

ASSESSMENT OF BUSINESS VALUE IN MODERN CONDITIONS

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Annotation:

Business valuation is one of the most popular services in valuation today. This is due to the fact that this type of information is necessary for owners to make such important decisions as: expanding their business, merging with other companies, investing, etc. According to average estimates, this procedure, once performed voluntarily by about ten percent of managers, is now performed on a voluntary basis in ninety percent of cases. Despite the prevalence and popularity of business assessment in this area, there are many problems caused by the imperfection of the legal framework in the country, the ambiguity of methodological approaches to assessment and their effectiveness. The article considers the main approaches (profitable, cost-based comparative, as well as the Olson and Black-Scholes model, the concept of economic profit) that are used in assessing the value of a business, describes their advantages and disadvantages, most of which are associated with their application without adaptation to the Uzbekistan business realities. The sequence of conducting the business evaluation procedure was studied and summarized, and the ratings of one of the agencies for the year were reviewed by individual indicators. In conclusion, brief conclusions on the results of the study of this issue are presented.

Key words: business valuation, organizations, economic crisis.

ОЦЕНКА СТОИМОСТИ БИЗНЕСА В СОВРЕМЕННЫХ УСЛОВИЯХ

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Аннотация:

Оценка бизнеса – одна из самых востребованных услуг на сегодняшний день в оценочной деятельности. Это обусловлено тем, что данный вид информации необходим собственникам для принятия таких важных решений, как расширение бизнеса, слияние с другими компаниями, инвестирование и т.д. По усреднённым оценкам, данная процедура, некогда проводившаяся добровольно примерно десятью процентами руководителей, сейчас осуществляется на добровольных началах в девяноста процентах случаев. Несмотря на распространённость и популярность оценки бизнеса в этой сфере существует множество проблем, вызванных несовершенством нормативно-правовой базы в стране, неоднозначностью методологических подходов к оценке и их эффективностью. В статье рассматриваются основные подходы, используемые при оценке стоимости бизнеса (доходный, затратный, сравнительный, а также модель Олсона и Блэка – Шоулза, понятие экономической прибыли), описываются их преимущества и недостатки, многие из которых связаны с их применением без адаптации к узбекской оценочной деятельности и реалиям бизнеса. Изучена и обобщена последовательность проведения процедуры оценки бизнеса и рассмотрены рейтинги

одного их агентств по итогам года по отдельным показателям. В заключении излагаются краткие выводы по результатам изучения данного вопроса.

Ключевые слова: оценка стоимости бизнеса, организации, экономический кризис.

Introduction

The modern realities of doing business are such that assessing the value of a business is one of the most popular indicators. This is necessary both to resolve investment issues, attract credit resources, carry out insurance, and for many other operations. Each enterprise, in one way or another, strives to increase its own value; in this regard, this type of assessment is a management tool. Each manager must evaluate the consequences of his decision and how it will affect the enterprise's activities in the future. Thus, the decision on lending directly affects relationships with suppliers and other partners of the company. When assessing the value of a business, new solutions are being sought in various situations in order to find the most effective option and allow for maximum value increase, which in modern conditions is one of the most priority tasks of business owners. Meanwhile, in Western countries, the business valuation technique has been a recognized tool for a long time, which is based on the method of present value developed by scientists F. Modigliani and M. Miller. The importance of this indicator is due not only to its necessity in the implementation of bankruptcy proceedings, but also in the current conduct of business, since in modern conditions it is a kind of measure of management success. The versatility of this issue is also related to the ambiguity of approaches to assessing the value of a business, as well as a wide range of tasks that the owners of the company face.

In Uzbekistan, the evolution of the business valuation method is proceeding in an original way, and existing approaches recognized in the West require their adaptation taking into account the specifics of Uzbekistan business [1].

Many Russian scientists have been engaged in the study of business value, among which are the works of Yu.P. Aniskin, M.I. Allakhverdiyev, A.Ya. Boruk, S.V. Valdaytseva, A.G. Gryaznova, V.E. Esipova, A.I. Zimin, Yu.V. Kozyr, V.I. Koshkina, V.A. Kundius, K. Marx, L.I.Naidenova, E.I. Ovechkina, N.A. Kolaiko, E.E. Romyantseva, N.G. Sinyavsky, G.I. Sychev, Ya.G. Stopicheva, L.A. Filippova, E.V. Chirkova, T.A. Cherkashina and many others. Among foreign scientists, this issue has been considered in scientific treatises by A. Damodaran, T. Copeland, T. Kohler, G. Desmond and other scientists [2].

The purpose of the study is to study the existing methodological approaches to assessing the value of a business and determining the factors influencing it.

The object of the study: the activities of enterprises of all forms of ownership and the valuation of their business.

Literature review

Public organizations deal with the issues of business valuation in various countries. So, in the USA there are about thirty such organizations, in France this issue is overseen by the Association of Licensed Assessment Experts for Insurance, etc. Among such organizations in Uzbekistan, it is possible to distinguish the agency for the management of state assets, the Association of appraisal organizations, the Society of Appraisers, etc. The order of the director of the state asset management agency, registered on 04.06.2020, uses the national

standard No. 3239 "Approval of the unified national assessment standard of the Republic of Uzbekistan". [3].

To date, the methodology of business valuation is based on three approaches borrowed from Western theory: costly, profitable and comparative. Each of these approaches, in turn, can be implemented by several methods, each of which has its own advantages and disadvantages. Thus, a profitable approach is used when a company wants to sell or invest money in it, since the buyer is most often interested not only in the property complex, the possibility of generating income and its volume. The advantage of the income method is that it takes into account how the value of the business will change, taking into account the market situation, investment expectations and economic aging. As a disadvantage, many experts point out: the forecast is ambiguous and it is not necessary to count on its absolute accuracy, since the discount rate may not be planned due to fluctuations in the stability of the economy.

The expensive method is good because it perfectly evaluates new facilities, it is indispensable if the investor is interested in construction, rather than buying a ready-made business, this method is good when evaluating land plots. But the disadvantage of the method is the ambiguity of estimating costs, because they are not always equivalent to the market value, and the land plot is estimated separately from the property complex. This method is difficult to apply in real life.

The comparative method is considered more reliable because it reflects the ratio of supply and demand, taking into account the current market situation, however, the method is very time-consuming to implement due to cumbersome calculations and requires an expert to have extensive information about the enterprise. It also does not take into account the potential of the enterprise and is designed for retrospective [3].

Most often, when evaluating a business, a set of approaches and methods are used that complement each other and make it possible to comprehensively approach the solution of this issue, make it objective and reasonable [4]. When choosing an approach, it is necessary to be guided mainly by the specifics of the business, since the market is far from ideal, and competition is imperfect. According to Y.G. Stepicheva [2], the currently used methods of assessing the value of a business can be divided according to the degree of significance of this assessment for society and the enterprise itself (Fig. 1).

In addition to the generally accepted methods, the Olson model, which is based on the division of income into normal and abnormal, has also become widespread. Normal values represent the sum of the company's assets and, according to the author, remain unchanged for a long time. However, this method is not very convenient to use in Uzbekistan, since in Western practice, according to the requirements of IFRS, asset revaluation is carried out regularly, and the reporting, which acts as the basis for calculation, is devoid of contradictions. In Uzbekistan, the estimated value of assets does not coincide with the real market value, and here it is necessary to clearly determine what value should be accepted for calculation. That is why this model, which combines costly and profitable methods, has not become an ideal tool, since many experts in Uzbekistan use it without adjusting for domestic specifics, which gives inaccurate results in assessing the value of a business.

Another Black-Scholes model, based on the theory of options, is also widely used. Its peculiarity lies in taking into account the rapidly changing conditions of the economy. This model combines various economic, financial and managerial tools and approaches that predict many indicators that are important to the company, for example, revenues, profits, costs, taking into account the uncertainty factor.

In these conditions, the development of the concept of economic profit, based on the classical premise of the need for a company to cover all its costs, including the cost of raising capital, is becoming increasingly popular.

Many experts note that when evaluating a business, such indicators as the market value of net assets, the capitalization of the business and the assessment of future cash receipts provide the most complete information about the business [5].

In order to form a fair and valid business value, it is also necessary to take into account the factors that affect the valuation of the business. Key factors include: demand for products or services, profitability of the company, liquidity, quality of management, risk inherent in the industry, marketing and reputation of the company, management style, performance indicators of the enterprise, technologies used, competition in the industry, pricing policy, personnel, etc. In assessing the cost, the sequence of the assessment, which should be carried out by an expert, is also important.

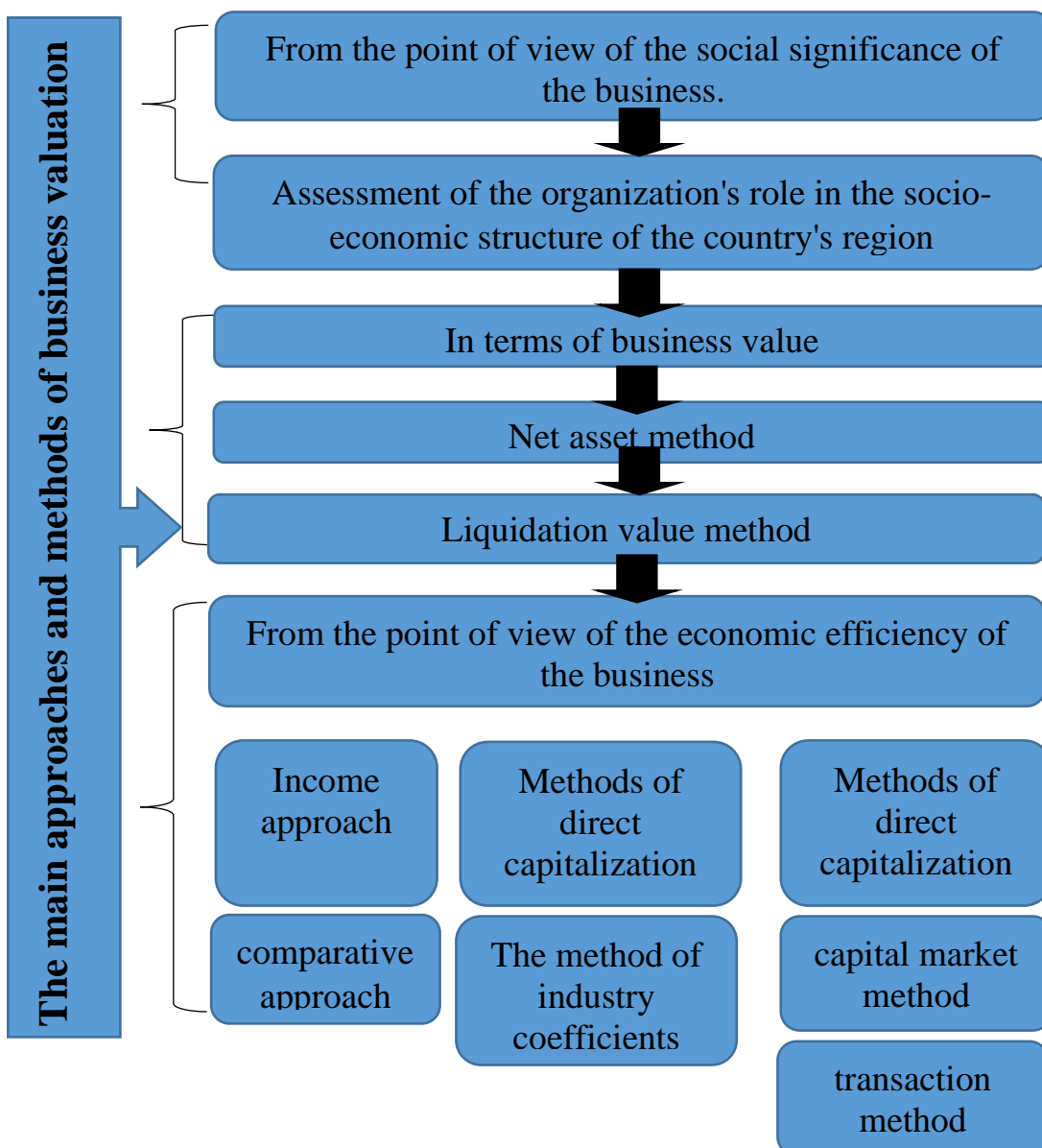


Figure 1. The main approaches and methods of business valuationⁱ

Currently, there is no unambiguous approach to the sequence of conducting and allocating stages, someone reduces the assessment to three stages: preparatory, basic and calculated, someone increases the stages to five. In any case, the appraiser needs to study a lot of documents, and the report is given taking into account the value of the business at the current date, since the factors influencing this may change the position of the company too. Currently, according to the data of the SRO "Association of Uzbek Masters of Valuation", about 90% of all clients conduct business valuation and only 10-15% are subject to mandatory assessment. This shows that at present, the management of enterprises is interested in understanding the activities of their company and the desire to develop it, to make work more efficient, for comparison, back in the 1990s, only one in ten managers voluntarily evaluated their own business.

Analysis and discussion of results.

Thus, there are currently many tools that allow you to evaluate a business, and this segment shows significant growth in Uzbekistan. Thus, according to the annual rating of the Expert Business Solutions company, various valuation methods are popular in our country, including: valuation of intangible assets and intellectual property; valuation of investment projects; revaluation of fixed assets; valuation of equipment and vehicles is gaining increasing popularity; valuation of real estate. And the most popular type of valuation in 2018 was the valuation of business and securities. Here, the increase compared to 2017 was at least ten percent. In 2018, this segment accounted for 36% of all other services offered by appraisal companies.

However, information technology has replaced the classical methods that many appraisers still use in their work. For example, the banking sector makes extensive use of specialized computer software packages. The widespread use of night events in the office, in particular in the sa business, leads to the fact that soon, perhaps, an assessment expert will be able to replace an IT application. Already, according to research by AFK-Audit and the Uzbekistan Society of Appraisers, about 71% of appraisers use automatic business assessment systems in their work [7].

However, the modern methodology of business valuation has a number of problems that all appraisers, without exception, face. Not only are the approaches quite ambiguous in their effectiveness and cause a lot of controversy when applied in certain situations, but there is no understanding of what a business is in the regulatory literature. In the economic literature, business is considered as an activity that makes a profit and does not contradict the norms of current legislation. But in the most practical activity in the Republic of Uzbekistan, there is no clear and unambiguous concept of what a business is. A similar concept is given in the normative literature to entrepreneurial activity, which is an independent activity carried out at its own risk, aimed at making a profit according to Article 2 of the Civil Code of the Republic of Uzbekistan. But neither business nor entrepreneurial activity are subject to evaluation in the context in which they are used in real life. According to the law "On Valuation Activities", an enterprise (its property, rights, etc.) may be subject to valuation. For management purposes, not only the value of the business is subject to assessment, but also its effectiveness (Fig. 2).

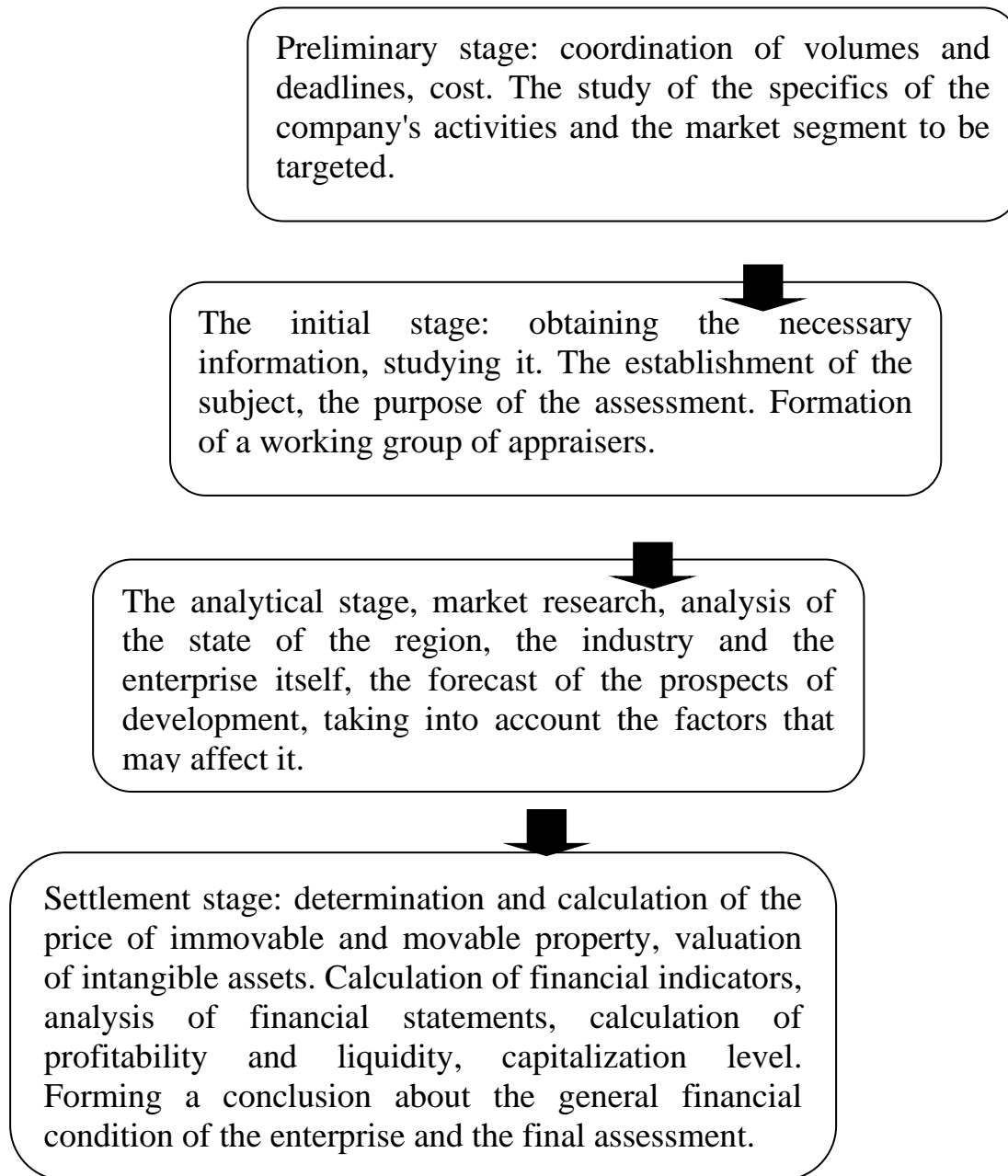


Fig. 2. The sequence of business value assessment, the state of the enterprise and the final assessment¹

The second ambiguous concept in economics is the definition of value. Different economic schools gave and explained this concept in different ways: costs, the ratio of supply and demand, usefulness, volume of information, etc. Federal Valuation Standards (FSO) distinguish types of value: market, liquidation, cadastral, investment. To assess the value of a business, it is undoubtedly the market value that has the greatest value. The contradictions in the concept of value are solved by using the three existing methods of business valuation, which we have discussed above, by summarizing the results of the assessment[8].

But in addition to the imperfection of methodological and regulatory issues of business valuation, domestic and international communities of appraisers identify a number of other problems, among which the most

The sequence of assessing the value of the business, the state of the enterprise and the final assessment

significant are: imperfection of financial indicators, which very often show an effect rather than a cause in the analysis; irregular analysis of non-financial indicators and their misuse in management; Western management methods do not always show good results in management in Uzbekistan due to the difference in mentalities; overkill with the amount of reporting and the application of excessive control standards. In the analysis, it is necessary to anticipate the possible deterioration of indicators and not to dwell on the analysis of failures.

If the assessment analyzes only the consequences, and not the causes, then the opportunity to avoid a deterioration of the situation in general is missed. After all, if the cause is identified, then it is possible to eliminate it or significantly weaken the consequences of its manifestation. This makes management decisions more effective, and the business price is higher[9].

Nevertheless, business valuation is one of the most significant, promising and popular types of valuation. Ratings are published annually, which reflect the most successful market participants, depending on various indicators.

So, in order to assess the value of a particular brand, the Brand Finance rating agency evaluates both the value of the entire enterprise, the total value of the brand for shareholders, and the value of the trademarks owned by the company. To calculate the value of a business, it evaluates the strength of the brand (this indicator includes an assessment of marketing investments, business efficiency and brand awareness), the range of royalties for each industry and applies it to a specific company, predicts the range of revenue, taking into account taxes levied, and performs other calculations.

For example, if we analyze the enterprises that showed high return in Russia according to the results of the brand assessment in 2020, Sberbank was named the most expensive, which has occupied this place for the third year in a row and amounted to 842.1 billion rubles, which is 25.6% higher than in 2020. Although Sberbank was in the fourth position in terms of revenue in 2020, its revenue amounted to RUB 3,160 billion, but by capitalization at the end of 2020.

Gazprom JSC became the second most expensive brand in 2021, the cost of which amounted to 552.2 billion rubles, the increase in brand value compared to 2020 was a very good increase of 72.1%. But Gazprom took the fourth place in terms of capitalization, losing 2.1%.

Lukoil JSC took the third place, at 397.2 billion rubles. his brand was evaluated, which amounted to +41.3% of the previous year's results, which is a good result in growth. By capitalization at the end of 2020 it also took the third place.

The appraisers also included Rosneft in the top five expensive brands in the business – the fourth place. They estimated its cost at 246.9 billion rubles, and the increase was at the end of 2020. 21.1%, at the same time, in terms of capitalization, Rosneft took the first place, where its growth was almost the same as the increase in brand value – 22.1%. The fifth position in terms of brand value was taken by JSC Russian Railways, whose value was 185.8 billion rubles, which is 16.9% more than in 2020.

Currently, business valuation is an activity where there is demand[11]. However, this is an area where the development of legislative norms is necessary due to the ambiguity of terminology, which serves as the basis for evaluation activities. The methods used in the assessment also require further improvement, and most importantly, their adaptation to the Uzbekistan realities of doing business.

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¹The existing approaches and methods used to evaluate the business in the structure of the region.