



Ways To Improve The Business Value Assessment System

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ABSTRACT

The article examines the theoretical and methodological basis of business value assessment and systematizes the factors influencing the process of business value assessment. A comparative analysis of the role of existing problems in the process of systematic organization of the business value assessment process. Scientific proposals and practical recommendations for the formation of directions for improving the system of business value assessment have been formed.

KEYWORDS

Business value, market value, property value, modern business, investment assets, capital market, cash flows,

INTRODUCTION

The market value of the enterprise is widely used in foreign management practice not only to carry out market operations, but also to measure. Of particular importance are the integral value forms, which are an indicator of the external and internal positive effect of value as an indicator of business value

assessment. In these value forms, it is advisable to pay special attention to the intermediate values that affect the effective performance of the management system. Underlying these intermediate values is the market capacity to seize existing opportunities and neutralize threats.

Practice shows that often the appraiser refuses a comparative approach and justifies the rejection by a lack of information about market operations, which cannot be recognized as serious evidence today because the business market is sufficiently developed. Moreover, if a particular type of business is not required, it is much easier, more logical, and cheaper to create it from scratch, which requires appropriate reflection in the evaluation of the object. This means that the scope of appraisal standards in appraisal activities is narrowing and a phase is beginning that does not correspond to the essence of appraisal of individual objects, in particular, enterprises as a business.

The reliability and accuracy of the expected results in justifying the market value, as well as the establishment of responsibility by appraisers for violating the results of the assessment, the need to study the scientific and theoretical basis of approaches to assessing business value, their content, applicability to manage company value and determines the relevance of the research work.

RESEARCH METHODOLOGY

In the course of the research, methods such as theoretical observation, systematic approach, observation, generalization, analysis, synthesis were effectively used, as well as scientific conclusions and recommendations on business value assessment problems and their solutions were formed.

ANALYSIS OF THE LITERATURE ON THE SUBJECT

One of the shortcomings of modern business appraisal practice is that it is based on a weak reflection of the specific characteristics of the business, including its affiliation to the type of economic activity. In this regard, A.N.Asaul, V.N. The research of MK Starinsky, RA Starovoytov has a special place. The research describes the theoretical, methodological and practical bases of property valuation, the

conceptual and terminological apparatus used in determining the cost of property valuation objects and the basic methodological rules of valuation activities are studied [1]. N.V.Chebotarev's research pays special attention to the methods of assessing the efficiency of its financial and economic activities to determine the value of the assets of the enterprise. The concept of management aimed at creating value is described. Methods of assessing the value of the property of the debtor enterprise for sale during bankruptcy are considered [2]. In the research of N.Antill, K.Li, liabilities on investment assets are considered in the assessment of the value of the company in the financial markets on the basis of financial statements [3]. Yu.V. Kozyr's research suggests the features of applying the income approach in the assessment of the value of the enterprise as a competitive advantage in the conditions of economic stagnation, as well as the development of a strategy based on the data obtained [4]. L.D. Revutsky's research describes economic mathematical models and the process of using them to determine the contract value of a business value assessment system [5].

Features of business valuation in Sh.Sh.Shohazami's research, practice of using property valuation services in making correct conclusions on business value growth and management decisions, organizational and control forms of valuation activities, international standards of property valuation and their application in valuation process, current valuation principles and methods are described in detail [6]. K.Khamitov, I.Akhmetov are characterized by world experience models of regulation of appraisal activity in research, maximum closeness of property valuation services to market requirements, closeness to the requirements of market regulation of property valuation services [7].

The above research provides practical recommendations on the information-analytical base for assessing the value of

business, and considers methods of assessing the enterprise and enterprise conditions in terms of cost, comparative (market) and revenue approaches. The methodology for estimating the market value of an enterprise based on the cost approach is based on the assumption that the owner must fully cover the costs associated with the sale of the property in the free market, its creation or production, without taking into account the time factor and changes in economic conditions.

ANALYSIS AND RESULTS

As with any valuation subject, three basic approaches are used in assessing the value of a business - useful, comparable, and costly. Let's take a closer look at each of them. A useful approach to valuation from the point of view of investment motives is the most optimal, because any investor who invests in an existing enterprise will eventually buy a future income stream rather than a set of assets, which will allow him to recoup the investment.

There are two ways to convert net income to present value in business valuation: the profit capitalization method and the discounted future cash flow method. The income capitalization method is applied if future net income is expected to be approximately equal to the current level or if the growth rate is average and predictable. In addition, gains are very important positive values, ie. The business is developing steadily. The discounted future cash flow method is used when future cash flows are expected to differ significantly from current flows, future cash flows can be reasonably determined, future cash flows are positive for most of the forecast years, and last year cash flows are applied. The forecast period is expected to be significantly positive.

The cash flow discounting method is implemented in the following stages:

- Selection of the duration of the forecast period;

- Selection of the type of cash flows used for calculation;
- Analysis of gross income of enterprises and preparation of a forecast of gross income in the future, taking into account the development plans of the assessed organization;
- Analysis of investments and preparation of their forecast;
- Calculation of cash flow for each year of the forecast period;
- Determination of the relevant discount rate;
- Calculation of residual value (value of cash flows of the terminal in the forecast period);
- Calculation of current value, residual value and their total value of future cash flows;
- Make final corrections;
- Implementation of the inspection procedure.

$$V = CF / R (1),$$

Here:

V - net profit;

CF - cash flow;

R is the capitalization rate.

The cash flow capitalization method involves the following steps:

- Selection of the amount of capitalized cash flow;
- Calculation of the appropriate capitalization rate;
- Determination of the initial cost;
- Make adjustments to the existence of non-performing assets (if any).

Due to changes in market conditions, inflation and imperfection of accounting methods, the book value of the company's assets and liabilities does not correspond to their market value. Therefore, in the interests of bringing the carrying amount to market conditions and

increasing the validity of the valuation results, the following is determined:

- The costs actually incurred by the owner of the enterprise during its creation and commissioning - in accordance with the accounting data of the enterprise;
- The cost of acquiring the appropriate type of resources in the free market - at the time of valuation or by special methods in accordance with current market conditions.

The cost approach to valuing an enterprise involves two methods - the net assets accumulated method and the residual value method. The net asset accumulation method involves the following steps:

- Assessment of the market value of real estate.
- Assessment of the market value of machinery and equipment and vehicles.
- Assessment of the market value of intangible assets.
- Determining the market value of financial investments (up to)

The method of capitalization of profit (cash flow) is based on the basic condition that the value of the share of ownership in the enterprise is equal to the present value of future income generated by this property. The essence of this method is characterized by the following formula: As an indicator, the market value of the enterprise can be used not only to carry out market operations, but also to measure the results of the enterprise found widespread application in foreign management practice. An effective management system that shows how much the rise in value. This makes sure that market instruments need to be further improved. Basically, business valuation is done by selecting analog enterprises where the type of economic activity is incomplete. In the cost approach, the net asset method is often used when the enterprise value is determined as the difference between the market value of the

enterprise's assets and the present value of its liabilities. This method is an established practice in business valuation.

Estimating the value of an enterprise using a comparative approach is based on the principle of substitution. The comparative approach to valuation assumes that the value of assets is determined by how much they can sell if a financial market is sufficiently formed. The most probable value of the enterprise being valued may be the real selling price of a similar firm determined by the market. There are three methods in the comparative approach:

- Capital market method;
- Method of transactions;
- Method of industrial coefficients.

The capital market method involves the use of stock markets as a basis for comparing real prices paid to shares of similar companies. When data on comparable enterprises are used with appropriate adjustments, they can serve as a benchmark for determining the value of the enterprise being valued. The advantage of this method is that it uses real data rather than forecast data characterized by a certain uncertainty. Implementing this method requires reliable and detailed financial and market data for the group of businesses being compared. This method estimates the value of the enterprise at the level of uncontrolled interest.

The transaction method is a separate phenomenon of the capital market method. Based on the purchase prices of all similar enterprises, it assumes the use of control packages or as a basis for comparing the price of shares purchased by the company as a whole. The method determines the level of control value of the shares, which allows to ensure full management of the enterprise.

The industry ratios method is based on the recommended ratios between price and specific financial parameters. Network coefficients are calculated based on long-term

statistical observations of specialized research institutes. The method of sector coefficients is not yet sufficiently distributed in domestic practice due to the lack of necessary data that require long-term observation. All three methods of the comparative approach are based on peer share prices in the stock markets. Given the specific characteristics of the company being evaluated, as well as the almost complete lack of data on sales operations of enterprises, similar to the method being evaluated, this method is used with restrictions in the evaluation of the companies under consideration.

Costs associated with the establishment or acquisition and start-up of an enterprise include: substantiation, organization, permitting, planning and other work related to the commissioning of the enterprise as an organizational-staffing unit, project development costs include fixed assets of the enterprise, as well as enterprise or enterprise employees creation of software and other types of intellectual property created on orders, the cost of acquisition of fixed assets, the cost of land for capital construction of enterprise facilities, the value of enterprise assets, including intangible and intangible assets.

CONCLUSIONS AND RECOMMENDATIONS

The market approach in valuing an enterprise is based on a comparative assessment of the entity in question with similar comparisons, interests in owning the entity, or securities that are sold and bought on the open market.

The advantage of the comparative approach is that the price is set by the market itself, while at the same time reflecting the market situation, the position of the enterprise and its achieved results. Nevertheless, the comparative approach has a number of important shortcomings, especially in limiting its use in appraisal practice in the Russian economic context. The use of a comparative approach is possible only when there is reliable

and complete financial and economic information about the company being evaluated, and most importantly, the companies being compared with the object being evaluated. However, the market for the purchase and sale of enterprises is underdeveloped; it is difficult and often impossible for a company to find analogues; there are great difficulties in obtaining information about similar enterprises.

Many transactions with finished enterprises are made outside the stock market, and information on the value of off-market transactions is usually closed. If the selection of analogues is made, many corrections and corrections will need to be made that require serious and accurate justification. This is due to the fact that there are no enterprises that are actually similar or sufficiently similar. Thus, none of the existing approaches are sufficient and cannot be used as a basis for assessing the value of the enterprise, at least for management purposes. Different approaches to valuation often give unequal results (the start-up rate can range from 5 to 50% or more) and the final value of the business determined by the valuer differs significantly from the transaction price.

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