

VALUATION IS ALL ABOUT COSTING

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VALUATION IS ALL ABOUT COSTING

- ✓ Objective
- ✓ Introduction – Valuation & Costing
- ✓ Points of Synergy
- ✓ Wishful Role from a CMA
- ✓ Discussion among participants

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Objective

- To correlate the domain knowledge of CMAs to the new emerging areas.

My Hypothesis is

- Cost Experts are Data Scientists
- CMA is an Expert & can serve the Valuers

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Objective..

- May be we can draw a similarity between estimated price of a share Valued vs actually Quoted price; to that of Budgeted Vs. Actual performance (of the years considered for the purpose of valuation.
- Sec.2(38) of CA 2013; defines “Expert” which includes a Cost Accountant in practice – who can issue a certificate in pursuance of “ANY LAW”
- Poor Investor certainly deserves monitoring to ensure downside protection.

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✓ Valuation

- ✓ PRICE is where a deal is struck
- ✓ Cost is directly related to consumption of resources to have the asset
- ✓ Value is a function of future benefits
- ✓ Challenge of Valuation is a challenge of integrating Value, Price and Cost
- ✓ Valuation depends a lot on Judgement Gut Feeling Hunch Of the valuation Professional

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- ✓ Valuation is the process of determining the Economic Worth of an Asset or a Liability under certain Assumptions and Limiting Conditions and subject to the data available on the Valuation date
- ✓ Value is a monetary worth of future benefits one is going to have from an asset
- ✓ Securities include the Equity Instruments
- ✓ Valuation of Equity is vital for new ventures
- ✓ DCF Method is understood to be popular

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- Pharma Industry
 - Capacity determination
 - Input Out Put ratios
 - Business Environmental Analysis
 - Down Time Analysis
- Sugar and Edible Oil segment
 - Joint Cost apportionments
 - Bye Products and the impact on Business
 - Stand Alone Valuations for the Utility functions
- Steel Industry
 - Step Ladder calculations giving product specific costs
 - Working capital Cycles

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- 28 – 11 para and Current Regime
 - Standard and Actual Consumption per Unit of Production
 - Idle Man days Analysis if any
 - FAR for each of the cluster or Cost center
 - Overheads – For the product and For the Unit
 - Detailed Schedule for Pollution Control Costs for CY plus 2 years – a sort social Governance trends
 - What went wrong – Abnormal costs
 - Operating ratio Analysis
 - Value added available for distribution among stakeholders
 - Performance Appraisal Report
 - Segment wise Top Line analysis vis-à-vis Profitability
 - Business Process Flow Charts

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- ✓ **Wishful Role from a CMA – Off the Board**
 - ✓ Daily Data Card + Purchase Price Index
 - ✓ Value Added analysis – Macro level
 - ✓ Product specific cost sheets at micro level
 - ✓ Industry specific inputs

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- Synergistic Value - Synergistic value is also known as marriage value.
- It arises from the combination of two or more assets to create a new asset that has a higher value than the sum of the individual assets.
- Line Balancing and Capex Planning to optimize the Capacity efforts can bring some info. Into limelight
- Capacity Discussions.

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- CMA can be the Data Scientist
- CMA can provide peer review of the Cost parameters
- CMA can give Historical Performance from a different perspective
- CMA can Industry Specific Cost – Business practices
- CMA can provide a cross check of the Input Costs Data
- CMA can give optimal Man power requirement
- CMA can be a service provider by being a Data Bank to a Valuer
- "what has been estimated as the price of a share by the Valuer and how the same has been faring in the market"; just as we have the Budgeted Vs. Actual performance. – CMA can play the role of Tracker

Thank You

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