



THE PROBLEM OF ASSESSING THE VALUE OF BUSINESS IN MODERN CONDITIONS

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Article history:	Abstract:
Received: 20 th February 2023 Accepted: 20 th March 2023 Published: 26 th April 2023	The article deals with methodological problems related to business valuation. The authors proceed from the assumption that in modern business conditions in the evaluation process should be considered as a system that includes two bases: a company as a property complex and, at the same time, the material basis of business, and, in fact, the business itself, as a certain economic activity, conducted in certain technical, socio-economic conditions. At the same time, it is shown that when assessing business as an activity, it is necessary to take into account the industry prospects of this activity, changing in the process of technological development of economic systems.

Keywords: valuation, business, property, asset, industry.

INTRODUCTION. One of the first references to the assessment appeared in the XVI century in the works of the founder of accounting L. Pacioli and were associated with accounting. Later, when representatives of the theory of marginalism in the last third of the 19th century began to deal with the problems of microeconomics, microeconomic analysis, and Alfred Marshall formulated the "basic principles of the company", the main of which, according to A. Marshall, is profit maximization, the assessment begins to be built into the complex of company management - in modern terms - in the system of financial and strategic management. Later, in the middle of the 20th century, the American economist J.K. Galbraith proposed to distinguish two types of companies (firms) according to the criterion of the target orientation of financial management: entrepreneurial and mature. In his opinion, an entrepreneurial firm is dominated by the market element and is guided by the motives of maximizing profits. A mature firm sets prices itself, and its main goal is to ensure autonomy: financial independence, solvency and financial stability. Thus, J.K. Galbraith was one of the first to point out the importance of the principle of "financial independence". At the same time, the problems of business valuation, changes in its value over time and its management become objects of independent research only in the second half of the last century and at the moment remain clearly insufficiently studied.

LITERATURE REVIEW. Many works of domestic and foreign economists are devoted to the problems of business valuation and the cost of capital of a company. For example, A. Damodaran, H.-U. Derrick, J.D. Jones, S.W. Valdaytsev, V.V. Grigoriev, V. Esipov, T. Koller, T. Copeland, V.N. Livshits, G. Makhovikova,

I.M. Ostrovkin, S. Pratt, V. Terekhova, T.L. West, M.A. Fedotova, J. Fishman consider a set of methods and approaches to business valuation used in determining the value of a company at different stages of its functioning, including for valuing its various assets. Yu.V. Kozyr in addition to general issues of the value of enterprises, dwells separately on the possibilities of applying the theory of options in the practice of valuation. Research by M.V.Meyer is devoted to indicators for evaluating business performance, and M. Scott puts value factors and their management at the center of his work. L. Baruch, R. Reilly, R. Schweiss touch upon the issues of valuation of intangible assets.

RESEARCH METHODOLOGY. Analysis, induction, deduction, correlation, systematic and complex approaches were used to cover this topic.

ANALYSIS AND RESULTS. In this paper, the main attention is paid to the issues devoted to the economic valuation of a business as a complex problem, since in this case we are talking about the efficiency of a business, entrepreneurial activity as such. Often, business is considered only as a system for transforming economic resources into the final production product, and in the evaluation, the performance of the enterprise's production activities, which is assessed on the basis of the company's current reporting indicators, comes first. In this case, business development prospects, its compliance with current economic realities and needs, the general sectoral structure of the economy and other factors determined by the industry specifics of the business and the dynamics of the industry market in which this business operates are practically not taken into account.

Thus, there are many unresolved problems in business valuation that affect both the practical aspects of valuation activities and theoretical (methodological) aspects.

Our approach to finding a solution to some of the theoretical problems of business valuation involves taking into account two components:

- + the prospects and condition of the company that conducts this business and acts as the material basis for its conduct;
- + the prospects of the business itself as a certain type of activity associated with the production of certain products or services in specific economic conditions.

First of all, let's consider the issue of business valuation in the context of the prospects and state of

the company that conducts this business and acts as the material basis for its conduct.

Since, as a rule, the company's capital is formed from its own and borrowed funds, the problem arises of determining the weight of individual components of the company's capital and estimating their weighted average cost.

In the economic activity of an organization, the assessment of economic benefits, including capital, property, assets, fixed assets, can be carried out in the following contexts (Fig. 1):

- + in the course of valuation activities;
- + in the course of accounting activities accompanying the current functioning of the organization.

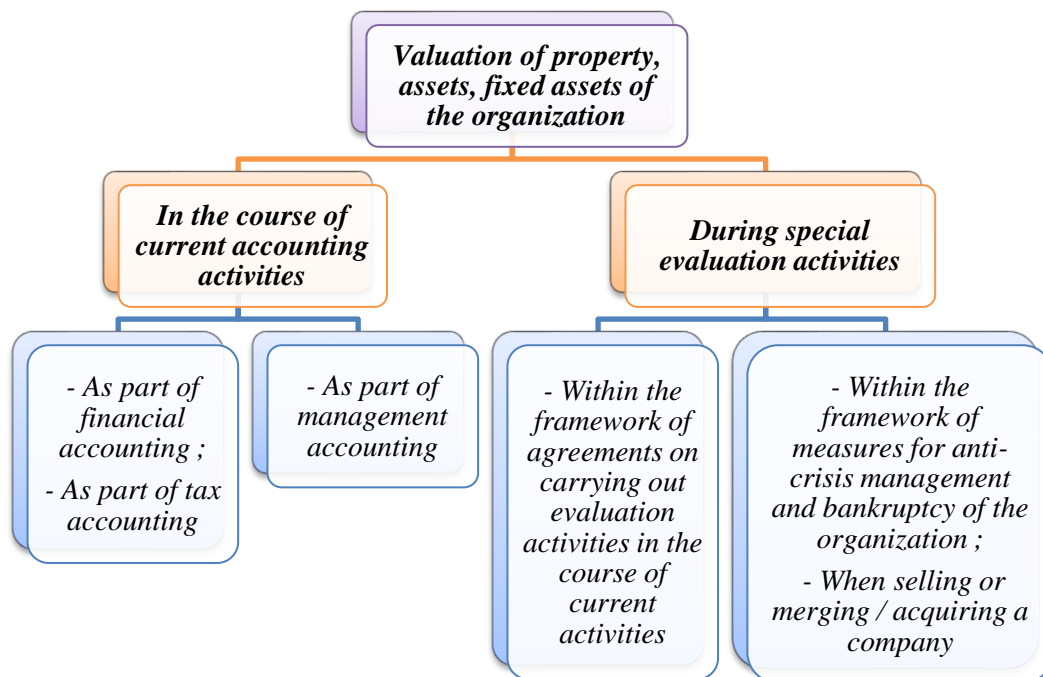


Figure 1. Valuation of property, assets and fixed assets of the organization in the context of its functioning

Let us first of all consider the features of the assessment of the capital, property and assets of the organization in the course of its current financial and economic activities in the aspects of financial, tax and management accounting.

In the conditions of free competition, one of the urgent problems is to improve the mechanism for assessing fixed assets, as well as their reflection in the balance sheet. A significant impact on the possibility of disclosing the level of effectiveness of the depreciation policy of organizations, their investment attractiveness, as well as reflecting the property potential is exerted

by the choice of the method for assessing accounting objects.

According to V.D. Novodvorsky and A.N. Khorin, the accuracy of indicators of the volume, condition and movement of fixed assets, and to a certain extent, the accuracy of their qualitative characteristics largely depend on how correctly and reliably their assessment is made, meaning that an incorrect assessment of fixed assets can not only distort the overall picture, but also cause inaccurate depreciation calculations; misrepresentation of income tax and property tax amounts; incorrect reflection in the balance sheet of the ratio of fixed



and working capital; incorrect calculation of a number of economic indicators characterizing the use of fixed assets (their depreciation, retirement and receipt ratios, performance indicators, capital productivity, capital intensity and capital-labor ratio), and, accordingly, distort the information provided to the financial management system of both the company itself - the owner of the assets, and its counterparties, including potential investors and/or acquirers of the company.

The valuation of property and assets of the company is closely related to the determination of various types of their value. Value is an economic concept that establishes the relationship between goods and services available for purchase and those who buy them.

For many years, there have been debates between foreign and domestic scientists and economists on the issues of assessing the property of a company, including, as a rule, its most significant component - fixed assets.

Consider the classification of types of assessments, developed by one of the founders of the valuation activity L.I. Gomberg in 1901. They identified the following types of valuations:

- ✚ initial;
- ✚ nominal;
- ✚ restorative;
- ✚ market;
- ✚ expert (collateral, insurance);
- ✚ pro memoria - for memory (ordinary nominal value);
- ✚ residual (economic, financial);
- ✚ legal - for active items: by capitalized income and by the exchange price of bonds.

According to N.R. Weizmann, assessment methods are grouped into the following types:

- ✚ assessment at cost or amount of costs;
- ✚ valuation at present value;
- ✚ serviceability assessment;
- ✚ assessment based on the capitalization of the income brought.

These types of assessments were laid down in his work "The Course of Balance Studies" and were the basis of all the main types of assessment of fixed assets in the modern accounting system. If we consider the cost from the point of view of the accounting system, then it represents the amount of expenses determined in relation to one of the elements of the accounting system. Consider the composition of the following group of valuations of fixed assets, depending on the degree of market value: market; partially market; non-market.

From the point of view of the international standard IFRS 16 "Fixed Assets" there are two approaches to the valuation of fixed assets (as opposed to the domestic standard) under barter agreements. The first approach is to acquire fixed assets in exchange for a similar asset. In this case, the exchange takes place at the book value of the transferred object. The second approach involves the acquisition of assets in exchange for an asset of a different type (not a similar exchange), which is made at the fair value of the asset received, which in turn is equal to the fair value of the asset being exchanged.

Thus, in accordance with IFRS, fair value is the amount of cash sufficient to acquire an asset or settle a liability in a transaction between well-informed, really willing to make such a transaction, independent of each other parties.

From the foregoing, it follows that in order to determine fair value in practice, it is necessary to have information about a transaction (transactions) with a similar asset, subject to the following requirements:

- ✚ lack of significant information asymmetry: the parties are sufficiently aware of the terms of the transaction, average market prices for similar assets;
- ✚ lack of dependence of counterparties: transactions are carried out between its independent (unrelated) participants;
- ✚ institutional equality and lack of coercion of participants: between the parties, the transaction is carried out without coercion, that is, it is not forced.

Having analyzed the above, we can say that the market price is one of the indicators of fair value. If we consider fair value in a broader sense, then it represents the market value, provided that the market is understood as an "active market" (exchange, dealer or any other with the participation of intermediaries) and "inactive".

In our opinion, it is necessary to consider the possibility of introducing the concept of fair value of fixed assets into the accounting system. Despite some abstractness and impracticality of this concept, many experts characterize its implementation as a fundamentally new, modern approach to accounting. We believe that it is the fair value indicator that most accurately reflects the fair value of property, plant and equipment.

Subsequently, when an "active market" is formed in our country, the market value, subject to all the above conditions, will become identical to the fair value. Only then it will be possible to talk about



the possibility of using the fair value indicator in the Uzbek accounting system with the same meaning that was originally laid down in IFRS.

Let us now consider in detail the problems of specifically appraisal activity. To assess the value of a business, there are currently three main approaches in the scientific literature and practice - profitable, comparative and costly.

In an ideal market, all three approaches should lead to the same value, but given that the competition of real markets is imperfect, valuation approaches may give different values.

However, everything becomes much more interesting when evaluating a company not as a property complex, but as a certain phenomenon, a system that can bring long-term profit, that is, the business itself.

We believe that when evaluating a technology business as an independently functioning system, it is necessary to take into account the structural development of the economy, including the transformation of leading industries and related industry markets and changes in technological patterns.

In any technological order, one can single out a core and a structural frame, consisting of a complex of interconnected developing industries. Accordingly, when assessing the prospects of a business, it is necessary to introduce special coefficients that describe its belonging / non-belonging to promising industries, for which it is necessary to make an adjustment in the value obtained using traditional business valuation methods.

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Thus, in the process of assessing business prospects, the following groups of factors should be taken into account:

- ✚ prospects for the territories in which this

business is conducted;

- ✚ the possibility of exporting business to other territories and capturing other geographical segments of the market;

- ✚ prospects for the industry and the industry market in the structure of the developing techno-socio-economic system;

- ✚ the prospects for that particular business within that industry market.

From the point of view of the methodological apparatus of valuation activity, solving problems related to assessing the influence of such groups of factors seems to be a very complex and interesting task, which, most likely, should be solved using game theory tools, correlation-regression analysis, and, most likely, simulation modeling. At the same time, the assessment of the prospects of this particular business within this industry market seems to be the most difficult, since it requires information, first of all, about the parameters of the human resources of this business.

CONCLUSIONS AND OFFERS. Based on the foregoing, the following conclusions can be drawn, which have elements of scientific novelty.

In the process of conducting valuation activities, it must be taken into account that business valuation should consist of two basic components:

1. Valuations of a business as a property complex - in fact, valuations of the company, using the fair value criterion. Fair value in this case can be interpreted as the value formed in the process of interaction between market entities, subject to the following requirements:

- ✚ transactions are carried out between its independent (unrelated) participants;

- ✚ the parties are sufficiently aware of the terms of the transaction, average market prices for similar assets;

- ✚ between the parties, the transaction is carried out without coercion, that is, it is not forced.

2. When evaluating a business as a type of activity and, at the same time, as an independently functioning system, it is necessary to take into account the structural development of the economy, including the transformation of leading industries and related industry markets and changes in technological patterns.

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