Series 11

Valuation: VCM ATQs "Brand Valuation - How it affects Value?"

VALUATION STANDARDS BOARD

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up under an Act of Parliament)

New Delhi

Series-11

Valuation: VCM ATQs
"Brand Valuation- How it affects value?"

Valuation Standards Board

The Institute of Chartered Accountants of India

Preamble

Valuation Standards Board of ICAI (VSB) had organised a live Virtual CPE Meeting(VCM) on the topic- "Brand Valuation- How it affects value?" on 1st August, 2021. The details of the VCM are as under:

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:	Shri Ameya Kapnadak
Director:	Shri Rakesh Sehgal, Director, ICAI
Secretary:	CA. Sarika Singhal, Deputy Secretary, ICAI

The Webcast received an overwhelming response and was attended by more than 1200 viewers. The said webcast can be viewed again at https://live.icai.org/vsb/vcm/01082021/

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 the subject matter have not been answered.

We would also like to mention that the Valuation Standards Board has brought out many publications and 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, V and VI
- 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
- Valuation: VCM ATQ's – Series – I, II, III, IV, V, VI, VII, VII, IX and X

The answers have been given for reference purposes. Detailed analysis may be done, and other material may be referred.

Valuation Standards Board
New Delhi
31st August, 2021

Valuation of Intangible Assets

1. Definitions

Ind-AS 38 and ICAI Valuation Standard 302 define Intangible Asset as an identifiable non-monetary asset without physical substance.

For an item to be recognised as an intangible asset it must meet the definition of an intangible asset i.e.

- identifiability,
- control over a resource and
- existence of future economic benefits

An intangible asset grants economic rights or benefits to its owner and can be identified and differentiated primarily on the basis of its ownership and utility. Intangible assets lack physical properties and represent legal rights developed or acquired by an owner.

Intangible assets shall be able to generate quantifiable economic benefits for its owner and can be either directly owned through own business (internally developed) or purchased by paying royalty or licence fee.

An intangible asset is identifiable if it either:

(a) is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A reported net worth of businesses seldomly reflect the true value of Intangible Assets, both internally generated and through acquisition. Only a small percentage of Intangible Assets is recognised on balance sheet as per Ind AS and current accounting standards and hence valuing Intangible Assets becomes all the more critical as most of the big companies in the world today derive its maximum value on account of Intangible Assets only.

2. Categories of Intangible Assets

Based on function, Intangible assets can be categorized as follows:

(i) Contract-based intangible assets represent the value of rights that arise from contractual agreements, such as non-competition agreements, licenses, permits, royalty agreements etc.

(ii) Customer-based intangible assets normally include customer related intangibles, such as customer relationships (both contractual and non-contractual), backlogs, customer lists etc.

(iii) Marketing-based intangible assets are normally used in marketing or promotion of products or services, such as trademarks or trade names, service marks, copyrights, internet domain names etc.

(iv) Technology related intangible assets are generated from contractual or non-contractual rights to use patented or unpatented technology, software, databases (including title plants), trade secrets, technical know-how, technical designs etc. among others.

(v) Artistic-related intangible assets arise from the right to benefits from artistic works, such as royalties from pictures, photographs, videos, plays, books, magazines, newspapers, films and music etc.

Intangible assets within the same category have certain similarities as well as differences based on characteristics such as their ownership, market position, function, and image. Additionally, certain intangible assets, such as brands, may belong to more than one category.

3. Goodwill vs Intangible Asset

The definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill is defined as an asset representing the future economic benefits arising from a business, business interest or a group of assets, which has not been separately recognised in another asset.

Goodwill is the difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities. In other words, goodwill is the residual amount after ascribing values to identified intangible assets, other assets and liabilities. Goodwill can be transferable or non-transferable.

The goodwill subsumes the value of an acquired intangible asset that is not identifiable as of the acquisition date. Goodwill includes elements of company and business-related synergies. Goodwill could certain times include elements of assembled workforce, going concern value, new customers, future technologies, etc.

Amount of goodwill could vary depending upon the purpose of valuation as the value of goodwill is dependent on the value of tangible and other intangible assets.

4. Importance of Valuing Intangible Assets and their current use under different laws and regulations

In the present global economic scenario, Intangible Assets are increasingly critical in business valuation and the same is evident from the fact that world's four biggest companies by market valuation i.e., Microsoft, Amazon, Apple and Alphabet have a very high intangible-asset-to-tangible-asset ratio, and most of these companies have service and software as their main products.

The top 5 such companies reveal that most of their values are coming from intangibles as per the report issued in 2019.

Ranking	Company	Intangible ($ Bn)	% of Enterprise Value
1	Microsoft	904	90%
2	Amazon	839	93%
3	Apple	675	77%
4	Alphabet (Google)	521	65%
5	Facebook	409	79%

The importance of valuing intangible assets arises from the fact that the reported net worth of businesses may not be reflecting its true value, which most likely is in the form of intangible assets. Certain areas where intangible assets are required currently to be valued are as follows:

(a) purchase price allocation for accounting and financial reporting under Ind AS 103 Business Combination;

(b) impairment testing under Ind AS 36 Impairment of Assets;

(c) transfer pricing when an intangible asset is being transferred/licensed in/out between geographies/companies;

(d) taxation by way of a purchase price allocation for claiming tax deductions when a business is transferred by a slump sale;

(e) transaction (merger & acquisition) when the subject is the intangible itself, such as a brand/telecom license or for carrying out a pre-deal purchase price allocation to assess the impact of the deal on financials;

(f) financing, when an intangible is used as collateral;

(g) litigation, when there has been a breach of contract/right and the compensation has to be determined;

(h) bankruptcy / restructuring, etc;

(i) insurance, such as determining the personal worth of a celebrity/football franchise/cricket franchise; or

(j) issuance of sweat equity shares which are generally issued against technical knowhow/ technical expertise/intellectual property

5. Summary on IND AS 38 – Intangible Assets

An intangible asset should be recognised if, and only if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost of the asset can be measured reliably.

The above requirement applies to costs incurred on initial acquisition or internal generation of an intangible asset and costs incurred subsequently to add to, replace part of, or to service it. Hence, an intangible asset should be measured initially at cost.

5.1 Internally generated goodwill should not be recognised as an asset.

To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into:

(a) research phase and
(b) development phase.

No intangible asset arising from research (or on the research phase of an internal project) should be recognised. Expenditure on research (or on the research phase of an internal project) should be recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) should be recognised if, and only if, an entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) its intention to complete the intangible asset and use or sell it.
(c) its ability to use or sell the intangible asset.
(d) how the intangible asset will generate probable future economic benefits.
(e) the availability of adequate technical, \financial and other resources to complete the development and to use or sell the intangible asset.
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

5.2 Recognition of an Expense

Expenditure on an intangible item should be recognised as an expense when it is incurred unless:

(a) it forms part of the cost of an intangible asset that meets the recognition criteria; or
(b) the item is acquired in a business combination and cannot be recognised as an intangible asset. If this is the case, it forms part of the amount recognised as goodwill at the acquisition date (see Ind AS103, Business Combinations).

Expenditure on an intangible item that was previously recognised as an expense shall not be reinstated as part of the cost of an intangible asset at a later date.

5.3 Measurement after initial recognition at Cost

An entity should choose either the cost model or the revaluation model as its accounting policy:

a) Cost Model- After initial recognition, an intangible asset should be carried at its cost less any accumulated amortisation and any accumulated impairment losses.
b) Revaluation Model- After initial recognition, an intangible asset should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequently accumulated amortisation and any subsequently accumulated impairment losses.

6. Significant considerations in valuing an Intangible Asset

Significant considerations for the valuation of intangible assets are:

(a) to determine the purpose and objective of the overall valuation assignment;
(b) to consider the legal rights of the intangible asset to be valued, for example, a registered trademark may have a higher value as compared to an unregistered trademark. However, an unpatented technology (as not in public domain) may have a higher value than a patented technology;
(c) to evaluate the highest and best use considerations;
(d) to assess the history and development of the intangible asset; or
(e) to consider any specific laws or regulations guiding the intangible asset valuation in the country, for example, royalty payments in India are regulated.

7. Important factors to be considered for determining discount rates in valuing an Intangible Asset

The important factors that should be considered for determining discount rates while valuing an Intangible Assets are as follows:

(a) generally intangible assets have relatively more risk associated than tangible assets, a group of assets or business as a whole;

(b) intangible assets having a higher economic life have more risk associated than intangible assets having a lower economic life, other things remaining the same; and
(c) intangible assets with definite and determinable cash flows have relatively less risk associated as compared to intangible assets not having determinable cash flows.

8. Approaches and Methods used in Intangible Valuation

The three primary approaches viz. Income, Market and Cost approaches or a combination of these approaches are typically used to value intangible assets. For some assets, various methods are usually attempted to ascertain value, for other assets, one method is usually employed. For example, franchise agreements, licenses, software licenses, etc. are valued by using different approaches whereas customer lists and engineering are generally valued by using Income and Cost approaches respectively.

8.1 Income Approach

Income approach bases value on the cash flows an asset is expected to generate over its useful life. Generally, the income approach should be used as the primary basis of value for intangible assets only if the following criteria are met:

(i) the primary economic benefit associated with the subject intangible asset is its ability to generate income, or reduced costs, and
(ii) the future economic benefits can be reasonably forecasted.

The discount rate to be employed for valuing an intangible asset depends on the risk and liquidity of the type of asset being acquired. For example, patents, in process research and development (“IPR&D”) etc. are riskier and/or less liquid as compared to trade name, trademarks, non-competition agreements, etc. It is generally appropriate to address this issue by assigning reasonable premiums or discounts to the overall company discount rate when valuing specific assets.

The Income Approach is used to value a wide range of intangible assets including developed technology, non-competition agreements, trade names/trademarks/domain names, and customer related intangibles.

Some of the common methods under the Income Approach used to value intangible assets include Relief from royalty, With and without, Multi-period excess earning, and Distributor and Greenfield.

8.1.1. Relief-from-royalty method

This method is based on a hypothetical royalty (typically calculated as a percentage of revenue) that the owner will otherwise be willing to pay in order to use the asset—assuming it was not already owned.

Under relief-from-royalty-method, the value of an intangible asset is determined by estimating the value of total costs saved that would have otherwise been paid by the user as royalty payments if had been taken on lease from another party. Alternatively, it could also indicate the value of an intangible asset that could have fetched cash flows in the form of royalty payments, had it been leased to a third party. Any associated costs expected to be incurred by the licensee needs to be adjusted from the forecasted revenues.

The relief-from-royalty method is perceived as a simpler approach in valuing market-related intangibles. However, determination of the royalty rate can be a complex process and the following factors, amongst others, should be considered while analysing royalty rates:

(i) Assets: For example, a royalty rate paid for a trademark in isolation will likely be lower than one for a bundled asset, including trademarks and product formulations.
(ii) Rights (for example, geography, term and usage): All things being equal, a royalty rate paid for the right to use an intangible asset within a limited geography or specific customer channel for a limited time will likely be different than that paid for perpetual rights with unfettered usage.
(iii) Economic returns: Typically, assets providing higher returns will warrant higher royalty rates. This issue may arise when comparing royalty rates paid at different points within the supply chain. Returns on wholesale revenues can differ significantly from those on retail revenues.
(iv) Upfront fees or ongoing cost sharing: Licensees who are willing to pay an upfront fee or share in future marketing or advertising expenses may be able to negotiate a lower royalty rate. While common in practice, the use of broadly comparable licensing transactions or

simplified rules of the thumb may lead to inappropriate conclusions and create hurdles during an audit or regulatory review.

The following are the major steps in the RFR method:

(a) obtain the projected income statement associated with the intangible asset to be valued over the remaining useful life of the said asset.
(b) anlayse the projected income statement and its underlying assumptions to assess the reasonableness.
(c) select the appropriate royalty rate based on market-based royalty rates for similar intangible assets.
(d) apply the selected royalty rate to the future income attributable to the said asset.
(e) use the appropriate marginal tax rate or such other appropriate tax rate to arrive at an after-tax royalty savings.
(f) discount the after-tax royalty savings to arrive at the present value using an appropriate discount rate.
(g) Tax amortization benefit (TAB), if appropriate considering nature of the asset and purpose of the engagement, should be added to the overall value of the intangible asset.

8.1.2. With and without method (WWM)

The fundamental concept underlying this method is that the value of the subject intangible asset is the difference between value of an established, ongoing business and value of one where the subject intangible asset does not exist. The 'with and without method' is typically used in order to value intangibles such as covenant not to compete agreements.

The value of an intangible asset using the With and Without Method (WWM) is computed by comparing the below-mentioned scenarios in which the business:

(a) utilises the intangible asset to be valued ('With' scenario); and
(b) does not utilise the intangible asset to be valued ('Without' scenario).

It should be noted that all other factors relating to valuation should remain constant.

The following are the major steps in deriving a value using the WWM :

(a) obtain the projections comprising revenue, expenses, working capital and capital expenditure under the following two scenarios:
(i) with scenario; and
(ii) without scenario.
(b) discounted the projections obtained under two scenarios to present value using an appropriate discount rate;
(c) difference between present value of cash flows under two scenarios is considered to be the value of the intangible asset. The difference so computed can also be probability-weighted depending on the likelihood of competition expected to affect the cash flows; and
(d) Tax amortisation benefit (TAB) can be appropriately built and added to the overall value of the intangible asset.

This method is commonly used for valuation of non-compete agreements.

8.1.3. Multi period excess earnings method (MEEM)

MEEM is used to value an intangible asset which is the primary intangible asset of the business. For example, for valuation of two intangible assets, say customer contracts and intellectual property rights, MEEM should be considered for valuation of one of the intangible assets while the other intangible asset should be valued using another method, unless both intangible assets are significant for the business.

Under this method, the value of an intangible asset is equal to the present value of the incremental after-tax cash flows ('excess earnings') attributable to the intangible asset to be valued over its remaining useful life. In other words, it is the present value of the excess cash flows attributable to the intangible asset to be valued (based on attrition rate of customers) as adjusted by the associated expenses required for the generation of the cash flows and cash flows pertaining to contributory assets (assets that contribute to the cash flows relating to the intangible asset to be valued).

The following are the major steps in deriving a value using the MEEM :

(a) obtain the projections for the entity or the combined asset group over the remaining useful life of the said intangible asset to be valued from the client or the target to determine the future after-tax cash flows expected to be generated;
(b) analyse the projections and its underlying assumptions to assess the reasonableness of the cash flows;
(c) Contributory Asset Charges (CAC) or economic rent to be reduced from the total net after-tax cash flows projected for the entity/combined asset group to obtain the incremental after-tax cash flows attributable to the intangible asset to be valued;
(d) the CAC represents the charges for the use of an asset or group of assets (e.g., working capital, fixed assets, assembled workforce, other intangibles) based on their respective fair values and should be considered for all assets, excluding goodwill, that contribute to the realization of cash flows for the intangible asset to be valued;
(e) discount the incremental after-tax cash flows attributable to the intangible asset to be valued to arrive at the present value using an appropriate discount rate; and
(f) Tax amortisation benefit (TAB) can be appropriately built and added to the overall value of the intangible asset.

The excess earnings method is not typically used to value both the primary intangible as well as other supporting intangibles due to the potential double counting of cash flow as well as issues related with 'cross charging'. Therefore, an alternative valuation method needs to be applied, where possible.

8.1.4. Distributor method

This method is a variation of the excess earnings method and is based on the assumption that a business is comprised of various functional components (such as manufacturing and distribution etc.) and that market-based data may be used, if available, to reasonably isolate the revenue, earnings, and cash flow related to these functional areas. As distributors normally perform functions related to distribution of products to customers rather than developing or manufacturing the asset, information on profit margins earned by distributors should be used to estimate the excess earnings attributable to customer related intangible assets. Thus, the distributor method assumes the returns to a customer related asset are comparable to the economic profits generated by a hypothetical intermediary, which is the distributor in this case.

The distributor method is normally used to value customer related intangible assets when another intangible asset is considered as the primary intangible asset and is valued using the excess earnings method.

The following are the major steps in deriving a value using the distributor method:
(a) prepare revenue and expenses projections of existing customers relationships along with relevant attrition;
(b) determine profit margins of distributors who are comparable to the subject business and apply the same to the cash flows projected;
(c) determine the support of distributor contributory assets like working capital, fixed assets, workforce, etc;
(d) determine excess earnings after considering the contributory asset charges;
(e) compute the present value of cash flows using an appropriate discount rate; and
(f) calculate tax amortisation benefit, if appropriate and applicable, and add it to the value of the intangible asset to be valued.

8.1.5. Greenfield Method

Under this method, the value of an intangible is estimated using cash flow projections that assume the only asset of the business as on the valuation date is the subject intangible. All other tangible and intangible assets must be bought, built or rented.

This method is similar to the excess earnings method as it identifies the excess cash flow associated with the subject asset. However, instead of adjusting contributory asset charges from the cash flows, the greenfield method assumes that the owner of the subject asset needs to build, buy or rent the contributory assets. This method is normally used in valuing franchise-based intangible assets and broadcast spectrum intangibles.

The following are the major steps in deriving a value using the greenfield method:
(a) prepare cash flow projections with the premise that the intangible is the only asset in the business;
(b) project the related revenues, expenses, working capital and capital;
(c) project the amount and timing of expenditure relating to acquisition, creation or rentals of other assets required by the intangible asset to be valued;

(d) compute the present value of the net cash flows using an appropriate discount rate; and
(e) Tax amortisation benefit (TAB) can be appropriately built and added to the overall value of the intangible asset.

8.2 Market Approach

The Market Approach values the intangible assets on the basis of market-based metrics, such as prices paid in actual transactions. This approach should be used as the primary basis for valuing intangible assets only if the following criteria are met:
(i) The transaction is based on arm's length assumption and information is available on identical or similar intangible assets on or near the valuation date; and
(ii) Sufficient information on the transaction is available that helps the valuer to adjust for all significant differences between the subject intangible asset and those involved in the transactions.

Where market information on either prices or valuation parameters is available, it is often necessary to make adjustments to these to reflect differences between the subject asset and those involved in the transactions, as it is rarely possible to find market evidence of transactions involving identical assets. These adjustments are required to reflect the differentiating characteristics of the subject intangible asset and the assets involved in the transactions. These adjustments may be qualitative in nature, rather than quantitative factors. However, the need for significant qualitative adjustments may indicate that another approach would be appropriate for the valuation.

The Market Approach is often inapplicable to the valuation of intangible assets. Intangible assets are often purchased "bundled" with other assets, so the price paid for an individual intangible asset is not observable with certainty. Without knowing the amount paid for an asset in a transaction, the Market Approach would not serve as a useful valuation measure for an individual intangible asset. The common methodologies for the market approach are Price/Valuation multiples/Capitalisation rates and Guideline pricing method.

8.3 Cost Approach

The Cost Approach values intangible assets by examining costs that would currently be required to replace the asset. The premise of this approach is that an investor would pay no more for an asset than what would be required to replace it. The Cost Approach also considers the reproduction cost as the value of the intangible asset. However, as intangible assets do not have the physical form that can be reproduced (even intangible assets like technology are reproduced based on their functionality and not exact codes), the Replacement Cost Method is widely used under the Cost Approach.

The Cost Approach should be used to value the intangible assets only if the following criteria are met:

(i) It would be possible for market participants to recreate an intangible asset of similar utility to the subject asset;
(ii) There are no legal restrictions or other types of barriers to entry preventing market participants from recreating an asset of similar utility to the subject asset; and
(iii) The intangible asset can be recreated quickly enough that a market participant will not be willing to pay a significant premium for the ability to use the subject asset immediately.

While applying the cost approach, the valuer should consider few points, such as

(a) direct costs needed in replacing the asset, such as number of employees and their salaries, total time required to replace the asset etc.;
(b) profit margin on the expenses incurred, if applicable. As assets acquired from a third party would normally include the total costs along with a profit margin on those costs, it may be appropriate to include a profit margin on the costs incurred;
(c) opportunity cost, if applicable. The opportunity cost considers the economic cost of deploying resources in replacing the subject intangible asset; and
(d) obsolescence factors (economic or technological obsolescence) if any.

The Cost Approach, though effective for some replicable assets, such as software and assembled workforce, is not always a useful indication of value for other intangibles. It tends to look backwards in time, which is not the way most buyers and sellers view assets or transactions.

Answers to the Questions (ATQs) raised during the Virtual CPE Meeting Series "Sundays with Valuation Experts" on the topic "Brand Valuation- How it affects value?" held on 1st August, 2021

S. No	Question	Answer
1.	How Brand Value can be explained?	The term 'brand' refers to names, signs, symbols, colours, logos etc. that helps to identify goods, services, or companies. It is something that a consumer associates with and considers as a promise by the brand that they will conform to the expectations that they have created over time in the minds of their customers. Hence, Brands are the interface between a business and its customers. It is the brand through which the customers interact with business owners. Brand Value is the monetary worth of the Brand if it was sold and represents financial value attributable to the brand equity for a given purpose. Brand Valuation is increasingly critical in business valuation in present global economic scenarios, and same is evident from the fact that the world's four biggest companies by market valuation i.e., Microsoft, Amazon, Apple and Alphabet has a very high intangible asset-to-tangible asset ratio.
2.	Why Brand value matters?	Brands are one of the most important strategic assets of an organization and the importance of valuing brands arises from the fact that the reported net worth of businesses may not be reflecting its true value, which most likely is in the form of intangible assets. Certain areas where brands are required to be valued are as follows:

S. No	Question	Answer
		• Financial Reporting - Purchase Price Allocation • M&A Decisions • Tax Planning • Dispute Resolution • Liquidation • Litigations • Raising Funds etc.
3.	How important it is from the point of view of the seller vis-à-vis buyer or transferor vis-à-vis transferee?	From the buyer's perspective, brand valuation is critical in terms of its implication on the transaction and its pricing as well as for regulatory / compliance requirements such as accounting, taxation etc., From the seller's perspective, the implications are more closely connected with the pricing of the transaction and taxation implications of the proposed structure.
4.	What are the Factors that affect Brand Value?	The three major factors that affect a brand value are as under: 1) **Financial Factors** – The expected revenue/ profits to be earned out of the brand is the first factor that impacts the brand value. 2) **Role of brand** – It is the second factor and is determined from the fact whether the purchase of the product is based more on an emotional decision or a rational one. For e.g.: - electricity and petrol are some of the products wherein the role of brand is very low while luxury items like Gucci or Dior belongs to a very high role of brand category as 75% of its sale is impacted by the brand itself. So higher the role of a brand,

S. No	Question	Answer
		higher is the premium that can be charged against the same. 3) **The Strength of brand vis-à-vis competition** – As per one of the models, there are 10 internal and external factors that are looked into to determine the strength of brand score against its competition. Higher the strength of brand score means lower risk associated with the brand. Hence a high strength score reduces the discounting rate in brand valuation. All these 10 factors have been discussed in detail later in this booklet.
5.	Is there any difference between the terms "Brand Value" and "Brand Equity"?	Both these terms are often used interchangeably, however, Brand Equity is really what a brand stands for and all that it encompasses. Brand Equity is the perceived value of the brand, and a Brand with higher equity is considered to be stronger than the other. Brand equity is the premium that a customer is willing to pay for a product. Brand value, on the other hand, is more monetary in nature and represents financial value attributable to the brand equity for a given purpose. It is Brand equity that leads to the creation of brand value. Hence, these terms are distinct and should not be used interchangeably. Brand equity is what comes first and is thereafter followed by brand value.

S. No	Question	Answer
6.	As we know that there are various reasons for which a Brand may need to be valued say Merger & Acquisition, Dispute Resolution, Strategic Planning etc., considering that objective of Valuation, how should a Valuer undertake the valuation of brand?	The purpose of valuation is the first question that a valuer asks before undertaking any valuation assignment. The methodology for brand valuation to be adopted depends upon whether the valuation is required for a financial or a strategic decision. A brand valuation requirement for raising fund is a financial-decision and hence the past financial numbers associated with the brand and the basic assumptions considered for estimating projections will be the critical elements in the valuation process. While a decision finalizing how a brand is expected to be used in the future is more of a strategic decision. For e.g.: decision, whether to continue with a particular brand or to hive it off post-merger, is more of a strategic decision. Under such situations, diagnosing the brand strength will be the most critical element in brand valuation. Hence brand valuation in such a situation is definitely not just a desktop modelling exercise wherein numbers are evaluated but it will be much more than that.
7.	Out of the various available methods of valuing a brand, which method should be generally applied for valuing a brand?	The selection of a method for valuation depends upon the kind of data that is available. The ICAI Valuation Standards also provide that the valuation approaches and methods shall be selected in a manner that would maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

S. No	Question	Answer
		For Brand valuation, the valuation method can either be revenue-based method or a profit-based method. Relief From Royalty method is the commonly used Revenue based method. This is the most widely resorted method, used to determine the value of the brand in case the profitability associated with the same cannot be ascertained. This method assumes that if brand has to be licensed from a third party, a royalty rate on turnover will be charged for the privilege of using the brand. Thus, the brand value is deemed to be the present value of the royalty payments saved by virtue of owning the brand. The most commonly used profit-based model for brand valuation is the residual profit method. Under this method, the past profits are considered for projecting the future profits and a valuer needs to exercise significant professional judgement while reviewing the projections. Thereafter the capital charge is to be excluded to determine the economic profits. To the economic profits, a multiplier for the role of brand is applied to determine the economic value added by the brand, this is the profits attributable to the brand being assessed. The multiplier is based on detailed market study and statistical modelling however research for global averages in the similar industry can also be used.

S. No	Question	Answer
		The Net Present Value of these profits attributable to the brand is deemed to be the brand value. The discount rate for determining the Net Present Value is ascertained by using the brand strength matrix. Higher the brand strength score lower will be the risk and hence WACC associated with the brand will be lower than the industry average. The brand strength analysis is determined by 10 broad based factors which are both internal and external factors and are discussed in detail later in this booklet. For understanding other methods used in brand valuation kindly also refer to the article on "Brand Valuation" in Valuation Professionals' Insight Series III. It is available at https://resource.cdn.icai.org/56261icaivsbpisr3.pdf
8.	Whether it is correct to use a valuation method based on future earnings in case the entity is having a past record of weak/negative profitability and a major market share, and it also expects to have profitability in the near future?	Income Approach is effective even with negative cash flows. E.g. - Most of the Big Startups like TESLA have higher burnouts and initially for a couple of years negative cash flow, but that does not mean that DCF cannot be used for valuation of these companies. The break-even point is estimated, and valuer needs to ascertain how the negative margins will turn zero and thereafter positive and ultimately when will it become sustainable with low growth rate. Accordingly, the explicit period shall be considered,

S. No	Question	Answer
		and estimations shall be developed appropriately. Stress testing and scenario-based modelling could also be performed along with sensitivity analysis to check the confidence level of the fair value identified.
9.	What perspective needs to be considered while valuing a brand i.e., Company's perspective or Consumer's perspective?	While valuing a brand both company's and consumer's perspective needs to be looked into. The brand strength score analysis, which significantly impacts a brand valuation, is determined by 10 broad-based factors which are both internal and external factors. There are four internal factors and six external factors that need to be considered. Let us look at these factors in brief:- **Internal** assessment looks into following factors:- 1) **Direction** – It tests whether the management is clear about the future direction for the company. 2) **Alignment** – Are all the stakeholders and internal decision makers aligned and pulling the entity in the same direction? 3) **Empathy** - How good is business in listening and responding to customer's requirements and also their unspoken needs? 4) **Agility** – How quickly an Organisation can respond to changing customer needs and also how proactive it is in leading the change in customer perception?

S. No	Question	Answer
		External factors on the other hand are more customer and competition facing.:- **1) Distinctiveness** – How distinct is the customer experience for the brand in comparison to the competitors and the biggest example for it is Apple? **2) Coherence** – How coherent/consistent is customer experience under different markets and channels? **3) Participation** – Is there a one-way communication or a two-way dialogue between the customers and the brand? In today's age this factor is gaining significant importance as customers are using brands to build up their own individual brands **4) Presence** – It is not just physical presence but how top of mind is the product in customer's everyday conversation, is there a positive buzz surrounding the brand. E.g.- electric vehicles which have a positive buzz around them in the current scenario. **5) Trust** – It is the most basic criteria i.e.. does the customer trust the brand to deliver its promise? **6) Affinity** – Does a customer feel that the brand plays a positive and meaningful role in their life
10.	In case the brand is valued for raising funds from banks, what measures can be taken by the Valuer to highlight the fact that brands are extremely difficult to sell without the underlying	Any valuation is merely an opinion based on certain underlying assumptions and the actual value cannot be known unless it is actually transacted. However, for use of caveats, disclaimers and limitation in a valuation report a valuer shall refer

S. No	Question	Answer
	business and therefore the valuation may not hold good at the time of selling the brand. Further, whether this kind of statement vitiates the objective of valuation?	to the IBBI guidelines that essentially brings out the need that disclaimers shall not be for the purpose of limiting valuer's responsibility for the valuation report or to make the valuation unsuitable for the purpose for which it was conducted.
11.	Long back in case of Kingfisher Airlines it was observed that all the valuation multiples were higher than the industry average. For instance: • In relation to revenues, the valuation firm found a 78% multiple of brand value, compared to an industry average of 4.4%. • Similarly, the royalty rate of 5.0% likely applied for Kingfisher in a royalty relief method compares to an industry average of only 0.5%. So, is this an acceptable proposition, if a Valuer values a brand much higher than the industry average or should the Valuer take steps to ensure that it ranges in between the industry average only?	In respect of valuation of brand, it is pertinent to note that the industry average is an average of various other entities / brands and these are not necessarily perfectly comparable. In fact, in most cases, brands are not perfectly comparable. Thus, the multiples derived from such entities may need to be adjusted for various factors for which the valuer should provide justification and rationale in his report. This is critical to a proper understanding of the valuation, particularly of intangibles such as brand. Without going into the merit or demerit of any given particular case, as a principle, what is required in the valuer's report is the rationale which clearly supports the measures adopted by the valuer in the light of the comparable metrics available.
12.	Can you please discuss brand Value of Apple, Facebook etc.?	For specific company brand valuations, there are generally publications which are available, and these may be accessed.

S. No	Question	Answer
13.	How can a Valuer avoid over-estimation in case of stand-alone brand valuation, since the Stand-alone brand valuations tend to neglect the value of other assets pertaining to that business?	A valuer can refer to ICAI Valuation Standard 302-Intangible Asset for it. Further, it is a good sanity check practice to undertake valuation of both Intangibles and the Business Value separately, to clearly spell out how much out of the business value is attributable towards the value of Intangibles Asset. There is a high possibility of over-valuing an intangible asset and this will ensure that there is a comparative check on the valuation. Intangible assets are riskier in comparison to tangible assets and hence the discount rate considered for Intangible Assets shall be higher than the discount rate considered for Tangible Assets.
14.	How should a valuer identify that whether an attribute is a brand or not i.e., what factors shall be kept in mind while identifying certain attribute as a brand?	Brand attributes are the core value that defines the essence of the brand. Attributes that normally a brand must possess are relevance (connect to the customer), consistency (in its product / service offering meeting the needs and demands of customers), positioning (affordable, luxury etc.), sustainable (meeting evolving customer preferences), credibility (perception of delivering what it stands for), inspiration (should evoke excitement), uniqueness (set apart from others).
15.	Sometimes, there are multiple entities involved in the development and use of the brand, in such scenarios, how should the brand be valued?	Brand shall be valued as a whole irrespective of the no. of entities involved. Depending upon the degree of contribution made by each entity in brand creation, the same can be apportioned to different entities.

S. No	Question	Answer
		At the base level one needs to see how the brand goes to market, for e.g., TATA makes multiple products through its different companies having their individual brand name but also under the flagship of TATA. Hence to evaluate the Brand value of TATA a valuer shall first ascertain the brand value of each product separately, the aggregate of all these values can be considered as value for Brand TATA. However, it shall also depend upon the ownership of the brand and hence it is often considered extremely critical to define the ownership in such cases clearly. It is very important for Promoters and business owners to always take steps to define the legal ownership of the brands. It then becomes a structured one for succession planning with the legal rights.
16.	How should the timing difference between the development of the brand and usage of the brand be dealt with?	From a valuation perspective, value of the brand in essence represents the financial value attributable to the brand equity for a given purpose. Development denotes the process of building the brand value and usage is getting the benefit thereof. In the initial phases, a brand needs to be developed and thereafter, it generates returns (the usage). However, the brand development is also a continuous activity at a certain level and without that effort to maintain the brand, brand values may also deplete over a period.
17.	Brand value, how does it affect business value?	A brand value impacts both organizational buyers and customers for a business. In an efficient

S. No	Question	Answer
		market, the stock price of an entity reflects the perception of the investors towards the future earning capacity of its assets, which includes both tangible and intangible assets, and hence brands being one of the most significant intangible assets impact the stock price. Further, with respect to consumers, as discussed above, brands are the interface between the customers and the business and higher brand equity ensures a higher customer engagement. Customer engagement signifies how often people will choose one brand over alternatives; hence a higher customer engagement means a higher business value.
18.	How do you value a brand like crocin which has established its name in place of paracetamol? Based on DCF method, earning for a few years projected earning, competitive products available or future R&D, etc?	ICAI Valuation Standard 302 provides a comprehensive view of the various methods and approaches to valuing intangibles, which may be suitably applied to each case under consideration. Generally, a well-established brand in operation could be valued based on comparables or income approach.
19.	Brand Valuation, how far are they reliable? Can it be factored in the Company's valuation? In the Kingfisher case, the Brand was valued at a very high amount based on which banks lent money and finally it turned out to be unrealistic.	Yes, Brand valuation impacts a company's valuation. One shall always remember that valuation is an opinion that a valuer express based on his professional judgement. Further on a hindsight everyone can be an expert and question the projections and valuation, but as on the date of valuation, no one can project the future accurately

S. No	Question	Answer
		as there are multiple assumptions that a valuer undertakes with respect to the company, industry and various micro and macro-economic factors.
20.	What are the fundamental differences in brand valuation of a product and Brand Valuation of an organisation?	Substantially there isn't much of difference between valuation of product brand or organisational brand like TATA.
21.	How to determine the royalty rate for brand valuation in India?	Determination of the royalty rate can be a complex process and the following factors, amongst others, should be considered while analysing royalty rates: (i) Assets: For example, a royalty rate paid for a trademark in isolation will likely be lower than one for a bundled asset, including trademarks and product formulations. (ii) Rights (for example, geography, term and usage): All things being equal, a royalty rate paid for the right to use an intangible asset within a limited geography or specific customer channel for a limited time will likely be different than that paid for perpetual rights with unfettered usage. (iii) Economic returns: Typically, assets providing higher returns will warrant higher royalty rates. This issue may arise when comparing royalty rates paid at different points within the supply chain. Returns on wholesale revenues can differ significantly from those on retail revenues. (iv) Upfront fees or ongoing cost sharing: Licensees who are willing to pay an upfront fee or

S. No	Question	Answer
		share in future marketing or advertising expenses may be able to negotiate a lower royalty rate.
22.	It is observed that the price of a soda whether manufactured by Coca-Cola or Thumbs Up or Bisleri, just to name a few or any other local brand sells at the same price. What is the concept of the brand under such circumstances?	Brand generates better returns through a combination of price premium or volume implication. In products like Soda, the brand value is from the volume implication that these brands generate.
23.	Please explain Zomato's brand valuation.	Zomato's value cannot be all ascribed to the brand and there are other intangibles such as the distribution network and customer base which has been created, the network of sellers signed up on the platform etc., too which form part of the overall valuation of the entity / business.
24.	If a Sole Proprietor (operating for 15 years) wishes to upgrade to Company form of a structure by way of succession (taking advantage of Sec 47(xiv) of ITA conditions), then, how does the inherent value can be unlocked and captured before the transition and how does the value unlocking happen? Please guide.	On such conversions the intangible asset may also be valued and transferred in exchange for issuance of shares, taking advantage of the income tax provisions. This, then results in the company having a balance sheet size reflective of the company's worth inclusive of its intangibles.
25.	Celebrities and Artists are also brands, so how are they valued and how do they insure themselves or their various body parts?	In case of valuation of a person-based brand, the most difficult step is to estimate their future estimated earnings. For e.g., a movie star's film might be making Rs. 100 crores today but same can't be said with an affirmation for future, and

S. No	Question	Answer
		hence estimating his future earning capacity is the biggest challenge in estimating his brand value.
26.	The brand value of MRF is derived from its Tyres business or from the advertisement on international cricket bat which has made the brand even more popular internationally? Will the credit for brand creation go to the tyre business or cricket bat branding? MRF has zero connection with bat manufacturing, and it is just the logo which the cricket brand ambassador sticks on the bat.	The brand value for MRF is derived basically from its tyre business, however, the branding on the cricket bat contributes to the Brand Presence and Visibility immensely and hence adds to its value.
27.	In case of Old Brands which are not generating income, how can brand be valued?	In case there is no profit being generated and expected future profits are also in dilemma then there has to be substantial evidence available signifying that the brand itself can generate a residual value.
28.	Is there a way to increase brand value without spending huge amounts on advertising?	Brand values also gets developed over a period of time based on the products and services offered and the quality thereof and it makes customers the ambassadors. Brands such as ZARA, Rolls Royce, Tupperware etc., have successfully created strong brands equity with very little advertisement costs.
29.	How to mitigate the risks associated with the valuation of Brands, e.g.: brands of entertainment companies, feature films, or IPL teams?	Valuation is always as at a particular point of time and accordingly brand values could also change swiftly due to changing economic and other conditions.

S. No	Question	Answer
		Uncertainty in the future can be appropriately considered by suitable risk adjustments, where found appropriate.
30.	What are the parameters for considering something as a Brand?	From a valuation perspective, value of the brand in essence represents the financial value attributable to the brand equity for a given purpose. Development denotes the process of building the brand value and usage is getting the benefit thereof. In the initial phases, a brand needs to be developed and thereafter, it generates return (the usage). However, the brand development is also a continuous activity at a certain level and without that effort to maintain the brand, brand values may also deplete over a period.
31.	If a brand has economic value, why is it valued only in specific situations? Should it not be a part of routine financial reporting?	Ideally yes it shall be, and there are some progressive companies who proactively disclose their brand value in their notes though same is not considered in the Balance Sheet.
32.	Purpose of valuation has an effect on Valuation of a Brand?	Yes
33.	Whether generalisation of a brand is a good thing for the brand?	The brand derives lots of its value from its distinctiveness hence, it is not a good thing to generalize the brand as it will impact the brand strength.
34.	Tata took over Jaguar but retained and continued to market the product not as Tata but JLR only. What was the reason?	This decision of not using TATA as brand was legally driven and was part of their contract.

S. No	Question	Answer
35.	Microsoft bought Nokia but the deal was not successful for them as Nokia lost faith of people. How do you see it from the perspective of Brand valuation, where it went wrong?	Nokia is a classic case of zero agility, and it lost its brand strength as it just couldn't perceive the prospective change in the market and hence wasn't prepared for the turning tides.
36.	Hindustan Lever bought Dollops Ice-cream from Cadbury just to destroy the brand of Dollops as Hindustan Lever was already in Ice-cream business through brand Kwality. In such situation, Brand value is to be taken from the buyer business or from the seller business?	It depends on whose side the valuation is being undertaken by the valuer.
37.	What is the purpose of valuing a brand (other than PPA exercise, entry as an intangible) given that the top line of any company/ entity is inclusive of the value driven by the brand?	Brands are one of the most important strategic assets of an organization and the importance of valuing brands arises from the fact that the reported net worth of businesses may not be reflecting its true value, which most likely is in the form of intangible assets. Certain areas where brands are required currently to be valued are as follows: • Financial Reporting - Purchase Price Allocation • M&A Decisions • Tax Planning • Dispute Resolution • Liquidation • Litigations • Raising Funds etc.
38.	Can a brand be valued at the time of the merger as an	Brand Value will be a subset of the total Goodwill Value.

S. No	Question	Answer
	intangible asset and how does it differ from Goodwill you pay at the time of merger?	
39.	Is brand valuation and Trademark valuation the same? If not, what is the difference between them?	Generally, brand has a wider connotation and trademark is a legal protection for brand name or even certain other items such as a slogan, tag line etc., logo, colour code which are associated with the brand. Their valuation is hence different and has to be understood in this context.
40.	Can factors like customer's loyalty, sales quantity, visit to store/clicks in sales sites, product appeal be included in the valuation of brands?	Yes, they do impact brand valuation as all these factors impact the brand strength analysis.
41.	In case of brand valuation by the income approach, whether perpetuity value to be considered?	Under Income Approach of Valuation, perpetuity value shall always be considered.
42.	Does celebrity endorsement add value to the overall brand value?	Yes, it does. It increases the brand strength by increasing the trust of the customers and its visibility and presence.
43.	What is the difference in valuation of a brand and a business through DCF?	Brand valuation would be a subset of the business valuation. Business valuation is reflected in DCF models by the cashflows expected from the business operations whilst the cash flow model when used in connection with the brand valuation reflects the cash flows which can be attributed to arise from the brand.
44.	Is value of the brand also affected by marketing policies?	As per Michael Eisner Ex-CEO of Disney "Brand is a living business asset that can either be enriched or killed every-day by thousands of small gestures by the business."

S. No	Question	Answer
		So yes, brand value is impacted by the marketing policies of a company.
45.	Is there a different way to do the valuation exercise for Privately held companies which has created a brand over the years in comparison to a listed company? Further considering India as the primary geographic market, is there anything specific to the Indian market that shall be looked at for performing the valuation exercise?	Largely the approach and methodologies would have to be determined on a case-to-case basis guided by the provisions of VS 302.
46.	In case of valuation of the brand of a renowned showroom for branded products having fixed margins what method will be applied?	The valuation approaches and methodologies detailed in ICAI Valuation Standard - 302 can be used for guidance in this regard.
47.	I believe that Brand value is a function of Brand management. Assume a company has bought a Brand for USD 2Mn, but however could not manage it properly as a result of which the Brand Value eroded. How to deal with this situation?	The brand shall be valued based on the factors and situation existing as on the valuation date. As stated earlier "Brand is a living business asset that can either be enriched or killed every-day by thousands of small gestures by the business."
48.	From a methodology perspective kindly clarify - relief from royalty method is a revenue-based method or a profit-based method? As relief from royalty would primarily use the %age of	It is a Revenue Based model as it uses projected revenue and not profit margins for brand valuation.

S. No	Question	Answer
	future revenue (after tax) which we save on paying a royalty, which is then discounted to arrive at NPV (Brand Value).	
49.	How do we decide whether the brand is to be valued in connection with revenues or profits?	The selection of a method for valuation depends upon the kind of data available. The ICAI Valuation Standards also provide that the valuation approaches and methods shall be selected in a manner that would maximise the use of relevant observable inputs and minimise the use of unobservable inputs.
50.	Can we say the price which Zomato achieved on listing, part of it is because of the brand it has created and the perception it has among the consumers?	Yes, the brand value and the customer base created by ZOMATA did contribute significantly to its valuation.
51.	Can future Capex amount be estimated as a % of revenue of past and an additional charge for enhancing capacity?	Such a simplistic arithmetical approach may not be appropriate always. For instance, if the projections envisage a huge growth in revenue, the Capex requirement may be completely different. So, the projections will have to be discussed with the management/client and shall be based on appropriate inputs taken for the same.
52.	Does discounting factor change for an airline operating as domestic alone and airline working as both domestic and international, as country risk shall be considered?	There could be changes on a case-to-case basis and for each case there is need for review of these factors.
53.	Whether Brand Valuation is similar to Goodwill Valuation?	Goodwill is the residual intangible, i.e., the total business value less all identified tangible and intangible assets at their respective fair values.

S. No	Question	Answer
		Whereas, in specific cases, where it is identifiable, brand could be an identifiable intangible with its own valuation.
54.	Is there any formula for measuring the role of Brand?	There are models used by various brand valuation entities globally and these are all proprietary models developed by them.
55.	In valuation of a Brand whether different methods can be used for the same valuation process and can we assign weights to those methods. If yes, how much weight is ok for the DCF method?	According to ICAI Valuation Standard 302 – Intangible Assets "A particular intangible asset can be valued using more than one approach or methodology as this provides the valuer multiple value indications thus setting a range of value for the intangible asset to be valued. A valuer shall consider some factors like availability of data, quality of data available, consideration of actual transaction in the industry, characteristics of the intangible, etc." Further following needs to be taken care of:- • First, valuer should not get material difference in values under multiple methods. • If values are significantly different, valuer needs to bring parity in assumptions made under various methods. • Valuer can use 'calibration technique' to reconcile and narrow down the differences. • Valuers should not arbitrarily attach a weight to calculate weighted average value of various methods. • Instead, he should choose a method that most reflects fair value of a company. Such value shall be concluded to be fair value.

S. No	Question	Answer
		Other values to be discarded without capturing them with any assigned weights. • If valuation under multiple methods is within reasonable range, weights can be assigned. Higher weight shall be assigned to conclusion from that method which reflects inherent strengths of the asset under valuation.
56.	What time frame should be fixed on an average to revalue a brand for public and customers?	It depends on the purpose and requirement. It is pertinent to note that all valuations are only as at a point of time.
57.	How does brand value and enhancement of a brand value impact a company's valuation? The Brand value will enhance the value of the product and share market will take it positively and hence company's share price shall be impacted. Kindly share your view.	A brand value impacts both organizational buyers and customers for a business. In an efficient market, the stock price of an entity reflects the perception of the investors towards the future earning capacity of its assets, which includes both tangible and intangible assets, and hence brands being one of the most significant intangible assets impact the stock price. Further, with respect to consumers, as discussed above, brands are the interface between the customers and the business and a higher brand equity ensures a higher customer engagement. Customer engagement signifies how often people will choose one brand over alternatives; hence a higher customer engagement means a higher business value.
58.	Does change in a person as brand ambassador impacts product brand value?	Yes, it does. It increases/decreases the brand strength by increasing/decreasing the trust of the customers and also its visibility and presence amongst the followers of the ambassador.

S. No	Question	Answer
59.	In your opinion what are the reasons for the sudden increase or reduction in brand value?	Drastic and sudden changes in the various parameters which affect the business and brand could lead to this. Classic example could be that of Maggie (Nestle) wherein the Brand Value was immensely impacted overnight due to the legal issue with FSSAI.
60.	Does eyeball-catching google reviews and YouTube viewers impacts brand valuation?	In the current world, Social Media has a significant impact on Brand Valuation. Digital Marketing is the go-to-the market mantra for many businesses. Social Media impacts the strength of brand score as it impacts factors like presence, trust, distinctiveness, empathy and participation.
61.	How to deal with the situation when valuation is challenged by different authorities against each other? Say stamp duty says undervalued and IT department overvalued?	The valuation methodology to be adopted is at times clearly spelt out in Law and in that case, it cannot be overridden. Further in the 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."
62.	Whether brand genericization is good or a bad thing for a brand, like xerox? When you have a product so successful that it replaces an entire category.	Xerox, Band Aid are examples of such an action and this would enhance and provide endurance to the brand, other things remaining the same. So, in general, reaching such status, subject to all other things remaining the same, is for the better of the brand.

S. No	Question	Answer
63.	Keventers was an old brand, which was taken over by the young generation of the family and was thereafter converted into profit earning entity. How to value brands under this situation?	The Brand Value will also increase as both financial factors and brand strength score have improved.
64.	The Brand comes first or promise?	The brand equity is built with the attributes that the brand stands for and communicates. Thus, the promises being consistently delivered leads to the brand equity being developed.
65.	How much is the acceptable range for the percentage of share of brand value in the total valuation of the company?	There is no such fixed percentage that can vary from Industry to Industry. For e.g., the role of the brand will not be significant for a metal industry while it can be significant in the case of a luxury brand and hence the share of brand value as a % of total company value will be higher for a luxury brand like Gucci when compared with a company in Metal Industry.
66.	How to value the brand of a start-up which is at an early stage and how does it evolve over the lifecycle of the company? To say, value in a case where the historical data is limited, and potential may/may not be unlimited.	For a startup company brand value would be limited as this is built over a period. Generally, the brand value would be at its peak when the company is into stable business levels.
67.	In a business combination, if the transferee has not identified a brand, can the buyer identify a brand in the business combination and consider it for	In a business combination, purchase price allocation method is used for accounting. Purchase Price Allocation is the process of assigning fair values to all major assets and liabilities of an acquired enterprise following a business

S. No	Question	Answer
	valuation? How is it identified and valued?	combination. Under Ind AS 103 all business combinations require the acquirer to apportion the consideration paid amongst the tangible and intangible assets by applying the acquisition method. Intangibles need to be separable and identified based on their unique characteristics. The difference amount, if any, between the consideration paid and the net assets acquired is then recognised as goodwill or gain/bargain in purchase.
68.	Creation of a Brand is a time taking task, then how far is it relevant to say that no brand value is based on past profits?	All valuations are reflective of the future economic benefits that can be derived from the underlying asset. However, past profits may be an indicator for the relevance of the estimated future performance.
69.	What is your opinion on NFT (Non-Fungible Token) derived value from a brand like we see Jack Dorsey sold his first tweet at 2.9 million USD?	NFTs are more like artwork and not to be construed as a brand. So that would be the right way to categorise them.
70.	Can serving big companies as a vendor may be called as a brand? E.g.- an automotive ancillary company that is a major vendor for Mahindra.	This is more of an intangible of customer list or customer contract, rather than brand. Though, it is possible that brand may also have a role to play.
71.	Does Tradename qualify as Brand?	Trade Name is the name of the producer or manufacturer who is commercializing the brand. It depends upon the company's marketing strategy whether they want to promote the brand using their trade name or a different name. For e.g.,

S. No	Question	Answer
		Hindustan Unilever is the tradename, but it has several brands like Colgate, Gillette, Surf, Lux etc. under it.
72.	Whether the embedded value is same as the brand value?	Embedded value is more appropriate in the context of life insurance businesses and not appropriate to compare with brand value.
73.	A combination of exemplary corporate governance and a strict ethic-based business blindly adds to the brand value. Is the statement correct?	These are the factors which may generally influence brand value positively.
74.	Will ESG compliances decide Companies brand in near future apart from profit?	Yes, in the current scenario wherein ESG has been gaining significant importance, ESG compliance is expected to impact the customer's perspective towards a Brand and hence Brand Equity.

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