CHAPTER-I

NEED FOR VALUATION OF SHARES

A. Introduction:

One of the most interesting features of the company form of Organisation from the point of view of shareholders is the transferability of shares. Primarily it is in relation to this feature that the problems of valuation arise. As with any other transferable commodities or rights, the transferor will expect to obtain a price from the transferee and before that price is determined, interested parties must have a clear idea of what it is that is being transferred and this involves some consideration of the whole nature of a share in a limited company and of the rights and obligations attaching thereto.

B. Nature of a Share:

The capital of a company is usually divided into certain indivisible units of a stated amount. Each unit is called a share. A Dictionary For Accountants defines a share as "One of the equal parts into which each class of the capital stock of a corporation is divided."¹ Share means share in the share capital of a company. It includes stock except where a distinction between stock and shares is expressed or implied (Sec. 2 (46))². The meaning of a share and nature of a share question of "what is a share and what is its nature?" received judicial attention from Farwell, J., in Fordland's Trustee Vs. Steel Brothers & Co. Ltd.³ In that case Farwell, J., said :-
"A share is the interest of a shareholder in the company measured by a sum of money, for the purpose of liability in the first place, and of interest in the second, but also consisting of a series of mutual covenants entered into by all the shareholders inter se. The contract contained in the articles of association is one of the original incidents of the share. A share is not a sum of money settled, but it is an interest measured by a sum of money and made up of various rights contained in the contract including the right to a sum of money of a more or less amount." A share has also been defined as "an interest having a money value and made up of diverse rights specified in the Articles of Association."4

It is an interest in the company entitling the owner thereof to receive proportionate part of the profits declared as dividend if any, and of a proportionate part of the assets of the company upon liquidation. It carries with it certain rights and liabilities while the company is going on or while the company is being wound up. In this sense it may be defined as a "bunch of rights and obligations."5 When, therefore, the owner of a share dies, what passes upon his death and what has to be valued is nothing more than the totality of his rights and liabilities as they exist under the Companies Act and the constitution of the particular company.6

Each share in a company having a share capital must be distinguished by its appropriate number. A share is supported by a share certificate which is prima facie evidence of the title of the member to the shares.7
The shares of any member in a company are a movable property. They are transferable in the manner provided by the Articles of the company. A man’s movable properties are of two kinds, namely, chose-in-possession and chose-in-action. Chose-in-possession means property of which one has actual physical possession, but chose-in-action means property of which one does not have immediate possession, but has right to it, which can be enforced by a legal action. This right is generally evidenced by a document. A share in a company is also a chose-in-action and share certificate is the evidence of it. In Vishwanathan Vs. East India Distilleries, it was observed: "A share is undoubtedly movable property but it is not movable property in the same way in which a bale of cloth or a bag of wheat is movable property. Such commodities are not brought into existence by legislation, but a share in a company belongs to a totally different category of property. It is incorporeal in nature, and it consists merely of a bundle of rights and obligations. Every one of these rights and obligations is created by a statute or under statutory instruments or powers which also defines their extent, scope, boundaries and incidents." A share is a tangible property. It is a symbol of "passive property." The "active property" is under the control of the corporate managers. A shareholder has a piece of property with an open market value.

In India a share is also regarded as goods. The sale of goods Act defines goods as including every kind of movable property. Shares of a company are goods and they can be bought, sold, mortgaged or bequeathed.
C. Types of shares:

Thus it appears that the exact nature of a share does not admit of easy explanation, the company being an altogether distinct person from the members composing it. It is universal for an incorporated company to have a share capital which under the Companies Act can be of two types, viz., (a) preference share capital and (b) equity share capital. Preference share capital is the sum total of preference shares while equity share capital is the sum total of equity shares. Preference shares are those which bear two preferential rights under section 85(1) of the Companies Act, namely, (a) preferential right to be paid a fixed amount or an amount calculated at a fixed rate during the life time of the company, and (b) preferential right to the return of capital when the company goes into liquidation. The preference in both the cases is over the equity shares. All shares of a company other than the preference shares are called equity shares.

D. Rights of shareholders:

In addition to the above named two common preferential rights of the preference shares, a company may subject to the provisions of the Companies Act and of the articles of association, have different types of preference shares with different rights and privileges. For instance a company may have (i) cumulative preference shares on which there is a right of dividend being accumulated till it is paid off; (ii) Non-cumulative preference shares on which the dividend does not go on accumulating;
(iii) Participating preference shares on which there exists a right of participation in the surplus profits or surplus assets of the company; (iv) Non-participating preference shares on which there exists no right of participation; (v) Convertible preference shares with a right of the holders to convert them into equity shares; (vi) Non-convertible preference shares with no right to convert them into equity shares; (vii) Redeemable preference shares on which there is a right of redemption. The rights and privileges of equity share holders are normally laid down in the articles subject to the provisions of the Companies Act. It has already been stated that a share is a bundle of rights and obligations. Any person requiring a valuation of any share must, therefore, begin with "the examination of the legal rights and liabilities of which the share consists."  

According to Ballantine, shareholders have three classes of rights against the company under their share contract.

1. Rights as to control and management:

These rights include:

Rights attached to a share:

a) Voting rights for making amendment to the Memorandum of Association and other fundamental changes in the corporate existence and set up;

b) Voting rights for amending and making the Articles of Association which may regulate any matter;

c) Voting rights for the election and removal of directors and the incidental right of holding the annual and extra-ordinary meetings and due notice thereof;

d) The right to have the company managed honestly and carefully for the benefit and profit of the shareholders within the scope of the authorised business.
2. **Proprietary rights** :-

These rights include :

a) The right to participate rateably in dividend distributions;
b) The right to participate in the distribution of assets in liquidation;
c) The right to be registered as a shareholder in the company's books;
d) The right to equality and honesty of treatment by the company in corporate transactions affecting shareholders' interests such as new issue of shares.

3. **Remedial rights** :-

These include :

a) The right to information and inspection of company's records;
   (But a shareholder has no right of access to inspection of the books of account of a company). 16
b) The right to bring representative suits on company's causes of action to prevent or remedy mismanagement or unauthorised acts and to compel the company to enforce its rights;
c) Equitable remedies for infringement of individual rights, when the interest of justice so requires; 19
d) The rights given by the general law of the land e.g. in India in case of any mis-statement in the prospectus, a person who has applied for shares on the faith of such prospectus and has been allotted shares, can avoid the contract and claim damages under the general Law.
The Companies Act, 1956 has conferred on the members certain rights which can not be taken away or modified by the Memorandum or Articles of Association. These statutory rights are:

1. Right of priority to have shares offered in case of increase of capital; (Sec. 81)
2. Right to receive notices of meetings, attend and vote at meetings;
3. Right to transfer shares; (Sec. 82)
4. Right to receive a share certificate; (Sec. 113)
5. Right to receive copies of annual accounts;
6. Right to inspect the register of members; (Sec. 163)
7. Right to apply to the Central Govt. for calling an annual general meeting when the company is in default in calling such meeting; (Sec. 167)
8. Right to apply to the Company Law Board for calling an extraordinary meeting under sec. 186 or for ordering an investigation under sec. 235;
9. Right to participate in appointment of directors and auditors; Secs. (22b & 225)
10. Right to petition to the High Court for relief in cases of oppression and mismanagement (secs. 397 and 398) or for winding up of the company under sec. 439.

In addition to the above rights, certain other rights may be given to the members by the Memorandum and Articles of Association.
E. **Liabilities and obligations of shareholders:**

A share carries with it certain liabilities and obligations of a company. The liability of a shareholder depends on the type of the company e.g., in a company limited by shares, the shareholder is not liable to pay anything more than the nominal value of the share. The Memorandum of Association contains provisions regarding the liability of shareholders. Certain liabilities may arise as contributories in case of winding up under Sec. 426 of the Companies Act, 1956. Some of the obligations of a shareholder are:

a) Obligation to pay the unpaid amount due on the share, when calls are made.

b) Obligation to discharge the liability as a contributory under sec. 426 of the Companies Act, 1956.

c) Obligation to follow the decision of the majority of the shareholders unless the majority are guilty of mis-management and oppression.

d) Obligation to discharge the debts of a company under sec. 45 of the Companies Act, 1956 in the case of the reduction of number of members below the legal minimum.

F. **Who needs valuation?**

Once the rights and obligations attached to a share are known, an accountant or other valuation expert is aware of the limitations in the context of which he is to put a value on the shares for others who are essentially his clients. But who are these interested persons for whom the accountants or other expert valuers value a
Who requires professional valuation of shares and why? The parties interested to know the value of a share may be a prospective buyer, a prospective seller, an executor or a Government Department. Valuation of shares may be necessary - (i) to the owner who is interested to know the intrinsic worth of his investment; (ii) to a willing buyer and willing seller (explained later on) to make an agreed price; (iii) to a person who is required to discharge certain statutory obligations under some statutes e.g. Estate Duty Act, Wealth Tax Act etc.; (iv) to the prospective buyers and sellers for guidance; (v) to a Government department to see that the provisions of certain statutes relating to valuation of shares are duly complied with; (vi) to a company for the formulation of certain future schemes e.g. schemes of reconstruction; (vii) to a finance company for stock-taking purposes; (viii) to an enthusiastic investor willing to gain control of a company; and (ix) to any other person whose proprietary interest in a company changes hands or is affected for example by bequest, or by any other casual circumstances like raising loan on the security of shares.

C. Purposes of valuation:

Generally speaking, the purposes for which valuation of shares is required are divisible into two categories, statutory and non-statutory. Where a share is to be valued for fulfilling some objects under a statute, the valuation is essentially for a statutory purpose. Non-statutory purposes are
those in which shares need to be valued for executing various commercial transactions or for arriving at various economic decisions.

II. Statutory Purposes of Valuation of Shares:

The valuation of shares becomes necessary for statutory purposes where the law imposes a charge determined on the value of the shares, for example where the shares form a part of a person's total assets and there is a charge on the value of the total assets, the shares have to be valued. In the case of statutory valuation, the particular statute lays down the cases in which such valuation is necessary and for the purpose rules may be prescribed as to how statutory valuation is to be made. There are cases, however, where no statutory rules in this regard are prescribed and then the valuation has to be made according to the normal and accepted methods of valuation. Thus statutory valuation is static in some cases while it is dynamic in some other cases. Where there are fixed and rigid rules prescribed in the statute for the valuation and such rules are to be followed strictly for the purpose of share valuation, it is a case of static valuation. Statutory rules for valuation are termed as static where they remain the same for long periods once these rules are formulated and prescribed. Although there are changes in the environments or outside conditions, the legal provisions do not change except after a considerable time. On the other hand, where the valuation is not required to be made strictly in accordance with a body of rules statutorily prescribed, the
valuation takes into account the changes in the ideas and thoughts and several other factors which move with time. In such cases the rules are dynamic.

Instances are given below of the cases where statutorily the shares have to be valued.

1. **For estate duty purposes**:

   Where a person dies and leaves, as part of his estate, shares in a company, it is necessary to value such shares for the purpose of determining the principal value of the estate passing on the death for the levy of estate duty under the Estate Duty Act, 1953. The Estate Duty Act, 1953 has laid down specific provisions for the valuation of shares in a private company where alienation is restricted. Special provisions have been made for valuing share held by the deceased in a controlled company under Rule 15 of The Estate Duty (Controlled companies) Rules.

2. **For wealth tax purposes**:

   Where the net wealth as defined in the Wealth tax Act, 1957 of a person includes shares in a company, a value is to be put on such shares for the purpose of determining wealth tax. The Wealth-tax Rules provide for the valuation of unquoted preference shares and for the determination of the market value of unquoted equity shares of companies other than investment companies and managing agency companies.

3. **For gift tax purposes**:

   Where shares in a company are given as a gift, it is necessary
for the purpose of determining the value of the chargeable gifts and of assessing gift duty to place a value on the shares under the Gift tax Act, 1958. No specific provision appears in the Act, for the valuation of shares in a private company in which Articles of Association contain restrictive provisions as to the alienation of shares. For the valuation of such shares, only a clue is provided by the Gift-tax Rules, 27

4. For income-tax purposes: -

Any profits or gains arising from the transfer of a capital asset effected in the previous year is chargeable to income-tax under the head "Capital gains". 28 Where shares in a company being capital assets are transferred, 29 it may be necessary to value such shares for the purpose of assessment of capital gains. Valuation of shares may be necessary under Sec. 52.

The Income tax Officer may decide the fair market value 30 of shares (i) where, in his opinion, the fair market value of the shares transferred by the assessee on the date of transfer exceeds the full value of the consideration declared by the assessee by an amount of not less than 15% of the value declared, or (ii) where a person who transfers the shares is directly or indirectly connected with the transferee and the Income-tax Officer has reason to believe that the transfer was with the object of avoidance or reduction of liability under Sec. 45. 31 Valuation of shares may be necessary under sec. 55(2) of the Income-tax Act, 1961 for the determination of "Cost of acquisition".
5. For stamp duty purposes:

Valuation of shares is necessary upon a transfer of 32 shares for the purpose of the assessment of stamp duty. The circumstances here are varied. The transfer may be:

a) for bona fide valuable consideration approximating the true value, or

b) for bona fide valuable consideration, which for various reasons may be considerably less than the true value, or

c) without any valuable consideration in money or money's worth. When an instrument is chargeable with ad valorem duty in respect of any share, such duty can be calculated on the value of quoted shares under Sec. 21 of the Indian Stamp Act, 1899. In case of unquoted shares it seems that market value has to be ascertained for the purpose of Sec. 21.

6. For Court fees purposes:

Shares are valued for purposes of Court fees where the shares are the subjects of litigation. For the purpose of Court fees, the quoted shares present no problem. In case the shares have no market value, a value has to be ascertained and
stated in the plaint for the purpose of paying Court fees (Sec. 7(iii) & (iv) (a) of the Court Fees Act, 1870). When petitioning for the grant of probate or letters of Administration shares have to be valued for the payment of Court fees.

7. For various purposes of Companies Act, 1956:

Instances are given below of the various purposes for which valuation of shares may be necessary under the Companies Act, 1956.

(a) Formulation of the Schemes of amalgamation, absorption and re-construction:

For the purpose of an amalgamation or merger between two companies carrying on similar or allied business, a valuation of the shares of both the companies is essential.

Where companies amalgamate by absorption, it will be necessary to arrive at the value of the shares held by the members of the company being absorbed or taken over.

While formulating the schemes of internal reconstruction, valuation of shares of the company being reconstructed is essential. Valuation is also necessary for the purpose of assessing the total value of the whole of the issued capital of a company which is to be reconstructed by sale to a new company with additional shareholders.

(b) Acquisition of shares of dissentient shareholders:

(1) Where a scheme or contract involving the transfer/shares
or any class of shares in a company to another company has been approved by the majority under the Companies Act, and the transferring Company decides to acquire the shares of dissentient shareholders also, valuation of such shares may be essential, when it can be proved that the offer is unjust or unfair.

(ii) Where a company is reconstructed under sec. 494 of the Companies Act and there are dissentient members — that is members who did not vote in favour of the special resolution referred to in that section, expressing their dissent therefrom, they may require the liquidator to purchase their interest at a price to be determined by agreement or by arbitration in the manner provided by this section. 39

(c) Conversion :-

Conversion of shares of one class into shares of another class as permitted under the Companies Act, 1956 may take place in two ways.

(1) As between the existing classes :-

Where shares of one existing class are converted into shares of another existing class, valuation of both the classes of shares is essential so that the conversion may be just and equitable.

(ii) Conversion to a new class :-

Where shares of one existing class are converted into shares of a new class, valuation is necessary only for the
existing class of shares.

(d) **Acquisition of a company** :- (Contractual and compulsory)

(i) Where a company is acquired under an agreement, valuation of shares of the company being acquired is necessary to settle the compensation payable to the members of the company.

(ii) Where the state\(^{b0}\) wants to acquire a company or to requisition (that is, to take over its possession for a temporary period) it for a public purpose under a law passed by the state, it must pay under the constitution of India\(^{1}\), an amount\(^{b2}\) to the owners of the company. Valuation of shares is essential to determine the amount payable to the owners of the company being acquired.

(e) **Exchange of shares** :-

(i) For the purpose of the sale of the whole or part of the shares of a company to an investment company, not being a Holding company as defined in the companies Act\(^{43}\) in exchange of the shares of such investment company, valuation of shares is necessary. If the investment company had been in operation before the sale, this case would then involve a valuation of shares of both the companies.

(ii) Valuation of shares is also necessary in the case of a mutual exchange of shares between two trading companies willing to establish mutual co-operation and understanding, there being no
relationship of the nature of holding and subsidiary companies.

(f) **Share options** :-

Values of the existing shares are to be estimated (Particularly for unlisted shares) for the purpose of valuing share options or rights under Right Issue.

(g) **Purchase and Sale of fractional interest** :-

Shares are required to be valued to settle the amount payable to a person entitled to a fractional interest in respect of the bonus shares issued by a company. For instance, if a company issues bonus shares at the rate of one for three shares held, a member holding two shares must either acquire from any other member a fractional interest to the extent of one-third of a bonus share or must dispose of his interest in the bonus share issued by the company.

(h) **Annual accounts and reports** :-

Valuation may be necessary for the proper display in the Balance Sheet of the item "Investment".

The companies while preparing their Balance Sheet in accordance with the form of Balance Sheet, set out in the Companies Act, make presentation to the shareholders and other readers of financial information about the nature and value of quoted and unquoted investments. The prices of quoted securities may be readily available from market quotations, but the value of other items in an investment portfolio, such as interests in private
companies, may have to be determined.

(i) Transfer of shares under a direction from the Government:

Where a transfer of shares to the Central Govt. or to a body corporate under the ownership or control of the Central Govt. takes place in compliance with the provisions of Sec. 108-B of the Companies Act, the Govt. or the Corporation shall pay an amount equal to the market value of the shares transferred. The market value is the stock exchange value for quoted shares. But such value has to be estimated in the case of unquoted shares.

(j) Variation of shareholders' rights:

Where the rights attached to the shares of different classes or any class of a company are varied under the provisions of the Companies Act, the future trading of the shares with new rights will demand the estimation of a value which will be entirely different from the value immediately preceding the variation of rights.

(k) Transfer of shares in a private company:

If the shares of a private company which are not quoted are to change hands, the values of such shares are to be ascertained. Sometimes the Articles of Association of a Private company lay down that the members wishing to sell their shares must offer them in the first instance to the shareholders of the company at a "fair value" which has to be certified by the auditor or a valuer.
(1) Non-statutory purposes of valuation of shares :-

So far as the non-statutory purposes are concerned there are two main reasons why a valuer may be called upon to place a value on the shares of a company. These are :-

1. There is no market price for the shares (e.g. in the case of a closely held or one man company), and

2. Although there is a market price, for special reasons, the market price does not represent the true or intrinsic value of the shares.

Normally where shares are quoted on the stock exchange, a ready means of ascertaining the value placed on such shares by buyers and sellers is available. But in the case of Private companies, this information is not available. Moreover, stock exchange quotations are taken to be useful particularly for handling ordinary transactions in shares. There are doubts as to whether the stock exchange quotations hold good for very large lots or whether stock exchange quotations can be taken to be a true measure of value of a particular holding of shares. However, the point as to whether stock exchange quotations can form a fair and equitable or rational basis for valuation is a matter of controversy and has been discussed in...
later chapters. For the time being it will be appropriate to suggest that in cases where the stock exchange prices are not accepted as values or such prices are not available, valuation of shares is necessary for some non-statutory purposes. Instances are given below of the various non-statutory purposes for which shares are required to be valued.

1. Transfer of controlling interest:

Where a party intends to purchase or sell controlling shares in a company, a value quite different from the Stock Exchange quotation is likely to be put on the shares. In valuing controlling interest, open market value subsides and some other value is computed. This is because the controlling shares carry with them not only the ordinary rights attached to shares, but some additional benefits arising out of the dominating position of the holder of controlling interest. Mr. Justice Farwell observed in Ocean Coal Co.Ltd. vs. Powell Duffryn Steam Coal Co. Ltd.

"If one takes the illustration.......of an offer of shares sufficient to give control of the company, it may well be that a purchaser would be prepared to pay a much higher price for a number of shares sufficient for that purpose, whereas he would not be willing to pay such a higher price if the number of shares are reduced below the necessary number......." Extra value is required to be placed on a block of shares because it constitutes a controlling interest.
2. Transfer of minority holdings:

For the purpose of valuing the minority holdings of a party, a value much different from the stock exchange quotation is to be computed to give recognition to the disadvantages of being a minority shareholder. In a Canadian case these disadvantages were commented upon by Mr. Fordham as follows:

"There is no gain-saying that a minority shareholder can do little, if anything, to improve or further his interest as such. His views can not be made to govern an unwilling majority."

3. Security purposes and credit documents:

Where loans are raised on the security of the shares of a company, it is necessary to assess the value of such shares in order to determine the inherent strength of the shares. Any business seeking credit on the security of shares from a bank or other financial institutions or from a Govt. agency must provide reliable evidence that the shares are properly valued.

4. Distribution of assets on dissolution of Partnership:

Partners in a firm may hold shares jointly in a company and should a dissolution of partnership occur, then it may be necessary to value the shares so that a proper distribution of the partnership property can be made among the partners.
5. **Distribution and Settlement of interest on succession:**

Where succession follows death, it may be desired to distribute the shares of the previous owner among his beneficiaries in lieu of cash and therefore the shares have to be valued to settle the interest of the beneficiaries.

6. **Valuation of assets and stock-in-trade:**

The valuation of assets of a financing or investment trust company involves the task of valuing the shares. More particularly, where a company deals in shares and securities, the work of periodical stock taking and valuation cannot be completed without valuing the shares and securities.

7. **Wills and Trusts:**

Sometimes power is given in a will or in a Trust deed or granted by agreement of the beneficiaries (all being sui juris) for trustees to distribute an estate in specie. Where shares, which are not listed on the stock exchange form portion of the estate, the trustees or the beneficiaries are to agree to accept for the purpose of the distribution in specie a value certified by a valuer. Herein comes the question of valuation of shares.

8. **Partition of a Hindu undivided family:**

For the partition of a Hindu coparcenary property which includes shares in a company amongst the coparceners, the valuation of the shares is necessary.
9. **Guidance to prospective buyers and sellers:**

For a prospective buyer or seller, the valuation of shares is all but a necessity. "When a company is not listed on the stock exchange a prospective buyer or seller of its shares may require guidance as to the value of the shares." 60

10. **Share escrow agreements:**

Where shares with escrow agreements are to change hands, a value quite different from the open market value is to be computed. The general effect of share escrow agreements is to limit the transfer or use of shares until some undertaking on the part of its owners has been fulfilled. Such agreements restrict marketability and limit value to less than open market price. The Supreme Court of Canada in Beament Estate Vs. HJH held that as an agreement legally bound shareholders to liquidate a company, the fair market value of its shares did not exceed their liquidation value.

11. **Insurance coverage:**

Where a finance or an investment trust company is willing to have an insurance coverage of the risks involved in the ups and downs of the speculative shares or shares turning speculative because of the changes in the economic or political situation, valuation of the shares concerned is necessary.

When claims are made against insurance coverage, both the insurer and the insured are vitally interested in the extent of any
actual loss in the value of investment. This calls for the
determination of the value of the investment.

1. Kohler, Eric L. : A Dictionary for Accountants (Fourth

2. The Companies Act, 1956 : Sec. 2(46).

3. Farwell, J., in Forland's Trustee Vs. Steel Bros & Co.Ltd.
(1901) 1 ch. 279 Adopted by the Supreme Court in Charanjit Lal
Vs. Union of India, AIR (1951) Sc 41.

4. Commissioner of Income-tax Vs. Standard Vacuum Oil Co.Ltd.,

5. Viswanathan Vs. East India Distilleries (1957) 27 Comp. Cas,
175.

6. Romer, L. J. in Re Paulin's case (1935) 1 K.B. 26 (" It is
impossible to regard the contract arising from and contained
in the company's articles of association as a separate and
independent thing. That contract and the rights and liabili-
ties that flow from it are of the very essence of the share."
-- Romer, L. J.)

7. The Companies Act, 1956 (1 of 1956) Sec. 83 and Sec. 84 (1)

8. The Companies Act, 1956 (1 of 1956) Sec. 82 (Nature of shares).

Adopted by the Supreme Court in Sri Gopal Jalan & Co. Vs.

175.


12. Berle and Means : Modern Corporation and Private Property(1932)
P. 279 and P. 287 (Active Property means control of the corpora-
tive wealth and Passive property means the interest of the
shareholder in the corporation.)


15. The Companies Act, 1956 (1 of 1956) Sec. 85(1) and Sec.85(2).


24. The Estate Duty Act, 1953: Sec. 17(A controlled company is any company which at any relevant time, was or would have been deemed to be under the control of not more than five persons and which is not a subsidiary company or a company in which the public are substantially interested.)

25. The wealth tax Act, 1957: Sec. 2(m).

26. The wealth tax Rules, 1957: Rules 1-C and 1-D.
27. The Gift Tax Rules: Rule 10 (2).


32. The Indian Stamp Act, 1899: Schedule 1: Item (62).

33. The Institute of Chartered Accountants of India: A study on share valuation (1979) P.12.

34. In making the valuation Sec. 19-I (1) and item II of Schedule 1 of The Court Fees Act, 1870 is to be considered.

35. Omitted.


41. The Constitution of India: Art. 31 (2).

42. By the 25th Amendment of 1971, the word "Compensation" in Cl. (2) of Art. 31 of the Constitution has been substituted by the word "amount".
43. The companies Act, 1956 (1 of 1956) : Sec. 4.

44. The companies Act, 1956 (1 of 1956) : Sec. 81.

45. The companies Act, 1956 (1 of 1956) : (Schedule VI: Part I. - Form of Balance Sheet)

46. The companies Act, 1956 (1 of 1956), Secs. 108B(1), 108B(2) and 108B(3).

47. The companies Act, 1956 (1 of 1956) : Explanation to Sec. 108B(2). This explanation gives the meaning of market value which "means in the case of a share which is quoted on any recognised stock exchange, the value quoted at such stock exchange on the date on which the direction is made, and in any other case, such value as may be mutually agreed upon between the holder of share and the Central Government or the specified corporation, as the case may be, or in the absence of such agreement, as may be determined by the Court".

48. The companies Act, 1956 (1 of 1956) : Sec. 106.


51. Ibid 50, - P. 499.


54. Ocean Coal Co.Ltd. vs. Powell Duffryn Steam Coal Co.Ltd. (1932) 1 Ch. 634.


56. No. 179 vs. MNR 54 D.T.C. 366.

58. (Succession under Indian succession Act, 1925 refers to intestate and testamentary succession as envisaged in the preamble of the Act.


61. Ovens, Geo. and Beach, Donald I.: Business and Securities valuation (1972): Appendix E/357.

(Escrow :- "A withholding of property from its potential owners, or property held by a disinterested trustee on behalf of others until certain conditions are fulfilled. Shares may be held in escrow until their buyer fulfills all conditions of his purchase. "An escrow may be voluntary, as when the parties agree to enter into one or may be imposed by a Governmental authority."

62. Beament Estate Vs. MNR 70 D.T.C. 6130.

63. Ibid 61, - P.14.