

# Valuation for Bank Finance (Mortgage)

Who are 'Mortgagee' & 'Mortgagor'?

- Identification
- Legal & technical
- Adequate information of property
- Permitted, present & potential use
- The future outlook of property
- Suitability & stability of property
- Price & trend of price of property

**Factor to focus...**

Technical, Legal, Social, Marketability, Price & its trend

# Valuation for Insurance

Who are 'Insurer' & 'Insured'?

What is premium, sum insured, overinsurance & underinsurance?

**Insurance of property** means insurance of buildings, machinery, stocks etc. against **fire & allied perils**, burglary risks and so on.

## Fire Insurance Policy

It protects against any unforeseen loss or damage to/destruction of property due to fire or other perils covered under the policy.

### Fire Policy includes...

Lightning, explosion/implosion, aircraft damage, riot, strike and malicious damage, storm, cyclone, typhoon, hurricane, flood and inundation, impact damage, subsidence and landslide including rockslide, bursting and/or overflowing of water tanks, apparatus and pipes, accidental leakage from automatic sprinkler installations, bush fire etc.

# Valuation for Insurance

## Fire Policy excludes...

Loss or damage caused by war and warlike operations, nuclear perils, pollution or contamination, electrical/mechanical breakdown, burglary and housebreaking

## Basis of Valuation

### Reinstatement Cost/Value

Where property is lost or destroyed, in the case of a building, the rebuilding thereof, or in the case of property other than a building, the replacement thereof by similar property in either case in a condition equal to, but not better or more extensive than its condition when new.

It is the value at which a property can be reinstated in the same place, which bears no depreciation for its usage.

## Indemnity Value

The cost necessary to replace, repair and or rebuild the asset insured to a condition and extent substantially equal to but not better or more extensive than its condition and extent **at the time that the damage occurred**, taking into consideration the age, condition and remaining useful life of the asset.

**Value at Risk:** It is the actual value of insured property, which should have been considered at the time of arranging insurance.

**Sum Insured:** It is value of the insured property opted for by the insured.

$$\text{Amount Payable} = \text{Assessed Loss} \times \frac{\text{Sum Insured}}{\text{Risk Insurable}}$$



The factors to consider...

- Technical Specific
- Reinstatement Value & Market Value
- Demolition costs and removal of debris
- Fees associated with reconstruction, architects, survey and engineering
- Provisions inflation, betterment or obsolesce

**Factor to focus...**

Type of policy & its perils, inclusion & exclusion of cost element, salvage or scrap value, cost of removal of debris

# Mergers and Acquisitions

**Fair Value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Investment Value** is the value of an asset to a particular owner or prospective owner for individual investment or operational objectives.

**Synergistic Value** is the result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values

Value at Whole, Part & Fraction

Value of Surplus, Non-operative & Off Balance Sheet assets

## Valuation of Stamp Duty

**Transfer:** The essence of the term transfer is to convey. It therefore implies conveyance of property by a person entitled to it to a person having no title to it.

Market Value or Fair Value

Immovable Asset

**Movable Asset: Stamp Duty is not applicable**

# Valuation for Financial Statements

Identification of Asset (as asset or not)

Fair Value

Useful Life

Residual Value

Depreciation

Componentization

Impairment of Asset

Revaluation Method

Ind AS 16 – Property, Plant & Equipment



# Valuation of Auction

Market Value

Orderly Liquidation Value

Forced Sale Value

Liquidation value

Existing Use – Ex-situ / In-situ

Alternative Use - Ex-situ / In-situ

Marketability & Marketing Time

Obsolescence

# Valuation of Leasing

Right, Interest & Benefit of Lessor & Lessee

Lessee: Gross Income, Out Going, Net Income & Lease Rent

Lease Rent, Period & Termination Clause

Risk Factor

Residual Value

Trend of Product & Technological Evolution

Tax Structure



# Valuation for Disposal

Residual, Salvage & Scrap Value

Related Laws