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Exposure Draft
of
ICAI Valuation Standard 102
Valuation Bases

Issued by Insolvency, Bankruptcy and Valuation Standards Board

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up under an Act of Parliament)

Exposure Draft

ICAI Valuation Standard 102 *Valuation Bases*

Following is the Exposure Draft of the ICAI Valuation Standard 102 Valuation Bases issued by the Insolvency, Bankruptcy and Valuation Standards Board of the Institute of Chartered Accountants of India, for comments.

The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide suggestions for alternative wording.

Comments can be submitted using one of the following methods, to be received not later than ***22nd November 2026.***

1. *Electronically: Click on* ***https://forms.gle/Uc9Kvhrko19n6NFaA*** *to submit comments online. (Preferred method)*
2. *Email: Comments can be sent to* ***commentsvsb@icai.in***
3. *Postal: Secretary, Insolvency, Bankruptcy and Valuation Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, A- 29, Sector- 62, Noida - 201309.*

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to ivsb@icai.in.

Draft

ICAI Valuation Standard 102
Valuation Bases

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*The ICAI Valuation Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. (This ICAI Valuation Standard should be read in the context of Framework for the Preparation of Valuation Report in accordance with ICAI Valuation Standards)*

Objective

1. This Standard:

(a) defines the important valuation bases;

(b) prescribes the measurement assumptions on which the value will be based; and

(c) explains the premises of values.

2. The objective of this Standard is to prescribe principles for a valuation engagement in respect of:

a) identifying and selecting an appropriate basis of value;

b) identifying and selecting an appropriate premise of value;

c) determining the relevant characteristics of the asset, liability or interest being valued;

d) identifying the relevant market, market participants or specific parties; and

e) determining the Valuation date/ Measurement date;

3. Identification of the appropriate valuation basis and premise shall form an integral part of the valuation process and shall precede, or be appropriately integrated with, the selection of the valuation approach and method.

4. A valuation conclusion is meaningful when the basis of value, premise of value, valuation date, subject matter, intended use and relevant assumptions are clearly identified.

Scope

5. This Standard applies to valuation of assets/ liabilities capable of being valued including inter alia the following:

a) businesses and business interests;

b) equity and other securities;

c) financial instruments;

d) intangible assets;

e) land and buildings;

f) plant, machinery and equipment;

g) infrastructure assets;

h) inventories;

i) biological assets;

j) liabilities.

6. This Standard shall be read together with Framework for the Preparation of Valuation Report and other applicable ICAI Valuation Standards.

7. Where a valuer is required to adopt valuation bases or premises that are prescribed by a law, regulation, notification, judicial order, contractual provision or other binding requirement, the valuer shall consider and comply with such requirement. In such cases, the valuer shall make an appropriate disclosure of such requirement and explain the bases or premises so applied.

Fundamental Principles

8. The valuer shall identify the purpose, intend use and intended users of the valuation before selecting the valuation basis and premise.

9. Valuation base selected by a valuer shall be appropriate considering the purpose of engagement and the terms of the engagement.

10. The premise of value shall be consistent with:

    a) the valuation basis;

    b) purpose of valuation;

    c) characteristics of the subject asset;

    d) circumstances existing at the valuation date;

    e) applicable law, regulation notification, judicial order or contractual provision, where valuation is carried out pursuant to such requirement.

11. The valuation report shall clearly state the basis and premise adopted

12. The same asset may have different values under different valuation bases and different premises of value.

Significant Elements

13. The key elements of a valuation exercise are:

    (a) an actual/ possible transaction;

    (b) valuation date; and

    (c) the parties (actual or likely) to the transaction.

14. The valuation date will determine what information can be considered in a valuation. Usually, information which is not available at the valuation date is not considered for the purpose of valuation.

15. The valuation exercise depends on but not limited to, the following:

    (a) nature of the asset to be valued;

    (b) scope and purpose of the valuation engagement;

    (c) valuation date/ measurement date;

    (d) intended purpose of the valuation;

    (e) applicable basis of value;

    (f) applicable premise of value;

    (g) assumptions and limiting conditions; and

(h) applicable governmental regulations

16. A valuer shall gather, analyse and where appropriate adjust the relevant information in a manner that the valuation approach and methodology are in line with the nature or type of the engagement. For example, for valuation of business, in accordance with ICAI Valuation Standard 301 Business Valuation, the information shall include but not limited to the following:

(a) non-financial information;

(b) ownership details;

(c) financial information; and

(d) general information.

Valuation Bases

17. Valuation base means the indication of the type of value being used in an engagement. Different valuation bases may lead to different conclusions of value. Therefore, it is important for the valuer to identify the bases of value pertinent to the engagement. This Standard defines the following valuation bases:

(a) Fair value;

(b) Participant specific value;

(c) Relative Value;

(d) Market Rent; and

(e) Liquidation value;

18. The list in paragraph 17 above is not exhaustive. A valuation may be undertaken using another basis where required or permitted by applicable law, regulation, notification, judicial order, contractual provision or other binding requirement.

19. The valuer shall not use a term describing a basis of value unless the meaning attributed to that term is clearly defined or otherwise established by the applicable framework.

Selection of Valuation Basis

20. The valuer shall consider, as relevant:

(a) purpose of valuation;

(b) intended use;

(c) intended users;

(d) nature of subject;

(e) relevant market;

(f) valuation date;

(g) expected manner of use or disposal; and

(h) other relevant circumstances.

21. Where applicable law, regulation, notification, judicial order, contractual provision or other binding requirement specifies the valuation basis to be adopted, the valuer shall apply such basis.

22. Where applicable law, regulation, notification, judicial order, contractual provision or other binding requirement does not prescribe the basis to be adopted, the valuer shall select the basis using professional judgement.

23. The valuer shall document the rationale for selecting the valuation basis where such choice materially affects value.

24. A valuer shall select an appropriate valuation base considering the terms and purpose of the valuation engagement.

25. A valuer shall not select a valuation base which is not appropriate for the intended purpose of the valuation. A valuer is responsible for understanding the relevant regulation(s) relating to the valuation bases which are selected and used.

Fair Value

26. *Fair value represents the price, estimated as the amount receivable for selling an asset or payable for transferring a liability in an orderly transaction occurring between market participants on the valuation date.*

27. Fair value is the price in an orderly transaction in the principal (or most advantageous) market at the valuation date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

28. Fair value is usually synonymous to market value except in certain circumstances where characteristics of an asset translate into a special asset value for the party(ies) involved.

Price

29. Fair value assumes that the price is negotiated in a free market (which may be domestic or international).

30. Fair value reflects characteristics of an asset which are available to market participants in general and do not consider advantages/ disadvantages which are available/ applicable only to particular participant(s).

31. The price in the principal (or most advantageous) market used to measure the fair value of the asset shall not be adjusted for transaction costs. To this end, a market in which the volume and level of activities is high, or one in which the realisation from an asset is maximum, is considered.

Orderly transaction

32. *Orderly transaction* is a transaction that assumes exposure to the market for a period before the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities and it is not a forced transaction. The length of exposure time will vary according to the type of asset and market conditions.

Principal Market

33. Where the applicable framework requires consideration of a principal market, the valuer shall identify the market having regard to the volume and level of activity and accessibility to the relevant participant.

Most Advantageous Market

34. Where a principal market does not exist or where the applicable framework requires consideration of the most advantageous market, the valuer shall consider the market that maximises the amount that would be received, after considering relevant transaction and transport costs as prescribed by the applicable framework.

Market participants

35. *Market participants are willing buyers and willing sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:*

(a) they are independent of each other, that is, they are not related parties as defined under applicable accounting framework and set of reporting/ accounting standards therein, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms;

(b) they are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due care that is usual and customary;

(c) they are able to enter into a transaction for the asset or liability; and

(d) they are willing to enter into a transaction for the asset or liability, i.e., they are motivated but not forced or otherwise compelled to do so.

Valuation date/ Measurement date

36. *Valuation date (also known as Measurement Date) is the specific date at which the valuer estimates the value of the underlying asset.*

37. Valuation is time specific and can change with the passage of time due to changes in the condition of the asset to be valued and/ or market. Accordingly, valuation of an asset as at a particular date can be different from other date(s).

Highest and best use

38. *The highest and best use is the use of a non- financial asset by market participants that would maximise the value of the asset or the group of assets (e.g., a business) within which the asset would be used.*

39. Highest and best use is usually for non- financial assets. The fair value of a non-financial asset will reflect its highest and best use in accordance with paragraphs [62-65].

40. Determining the highest and best use requires the valuer to assess whether a use is legally permitted, physically viable, and generates sufficient financial return.

41. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. The highest and best use of an asset may be its existing use or a different use.

Participant Specific Value

42. Participant specific value is the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants.

43. Participant specific value may be measured for an existing owner or for an identified acquirer or for a transaction between two identified parties and consider factors which are specific to such party(ies) and which may not be applicable to market participants in general. For example:

(a) participant specific value for a potential acquirer in connection with acquisition of a manufacturing facility will consider aspects such as location specific advantage or synergies which may not be available to market participants in general.

(b) participant specific value for transfer of 2% stake by a minority shareholder to a shareholder holding 49% stake will consider aspects such as minority discount and control premium

44. Participant Specific Value may inter-alia consider the following factors:

(a) investor-specific expectations;

(b) specific financing arrangements;

(c) investor-specific tax benefits;

(d) strategic benefits;

(e) specific synergies; and

(f) specific risk assessment

45. Participant Specific Value may be relevant in circumstances such as:

(a) Acquisitions

(b) Shareholder disputes;

(c) family settlements;

(d) separation of business interests;

(e) negotiated settlements; and

(f) other circumstances involving identified parties.

46. Certain examples of participant specific considerations which may be considered depending on valuation bases adopted include:

(a) acquirer specific considerations on account of other *assets* owned/ operated by such entity or ability to utlilise an asset in an unique manner; and

(b) legal/ tax implications which are specific to a participant (e.g., implication of the Competition Act or an ability of an acquirer to utilise the available tax losses in an accelerated manner);

47. Whether certain valuation considerations are applicable only to particular participant(s) or market participants in general, it shall be analysed on a case to case basis.

48. Where Participant-Specific Value is adopted, the valuer shall identify the parties and the specific circumstances considered.

Relative Value

49. ***Relative Value represents the comparative value of two or more businesses, securities, assets or interests determined for the purpose of establishing an appropriate relationship between them.***

50. In transactions of the nature of – merger or amalgamation of companies or merger or demerger of businesses, the consideration is often discharged primarily by issue of securities in the nature equity of the acquirer or transferee entity with reference to an exchange ratio or entitlement ratio, considering the relative values.

51. Relative Value may be relevant, inter alia, for:

    (a) mergers;

    (b) amalgamations;

    (c) demergers;

    (d) other transactions where consideration is determined by reference to the relative value of interests.

52. Such relative values are generally arrived at by applying an appropriate valuation approach or a combination of valuation approaches. If a combination of valuation approaches or methodologies is adopted, appropriate weightages are assigned to arrive at a single value. Relative values are usually derived by using similar valuation approaches, methodologies and weightages. Use of differing methodologies or approaches may be justified in some circumstances, e.g., merger of a listed company and an unlisted company where market price method would be relevant only for the listed company.

53. Relative Value shall not be presumed to be equivalent to Market Value, Fair Value or any other single basis of value.

54. The valuer shall ensure that the valuation bases, valuation dates, assumptions and other material parameters are sufficiently consistent to enable meaningful comparison.

Market Rent

55. Market Rent is the estimated rental consideration for a property interest agreed upon between a hypothetical willing lessor and lessee, transacting at arm's length under standard market lease terms.

56. Where Market Rent is determined, the valuer shall consider, as relevant:

    (a) location;

    (b) permitted use;

    (c) physical characteristics;

    (d) lease terms;

    (e) duration;

    (f) market conditions;

(g) other factors relevant to the rental market.

Liquidation Value

57. Liquidation value is the amount that will be realised on sale of an asset or a group of assets when an actual/ hypothetical termination of the business is contemplated/assumed.

58. Liquidation value can be carried out under the premise of an orderly transaction with a typical marketing period or under the premise of forced transaction with a shortened marketing period. The valuer must disclose whether an orderly or forced transaction is assumed.

59. The net amount is determined after considering estimated cost of disposal.

Premise of Value

60. Premise of Value refers to the conditions and circumstances how an asset is deployed.

61. In a given set of circumstances, a single premise of value may be adopted while in some situations multiple premises of value may be adopted. Some common premises of value are as follows:

(a) highest and best use;

(b) going concern value;

(c) as is where is ;

(d) orderly liquidation; or

(e) forced transaction.

Highest and Best Use

62. The highest and best use premise of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

(a) a use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g., the location or size of a property);

(b) a use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g., the zoning regulations applicable to a property);

(c) a use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

63. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

64. In certain cases, assessment of highest and best use may involve considerable subjectivity/ technical aspects and the valuer may base his assessment considering inter-alia relevant inputs from the client, information available in public domain, etc.

65. Where the highest and best use is different from the existing use, costs, to be incurred, if any for conversion of an asset to its highest and best use need to be considered for determination of value based on highest and best use.

Going Concern Value

66. Going concern value premise is the value of a business enterprise that is expected to continue to operate in the future.

67. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, the necessary licenses and technical know-how, marketing network, and procedures in place etc.

As-is-where-is

68. As-is-where-is premise represents the value arising from the expected economic benefits from continued use of an asset by the relevant entity.
69. As-is-where-is premise will consider the existing use of the asset which may or may not be its highest and best use.

Orderly Liquidation

70. The orderly liquidation premise assumes a sale scenario which allows for a reasonable marketing period to find a buyer for the asset on an as-is, where-is basis."

71. The reasonable period of time to market the asset would vary based on the market conditions, nature of the asset, etc.

Forced transaction

72. Forced transaction is a transaction where a seller is under constraints to sell an asset without appropriate marketing period or effort to market such asset.

73. Sale in the market that is not active cannot be presumed to be forced transaction without assessing the seller specific circumstances.

Other Considerations

Multiple Bases of Value

74. A valuation assignment may require more than one basis of value. Some of the examples include where:

    (a) law or regulation requires multiple values;
    (b) the purpose requires comparison;
    (c) different stakeholders require different valuation perspectives; or

75. Where multiple bases are reported, the valuer shall:

    (a) separately identify each basis;
    (b) separately state the premise;
    (c) explain the reason for each basis;

(d) avoid combining conclusions derived from different bases without appropriate explanation.

76. Where multiple bases are required by law or regulation, the valuer shall clearly distinguish the statutory requirement from any additional basis voluntarily presented.

Synergies

77. Synergies occur when the combined value and benefits of merging two or more entities, assets, or liabilities exceed the sum of their individual standalone values

78. Synergy is a term that is most commonly used in the context of mergers and acquisitions.

79. Synergy results from incremental benefits that accrue to the acquirer on account of economies of scale or other post-acquisition factors, such as realisation of increased discretionary cash flow (as a result of the combinations of two or more business operations over and above the aggregate discretionary cash flow of the two business viewed separately), or reduced risk in attaining same when two businesses combines.

80. While, Fair value will consider synergies which are available to market participants in general, Participant Specific Value will consider synergies which may be specifically available only to the concerned participant(s).

Integration Costs

81. Integration costs refer to additional one time/ recurring expenses which may need to be incurred by an acquirer, e.g., alignment of employment terms/ remuneration for employees of the target entity with the acquiring entity.

Assumptions

82. An Assumption is a condition accepted as true for purposes of the valuation without necessarily being independently verified.

83. Sometimes, a valuer may make assumptions to derive the value as per the chosen valuation base.

84. A valuer may make assumptions which are appropriate having regard to the circumstances and terms of engagement.

Transaction Costs

85. ***Transaction costs are the costs to sell an asset or transfer a liability in the principle (or most advantageous) market for the asset that are directly attributable to the disposal of the asset or transfer of liability and which meet both the following criteria:***

(a) they result directly from and are essential to that transaction;

(b) they would not have been incurred by the entity, had the decision to sell the asset or transfer the liability not been made.

No adjustment will be made for any taxes payable by either party as a direct result of the transaction.

86. Transaction costs are not a characteristic of an asset or a liability; rather, they are specific to a transaction and will differ on the terms of transaction.

87. Where an applicable accounting or regulatory framework prescribes treatment of transaction costs, the valuer shall comply with such requirement.

88. In liquidation or disposal valuations, costs directly associated with disposal may be relevant in determining the amount ultimately realisable.

Effective Date

89. ICAI Valuation Standard 102 Valuation Bases, shall be applied for the valuation reports issued on or after [ ].