

Insolvency and Bankruptcy Board of India

31st December, 2017

Subject: Valuation Examination for Asset Class- Land and Building

In pursuance of the rule 5 (3) of the Companies (Registered Valuers and Valuation) Rules, 2017, the Insolvency and Bankruptcy Board of India, being the Authority, hereby publishes the syllabus, format and frequency of the 'Valuation Examination' for the asset class: **Land and Building**.

I. Syllabus

Sl. No.	Coverage	Weight (%)
a.	<p>Principles of Economics</p> <ul style="list-style-type: none">• Micro-Economics<ul style="list-style-type: none">- Consumption: Indifference Curve, Consumer's Surplus, Elasticity.- Price Mechanism: Determinants of Price Mechanism, Individual and Market Demand Schedules, Law of Demand & its Conditions, Exceptions and Limitations of Law of Demand, Individual and Market Supply Schedules, Conditions and Limitations, Highest, Lowest and Equilibrium Price, Importance of Time Element.- Pricing of Products under different market conditions: Perfect and Imperfect Competition, Monopoly.- Factors of Production and their pricing – Land, Labour, Capital, Entrepreneur and other factors- Theory of Rent, Theory of Wages- Capital and Interest - Types of Capital, Gross Interest, Net Interest- Organisation and Profit - Functions of Entrepreneur, Meaning of Profit and Theories of Profit.• Macro-Economics<ul style="list-style-type: none">- Functions & Role of Money- Inflation: Types of Inflation, Causes, Effects, Inflationary Gap, Control of Inflation, Monetary, Fiscal and Direct Measures- Deflation: Causes, Effects, Deflationary Gap, Measures to Control Deflation, Deficit Financing.- Savings and Investment: Savings and Types of Savings, Determinants of Savings, Investment, Types of Investment, Determinants of Investment, Relationship between Savings and Investment.- Components of Economy: Primary Sector, Secondary Sector, Tertiary Sector, Informal Sector in Urban Economy, Parasitic Components in Urban Economy.- Concepts of GDP and GNP, Capital Formation- Parallel Economy: Definition of Parallel Economy, Causes and Effects of Parallel Economy on Use of	10

	Land and its Valuation - Its Impact on Real Estate Market - Construction Industry and Parallel Economy.	
b.	Book Keeping and Accountancy <ul style="list-style-type: none"> - The meaning and objects of Book Keeping, Double Entry Book Keeping. - Books of Prime Entry and Subsidiary Books: Cash Book, Bank Book, Journal, Ledger, Purchase and Sale Books, Debit and Credit Notes Register, Writing of Books, Posting and Closing of Accounts. - Trading Account, Profit and Loss Account, Income and Expenditure Account, - Preparation of Balance Sheet for Individuals and Companies and Disclosure Requirements. - Cost, Costing and Elements of Cost, Fixed Expenses, Variable Expenses, Break-Even Point. 	5
c.	Laws-General <ul style="list-style-type: none"> - Indian Legal System: Salient Features of the Indian Constitution, Fundamental Rights, Directive Principles of the State Policy. - Government: Executive, Legislature and Judiciary - Laws of Contract: Formation of a Contract, Parties, Void, Voidable and Unenforceable Contract, Contingent Contract, Misrepresentation and Fraud and Effect thereof, Termination of Contract, Remedies for Breach, Performance of Contract, Indemnity and Guarantee, Law of Agency. - Tort: General Principles of Tort, Tort affecting Valuation. - Law of Arbitration and Conciliation: Salient Features - Auction: Authority of Auctioneer, Duties of Vendor, Purchaser and Public, Mis-description and Misrepresentation, Advertisements, Particulars and Catalogues, Statements on the Rostrum, Conduct of Sale, Reservation of Price and Right to Bid, Bidding Agreements. Memorandum of the Sale. The Deposit, Rights of Auctioneer against Vendor and Purchaser - Laws of Evidence: Burden of Proof, Presumptions, Conclusive Proof. - Salient Features of the Insolvency and Bankruptcy Code, 2016 concerning Valuation. - Salient Features of the Companies (Registered Valuers And Valuation) Rules, 2017 - Salient Features of the Securitization and Reconstruction of the Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002) concerning Valuation - Section 5(n) of the Banking Regulation Act, 1949 on “Secured Loan or Advance” - The Companies Act 2013: Sections 192(2), 230 (1,2,3), 231, 232, 247(1), 281(1) 	6

d.	<p>Introduction to Statistics</p> <ul style="list-style-type: none"> - Data Classifications and Processing, Graphical Representation of Data, Frequency Distributions. - Measures of Central Tendency, Dispersion and Skewness. - Elementary Theory of Probability and Probability Distributions, Sampling and Sampling Distributions, Estimation - Simple Test of Significance, Regression and Co-relation, Multiple Correlation Coefficient, - Time Series - Index Numbers 	4
e.	<p>Environmental Issues in Valuation</p> <ul style="list-style-type: none"> - Environment and Valuation - Differences between the 'Market Price and the Negative Value Consequent on Environmental Impact. - Environmental Issues of Air Pollution, Water Pollution, Environmental Factors and their effects, Measures to Restore the Damage, Cost to Cure. - Outlines of Environmental Legislations: The Forest Act, 1927, Laws related to Industrial Health & Safety. - The Water (Prevention and Control of Pollution) Act, 1974, The Air (Prevention and Control of Pollution) Act, 1981, The Environment (Protection) Act, 1986 	4
f.	<p>Professional Ethics and Standards</p> <ul style="list-style-type: none"> - Model Code of Conduct as notified by MCA under the Companies (Registered valuers and valuation) Rules 2017 - Other Engagement Considerations 	4
g.	<p>Law-Real Estate</p> <ul style="list-style-type: none"> - Land Acquisition - The Right to Fair Compensation and Transparency in the Land Acquisition, Rehabilitation and Resettlement Act, 2013. - Provisions for Acquisition of Land under the Municipal Laws - Building Rules and Regulations of Local Bodies as well as Development Control Rules & Regulations of different urban development authorities for feasibility of Development/Redevelopment on the Land – Rules for Open Space, FSI and Plinth Area Restrictions. - Transferable Development Rights. - Rent Control Laws: Sections pertaining to Occupancy Rights of Tenants, Freezing of Rent and Protection against Eviction of Tenant and its effect on value of property. - Right of Way, Section 52 - Licenses under the Indian Easements Act, 1882. - Salient features of the Real Estate (Regulation and Development) Act, 2016 and Real Estate Regulating Authorities established under the Act. <p>• The Transfer of Property Act, 1882:</p>	10

	<ul style="list-style-type: none"> - Transfer of Immovable Property: Sale, Mortgage, Gift, Exchange, Assignment, Charge, Lien, Tenancies/Sub-Tenancies. - Lease of Immovable Property, Lease granted by Private and Statutory Bodies - Impact of each on Valuation. - Sections: 3, 5, 6, 7, 25, 53 and 53A • Laws Relating to Inheritance/Succession: <ul style="list-style-type: none"> - Mohmedan - Personal Law - The Hindu Succession Act, 1956, the Hindu Succession (Amendment) Act, 2005 (39 of 2005) - The Indian Succession Act, 1925: Law of succession for person other than Hindu and Mohmedan - Will & Testament; Succession Certificate 	
h.	<p>Valuation of Real Estate</p> <ul style="list-style-type: none"> - Cost, Price and Value - Types of Value - Basic elements of Value - Marketability, Utility, Scarcity, and Transferability - Factors affecting Valuation-Physical, Economic, Legal and Social - Highest and Best Use, Value in Use, Value in Exchange - Real Property: Rights and Interests in Real Estate, Types of ownerships and Types of occupancy in Real Estate - Annuities, Capitalization, Rate of Capitalization, Years Purchase, Sinking Fund, Redemption of Capital, Reversionary Value - Construction and use of Valuation Tables - Urban Infrastructure and its influence on Value of Real Estate - Real Estate Market and its characteristics, Investment in Real Estate, Factors influencing Demand and Supply Schedule in Real Estate 	13
	<ul style="list-style-type: none"> • Income Approach to Value <ul style="list-style-type: none"> - Relation between Income and Value - Valuation of Property affected by the Rent Control Act, Licensed property under the Easement Act, 1882 and Leasehold properties under the Transfer of Property Act, 1882. - Derivation of Yield Rate from Market Derived Data. - Remunerative Rate of Interest and Accumulative Rate of Interest - Types of rent: Outgoings, Income, Yield, Years' Purchase - Determination of Market Rent and Standard Rent - Lease: lessor and lessee: Types of Lease, Lease provisions and Covenants. 	7

	<ul style="list-style-type: none"> - Valuation of Lessor’s Interest, Lessee’s Interest including Sub-Lease in Leased Property. Premature Termination of Lease or Surrender of Lease. - Real Estate as an Investment, Yield from Real Estate vis-à-vis other forms of Investments- Sound Investment Comparison. - Investment Decisions: Discounted Cash Flow Techniques-Internal Rate of Return (IRR) and Net Present Value (NPV) - Profit Method: Valuation of Special Properties: Hotels, Cinema, Mall, Petrol Pump, Hill resorts 	
	<ul style="list-style-type: none"> • Market Approach to Value <ul style="list-style-type: none"> - Types of Market, Demand and Supply Curve, Bell Curve for Overall Sales Performance (Probability Distribution), - Market Survey & Data Collection, Sources of Sale Transactions, - Comparison of Sale Instances – Factors of comparison and weightages for adjustment in value, - Hedonic Model and Adjustment Grid Model under Sales comparison Method. - Land characteristics and its effect on Land Values - Hypothetical Plotting Scheme for value of large size land - Residue Technique and other development methods - Valuation for Joint Venture Development of property 	5
	<ul style="list-style-type: none"> • Cost Approach to Value <ul style="list-style-type: none"> - Methods of Cost Estimates for Buildings - Life of Building: Economic/Physical/Legal. - Factors affecting life of the building. - Total Life, Age, Estimating Future Life - Various methods of Computation of Depreciation, Functional, Technological and Economic Obsolescence - Reproduction Cost / Replacement cost, Depreciated Replacement Cost (DRC) working, adopting DRC as Value subject to Demand and Supply aspect - Land Value by Market Approach and Building Value by Cost Estimation Method for Owner Occupied Bungalows, Factories, Public Buildings. 	5

	<ul style="list-style-type: none"> • Various purposes of Valuation: <ul style="list-style-type: none"> - Valuation of properties for purposes such as: Bank Finance, Auction Reserve, Building Insurance, Sale, Purchase, Valuation Disputes in Court, Probate, Partition, Rent Fixation, Stamp Duty, Capital Gain Tax, Lease and Mortgage of Property. Any other purposes not referred above. - Asset Valuation under the SARFAESI Act 2002, the LARAR Act 2013, the Companies Act 2013, the Insolvency and Bankruptcy Code, 2016 - Concept of Transferable Development Rights (TDR), Concept of Time Share Interest in Real Property. Valuation of TDR, Time Share Interest and Easement Rights. - Study of Indian Accounting Standards (Ind AS) as applicable to Valuation of Real Estate. - Study of International Valuation Standards (IVS) as applicable to Valuation of Real Estate • Valuer as an Expert witness in Court. • Valuers' Functions & Responsibilities, Error of Judgement and Professional Negligence • Code of Conduct for valuers and Professional Ethics for valuers 	6
	<ul style="list-style-type: none"> • Important Case Laws on principles of valuation of Real Estate: <ul style="list-style-type: none"> - K P Varghese vs ITO (1981) 131 ITR 597(SC) - Gold Coast Trust Ltd. vs Humphray (1949) 17 ITR 19 - Rustam C Cooper vs Union of India AIR 1970 SC 564 - Hays Will Trust vs Hays and Others (1971) 1WLR 758 - V C Ramchandran vs CWT (1979) 126 ITR 157 Karnataka HC - Subh Karan Choudhury vs IAC (1979) 118 ITR 777 Kotkatta HC (Special Value/ FMV) - Wenger & Co. vs DVO (1978) 115 ITR 648 Delhi HC (Combination of Methods) - Sorab Talati vs Josheph Michem Appeal 101 Of 1949 - Vol. - 2 of SOC- page 162 (Bombay) (Invest Theory of Rent) - CWT vs P N Sikand (1977) 107 ITR 922 SC - SLAO (Eluru) vs Jasti Rohini (1995) 1SCC 717 SC - Shubh Ram and Others vs State of Haryana (2010) 1SCC 444 - Jawaji Nagnathan vs REV. DIV. Officer (1994) SCC - 4 Page 595 SC - Chimanlal Hargovinddas vs SLAO- Pune, AIR 1988 SC 1652 	2
i.	Principles of Insurance and Loss Assessment <ul style="list-style-type: none"> - Principles and legal concepts in relation to Insurance of buildings. The Contract of Insurance. Insurable 	5

	<p>Interests and Liability to Insure. Duties of the Insurer and the Insured.</p> <ul style="list-style-type: none"> - The types of Fire Policies, Reinstatement Cost Policy and policies for other perils, Terms and Conditions, Perils, Beneficial and Restrictive Clauses. - Value at Risk, Sum Insured and Condition of Average, Over and Under Insurance, Inflation Provisions, other contents, Depreciation, Obsolescence and Betterment. - Preparation of Claim for Damages due to Insured Perils. - Obligations and Rights of Insurer and Insured. 	
k.	<p>Report writing</p> <ul style="list-style-type: none"> - Reports-Quality, Structure, Style. - Report writing for various purposes of valuation-Sale, Purchase, Purchase, Mortgage, Taxation, Insurance, Liquidation - Contents of the report: Instruction of Clients, Valuation Date, Site Inspection, Location, Ownership History, Data Collection and Analysis, Type of Construction, Valuation Method, Value Estimation, Conclusion 	2
l.	<p>Case Study</p> <p>This section will have case study for application of valuation techniques. There will be comprehension(s) narrating the transaction based on which questions will be asked from the case.</p>	12
Total		100

Note: Wherever any Law, Act of Parliament or any Rule is referred in the syllabus, the same shall be taken as updated as on 31st December, 2017.

II. Format of Examination

The format of examination is as under:

- a. The examination is conducted online (computer-based in a proctored environment) with objective multiple-choice questions;
- b. The duration of the examination is 2 hours;
- c. A candidate is required to answer all questions;
- d. A wrong answer attracts a negative mark of 25% of the marks assigned for the question;
- e. A candidate needs to secure 60% of marks for passing;
- f. A successful candidate is awarded a certificate by the Authority;
- g. A candidate is issued a temporary mark sheet on submission of answer paper; and
- h. No workbook or study material is allowed or provided.
- i. A candidate may use a non-memory based calculator. No mobile phone is allowed.

III. Frequency of Examination

The frequency of Examination is as under:

- a. The examination is available from a number of locations in the country;
- b. The examination is available on every working day;
- c. A candidate needs to provide PAN and Aadhaar to enrol for the examination.

Further details about the examination will be provided subsequently.
