The word 'value', in simple words, refers to intrinsic worth of an object or a thing. A thing which is valuable is expected to possess utility. A natural corollary to the above statements would be that anything which has utility will have some worth or value. 'Value' however, is a subjective concept and may differ from person to person, from place to place, from time to time and from one situation to another. This reminds us of the age old adage 'Beauty lies in the eyes of the beholder' which has been aptly described by David Laro & Shannon Pratt ('Business valuation and Taxes, Procedure Law and Perspective') in their words "Like beauty, value is in the eye of the beholder. What is value to one may be inconsequential to another. In this regard, value is mere subjective perception……" A painting by Picasso or Vincent Van Gogh, for instance, may have a high value to a person of aesthetic nature who will not mind spending any amount of moolahs to buy the painting while it may not command such value to a person with no or very little interest in painting. Thus there is always a subjective connotation associated with value and valuation.

Valuation refers to the process of assessing value or price. In commercial parlance, valuation is the process of estimating what something is worth. Business valuation is the process of determining the current worth of a business by use of objective measures (though use of subjective measures cannot be ruled out altogether) and after evaluation of all aspects of business. Items that call for valuation are mostly financial assets or liabilities. It is very common to value assets (for eg, investments in marketable securities such as stocks, options, business enterprises or intangible assets like patents, trademark, copy right) or liabilities (For eg, bonds issued by a company). Valuation of business may be required for a variety of reasons; some of which are investment analysis, long term and medium term investment decision, capital budgeting, mergers & acquisitions, demerger/splitting, dividend decision, share buyback, litigation, tax related valuation including transfer pricing, fulfilling government requirements etc. The list can go on. The importance of business valuation has assumed great significance in recent times in the wake of economic liberalization where controls began to pave the way for deregulation and corporate acquisitions and mergers have become the order of the day. Business valuation to be effective should be clearly defined and the objectives sought to be achieved to be properly ascertained. Also, it is imperative to take into consideration factors like the nature and history of the business, the present financial status of the business, the general economic conditions prevailing in the company and also the industry in which the company operates, normalization of financial statements where comparability adjustments to be done to facilitate comparison with other organizations operating within the same industry, non-operating adjustments to be done where the non-operating assets to be excluded, and non-recurring adjustments to be done where items of expenditure/income which are of a one-time nature are to be excluded to facilitate comparison between different periods.

The importance of business valuation has assumed great significance in recent times in the wake of economic liberalization where controls began to pave the way for deregulation and corporate acquisitions and mergers have become the order of the day.

There are several valuation models that are used, ranging from the simple to the sophisticated ones. There are mainly three approaches to valuation:

- Absolute value models that determine the present value of an asset's expected future cash flows. These kinds of models take two general forms: multi-period models such as the discounted cash flow model or single-period models such as the Gordon model. These models rely on mathematics rather than price observation.
- Relative models determine value based on the observation of market prices of similar assets.
- Option pricing models are used for certain types of financial assets (e.g., warrants, put/call options, employee stock options). The most common option pricing models are the Black-Sholes-Merton models.

The role of CMA's in business valuation is immense as it is these professionals who act as Financial/ Accounting analyst and performs financial analysis of the financial/accounting information that reflects the business reality of the company that is being analyzed. CMA's in the present competitive scenario are technically competent to act as appraisers, advisors, consultants, valuers, strategist on matters relating to valuation.

To conclude, let me share with you the fact that while the penultimate issue of the journal have dealt with a theme that was mainly of academic interest not having much bearing on the profession, a humble endeavour is being made in this issue to cover topics that are not only contemporary but which would provide valuable insights to certain practical aspects in Finance.

Am hopeful that our dear readers would find the articles quite practical, useful and enriching!