or 3 years after the transaction; and ii. under almost all sections of Income Tax Act valuation date is specifically mentioned. Another such situation would be while making valuation for a family dispute resolution. Here, if valuation is to be done as on a particular date decided by law or by the court, subsequent events should not be considered. A third such situation would be where a valuer is required to do valuation of shares for preferential allotment to an identified investor. After the allotment, the identified investors will be in a controlling position and hence for the same valuer considered control premium. But between the valuation date and the report date, there arises an event which will give extra strategic advantage to this prospective investor, but this advantage is not available to general market participants. This post valuation date event should be not considered in valuation, because even if it had occurred before the valuation date,

S. No	Question	Answer
		it would have been ignored as Para 21 of ICAI Valuation Standard 102 states: - *"……Fair value reflects characteristics of an asset which are available to market participants in general and do not consider advantages/ disadvantages which are available/applicable only to particular participant(s)."*
7.	Can the date of valuation itself be questioned? If yes, what should be the stand of a valuer?	Yes, it can be questioned. Few such examples under various acts are provided below:- **The Companies Act** Rule 13 of Companies (Share Capital and Debenture) Rules 2014 provides the flexibility in choosing the valuation date by providing that in case of convertible securities, if conversion ratio is fixed in advance, valuation should be done at the time of issue. If conversion ratio remains variable, valuation should be done at the time of conversion. **Family Dispute** Date of valuation itself may be a matter of dispute sometimes. For example, in one of the Canadian provinces, Ontario, when a married couple separates, the property accumulated during the marriage is to be equalized. For that there is a need of valuation of property. Here the "valuation date" is the date of separation. and separation means a separation without reasonable chance of resuming cohabitation.

S. No	Question	Answer
		Now most of the times, change in date does not make a difference. But if it makes a difference then the Court considers following points to decide the date of separation: 1) when did they started living separately, this may be considered even in the same house; 2) how do they present themselves to others socially; 3) the manner in which tax returns are filed etc.; **Ind-AS** Issue of valuation date uncertainty also arises while making valuation for accounting. For example, under Ind AS 103- Business Combination is accounted for on the date when the control is acquired, and it is the responsibility of the valuer to reconcile with the management, if he disagrees with the date provided by the management. In case of a business acquisition, if permission of NCLT is required then one can also take a clue from MCA circular dated 21st August, 2019, which provides that: i. appointed date may precede the date of filing of application with NCLT; ii. but if it is significantly antedated say beyond a year then its justification must be mentioned in the scheme; iii. Appointment date may also be future specific date or future event triggered date.

S. No	Question	Answer
		iv. This date shall also be deemed to be the date of acquisition for the purpose of accounting u/s Ind AS 103.
8.	Usually, valuation is a one-off arrangement. But can we have a continuous scope of work where a revision of report in the light of new information is included in the scope of work itself?	Ind AS 103 is best suited here which provides that in any business combination all assets, liabilities and purchase consideration should be recognized at fair value. "Para 45-50 of this standard talks about measurement period, and it provides that, during the measurement period if a new information is obtained, about facts and circumstances that existed as of the acquisition date, the acquirer should retrospectively adjust the amounts recognized at the date of acquisition." This measurement period is maximum up to 1 year. In case the management of a company feels that it needs one valuation report immediately as quarterly reporting period is approaching near but, at the same time it will receive new information about conditions that existed on acquisition date, same can be defined in the scope of work. Here, valuer will provide one report immediately and revised reports when the management approaches with new information, so that in the light of new report management can make retrospective adjustments in accounting for business combination.

S. No	Question	Answer
		There can be one more example, say a valuer has undertaken valuation of a start-up from the side of promoters so that they can make a pitch presentation to the investors. However, promoters could not get an investor and meanwhile entered in a long-term supply contract with a big brand. Based on this contract, the management made an upward revision in projected growth rate. If in the scope of work of the valuer, it was mentioned that in the light of new information it will provide a revised value with all proper disclosures then he/she will have to act accordingly.
9.	While doing valuation for the purpose of Ind AS, how to adjust post valuation date events?	Ind AS 10 "Events after reporting period" talks about two types of events: 1) those which provides evidence about conditions that existed at the end of reporting period – (these are called adjusting events) 2) those which occur after report period -(these are called non adjusting event) Valuation Standard 201 provides that based on professional judgment of the valuer, both the events should be adjusted. But at the same time, Preface to the Valuation Standard says that if requirement of any law is different, then the law will prevail over the valuation standard. Accordingly, since Ind AS are notified under section 133 of The Companies Act, while making valuation for the purposes of Ind-AS one shall not

S. No	Question	Answer
		adjust events that occur after the end of reporting period. Further, while doing valuation under Ind AS 101 "first time adoption of Ind AS" usually a valuer is required to calculate value on three historical dates, a transition date (say 1st April, 2018), Comparable Period date (say 31st March, 2019) and as on the reporting period date (say 31st March, 2020. It is assumed that company is transiting into Ind AS for reporting period ending 31st March 2020 for the first time. Suppose valuer is making valuation in November 2020, the valuer should refrain from using hindsight. For example, Covid-19 was declared pandemic during last quarter of FY2020 hence its effects should not be incorporated for 1st April, 2018 and 31st March, 2019 valuations.
10.	You discussed about Ind AS 103, can you compare and contrast valuation standards with Ind AS 10 "Events after reporting period" and comparative financial statements under Ind-AS 101.	Kindly refer answer to the question no. 9.
11.	There is no specific expiry date for responsibility of valuer towards his valuation report, but is there any expiry date with reference to usage of report? and what should be frequency of valuation?	Some SEBI Guidelines provides the time limit on use of valuation report and frequency of valuation. A quick summary is as follows: **Under REIT:** i. Full valuation should be done at least once in every financial year;

S. No	Question	Answer
		ii. It should be done within 3 months from the end of FY; iii. Half yearly valuation (kind of review) within 45 days from year end; iv. Besides in case of any material changes manager will get done the valuation; v. NAV should be declared to exchange within 15 days from the date of report; vi. Prior to issue of units full valuation should be done. Such valuation report should not be 6 months old; vii. Valuer cannot continue for more than 4 years. Thereafter there is a cooling period of 2 years; **Under InvIT:** i. Full valuation should be done at least once in every financial year; ii. It should be done within 2 months from the end of FY; iii. Half yearly valuation (kind of review) within 1 month from half year end; iv. Prior to any issue of units full valuation should be done. Such valuation report should not be 6 months old; v. NAV should be declared within 15 days from valuation report; vi. After 4 years, 2 years of cooling period; **Security Receipts:** i. valuation should not be older than 3 months from the date of listing;

S. No	Question	Answer
		ii. then valuation at each quarter end, calculate NAV and declare within 15 days;
12.	What are the provisions of Income Tax Act with respect to valuation date? Should a valuer make adjustment for post valuation date events?	For Income Tax Act, valuer should not capture information which arrives after the valuation date. Because it is post-transaction valuation and the date of valuation is already mentioned under the Income Tax Act. **Some relevant provisions under Income Tax Act** **i. Section 56(2)(viib) read with Rule 11UA(2)(a) - Date of receipt of consideration** If audited balance sheet is not available on that date, then date of latest available audited balance sheet which has been approved in AGM, should be used. **ii. Section 56(2)(viib) read with Rule 11UA(2)(b)** Date of receipt of consideration. **iii. Section 56(2)(viib) Explanation a(ii)** Date of issue of shares **iv. Section 50CA read with Rule 11UA(1)(c)(b) and Rule 11UA(1)(c)(c)** Date of receipt of consideration **v. Section 56(2)(x) read with Rule 11UA(1)(c)(a)(ii)(b)**

S. No	Question	Answer
		Date immediately preceding the valuation date when such shares and securities were traded on such stock exchange. **vi. Section 9(1)(i) explanation 6(d)** Date on which the accounting period of the entity ends preceding the date of transfer. Date of transfer, if the book value of the assets on the date of transfer exceeds the book value as on date of end of accounting period, by fifteen per cent.
13.	What are practical difficulties while making valuation under Income tax Act?	The biggest difficulty is that the Assessing officer uses hindsight under DCF method and sometimes compares actual performance of the company with what was projected historically and rejects the valuation. However, there are two reliefs available: i) Various Tribunals have held that actuals cannot be compared with historical projections. ii) Startups meeting with certain conditions are exempted from section 56(2)(viib).
14.	Based on what we have discussed, there may three different treatment for same set of post valuation date events under each of the following i.e.. under Income Tax Act, Companies Act and Ind AS. Please elaborate.	Let us understand this with an example. Say there is one unlisted company- ABC Pvt Ltd. On 31st March, 2021, a court case was pending against the company for payment of Rs.100 crores and the probability of losing the case was 50%. On 10th April, 2021, the company lost the case. Now probability of winning in an appeal is very low.

S. No	Question	Answer
		ABC has invested in shares of PQR limited a listed company for the purpose of its short- term cash management. Unexpectedly on 20th April, 2021 Government of India imposed ban on import of some items which resulted in 50% drop in share price of PQR and the same seems to be irrecoverable. **The Income Tax** As on 31st March, 2021, one shareholder sold his Optionally Convertible Preference Shares. Now under rule 11UA(1)(c)(c) he appoints a Chartered Accountant on 30th April and the Chartered Accountant signs valuation report on 15th May, with date of valuation as 31st March, 20201. **The valuer will not consider these two events which occurred after the valuation date but before date of signing of report.** **IND AS** Management of a company appoints a Chartered Accountant to assist them in valuation of its assets and liabilities as on 31st March, 2020 for the purpose of fair value accounting. **A valuer will consider 1st event but will not consider 2nd event.**

S. No	Question	Answer
		The Companies Act On 1st April, Board of directors of ABC Ltd. decides to make allotment of some equity shares on preferential basis. They appointed a registered valuer to make the valuation. The date of valuation mentioned in the appointment letter is 1st April. Valuer will sign the valuation report on 30th April, 2020. **Here, Valuer will consider both 1st and 2nd event in arriving at the value.**
15.	Known subsequent event shall impact the valuation or are they only required to be disclosed in the valuation report?	They should be adjusted in the value and should also be disclosed if the valuation is done prior to the transaction.
16.	"Important is valuation and not valuation dates." Your view please.	Valuation is time specific and hence valuation date is very important.
17.	Which valuation is binding on both the parties, pre transaction, based on which an investor makes up his mind and does his calculation, or the one after the signing of the documents which may change drastically?	Pre-transaction is binding. After a binding agreement between two parties is signed, they both will have to bear the effects of favorable/unfavorable change.
18.	As per section 247 of the Companies Act 2013, valuer should give declaration for 3 years prior and after the valuation date. Is this clause to be inserted in any agreement signed by valuer?	It is mandatory that valuer is independent. In order to establish the independence, valuer is required to furnish a declaration stating his independence. Either separate declaration can be made, or it can be explicitly made in the valuation report.

S. No	Question	Answer
19.	How do things change if valuer is a Merchant Banker and not a Registered Valuer?	Merchant bankers are not governed by ICAI Valuation Standards or by The Companies Act, 2013. But ideally, they should also follow the same practice because core principles and good practices of valuation are same even if the regulatory bodies are different or even if there is no regulatory body.
20.	In case of a slump sale board approves acquisition in Jan'21 and NCLT approved merger in Dec'21 with appointed date being 1st April'21. What would be the date for fair value consideration u/s 50B of IT Act?	Section 50B says "……..shall be deemed to be the income of the previous year in which the transfer took place". Date of transfer usually means a date on which control is effectively transferred. For example, in case of immovable property the registration of a sale deed may be considered as date of transfer. If no immovable property is involved, then appointed date mentioned in the scheme of arrangement may be date of transfer. It needs to be decided on a case-to-case basis.
21.	In case valuation has improved substantially, can shareholders claim revised value from the company?	If a binding agreement has been entered into with a third party, then even on the request of shareholders it cannot be retracted. If no such binding agreement is there, then the shareholders can ask company to issue shares at the higher price.
22.	In case of unlisted company for rights issue, whether valuation is required under Income Tax Act? And in case value is less than book value what will be the tax liability in	Section 56(2)(viib) does not exempt right issue. If the issue price u/s 56(2)(viib) is less than fair value then no tax liability arises in the hands of company.

S. No	Question	Answer
	the hands of company and the shareholder? Please enlighten.	One shall keep in mind that fair value of unlisted equity shares under section 56(2)(x) from the perspective of investor is calculated under Rule 11UA(1)(c)(b), while under section 56(2)(viib) it is calculated under rule 11UA(2). Interplay between these two sections is still a matter of dispute as some Tribunals have given decision that 56(2)(x) is not applicable in case of issue of shares.
23.	If value decreases far below the value determined, can we record it as Capital Reserve?	No
24.	Valuation in case of acquisition was done on an appointed date and as per agreement between acquirer and seller, shares will be acquired in a phased manner over a period of one and half year. Whether value fixed will be appropriate at every phase of acquisition? How the difference in value will be addressed?	In case an entity acquires another entity through series of purchases, then the acquisition date will be the date on which acquirer obtains the control. Till the time acquirer did not obtain the control, investment will be accounted for as per Ind AS 109 or Ind AS 28 (if the investment is in associate or joint ventures). Previously held stake shall be fair valued on the date of acquisition of control.
25.	Mergers are tax neutral, kindly share your view.	Yes, it is exempt under section 47(vi) of the Income Tax Act, subject to fulfillment of conditions u/s 2(1B).
26.	If there is substantial time gap between the two dates, then do we consider events occurring after the valuation date till the actual date of event?	As discussed earlier broad guideline is to adjust all events between valuation date and reporting date for a pre-transaction valuation provided, they are 'adjusting events'.

S. No	Question	Answer
27.	Date of Signing Share Purchase Agreement for round 1: 01/06/2021 - 50 Shares issue Date of Valuation for 2nd Round - 100 Shares issue : 02/06/2021 Date of receipt of Money and Return of allotment filed for 1st Round – 50 Shares issue: 05/06/2021 Date of Signing valuation Report - for 2nd Round - 100 Shares issue – 27/06/2021 Question: Should we consider 50 Shares of 1st Round for calculating valuation as on 02/06/2021 since money is received after 02/06/2021?	Yes, as the share purchase agreement has been signed on 1st June, for calculating value on 2nd June one should consider value of shares issued on 1st June. In fact, if the 1st Investor had brought in some strategic advantage to the business then those advantages should also be considered for 2nd June valuation date.
28.	Is it mandated that the subsequent events need to be considered in valuation or it is left to the judgement of the valuer?	It is not mandated; it is left to the professional judgment of the valuer which should be well reasoned.
29.	What is the modus operandi for valuation of employee benefit expense?	As per the Companies Act, 2013, ESOP could be issued with exercise price being equal to the face value or any other value as may be determined and approved. At the time of grant, valuation of unlisted equity shares is required to determine the fair value of the equity share and the value of the options

S. No	Question	Answer
		(using Black Scholes model etc.) for accounting the cost of the options as employee compensation cost. This can be undertaken by a registered valuer. Option value shall be used to estimate employee benefit cost over vesting period and should be accounted in time proportion. Cash Settled options may need to be remeasured at the end of each reporting period. For Income Tax purposes, ESOP is taxable as a perquisite at the time of exercise. At the time of exercise, there is a need to obtain a valuation of equity share (not of option) by a merchant banker for the purpose of determining the perquisite value.
30.	In my opinion post events are equally important for valuation, to take an example, after 26/11 Tata group not only had to spend a fortune on renovating the properties, but it also faced loss of business and additional expenditure on account of compensation to employees and guests. These impacted the valuation of the company. Kindly share your view.	If the valuer started making valuation after 26/11/2008 say in April 2009 then for him it is a prior event and it must be considered. But the question is if the date of valuation is 25th November 2008 and date of signing of report is say 15th December, 2008 then the question arises that whether the terrorist attack should be considered, and answer depends on purpose of valuation.
31.	Corporate Debtor is under CIRP. Corporate Debtor has given advance to creditors for machinery and raw material but there is no confirmation from creditors. How should we value them?	If confirmation is not received by the Resolution Professional from a party, then the valuer need to check other documents like agreement with that party, financial condition of the party etc.

S. No	Question	Answer
		Then based on his professional experience, he may consider two different discounted values for fair value as well as liquidation value. Practically it is cumbersome and sometimes even documents are not available, and valuer has to rely on the words of IRP/RP. In such cases, this should be properly disclosed.
32.	Do we need to call out the specific events considered that have occurred between the valuation date and the valuation report date and do we need to quantify their impact on the valuation?	Broadly, for pre-transaction valuations all significant events are considered in value and the same is to be disclosed also. For Ind AS valuations, only adjusting events as defined in Ind AS-10 are considered and non-adjusting events are disclosed. For other post-transaction valuations, all such events are ignored. For Income Tax or legal disputes, one usually does not consider subsequent events.
33.	Sometimes valuation is required for recording assets as on 31 March. Do we consider post valuation date events in such case too?	For Income Tax or legal disputes, subsequent events are not considered. But if valuation has been undertaken for the purpose of Ind AS, then one should take guidance from Ind-AS 10 and should consider adjusting events in value and should also disclose non adjusting events.
34.	In a good profit-making Pvt Ltd Co., the valuation will change on daily basis. For sale of shares how to take the price because by the time value the share on a particular day is determined, a few days will pass and thereby the price will change on the cutoff date for valuation and on payment date.	As discussed above, a valuer should try to keep valuation date as close as possible to the report date. However, it is the call of the user of the report to use that value or to decide to obtain a fresh valuation report in the light of subsequent information.

S. No	Question	Answer
35.	In a case of transfer of shares of an Unlisted Pvt Ltd Company which is NBFC and has only invested in Indian Listed Companies, the valuation is done by the company itself based on formula given in Section 50CA, on 1st April, 2020 (based on closing rates as on 31st March 2020 at Stock Exchanges). No valuation report was taken from registered valuer or Merchant Banker. Shares were transferred by the board of the company in the first week of April, 2020 and partial payments were made. Can Income Tax department ask for Valuation report keeping in mind the fact that the prices of listed shares have gone up substantially post transfer of shares and partial consideration was paid.	Valuation under section 50CA is done as per rule 11UA(1)(c)(b) which says that value should be based on the audited balance sheet. If audited balance sheet is prepared based on market value of investments, then there is no need to obtain any valuation report. Transferor can simply provide available calculations to the Assessing Officer. But general practice is to obtain a certificate from a practicing Chartered Accountant, so that assessing officer can have faith in calculations. However, if audited balance sheet is prepared based on historical cost of investments, then for the purpose of fair valuation, assessee shall seek a valuation report from a Chartered Accountant.
36.	In a case of capital reduction by MNC for forced exit of minority shareholders', approval by NCLT took 3-4 years. So, now can shareholders insist on fresh valuation since performance has improved dramatically?	Until the date of a binding agreement, one can always ask for latest fair value.
37.	Few banks give a requirement of valuation date being not later than	It is not a regulatory but rather customary requirement. Logically, valuation is valid for a

S. No	Question	Answer
	3 months for FEMA Approval. Is this time period specified under law?	particular date. If transaction date is not close to valuation date, such valuation is not a valid in context of time. Hence, it is natural for authorities such as bankers to identify a timeframe for acceptable validity of the valuation report. As mentioned, bankers typically consider maximum gap of 3 months between valuation date and transaction date as a valid timeframe for utility of the value conclusion.
38.	Valuation for the purposes of determining FMV for issue of ESOP by an unlisted company. a) Who can do the valuation, Merchant Banker or CA firm? b) Whosoever does the valuation, whether RVO Rules apply on Merchant Banker or CA firms? c) Valuation date, exercise date of options, date of Valuation report - how should they be aligned?	As per the Companies Act, 2013, ESOP could be issued with exercise price being equal to the face value or any other value as may be determined and approved. At the time of grant, valuation of unlisted equity shares is required to determine the fair value of the equity share and the value of the options (using Black Scholes model etc.) for accounting for the cost of the options as employee compensation cost. This can be undertaken by a registered valuer. For Income Tax purposes, ESOP is taxable as a perquisite at the time of exercise. At the time of exercise, there is a need to obtain a valuation by a merchant banker for the purpose of determining the perquisite value. The Companies (Valuation and Registered Valuer) Rules, 2017 apply only to the registered valuers. Merchant bankers are registered with

S. No	Question	Answer
		SEBI, but they do not have separate regulation for valuation practice as such. Registered valuer should try to keep valuation date as close as possible to the valuation report date. Exercise date is future event, say after 24 months then value of option will be based on this exercise date. Usually farther the exercise date higher the option value.
39.	What is the way out if there is wide variation in the valuations done by two registered valuers on the same date under IBC?	As per Regulation 35 of CIRP (a) the two registered valuers appointed under regulation 27 shall submit to the resolution professional an estimate of the fair value and of the liquidation value computed in accordance with internationally accepted valuation standards, after physical verification of the inventory and fixed assets of the corporate debtor; (b) if in the opinion of the resolution professional, the two estimates of a value are significantly different, he may appoint another registered valuer who shall submit an estimate of the value computed in the same manner; and (c) the average of the two closest estimates of a value shall be considered the fair value or the liquidation value, as the case may be.
40.	There is a secondary sale of equity share of company on say 18th August, how do we value such things which are outside the Books of company?	Under The Companies Act, valuation is not required in case of transfer of shares and also company should not account for these transactions. For unlisted companies', valuation will be required under section 50CA of the Income Tax Act.

S. No	Question	Answer
41.	There is a friction in section 87 of Central GST Act that transactions between date of Board resolution and date of NCLT order will be treated as if undertaken by respective entities. If the transactions inter se are substantial, could this impact valuation?	If companies supply good or services to each other after appointed date but before the date of order of NCLT, it is included in their turnover. It is believed that in this case if one company must pay GST then other may also be eligible to take input credit, so chances of substantial effect are less likely. Still if it is predicted/known on the date of signing of valuation report that there is substantial effect then it should be considered in determination of value.
42.	In case of Slump sale via BTA, the date of BTA is decided to be 1st of August 2021. What should be the valuation date? This is not the case of a merger. The entity begins to function as an independent Company.	If BTA is stamped as conveyance, then the date of BTA itself is date of slump sale hence the same should also be the valuation date. But if BTA is just an agreement showing intent to undertake slump sale then the closing date mentioned in BTA will the date of slump sale and hence the date of valuation.
43.	Management refuses to incorporate adjusting events impact in projection. What are valuers' duties in such a situation?	If management insists upon the value on valuation date only and not on the reporting date, then based on his professional judgment a valuer shall decide whether such events after valuation date are significant and relevant. If yes, then he/ she based on the purpose of valuation should make necessary adjustments in the value so arrived or disclose that there are subsequent event and value is relevant as on the valuation date only.
44.	How to reverse the impact of Impairment of Investments in Subsidiary which was impaired at the time of first-time adoption of	Treatment of investments in subsidiary in the financial statement of holding company is guided by Ind-AS 27. If holding company choses to show

S. No	Question	Answer
	Ind AS. This subsidiary was having stock of land and now the value of the land has increased 5 times since the date of first-time adoption of Ind AS. a) Can the holding company go for revaluation of subsidiary assets for reversal of Impairment for the year ended 31.03.2021? b) Whether valuation of subsidiary is to be done by Registered Valuer of Securities and Financial Assets or Land and Building asset class? c) Should we get two valuation report?	this investment at fair value, then provisions of Ind-AS 109 should be applied consistently. If valuation of subsidiary is done using Income Approach or Market Approach, then there will not be a need of Land and Building valuer and SFA valuer can do the valuation. But if SFA valuer decides to opt for cost approach of valuation, then the valuer will need to ask management to appoint Land and Building valuer also.
45.	If valuation report is based on Audited Balance Sheet as on 31.03.2021, for transfer of non-listed equity shares by a resident to a non-resident, what is the date by which money can be received in foreign currency under FEMA and Income Tax?	Section 50A of Income Tax Act read with rule 11UA(1)(c)(b) says that audited balance sheet as on valuation date should be used. Here, valuation date is the date of receipt of consideration. But FEMA says that valuation should be done using internationally accepted valuation principles. Here, if the valuer choses to use Income approach, then date of balance sheet or data in balance sheet becomes less relevant. Also transfer from resident to non-resident must be done at or above the value certified by CA/CMA/Merchant banker. Hence amount of consideration should be received after report date.

S. No	Question	Answer
46.	Is report from registered valuer compulsory in case of buyback of shares? or any CA can do valuation?	As per Companies Act 2013, valuation is not required for buy back of shares, however valuation report can be obtained from Chartered Accountant or Registered Valuer for justifying the buyback price as a good governance practice. As per income Tax Act, under section 115QA it is taxable at a flat rate of 20% on the 'distributed income'. Distributed income means the consideration paid by the company on buyback of shares as reduced by the amount which was received by the company for the issuance of such shares. Receipts in the hands of shareholder is exempt under Section 10(34A) of Income Tax Act.
47.	In the case of Convertible shares or debentures which valuation will be applicable a) the date of agreement or b) the date when actual conversion takes place?	In case of convertible securities, if the conversion ratio is fixed in advance, then the valuation should be done at the time of issue. If conversion ratio remains variable, then valuation should be done at the time of conversion. Rule 13 of Companies (share capital and debenture) rules 2014 provides this flexibility.
48.	If warrants are issued with an exercise date in 2025, exercise price being 25% discount to value in 2025, is there a need for a valuation report now, as per Companies Act 2013?	A careful reading of Rule 13 of Companies (share capital and debenture) Rules 2014 reveals that valuation must be done by a registered valuer at the time of issue of warrant. Value can be captured using option pricing model such as Monte Carlo Simulation.

S. No	Question	Answer
	How will this valuation report capture the value on the current date of issue of warrants?	
49.	If we must value an asset as of 1st April 2019 for first time adoption of Ind AS with valuation report date being 27th June 2021, should we make adjustments for COVID-19?	No, valuer should not use hindsight while making ante dated valuation. As per Ind-AS 10 adjusting events till the date of issuance of financial statements for FY2019 (Say July, 2019) may be considered.
50.	Valuation undertaken for an unlisted closely held company for issue of share warrants to a new shareholder to subscribe shares at today's value. Company receives money against share warrants in next 18 months in instalments. After 18 months, company converts warrants into shares at today's value. Can this be done? Or fresh valuation is required at the time of conversion?	Share warrant may be issued at an exercise price equal to the current fair valuer per shares. Here, the company is like call option writer on own shares while investors are call option holder on the share of the company. Therefore, an option pricing model will have to be used to make valuation of warrant. Suppose fair value of share is Rs.400 and fair value of warrant is Rs.60 then at least Rs.60 must be received immediately on issue of warrant and this amount should be non-refundable even if the warrant is not exercised. Anything over and above Rs.60 may be received in instalments.
51.	In the example for preferential allotment, both events would be adjusted under Income Tax and Ind AS as well. What will be the stand if it is for Merger with appointed date of 01/04/2021?	Both the events will be considered even in case of valuation for merger because shareholder meeting where a decision is to be taken based on exchange ratio is yet to happen.
52.	A company has entered into a non-binding agreement with a strategic investor in May'2020. The agreement was to transfer the	Once there is a binding agreement then change in valuation does not affect pre decided consideration. Buyer should apply impairment testing in this case.

S. No	Question	Answer
	assets at a valuation 100 billion. The modalities took 2 yrs. to complete and after 2 years both parties agreed to transfer the assets at 100 billion. Thus, consideration will be 100 billion. However, today the valuation is 80 billion. How will accounting take place in the books of the seller and the buyer entity.	
53.	Shall a valuer disclose the happening of the subsequent events as same have been considered or not considered or partly considered?	If the valuer is considering any event subsequent to valuation date, then he/she should disclose it. If there is a non-adjusting event as defined in Ind-AS 10 then even if the value is not adjusted, it should be disclosed. If valuation is done for the purpose of Income Tax, then neither it is considered for valuation not it is to be disclosed.
54.	What special care should be taken in Valuation report in DCF method if the equity shares of a resident is sold to a foreign national who will become more than 51% shareholder and who manages the export turnover also?	If valuer is using DCF method, then control premium is automatically considered. Hence, there is no need for separate adjustment. But if Market Multiple Method is used then control premium should be added separately.
55.	In the case of transfer of shares of a Private Limited Company, will the audited balance sheet of immediately preceding financial	**Under Income Tax Act** **For transfer of shares**– Rule 11UA clearly states that the audited balance sheet along with

S. No	Question	Answer
	year suffice or a fresh audited balance sheet as on date of receipt of consideration required?	the notes is compulsorily required as on the date of Transfer of shares. This is the legal position under Income Tax laws. However, pragmatically, assesses do use the previous year balance sheet where audited balance sheet as on the date of transfer is not available and if there is not likely to be any significant value implications, tax authorities may not raise an issue around this. However, to reiterate, the legal position is that the computation should be based on the audited balance sheet as on the date of transfer.
56.	Whether valuation rules are applicable for ESOP issue for a Private Limited Co. as well? As in valuation by Merchant banker or Registered Valuer?	Yes, it is applicable. As per the Companies Act, 2013, ESOP could be issued with exercise price being equal to the face value or any other value as may be determined and approved. At the time of grant, valuation of unlisted equity shares is required, to determine the fair value of the equity share and the value of the options (using Black Scholes model etc.,) for accounting the cost of the options as employee compensation cost. For Income Tax purposes, ESOP is taxable as a perquisite at the time of exercise. At the time of exercise, there is a need to obtain a valuation by

S. No	Question	Answer
		a merchant banker for the purpose of determining the perquisite value.
57.	Whether we should include Sensitivity Analysis for various assumptions provided and used in the Valuation report?	It is not a mandatory requirement, but a sensitivity analysis makes valuation report more useful and relevant.
58.	A Chartered Accountant doing valuation should be bound by the rules of ICAIRVO as well because both institutions are one and same. Your views please.	No, only registered valuers are bound by the Rules of ICAI RVO.
59.	In case of Right Issue (Private Placement) of shares for unlisted private limited company after one year of first round of investment, is there any provision which says that no valuation is required?	Valuation is not required for right issue. But it is required if right issue is denied by member and board issues those shares in the best interest of company. Also, if right shares are issued for a consideration other than cash, valuation of consideration is required to be done by a registered valuer and report should be submitted to ROC.
60.	Can the fee for valuation by Statutory Auditor under FEMA be higher than his Statutory Audit fee?	Yes, it may be.
61.	Whether an Auditor can issue Valuation Report?	No, as per section 144 of Companies Act. Also, if auditor is also a registered valuer then as per section 247 of the Companies Act, registered valuer should not have any direct or indirect interest in the company in last three years or next three years.
62.	Whether Companies (Registered valuers and valuation) Rules, 2017	As per Companies (Registered valuers and valuation) Rules, 2017, a registered valuer shall

S. No	Question	Answer
	provide for adjustment of impact of event occurring after Subsequent Date?	comply with the valuation standard adopted by its RVO till any Valuation Standard is notified by MCA. For valuation reports under Companies Act (Section 247), ICAI-RVO has adopted ICAI Valuation Standards 2018 and hence these are mandatory for the members enrolled with ICAI RVO. Para 36 to 39 of ICAI Valuation Standard 201 provides for specific guidance on consideration of "Subsequent Events" between valuation date and date of valuation report, in the valuation.
63.	For rights issue of share by an unlisted private company, is Valuation Report mandatory under Companies Act or Income Tax Act? Kindly guide.	As per the **Companies Act 2013,** Valuation is not mandatory for right issue. **As per Income Tax Act**, if shares are issued on premium, then only valuation is mandatory, else it might be considered as Income of the Company.
64.	Pvt Ltd Company is having land as its only asset, can a Chartered Accountant do valuation based on circle rate notified by state government for it, if shares are transferred on 27-3-2021?	Under Income Tax Act, for transfer of shares, section 50CA tread with rule 11UA(1)(c)(b) is applicable. Here a valuation report is not required. Hence, anyone can compute value including a Chartered Accountant. However, under Companies Act only a Valuer under Land & Building asset class can do such valuation.
65.	It was responded to say that valuation is needed in case of buy	As per Companies Act 2013, valuation is not required for buy back of shares. However,

S. No	Question	Answer
	back. If so, how the price fixed will be substantiated and what is the role of statutory auditors on this while reporting?	valuation report can be obtained from Chartered Accountant or Registered Valuer for justifying the buyback price. Under section 115QA of Income Tax Act, it is taxable at a flat rate of 20% on the 'distributed income'. Distributed income means the consideration paid by the company on buyback of shares as reduced by the amount which was received by the company for the issuance of such shares. Receipts in the hands of shareholder is exempt under section 10(34A) of Income Tax Act.
66.	An option is given to investors in case of share warrants / options whose value will be dependent on 3 exit options given after 5 years, how would accounting of this go under IND AS?	Valuation of this option can be done using a model like Monte Carlo simulation. Accounting will be done as specified in Ind-AS 109.
67.	When a partnership firm is converted into Pvt. Ltd. Company, whether valuation of firm is required for determination of value per share for issuing shares?	No, it is not required. But post incorporation of a company, if the business of proprietor is acquired by the company, then valuation of unlisted equity as well as valuation of business is required to be done by a registered valuer.

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