



Valuation for Financial Reporting

IFRS : Fair Value Measurement

Fair Value Measurement

Fair Value as per IFRS 13

Fair value is the price that would be received to sell an asset or paid to transfer a liability (**exit price**) in an orderly transaction (**not a forced sale**) between market participants (**market-based view**) at the measurement date (**current price**).

Fair value is a market-based measurement (**it is not an entity-specific measurement**)

Consequently, the entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value

The Concept of highest and best use

Under IFRS 13, an entity's current use of an asset is generally taken to be its highest and best use, unless market or other factors suggest that a different use of that asset by market participants would maximise its value. If such factors exist, management is required to consider all relevant information in determining whether the highest and best use of a property is different from its current use at the measurement date.

" IFRS 13 requires any advantages that would not be available to market participants generally to be disregarded. Accordingly, management needs to be aware of this difference in concept in order to ensure any values used for financial reporting that are obtained from appraisals, whether external or internal, are consistent with the objective of a fair value measurement "

Fair Value Measurement

Highest and best use : Non Financial Assets

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use

Fair value considers a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Highest and best use considers a use that is:

- ✓ Physically possible
- ✓ Legally permissible –Town and Country Planning Act
- ✓ Financially feasible

Highest and best use is always considered when measuring fair value, even if the entity intends a different use.

Fair Value Measurement

Benefits of Fair Value Measurement

Accurate Valuation

Relevant, reliable, comparable and understandable measurement of future economic benefits.

True Income

Gains or losses from any price change for an asset or liability are reported in the period in which they occur. While an increase in asset value or a decrease in liability value adds to net income, a decrease in asset value or an increase in liability value reduces net income.

Market Effects

Provides comparability of the value of financial instruments bought at different times.

Informed Decision

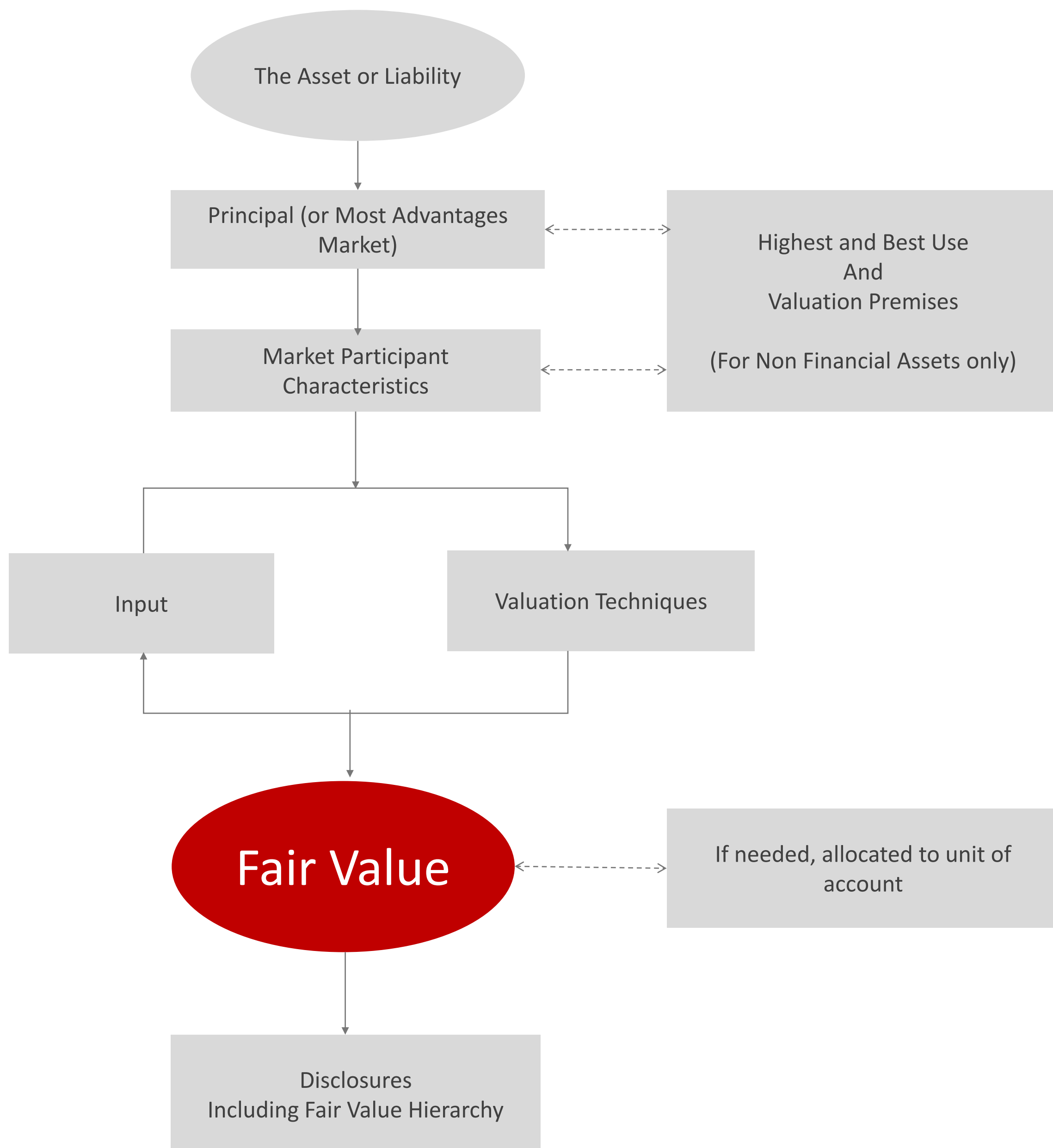
Companies have an opportunity for examining their financial statements with actual fair values, allowing them to make wise choices regarding future business operations.

Investors Benefit

Financial statements reflect a clearer picture of the company's health. Allows investors to make wiser decisions regarding their investment options with the company.

"The increasing use of fair value measurement in financial reporting has raised the profile of valuations from the perspective of management, shareholders, external auditors, standard setters and regulators"

IFRS 13 : Fair Value Measurement Framework



Fair Value Measurement

Asset Type	Measurement At Initial Recognition	Model Based On Fair Value	Basis Of Impairment Test
IFRS 9 Financial Instruments	Fair value	For specified financial assets and for particular business models: fair value	
IAS 16 Property, Plant and Equipment	Purchase costs + construction costs + costs to bring to the location and condition necessary to be capable of operating in the manner intended by management.	Accounting policy choice: revaluation model	Compare carrying amount to recoverable amount.
IAS 38 Intangible Assets	Purchase costs + development costs + costs to bring to the location and condition necessary to be capable of operating as intended by management	Accounting policy choice: revaluation model	Recoverable amount is greater of value in use and fair value less disposal costs (IAS 36)
IAS 40 Investment Property	Cost including transaction costs	Accounting policy choice: fair value	
IAS 41 Agriculture	Fair value less costs to sell	Fair value less costs to sell	

Valuation Process

Understanding what is being valued

- Understanding broad overview of valuation requirements
- Industry Analysis
- Market Conditions

Valuation Methodology Assessment

- Income Approach
- Asset Approach
- Market Approach

Valuation Adjustments

- Discount for lack of marketability
- Discount for minority interests
- Premium for control
- Obsolescence
- Impairment
- Any other special considerations (case specific)

Valuation Calculation and Report

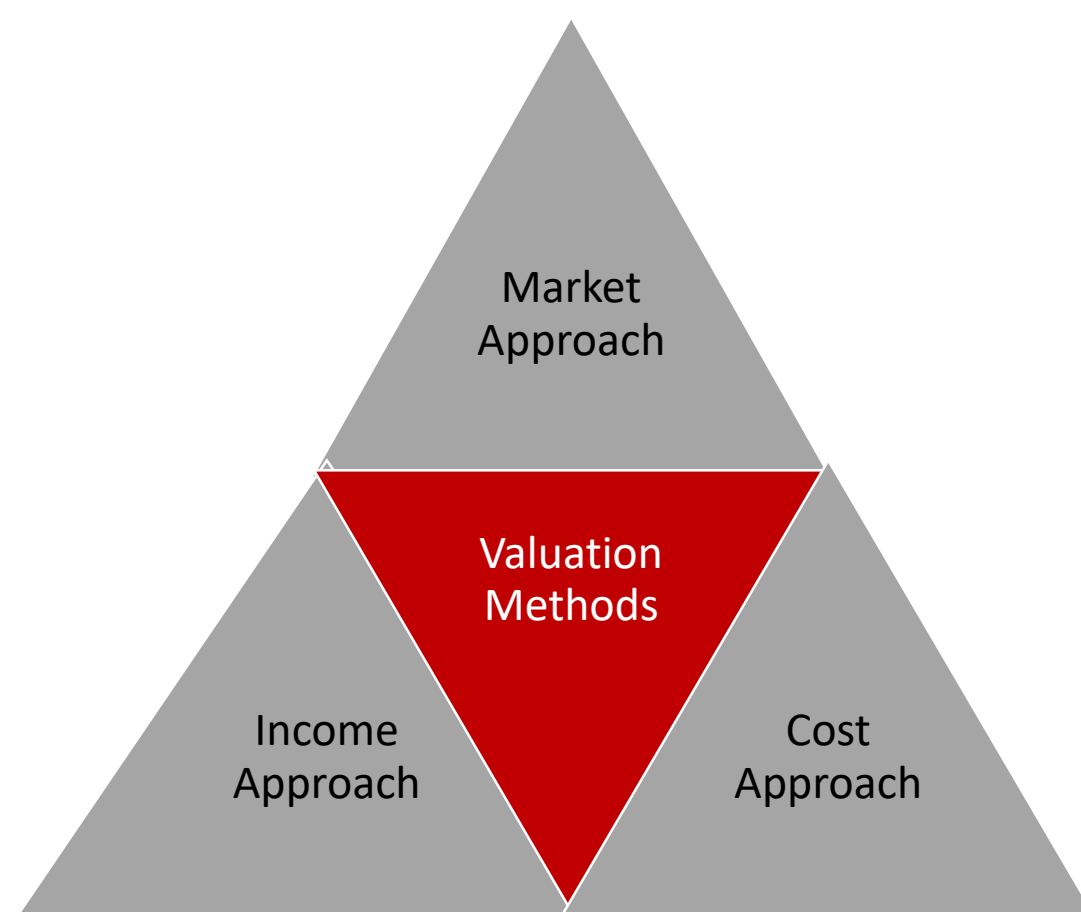
- Valuation model prepared
- Documentation in report

Valuation Methods

Use valuation techniques that:

- ✓ Are appropriate in the circumstances
- ✓ Have sufficient available data
- ✓ Maximise use of relevant observable inputs
- ✓ Minimise use of unobservable inputs

IFRS 13 describes three valuation techniques



Change in valuation technique needed if:

- ✓ New markets develop
- ✓ New information becomes available
- ✓ Information previously used is no longer available
- ✓ Valuation techniques improve
- ✓ Market conditions change

Change in valuation technique = change in estimate

Valuation Methods

Market Approach

Uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities.

Market approach often use market multiples derived from a set of comparable companies. Multiples are derived from listed market prices or transacted values of comparable company brand in the market. Relevant multiples need to be chosen carefully and adjusted for different circumstances.

Matrix pricing is a also mathematical technique under this approach used to value some types of financial instruments.

Cost Approach

Reflects the amount that would be required currently to replace the service capacity of an asset. Generally, Plant and Machinery are valued using this approach in absence of market data for transactions.

Based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset.

Income Approach

The income approach converts future amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Uses projections of cash flows referenced to market parameters. Discounting factor is based on market beta of subject company and/or comparable listed companies.

Where RBSA can Help ?

Tangible Asset Valuation

For entities assets acquired in business combination viz. property, plant and equipment, etc. our technical valuations team can help in valuation and ensure that such valuations are in compliance with the accounting standards.

Real Estate Valuation

For entities that hold investment properties or have acquired land and buildings in a business combination, which want to adopt the fair value model, our real estate valuation team with deep knowledge of the real estate market and extensive real estate valuation experience can help in valuation and ensure that such valuations are in compliance with accounting standards.

Share-based Payment Valuation

To meet the requirements of accounting standards in relation to share-based payment transactions, such as the issuance of employee stock options, ensuring that the effect of the transactions is correctly reflected in financial statements, our team has assisted Clients with Share Based Payment Valuations for transaction, financial reporting and tax purposes.

Valuation of Unlisted Securities











Historically, many companies have carried unlisted securities on their balance sheets at cost. Going forward, such instruments may need to be fair valued for financial reporting purposes, however challenging this may be.

We help our clients develop a systematic and efficient approach to the valuation of such unlisted securities, which, can meet the requirements of external auditors and other stakeholders.














Financial Instrument Valuations

The world of finance is generating increasingly sophisticated products and the demand for valuations of financial instruments such as options, warrants, convertible securities and contingencies (claims, consideration etc.) is increasing rapidly. Our experienced team has assisted clients with financial instrument valuations for transaction, financial reporting and tax purposes.

RBSA – IFRS Credentials

 <p>Business Valuation and Fixed Asset Valuation of Transgulf Ready Mix Concrete LLC at various location at UAE for Management Review purpose</p> <p>Valuation Advisors</p>	 <p>Valuation of Assets of National Feed and Flour Production & Marketing Company, Abu Dhabi</p> <p>Valuation Advisors</p>	 <p>Business Valuation of Club & Restaurant of Business of Pragma Group for Management Review</p> <p>Business Valuation</p>	 <p>Business Valuation of Cavalli Club Restaurant LLC, Dubai for Management Review Purpose</p>  <p>PRAGMA</p> <p>Valuation Advisors</p>
 <p>Business Valuation and Valuation of Tangible Assets of Emirates Lighting Factory for Financial Reporting Purpose</p> <p>Valuation Advisors</p>	 <p>Valuation of various Real Estate / Hotel properties of Travco Group for Financial Reporting purpose</p> <p>Valuation Advisors</p>	<p>Precision Steel Fabrication Industries LLC</p> <p>Valuation of Assets of Precision Steel Fabrication Industries LLC at Sharjah</p> <p>Business Valuation</p>	 <p>Valuation of Infrastructure Assets of Gammon & Billimoria LLC at Dubai</p> <p>Valuation Advisors</p>
<p>Advance Dies & Tools FZCO</p> <p>Valuation of Asset of Advance Dies & Tools FZCO at Dubai</p> <p>Valuation Advisors</p>	 <p>Financial Advisory Services for Valuation of Enterprise / Equity of Sembawang Precast System LLC, UAE</p> <p>Financial Advisory Services</p>	<p>Coast Flour Mills</p> <p>Valuation of Assets of Coast Flour Mills, Jebel Ali, Dubai</p> <p>Valuation Advisors</p>	 <p>Valuation of Warehouse located at Jebel Ali Free zone, Dubai for Management Review purpose</p> <p>Valuation Advisors</p>

RBSA – IFRS Credentials

 <p>Valuation of ESOP of Reliance Globalcom Limited for Financial Reporting Purposes under IFRS</p> <p>Valuation Advisors</p>	 <p>Valuation of Jindal SAW Ltd. for Financial Reporting under IFRS 1</p> <p>Valuation Advisors</p>	 <p>Valuation of Land Concession at Hyderabad Airport and Delhi Airport for the purpose of Financial Reporting under IFRIC 12 for GMR Group</p> <p>Valuation Advisors</p>	 <p>Valuation of Foreign Currency Convertible Bonds (FCCB) of Reliance Power for Financial Reporting Purposes under IFRS</p> <p>Valuation Advisors</p>
 <p>Valuation of Mines & Mineral Reserves and Fixed Assets of Binani Cement Ltd., Binani Zinc Ltd., Goa Glass Fibre Ltd., BT Composites & Binani Industries Ltd. for IFRS 1 purposes</p> <p>Valuation Advisors</p>	 <p>Valuation of Tangible Fixed Assets of Larsen & Tourbo's Ready Mix Concrete Business for the purpose of Purchase Price Allocation under IFRS 3 on behalf of Lafarge Aggregates & Concrete India Pvt. Ltd.</p>  <p>Valuation Advisors</p>	 <p>Technical Due Diligence and Valuation of Specified Tangible Assets of Container Freight Station situated at Chennai for the purpose of acquisition by Amey Logistics Pvt. Ltd. for Internal Management Review</p> <p>Valuation Advisors</p>	 <p>Valuation of Specified Tangible Assets of CESC Ltd. for Financial Reporting / Restructuring purpose</p> <p>Valuation Advisors</p>
 <p>Financial Advisory Services for Valuation of Intangible Assets of Travel Services International Pvt. Ltd. post its Acquisition by Yatra Online Pvt. Ltd. for Purchase Price Allocation under IFRS</p> <p>Valuation Advisors</p>	 <p>Valuation of Power Plants and other Assets of Gujarat Industrial Power Corporation Limited for Fair Value Accounting under IFRS 1</p> <p>Valuation Advisors</p>	 <p>Valuation of Tangible Assets, Intangible Assets and Investments of Voltas Ltd. for Financial Reporting under IFRS 1</p> <p>Valuation Advisors</p>	 <p>Estimation of Fair Value of Tangible Fixed Assets of Mastek Ltd. for IFRS Reporting</p> <p>Valuation Advisors</p>

RBSA Range of Services

Valuation

Business Valuation
Valuation of Brands, Intangible Assets & Intellectual Property
Valuation of Financial Securities, Instruments and Derivatives
Valuation of Industrial Assets, Plant & Machinery
Valuation of Real Estate
Valuation of Infrastructure Assets & Specialized Assets
Purchase Price Allocations for Mergers & Acquisitions
Impairment Studies for Tangible Assets
Impairment Studies for Intangible Assets & Goodwill
Mines, Mineral Advisory and Valuation
Valuation of ESOPs and Sweat Equity
Valuation for Tax, Transfer Pricing and Company Law Matters
Fairness Opinions

Advisory Services

Strategic & Risk Advisory Services

Techno economic Feasibility Studies
Economic Viability & Financial Appraisal
Business Plan Formulation

Technical Assurance Services

Technical Due Diligence Reviews for M & A
Lender's & Investor's Engineer Services
Independent Engineer's Services
Technical Opinion and Audits
Chartered Engineers Opinion & Certification
Project Cost Investigation and Forensic Advisory
Project Appraisal and Monitoring

Financial Advisory for Dispute & Litigation

Valuation & Financial Advisory Services
Loss Assessment, Damages & Loss of Profit Analysis
Independent Expert testimony
Anti-trust & Competition Advisory
Post-Acquisition Disputes, JV & Shareholder Disputes
Civil & Construction Disputes, Real Estate Disputes
Environment Damage Assessment
Intellectual Property Rights dispute
Forensic Audit

Investment Banking

(SEBI Registered Category I Merchant Bank)
Mergers & Acquisitions
Transaction Structuring & Advisory
Due Diligence - Financial, Tax and Business
Fairness Opinions
Corporate Finance & Advisory
Private Equity and Venture Capital
Debt Solutions and Syndications
Partner Search and Joint Ventures
Corporate Restructuring, Business Reorganization

Restructuring Services

Insolvency Resolution Professional
Resolution Plan Preparation
Priority and Interim Funding
Valuation of Assets, Business Valuation, Intangibles
Turnaround Advisory
Techno Economic Viability Studies / Feasibility Studies
Fairness Opinions on Distress M & A
CRO Services – Chief Restructuring Officer
Independent Evaluation of Restructuring Proposals
Interim Management Services
Transaction Structuring
Business Transformation
Special Situation Advisory
Strategic Partner Induction
Operations & Management of Stressed Companies
Financial Restructuring Advisory – CDR, SDR, S4A, 5/25
Concurrent & Forensic Audit
Lender's Independent Engineer Services

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