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Authors:
Antonenko A.V. (13), Belyaeva L.A. (1), Bodra Y.A. (11), Bril M. (2), Brovenko T.V. (13), Vasylenko O.V. (13), Hanziuk S. (3), Grishchenko I.M. (13), Hrinko I. (8), Dobrovolskaya O.P. (9), Dobrodomova T.N. (10), Dohadailo Y.V. (11), Zemlina Y.V. (13), Katerynchuk K.V. (17), Klymenko N.G. (5), Kovalenko I.A. (17), Kotova L. (16), Kravchenko V.P. (6), Kryvoruchko M.Y. (13), Kucheriava M. (4), Lapteva U.D. (11), Lisnevska N.V. (14), Lukin V.A. (1), Manachynska Y. (12), Marekha I.S. (7), Oliynyk Y. (4), Panchuk A. (2), Peniak Y.S. (1), Savenkova I.V. (10), Tykhomyrova Y. (15), Tolok G.A. (13), Tiutiunnyk V. (16)

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Lußstr. 13
76227 Karlsruhe, Germany
in conjunction with Institute «SE&E»
e-mail: orgcom@sworld.education
site: www.sworld.education

ÜBER DIE AUTOREN / ABOUT THE AUTHORS

1. *Antonenko Artem Vasilyovich,* Kiev University of Culture, Ukraine, PhD in technical sciences, docent - *Chapter 13 (co-authored)*
2. *Belyaeva Lyudmila Anatolyevna,* Kharkiv National University V.N. Karazin, Ukraine, PhD in economic sciences, docent - *Chapter 1 (co-authored)*
3. *Bodra Yulia Andreevya,* Kharkiv National Automobile and Highway University, Ukraine, student, - *Chapter 11 (co-authored)*
4. *Bril Mykhailo*, KhNUE them. S. Kuznets, Ukraine, PhD in economic sciences, docent - *Chapter 2 (co-authored)*
5. *Brovenko Tetyana Viktorivna*, UNI Kiev National University of Culture and Arts, Ukraine, PhD in technical sciences, docent - *Chapter 13 (co-authored)*
6. *Vasylenko Olena Viktorivna,* Kiev University of Culture, Ukraine, PhD in pedagogical sciences, - *Chapter 13 (co-authored)*
7. *Hanziuk Svitlana,* Dnipro State Technical University, Ukraine, PhD in economic sciences, docent - *Chapter 3*
8. *Grishchenko Igor Mikolaevich*, Kiev University of Culture, Ukraine, PhD in technical sciences, docent - *Chapter 13 (co-authored)*
9. *Hrinko Iryna,* National Technical University of Ukraine "Igor Sikorsky Kyiv Polytechnic Institute", Ukraine, PhD in economic sciences, docent - *Chapter 8*
10. *Dobrovolskaya Oksana Petrovna*, Crimean Federal University named after V.I. Vernadsky, Russia, PhD in Geography, docent - *Chapter 9*
11. *Dobrodomova Tat'yana Nikolayevna*, Belgorod State National Research University, Russia, PhD in economic sciences, docent - *Chapter 10 (co-authored)*
12. *Dohadailo Yana Victorivna,* Kharkiv National Automobile and Highway University, Ukraine, PhD in economic sciences, docent - *Chapter 11 (co-authored)*
13. *Zemlina Yuliya Volodymyrivna,* Kiev University of Culture, Ukraine, PhD in pedagogical sciences, docent - *Chapter 13 (co-authored)*
14. *Katerynchuk Kateryna Volodymyrivna*, Kiev National University of Technology and Design, Ukraine, Doctor of Law, docent - *Chapter 17 (co-authored)*
15. *Klymenko Nataliia Grigoryevna,* Kharkiv Regional Institute of Public Administration under the President of Ukraine, Ukraine, PhD in Public Administration, docent - *Chapter 5*
16. *Kovalenko Inna Anatolievna,* Kiev National University of Technology and Design, Ukraine, PhD in Law, docent - *Chapter 17 (co-authored)*
17. *Kotova Liuvob,* Ukraine, PhD in Law, docent - *Chapter 16 (co-authored)*
18. *Kravchenko Victoria Petrovna,* Central Ukrainian National Technical University, Ukraine, docent - *Chapter 6*
19. *Kryvoruchko Myroslav Yuriyovych*, Kiev National University of Trade and Economics, Ukraine, PhD in technical sciences, - *Chapter 13 (co-authored)*

20. *Kucheriava Maria*, SESE "Academy of Financial Management", Ukraine, PhD in economic sciences, - *Chapter 4 (co-authored)*
21. *Lapteva Ulyana Dmiitrivna,* Kharkiv National Automobile and Highway University, Ukraine, student, - *Chapter 11 (co-authored)*
22. *Lisnevska Nataliia Valentynivna,* Ukraine, PhD in pedagogical sciences, - *Chapter 14*
23. *Lukin Vladimir Alexandrovich,* Kharkiv National University V.N. Karazin, Ukraine, PhD in economic sciences, assistant professor - *Chapter 1 (co-authored)*
24. *Manachynska Yuliya,* Chernivtsi Trade and Economic Institute of Kiev National Trade and Economic University, Ukraine, PhD in economic sciences, assistant professor - *Chapter 12*
25. *Marekha Iryna Sergiivna,* Sumy State University, Ukraine, PhD in economic sciences, - *Chapter 7*
26. *Oliinyk Yana,* SESE "Academy of Financial Management", Ukraine, Doctor of Economic Sciences, - *Chapter 4 (co-authored)*
27. *Panchuk Anastasiia,* KhNUE them. S. Kuznets, Ukraine, PhD in economic sciences, assistant professor - *Chapter 2 (co-authored)*
28. *Peniak Yuliia Sergeevna*, Kharkiv National University V.N. Karazin, Ukraine, PhD in economic sciences, assistant professor - *Chapter 1 (co-authored)*
29. *Savenkova Irina Victorovna*, South Federal University, Russia, PhD in economic sciences, assistant professor - *Chapter 10 (co-authored)*
30. *Tykhomyrova Yevhenya*, Lesya Ukrainka Volyn National University, Ukraine, Doctor of Political Science, Professor - *Chapter 15*
31. *Tolok Galyna Arsenivna,* Kiev National University of Culture and Arts, Ukraine, PhD in technical sciences, assistant professor - *Chapter 13 (co-authored)*
32. *Tiutiunnyk Viktoriia,* Ukraine, graduate student, - *Chapter 16 (co-authored)*

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KAPITEL 12 / CHAPTER 12.
ACCOUNTING VALUE ASSESSMENT IN THE ENTERPRISE MANAGEMENT SYSTEM

ОБЛІКОВА ОЦІНКА ВАРТОСТІ В СИСТЕМІ МЕНЕДЖМЕНТУ ПІДПРИЄМСТВА

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Introduction

The growth of the value of the enterprise is an important indicator of increasing the income of its owners: the micro level, and the key to the development of a particular sector at the state level as a whole: the macro level. That is why, it is necessary to periodically assess its value for improving the efficiency of enterprise management. Foreign experience shows that it is advisable to use the assessment of the value of the business to make the best management decisions, because it is the assessment makes it possible to analyze all components of its structure [1, p.7].

Novikova, O.S. & Kanyukha, N.M. [2] notes that value is an unalterable criterion for business management. Increasing competition will only strengthen the processes of cost-oriented management with the simultaneous development of global markets. Business valuation is the process of calculating the value of an object, in monetary terms, taking into account the factors that affect it under the relevant time and market conditions. Morozova, Yu.A. & Chornuy, L.Y. note that estimating the value must be conceptually and logically correlate it with the concept of economic potential (studying the criteria and problems of optimization of methods of estimating the value of the enterprise), while scientists emphasize the need to distinguish.

This interpretation is quite correct, because it is the criterion of valuation that makes it possible to objectively determine the prospect of changing the economic potential of the business in the long run. In particular, Koval, L.V. notes that the economic potential of the enterprise should be understood as a set of available resources and opportunities to transform them to achieve economic benefits and proposes to identify the following elements: labor, financial, innovation and information potential, resource, functional and mixed approaches to determining its structure in the enterprise, summarizing the analysis of various literature sources, [4, p.64].

Nesterenko, S.A. [5] characterizes the potential of the enterprise as its aggregate economic opportunities for current operation and stable development.

Shurpenkova, R.K. & Demko, I.I. [6] clarified the concept of property valuation, substantiated the need to analyze the value of business objects using modern valuation methods; the classification of different types of tasks set before the subjects of business valuation is given; the main types of property valuation are considered, in this regard, the urgent need to choose tools to assess the potential of the enterprise, which will quickly identify the internal capabilities and weaknesses of the subordinate business unit, to identify hidden reserves to improve its efficiency.

Shcherbakov, V.A. & Shcherbakova, N.A. [1] interpret the assessment of the enterprise as the definition in monetary terms of its value, taking into account its usefulness and the costs associated with obtaining such usefulness. In addition, foreign scholars note that in assessing the value of the enterprise (business) financial analysis should be carried out in two stages:

1) Analysis of financial statements;
2) Analysis of financial ratios (indicators).

However, in our opinion, as traditional accounting in the XXI century has moved to a completely new, innovative, actuarial stage of development. In such circumstances, it is advisable as an information (content) basis for assessing the value of the enterprise to use actuarial reporting, which is formed on generalized accounting data from the actuarial accounting system.

12.1. Regulatory support for accounting valuation of business in Ukraine

Appraisers are guided by appraisal standards in their activities. Valuation standards are valuation rules that are mandatory for the appraiser to develop and they are approved in accordance with the law.

There are currently four NSOs in Ukraine, namely: NA №1 "General principles of property valuation and property rights" [18], NA №2 "Real Estate Valuation" [14], NA № 3 “Valuation of Integrated Property Complexes” [16], NA №4 “Valuation of Intellectual Property Rights” [17], which are approved by resolutions of the Cabinet of Ministers of Ukraine. Ukrainian appraisers take into account International Valuation Standards (IVS) and European Business Valuation Standards (EBVS).

European Valuation Standards (EVS) are issued under the auspices of The European Group of Valuers Associations (TEGoVA). Accordingly, the International Professional Assessment Community received a new version of the International Valuation Standards Council IVS-2017, issued by the International Valuation Standards Council (IVSC) in early 2017 [18].

In January 2020, amendments to the International Valuation Standards, updated in July 2019, officially came into force (for the first time since 2017). Valuation standards have been updated to reflect technical changes, as well as the final version of IAS 2020, which covers non-financial liabilities as part of asset standards for business valuation. These changes reflect the policy of the International Council on Valuation Standards (IASC) - to respond as quickly as possible to changes in valuation activities so that valuation standards always remain relevant and in line with modern economic realities. In general, the so-called “Common Standards” of MSOs will remain a reliable basis for the use of evaluators in their work in Ukraine and around the world, and will not be subject to global and regular changes. The innovations will primarily concern new or fast-growing areas of valuation, such as valuation of cryptocurrencies, intangible assets and non-financial liabilities; complex financial instruments; biological and agricultural assets [19].

The main legislative act regulating the business valuation process in Ukraine is the Law of Ukraine "On Valuation of Property, Property Rights and Professional Valuation in Ukraine" of July 12, 2001 № 2658-III (as amended from 17.06.2020 №720-IX [20]. Article 7, Section II "Principles of property valuation" stipulates that property valuation is carried out in the following cases:

- Creation of enterprises (business associations) on the basis of state property or property in communal ownership;
- Reorganization, liquidation of state, communal enterprises and enterprises (business associations) with the state share of property (share of communal property);
- Allocation or determination of the share of property in the common property in which there is a state share (share of communal property);
- Determination of the value of contributions of participants and founders of a business association, if the property of business associations with a state share (share of communal property) is contributed to the specified partnership, as well as in case of withdrawal (exclusion) of a participant or founder from such a partnership;
- Privatization and other alienation in cases established by law, lease, exchange, insurance of state property, property in communal ownership, as well as the return of this property on the basis of a court decision;
- Revaluation of fixed assets for accounting purposes;
- Taxation of property in accordance with the law, except in cases of determining the amount of tax on inheritance of property, the value of which is taxed at a zero rate;
- Determination of damages or the amount of compensation in cases established by law;
- In other cases by court decision or in connection with the need to protect the public interest [20].

Pavlenko, I.B. emphasizes that it is especially important to evaluate a business when selling a bankrupt company, and when determining the amount by which a properly functioning joint stock company has the right to issue new shares (for an amount exceeding the book value of capital), and when determining the price, according to which any joint-stock company must repurchase shares, shareholders (participants) who withdraw from it (including founders). This also applies to Limited Liability Companies, if the relevant provision of the statute [21]. In our study, we focus on assessing the value of an enterprise, provided the sale of the business as a whole property complex (CMC), or the need to attract investment (including foreign) in its development, to form the image of its investment attractiveness on the basis of accounting and information content of actuarial management reporting.

An integral property complex (CMC) is an object, the set of assets of which provides for the conduct of a separate economic activity on a permanent and regular basis. Integral property complexes can be structural subdivisions of enterprises (shops, productions, sections, etc.), which are allocated in the prescribed manner into independent objects.

Scherbakov, V.A. & Scherbakova, H.A. notes that the results of business evaluation, obtained on the basis of analysis of external and internal information, are necessary not only for negotiations in the sale of business, as CMC. They play a significant role in choosing a strategy for enterprise development. At the same time, it is important to assess the future income of the enterprise, the level of its stability and the value of the image in the process of strategic planning. Inflationary adjustment of financial statements is necessary for making sound management decisions, it is the financial statements that are the basis for making financial decisions. Information on the value of the enterprise or part of its assets is necessary to justify investment projects for the acquisition and development of business. Knowledge of the basics of business valuation and management, the ability to apply in practice the results of such evaluation is the key to effective management decisions and the achievement of the desired level of profitability [1, p.5].

12.2. Methodical approaches to cost estimation in the enterprise management system

The subjects of appraisal activity apply during the appraisal of the integral property complex the National Appraisal Standard №3 "Appraisal of the integral property complexes" [16]. The evaluators apply the following basic methodological approaches to the evaluation of the CMC, in accordance with Article 7:

- property approach;
- income approach;
- comparative approach.

According to Art. 8-10, NA №3 [16] the property approach is used to determine the market value of the CMC. In the case, when this approach reflects the typical logic of potential buyers. The typical logic based on established practice. In particular when assessing the whole property complex, the market value of which is determined by current the cost of the probable result of liquidation of the specified property complex. The main method of property approach to the assessment of CMC is the method of accumulation of assets. The method of asset accumulation is to determine the net asset value of the CMC. The net asset value of a CMC is defined as the difference between the value of the assets and the value of its liabilities determined at the measurement date in accordance with the requirements of paragraph 11 of this Standard.

Articles 13-14 of the National Standard №3 [16] stipulate that the income approach to the valuation of CMC is based on the application of valuation procedures for the translation of expected income (net cash flows or dividends) into the value of the CMC. The assessment of the CMC is carried out taking into account the current financial condition of the enterprise, the CMC of which is being assessed, and the forecast performance of such a property complex. The main method of income approach used to assess the CMC is the method of discounting cash flow. In studies of Shigaeva, A.I. [13], special attention is paid to the use of the income approach when estimating the value of business according to actuarial reporting, but we propose to emphasize the use of cost (property) valuation approach. Quite often the cost (property) approach to business valuation is defined as an asset-based valuation. According to this approach, the value of the business is determined by the amount of costs for its reproduction or replacement, taking into account physical or moral wear and tear.

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Articles 27-29 of the National Standard №3 provide for the peculiarities of the application of the comparative approach to the assessment of the CMC, in particular, the main methods include the capital market method and the method of market transactions. The first of which is based on the assumption that the CMC is equivalent to the market value of its market capitalization or the possible market capitalization, taking into account the value of control rights. The second is based on the assumption of the equivalence of the market value of CMCs to the selling prices of similar CMCs [16].

Novikova, O.S. & Kanyukha, N.M. [2] believes, that the issue of using valuation methods in a comparative (market approach) is due to the fact that in Ukraine the real purchase and sale prices of enterprises in official statistics are rarely reflected and the stock market is not sufficiently developed. Due to such circumstances, according to scientists, it is advisable to use a profitable approach to assess the value of the business. This is based on determining the present value of the expected benefits of corporate rights, because investing in the purchase of an enterprise is primarily a guarantee of stable income.

Shigaev, A.I. [13] notes that the new actuarial financial system creates an information base for the implementation of the income approach of a special concept of valuation, studying actuarial accounting as an information base for management. According to this the value of a commercial organization is a function of future business results from the value of its equity or the total financial result of its activities. The scientist notes that, when estimating the value of the organization based on the value of its equity reflected in the actuarial balance sheet, two models can be used: the model of residual profit and the model of residual operating profit. When estimating the value of the organization based on the total financial result of its activities, reflected in the actuarial accounting of total profit, two other models can be used: the model of abnormal profit growth and the model of abnormal growth of operating profit [13, p.131].

We propose to use actuarial management reporting, namely the form №1-a "Actuarial statement of financial position" as an information base for estimating the value of agribusiness under the cost approach, as an alternative, in contrast to the existing foreign approach,

Ostrovskaya, G.O. [9] notes that the property (cost) approach is based on estimating the cost of reproduction (replacement) or determining the possible value of sales of different types of assets. In this case, the scientist identifies the following three methods within the cost approach: valuation of the replacement value of assets (cost approach); calculation of net assets; calculation of liquidation value. According to Haustova, V.Y. & Matyushenko, O.I. [11], the cost approach includes five methods, and considers the value of the enterprise in terms of costs incurred, while the book value of assets and liabilities of the enterprise, as a rule, does not correspond to the market value, so there is a need to adjust it. In particular, scientists, in the context of the cost approach, distinguish the following five methods, namely: the method of excess profits; net assets method; direct reproduction method; substitution method; liquidation method.

The basis in the cost (property) approach is the following formula:

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$$Equity = Assets - Liabilities, \tag{1}$$

The net assets method is used in cases where the company has significant tangible assets; the company is expected to remain a going concern.

Net assets are the amount determined by deducting from the amount of assets of the company accepted for calculation, the amount of its liabilities accepted for calculation [22]. The application of the net assets methodology is based on the analysis of financial statements. It is an indicator of the financial condition of the enterprise at the valuation date, the actual amount of net profit, financial risk and market value of tangible and intangible assets.

Calculation by the net assets method includes the following steps:

1) The reasonable market value of the real estate of the enterprise is determined;
2) The market value of machinery and equipment is estimated;
3) The value of intangible assets is calculated;
4) The market value of financial investments (both long-term and short-term) is estimated;
5) Inventories are translated into current value;
6) Estimated costs of future periods;
7) Receivables are estimated;
8) The liabilities of the enterprise are transferred to the current value;
9) The value of equity is determined by taking into account with the justification of the market value of the sum of the assets of the current value of all liabilities [21].

Conclusions

The presented work used the cost approach to assessing the value of the business as an important element in the management system of the agricultural enterprise. Agricultural management can be defined as the activity of organizing and coordinating production in enterprises in order to obtain growing profits in the long run, as well as to achieve other specific goals for each business owner or manager. It can be considered as a combination of individual components of the enterprise: production, business, finance, marketing, human resource management.

We consider it appropriate to use the net assets method when estimating the value of an agricultural enterprise according to the first form of actuarial management reporting - Actuarial statement of financial position (form №1-a). We find, that the net assets method is defined as the difference between the revalued (market, fair) value of assets (both tangible and intangible) and the current value of liabilities (both reflected in the financial statements and contingent), this method ignores the value of income, cash flows and is valuable only if the results obtained using the methods of income approach are less than the value of net assets [12, p. 395].

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