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MARCH

2024

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SAMĀCĀRA – MARCH 2024

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INCOME TAX

			
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SAMĀCĀRA – MARCH 2024

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SAMĀCĀRA – MARCH 2024

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SAMĀCĀRA – MARCH 2024

EDITORIAL

Dear All,

In this special edition for March 2024, we find ourselves in the midst of a unique political landscape as the nation braces for elections. In an unprecedented move, the Hon'ble Finance Minister has presented the Vote on Account due to the electoral schedule, assuring the complete Budget-2024 post-election.

Amidst this political dynamism, our Hon'ble Prime Minister Narendra Modi stands as a beacon of strong and decisive leadership. His commitment, encapsulated in "Modi ki Guarantee," extends across sectors, citizens, and schemes, ensuring a steadfast dedication to the welfare of the people. It symbolizes a pledge for a developed and exemplary India, embodying progress for the youth, empowerment for women, and welfare for farmers and the marginalized.

The holistic and inclusive approach to governance under PM Modi's tenure has laid the foundation for a resilient, empowered, and globally respected India. The essence of "Modi ki guarantee" lies in the assurance that every commitment made will be fulfilled—a promise that echoes in every sector, policy, and initiative undertaken.

Direct Tax collections up to March 1st 2024, have shown a commendable 17.30% increase from the previous year, amounting to ₹18.38 lakh crore.
On GST front In February 2024, the Gross Goods and Services Tax (GST) revenue reached Rs 1,68,337 crore, reflecting a substantial 12.5% surge compared to the corresponding month in 2023. This increase was fueled by a notable 13.9% uptick in GST from domestic transactions and an 8.5% rise in GST from the import of goods. The GST revenue, net of refunds, for February 2024 amounted to Rs 1.51 lakh crore, showcasing a robust 13.6% growth compared to the same period the previous year , showcasing the robust financial health of the nation.

On a lighter note, our SPCM family celebrated the SPCM Sports Day on March 24, 2024, with partners, associates, students, and employees participating enthusiastically. The event not only fostered team building but also strengthened the bonds of camaraderie and networking.
In a stride towards the upliftment and sharpening of skills, a training session on the effective use of Excel software was conducted in February 2024 for students undergoing articleship. Our esteemed partner, CA Chetan Parakh, and Associate CA Anand Shingvi led this initiative, ensuring that our budding professionals are well-equipped with the tools necessary for success.

As a recurring tradition at SPCM, we proudly present our 5th E-book focusing on the significance of "Vision or Purpose in Life." Sincere thanks to all contributors, with a special appreciation for Mrs. Ruchi Bhansali - Bhandari for her creative and beautiful contributions.

As we traverse this dynamic landscape, it is evident that the vision of Viksit Bharat @2047 is not merely a slogan but a living reality shaping the destiny of our vibrant and dynamic nation. We continue to navigate the currents of progress, and with "Modi ki Guarantee," we stride confidently towards a future filled with promise and prosperity.

Wishing you a joyous and festive March 2024! As the colors of Holi paint the sky and hearts, may your life be filled with vibrancy and happiness. May the auspicious occasion of Maha Shivaratri bring peace and prosperity to your homes. Wishing you moments of reflection and renewal during the holy month of Ramadan. Embrace the spirit of festivity and togetherness. Happy celebrations!

Thanking You.

With Warm Regards,

CA. Suhas P. Bora

Founder Partner,

SPCM and Associates,

Chartered Accountants

GLIMPSE OF EVENT

SPCM Annual Sports Day


STRIVE

DUE DATES

Income Tax, PF and ESIC due date calendar for the month of March 2024:

DATE	DUE DATE FOR
01-03-2024	• Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of January, 2024 (Note: Applicable in case of specified person mentioned under section 194S)
07-03-2024	• Due date for deposit of Tax deducted/collected for the month of February, 2024. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income-tax Challan.
15-03-2024	• Fourth instalment of advance tax for the assessment year 2024-25. • Due date for payment of whole amount of advance tax in respect of assessment year 2024-25 for assessee covered under presumptive scheme of section 44AD / 44ADA of the Act. • Payment of ESI Contribution for the month of February, 2024. • Payment of PF for the month of February, 2024.

DATE	DUE DATE FOR
16-03-2024	• Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of January, 2024
30-03-2024	• Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of February, 2024
31-03-2024	• Uploading of statement [Form 67], of foreign income offered to tax and tax deducted or paid on such income in previous year 2022-23, to claim foreign tax credit [if return of income has been furnished within the time specified under section 139(1) or section 139(4) of the Act. • Furnishing of an updated return of income for the Assessment Year 2021-22

GST due dates for the month March 2024: -

DUE DATE	RETURN	PERIOD	DESCRIPTION
10th March	GSTR-7 (Monthly)	February'24	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10th March	GSTR-8 (Monthly)	February'24	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11th March	GSTR-1 (Monthly)	February'24	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of January-March 2024.
13th March	Furnishing Invoices in IFF Facility (Quarterly)	January-March 2024	Taxpayers who have opted for the Invoice Furnishing Facility (IFF) and choose to upload B2B outward supply invoices for first two months of the quarter. The B2B invoices relating to last month of the quarter are too uploaded while filing GSTR – 1 along with B2C invoices of entire quarter.
13th March	GSTR-6	February'24	Details of ITC received and distributed by ISD.

DUE DATE	RETURN	PERIOD	DESCRIPTION
13th March	GSTR-5 (Monthly)	February'24	Summary of outward taxable supplies & tax payable by a non-resident taxable person.
20th March	GSTR-3B (Monthly)	February'24	Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with turnover more than Rs.5 crore in the last FY or have not chosen the QRMP scheme for the quarter of January-March 2024.
20th March	GSTR-5A (Monthly)	February'24	Summary of outward taxable supplies and tax payable by OIDAR.
25th March	GST Challan for all Quarterly filers	January - March 2024	GST Challan Payment if no sufficient ITC for January 2024, (for all Quarterly Filers).

INCOME TAX

Tax Audit and Tonnage Tax Forms Amendments

Key Changes and Implications:

- **Disclosure of Legal Violations & Compounding Expenses**
  - Tax audit forms now require disclosure of fines/penalties for violating laws in India or abroad.
  - Expenses incurred for compounding offenses (in India or abroad) must now be reported.
  - **Implication**: Increased scrutiny of expenses related to legal non-compliance.
- **Reporting Delays in Payments to Micro and Small Enterprises**
  - Details of delayed payments to MSEs (as per Section 43B(h)) must be reported.
  - **Implication**: Promotes compliance to timely payments for small businesses.
- **Disclosure of Domestic Transactions under Section 115BAE(4)**
  - Disclose transactions with specified related parties if resulting in higher-than-expected profits.
  - **Implication:** Aims to prevent tax avoidance through related- party transactions.
- **Amendments for IFSC Units and Section 80LA Deductions**
  - Form 65 now requires:

▪ Certification of IFSC unit status
▪ Disclosing dates when Section 80LA deduction became inapplicable

- **Implication**: Tighter control over tax benefits for IFSC units

TAX MANAGEMENT:

- **Review Expenses:** Carefully check for any fines, penalties, or compounding expenses related to legal violations (within India or internationally).

- **Ensure Timely MSE Payments:** Prioritize timely payments to micro and small enterprises to avoid potential disallowances.

- **Understand Related-Party Transactions:** Be aware of disclosure requirements for related-party deals that generate above-average profits.

- **IFSC Compliance:** IFSC units must accurately report dates related to Section 80LA deductions.

(Notification No. 27/2024)

[Source – TaxCorp Total Solution]

Extension of Deadline for Charitable Trusts/Institutions to Submit Audit Reports in Correct Form

Background

- Tax-exempt charitable trusts and institutions must submit audit reports using either Form 10B or 10BB, depending on specific criteria.
- Recent changes to the rules and forms led to some initial confusion about which form is applicable in certain situations.

The issue

- Some trusts/institutions may have inadvertently submitted the incorrect form for the Assessment Year 2023-24, potentially jeopardizing their tax-exempt status.

CBDT Resolution

- The CBDT has extended the deadline to March 31, 2024, for trusts/institutions to correct the error and submit audit reports in the appropriate Form (10B or 10BB).

Tax Management for Charitable Trusts/Institutions

- Review your submission: If you filed an audit report for AY 2023- 24 by October 31, 2023, verify whether you used the correct form (10B or 10BB).

- Correct if necessary: If you used the wrong form, you have until March 31, 2024, to file the audit report using the correct form.

(Circular No. 2/2024)

[Source – TaxCorp Total Solution]

CBDT Clarifies Taxation Rules for Inter-Charity Donations

Background

- Income of certain trusts and institutions (section 10(23C) and 12AA/12AB) is tax-exempt, provided they apply 85% of their income charitably, including donations to similar trusts (excluding corpus donations).

- The Finance Act 2023 amended the rules, stating that only 85% of inter-charity donations will be considered as the application of income.

The Issue

- The amendment raised concerns about whether the remaining 15% of inter-charity donations would be taxable or eligible for 15% accumulation under existing investment requirements.

CBDT Clarification

- The CBDT issued a circular clarifying that the 15% of such donations are not required to be invested in specified modes under section 11(5) of the Income Tax Act.
- The entire donated amount is eligible for exemption since it has been disbursed to another eligible charitable organization.

Tax Management for Charitable Trusts/Institutions

- **Understand the Amendment**: Be aware that only 85% of inter-charity donations directly count towards the charitable application requirement.

- **No Additional Tax Liability:** The remaining 15% of inter-charity donations will not incur additional tax.

- **Accumulation Rules**: The 15% of inter-charity donations are not subject to the investment requirements under Section 11(5).

(Circular No. 3/2024) **[Source – TaxCorp Total Solution]**

GST

GIST OF GST NOTIFICATIONS

NOTIFICATION NO.	DATE	SUBJECT / HIGHLIGHTS
06/2024- Central Tax	22-02-2024	CBIC notified the "Public Tech Platform for Frictionless Credit" as the system with which information may be shared by the common portal based on consent under sub-section (2) of Section 158A of the Central Goods and Services Tax Act, 2017.

GST UPDATES

1. New Features of the revamped E-Invoice Master Information Portal:

GSTN on occasion of one year of the successful going live with the additional five new IRP portals, the e-invoice master information portal, and the e-invoice QR Code Verifier app, announces the launch of the revamped e-invoice master information portal https://einvoice.gst.gov.in. This enhancement is part of ongoing effort to further improve taxpayer services. New Features of the revamped E-Invoice Master Information Portal are as follows:

a. **PAN-Based Search:** Users can check the e-invoice enablement status of entities using their Permanent Account Number (PAN) in addition to search with GSTIN.

b. **Automatic E-invoice exemption List:** The portal now automatically publishes updated list with all GSTINs that have filed for e-invoice exemptions at the start of the month and is available for users to download.

c. **Global Search Bar:** A comprehensive search tab has been introduced that allows for quick access to the information across the portal.

d. **Local Search Capabilities:** Enhanced search functionality within advisory, FAQ, manual, and other sections for efficient information access.

e. **Revamped Advisory and FAQ Section:** Now organized year-wise and month-wise for easier reference, offering comprehensive guidance.

f. **Daily IRN Count Statistics:** The portal now includes statistics on the daily Invoice Reference Number (IRN) generation count.

g. **Dedicated Section on Mobile App:** Information and support for the e-invoice QR Code Verifier app are readily available.

h. **Improved Accessibility Compliance and UI/UX:** Adhering to the GIGW guidelines, the portal now offers improved features such as contrast adjustment, text resizing buttons, and screen reader support for enhanced accessibility.

i. **Updated Website Policy:** The website policy has been thoroughly updated including the website archival policy, content management & moderation policy, and web information manager details.

2. **Instances of Delay in registration reported by some Taxpayers despite successful Aadhar Authentication in accordance with Rule 8 and 9 CGST, Rules, 2017-reg:**

In accordance with Rule 9 of the Central Goods and Services Tax (CGST) Rules, 2017, pertaining to the verification and approval of registration applications, following is informed:

Where a person has undergone Aadhaar authentication as per sub-rule (4A) of rule 8 but has been identified in terms of Rule 9(aa) by the common portal for detailed verification based on risk profile, your application for registration would be processed within thirty days of application submission.

Necessary changes would also be made to reflect the same in the online tracking module vis-à-vis processing of registration application.

3. **Option For the Composition Scheme on GST Portal:**

Taxpayers can opt for Composition Scheme for the Financial Year 2024-25 by accessing the GST Portal, which will be open up to March 31, 2024.

Use Navigation 'Services -> Registration -> Application to opt for Composition Levy', and file Form CMP-02.

GST compliances to be done before the Financial Year End (31st March)

A. E- invoice Registration:

- For all those taxpayers whose Aggregate PAN based Turnover exceeds Rs 5 Crores during FY 2023-24 for the first time from the introduction of GST has to generate and issue E-invoice from 01st April 2024.

- Those who are covered as described above are required to take E-invoice registration on Invoice Registration portal and start generating E-invoice- https://einvoice1.gst.gov.in/Home/Login

B. Opt-in For Composition: To **opt for the Composition Scheme for the financial year 2024-25, the last date to opt-in or opt-out from the Composition Scheme is 31st March 2024**. Form CMP-02 must be used to opt into the composition scheme (both supplier of goods and service provider).

Note: In case of switch from Normal to Composition Scheme, ITC claimed on inputs lying in form of Inputs, WIP, finished goods stock as on 31.03.2024 and capital goods (on reduced percentage basis) is required to be reversed by filing ITC-03 by 30th May 2024.

C. Opt-in or out of QRMP:

The registered persons having aggregate turnover up to Rs 5 Cr. are allowed to furnish their GST returns on a quarterly basis along with monthly payment of tax under QRMP Scheme. **The last date to opt-in or opt-out from the QRMP scheme for F.Y. 2024-25 is 30th April 2024**.

D. Filing of LUT:

All registered taxpayers who export goods will have to furnish LUT in GST RFD-11 form in order to make exports without the payment of IGST. It is crucial to note that LUT application is required to be completed before March 31, 2024 for the next F.Y. 2024-25 or before supply for Exports and SEZ.

E. Declarations to be taken from Goods Transport Agency (GTA) for opting to pay GST under Forward Charge.:

For the FY 2024-25, declarations filed by the Goods Transport Agency (GTA) for opting to pay GST under Forward Charge should be obtained and kept in record to justify the reason for non-payment of GST under RCM.

F. Reset Invoice Number Series:

For each new financial year, GST taxpayers should start a new invoice series, unique for the financial year.

G. Re-calculation of Aggregate Turnover of F.Y. 2023-24 for various compliances related to F.Y. 2024-25:

Various decision making and compliances in GST are dependent upon threshold as per Aggregate Turnover like **GST registration, Composition Scheme, QRMP Scheme, E-Invoicing, Rule 86B (1% Cash Payment**) etc. For F.Y. 2024-25, please make sure that recalculation is done for each of relevant compliances as per aggregate turnover in F.Y. 2023-24 wherever applicable.

H. GST on advanced payments:

The registered person must take care that the GST liability is paid on unbilled revenue of services i.e. for advances received from customers for services as on 31.03.2024.

I. Refund for FY 2021-22:

The last date to apply for a refund of GST related to FY 2021-22 is 31.03.2024.

J. Cross Charges:

Cross charges are the supplies made by the Head office to branch offices or vice versa. The same supplies need to be identified and the provision need to be done and the respective invoice need to be raised for common services for the year before the year end.

K. Job works related compliances

In case of material sent for job work, check whether the same has been returned within the time limit prescribed (Inputs – 1 year and Capital goods – 3 years) and the same has been duly reported in ITC 04, and file ITC-04 -

- on Half-yearly basis (for the period 01.10.2023-31.03.2024– within 25.04.2024) for the registered persons whose aggregate turnover is more than Rs. 5 crores

- on yearly basis (for F.Y. 2023-24 – within 25.04.2024) for those whose aggregate turnover is upto Rs. 5 crores.

L. Sales reconciliation:

The registered person has to reconcile Sales Turnover, Credit Notes, Output tax as per Books of Accounts with GST Returns filed (GSTR-1 & GSTR-3B) for the last year.

- **Reporting of correct outward supplies for the FY 2023-24**

- Reconciliation of turnover/tax as reported in GSTR 1/ GSTR 3B with books of accounts for FY 2023-24

- Review the correct HSN/ SAC code and GST rate has been opted.

- Reconciliation of E-way bills generated during the FY 2023-24 with tax invoices reported in GSTR 1.

- Reconciliation of e-Invoices with IRN viz. e-way bills generated viz. reported in GSTR 1.

- Check whether the GST paid on advances received in FY 2023-24 towards the supply of services made or agreed to be made has been properly adjusted in GSTR 1 and GSTR 3B.

- Check whether the goods sent on approval basis has been either returned within 6 months or sold on issuance of tax invoices.

- Any output tax liability missed or any credit notes missed in the GSTR-1 & GSTR-3B for the last financial year will be shown within 30th November of the following year or the due date of filing Annual Return, whichever is earlier.

M. <u>Purchase reconciliation</u>:

The registered person has to reconcile Input tax credit (ITC) as per Books of Accounts with ITC claimed in GSTR-3B subject to matching of ITC with GSTR-2B downloaded from the GST portal.

- **Availment of correct Input Tax Credit for the FY 2023-24**

  - Reconciliation of E- Credit Ledger with books of accounts for FY 2023-24.

  - Check the tax has been correctly calculated and paid under RCM in case of Import of services, sitting fees paid to Directors, GTA, Security Services, rent a cab, Advocate fees etc.

- If any ITC is not claimed in GST returns while reconciling GSTR-2B, the registered person is eligible to avail such ITC within 30th November of the following year or the due date of filing of Annual Return, whichever is earlier.

- It is being advised to get confirmation from the suppliers in the following cases:

  a) In case they have filed GSTR-1 but not filed GSTR-3B; that when the supplier will file their GSTR-3B, the ITC already claimed by the registered person would not get disallowed. And advised to save the e-mail of all the correspondence with the supplier in this regard.

  b) In case they have filed GSTR-3B but not filed GSTR-1. It is being advised to direct the supplier to file their GSTR-1, else the ITC would not be available to the registered person since it will not show in their GSTR-2B.

  c) In case they have not filed both GSTR-1 and GSTR-3B; then direct the supplier to file both the returns immediately and to follow-up on regular basis. Further, all the correspondences / e-mails sent to the supplier to be saved by the registered person which will help them in their assessments / audit.

- Review ineligible and blocked ITC in the books of accounts and check whether any ineligible / blocked ITC have been inadvertently claimed in the GST returns. If yes, reverse the same.

- Yearly calculation of reversal of ITC as per Rule 42 – In case of any reversal of common Input Tax Credit on account of exempted supplies as per Rule 42, after having undertaken monthly reversal, the annual calculation is required to be done and any excess reversal or short reversal should be duly accounted for in GST returns for March 2024.

  In case of delay in reporting of additional reversal, if any, Interest would apply from 1st April 2024 onward for common ITC reversals to be done in F.Y. 2023-24

- Review any liability under reverse charge as per books of accounts that whether such reverse charge liability have been shown in the GSTR-3B or not and whether their payment have been made or not. If any RCM liability is pending, then pay the same along with the appropriate interest. After payment of the reverse charge liability, review whether it has been claimed in the GSTR-3B or not.

- It is being advised to review the payment to the vendor within 180 days from the date of invoice, if not, then ITC needs to be reversed. Once, the payment is made to the vendor, then ITC can be reclaimed without any time limit.

N. Ensure whether GST has been paid on the other income (leviable to GST) and on sale of assets (if any). If not, pay the GST along with the interest.

O. <u>Real Estate Sector</u>

To assess the value of all Input and Input services received from both the registered and unregistered suppliers and if the value of procurements received from registered suppliers is not exceeding 80% of total inward supplies, then the Developer of the project is required to pay GST @18% under RCM for such shortfall (28% in case of cement to be paid on monthly basis). Expenses on which GST is payable under RCM would be considered as procurements made from the registered persons. Last date to submit such details for FY 2023-24 is 30th June 2024.

P. <u>Filing of GSTR 3B for inward supplier to avoid ITC reversal under rule 37A-</u>

Rule 37A of GST provides that the GST-registered buyers of goods and services must reverse Input Tax Credit claimed before when their corresponding supplier fails to deposit such taxes in their GSTR-3B within a defined time. for example, as follows:

i. 30th Sep 2023 for F Y 2022-23 and

ii. 30th Sep 2024 for F Y 2023-24

The said amount of input tax credit shall be reversed by the said registered person, while furnishing a return in FORM GSTR 3B on or before the 30th

Nov following the end of financial year. However, ITC of the same can be re-claimed once the corresponding tax is paid by supplier, in GSTR 3B.

Q. <u>1% Cash payment conditions validation. -</u>

As per the Rule 86B of CGST-2017, Taxable persons can use electronic credit ledger for making payment of Outward Tax liability up to 99% of the outward tax. and 1% is compulsorily to be paid from Cash ledger. However, **this provision shall not be applicable in case were,**

- Value of Domestic Supply (excluding Exempt Supply) for a GSTN is below Rs. 50 Lakh, for current Month.
- If the specified persons as mentioned in rule have paid more than 1 lakh as Income Tax under Income Tax Act, 1961.
- If the registered person has received a refund of amount greater than Rs.1 lakh in the preceding financial year on account of export under LUT or due to inverted tax structure.
- If the registered person has discharged his output tax liability by electronic cash ledger for an amount in excess of 1% cumulatively up to the said month in the current financial year.
- If the registered person is Government dept, PSU, Local authority, Statutory Authority.

FINANCE AND VALUATIONS

Intrinsic Value

1. What Is Intrinsic Value?

In essence, intrinsic value encapsulates the subjective worth an asset holds for an individual, influenced by a variety of valuation factors. To simplify, consider an apple as the asset in question, with a market price of Rs 20. However, the value attributed to this apple varies among individuals.

For instance, if someone is famished and the apple is the sole available sustenance, it's worth transcends its market value, exceeding Rs 20. Conversely, if another individual is not in immediate need and can afford to wait for a better deal, perhaps until evening when prices may drop, their perceived value of the apple might not align with its market price; they might even attempt to negotiate for a lower price. This concept underscores intrinsic value, wherein the worth of an asset is determined through a multifaceted evaluation process.

Intrinsic value serves as a gauge of an asset's true worth, determined through rigorous analysis or intricate financial modeling. It stands distinct from the present market price of the asset. However, comparing it with the current price offers investors insights into whether the asset is undervalued or overvalued.

Knowing an asset's intrinsic value allows investors to make informed decisions about whether to buy, hold, or sell, while business owners can use intrinsic value to determine the worth of their company and make strategic decisions about growth and development.

2. How to calculate intrinsic value?

To calculate intrinsic value, both qualitative and quantitative factors are to be considered.
In financial analysis, qualitative factors encompass elements intrinsic to a business's operations, such as its business model, governance structure, and

target markets. These aspects are tailored to the unique nature of the business and play a crucial role in assessing its overall performance and potential. With the rising significance of Environmental, Social, and Governance (ESG) criteria in investment decision-making, qualitative factors have assumed heightened importance. ESG considerations directly or indirectly impact the value of assets, influencing investor perceptions and market dynamics.

For instance, a robust governance framework can enhance investor trust and long-term sustainability, while alignment with environmentally friendly practices can mitigate risks associated with climate change. Therefore, evaluating qualitative factors alongside traditional financial metrics is essential for a comprehensive understanding of a company's intrinsic value and its potential for sustainable growth. Incorporating these qualitative dimensions into investment analysis facilitates more informed decision-making, aligning investments with broader societal and environmental objectives.

Quantitative factors primarily pertain to the measurable financial performance of an asset, relying on metrics such as financial ratios and analysis of financial statements. These metrics offer a numerical assessment of a company's profitability, liquidity, leverage, and other key indicators.

By scrutinizing quantitative data, investors gain insights into the historical and current financial health of a company, aiding in forecasting future performance and determining its investment potential.

In contrast, perceptual factors revolve around investors' subjective perceptions of an asset's value relative to others in the market. These perceptions often drive market sentiment and are predominantly analyzed through technical analysis techniques such as chart patterns, trading volume, and price trends. Perceptual factors encompass aspects like market psychology, investor sentiment, and behavioral biases, which can significantly influence market movements and asset valuations.

While quantitative factors provide a concrete foundation for investment decisions, perceptual factors add depth by considering the psychological and emotional aspects of market participants. Combining both quantitative and perceptual analyses offers a more holistic approach to investment decision-making, incorporating both objective financial data and subjective market dynamics for a comprehensive understanding of asset valuation and market behavior.

3. What are methods of calculating the intrinsic value?

Given below are a few methods that help to calculate intrinsic values of shares.

a) Discount Cash Flow (DCF) Analysis
This is the most popular model for evaluating intrinsic value of stocks. The DCF method considers the present value of the firm and its expected cash flow. In this method, one uses free cash flows to calculate the intrinsic value while excluding non-cash expenses such as depreciation.

b) Asset-Based Valuation Method
This model first takes a company's tangible and intangible aspects into consideration. Following this, the liabilities are subtracted from assets to determine the stock's intrinsic value.

c) Dividend Discount Model
Besides DCF, dividend discount is another popular model for evaluating a stock's intrinsic value. This model takes into account the dividends offered by a company to its shareholders.
The dividend discount model has several variations upon which analysts assume variation to calculate intrinsic values. The Gordon Growth Model is a popular variation of the dividend discount model.

d) Comparable Analysis Based on a Financial Metric
Investors often use financial metrics like the price-to-earnings (P/E) ratio or earnings before interest, tax, depreciation and amortisation (EBITDA) to analyse the intrinsic value of stocks. Analysts use a relative evaluation technique to compare the value of stocks and businesses.

We shall discuss each method in detail in upcoming articles.

4. What are examples of Intrinsic Value in Investing?
Intrinsic value is commonly used in the valuation of various types of assets, including stocks, bonds, and real estate:

a) Stocks

- An example of intrinsic value in investing is the valuation of stocks. Investors can use various methods to calculate the intrinsic value of a stock, including discounted cash flow analysis, price-to-earnings ratios, and price-to-book ratios.
- If a stock's intrinsic value is higher than its market value, it may be a good investment opportunity, while if its intrinsic value is lower than its market value, it may be overvalued and not worth investing in.

b) Bonds

- Intrinsic value is also used in the valuation of bonds. The intrinsic value of a bond represents the present value of its future cash flows, which are the coupon payments and the principal payment at maturity.
- The present value of the cash flows is calculated using the bond's yield to maturity, which is the rate of return that investors require for investing in the bond.
- If a bond's intrinsic value is higher than its market value, it may be a good investment opportunity, while if its intrinsic value is lower than its market value, it may be overvalued and not worth investing in.

c) Real Estate

- Intrinsic value is also used in the valuation of real estate. The intrinsic value of a property represents the present value of its future cash flows, which are the rental income and the resale value.
- The present value of the cash flows is calculated using the property's net operating income (NOI) and a capitalization rate (cap rate), which is the rate of return that investors require for investing in the property.
- If a property's intrinsic value is higher than its market value, it may be a good investment opportunity, while if its intrinsic value is lower than its market value, it may be overvalued and not worth investing in.

5. What are the factors that contribute to Intrinsic Value?

Various factors contribute to an asset's intrinsic value, depending on the type of asset being evaluated. Some of the most common factors that contribute to intrinsic value include:

a. **Earnings:** The higher a company's earnings, the higher its intrinsic value is likely to be.

b. **Cash Flows:** The higher the asset's cash flows, the higher its intrinsic value is likely to be.

c. **Growth Potential:** Assets with high growth potential are more likely to have a higher intrinsic value than those with lower growth potential.

d. **Competitive Advantages:** Competitive advantages such as brand reputation, intellectual property, and customer base can also contribute to an asset's intrinsic value.

e. **Market Conditions:** Market conditions can also influence an asset's intrinsic value. For example, during times of economic uncertainty, the intrinsic value of stocks and other assets may be lower due to increased risk and volatility.

6. Conclusion:

It is imperative to evaluate the intrinsic value of potential assets, taking into careful consideration a diverse array of factors. By diligently assessing intrinsic worth and weighing multiple variables, investors can establish a foundation for their investment decisions, thereby enhancing the likelihood of achieving favorable outcomes.

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