
FOREIGN PRACTICE OF BUSINESS VALUATION AND ITS SOME ASPECTS

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Abstract

Keywords: valuation, appraiser, business valuation, valuation advisory services, fair value

In analyzing business valuation, the researches of various scientists on valuation and some aspects of it are studied. The business valuation process is learnt on the example of foreign experience in the example of Deloitte. Features of fair value and rules of business valuation in Deloitte are investigated. Relevant conclusions are formed on the basis of performed analysis.

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INTRODUCTION

In recent years, a number of reforms have been implemented in our country to reform assessment activities and adapt the existing system to international requirements. As one of the goals of these reforms, we can emphasize the importance of evaluation activities in the development of the capital market. In order to increase the effectiveness of evaluation activities, special attention should be paid to information analysis, but in our country, like most developing countries, we cannot positively evaluate information analysis when evaluating business value. For that reason, researching the business valuation process in Uzbekistan becomes relevant.

LITERATURE REVIEW

Many scientists are investigating business valuation in the world. They are paying attention features, valuation process, efficiency and other aspects of business valuation. According to F.Poborskiy "although, the business valuation literature does not deal with problematic areas related to liquidation valuation that are crucial:

1. How should valuer plan the debt repayments?
2. Which factors affect the value of individual assets?
3. Financial analysis and strategic analysis for liquidation valuation are specific.
4. Which laws must be taken into account?
5. How should valuer asses transaction costs?
6. How should be determined the discount factor?" [1].

According to Blazej Prusak, "Typically, analysts use the market approach more than the discounted method to value stocks, but recent years have seen an increase in the use of both by analysts" [2].

According to A. Amiri, H. Ravanpaknodej and A. Jelodari, "two approaches are usually used in stock valuation. According to the first approach, the price of the company's shares is taken from

the total price of its asset components (land, buildings, plants and machinery) after deducting debts. In the second approach, taking into account that companies operate over an uncertain period, the company's shares are equal to the discounted value of its cash income, which is associated with risk and financing costs" [3].

K. Khomitov emphasizes "the appearance of valuation companies, stock exchanges, regulatory and legislative legal bodies as subjects of stock valuation" [4]. In addition, in the course of the development of the stock market of the Republic of Uzbekistan, the demand for evaluating the value of securities in order to make correct investment decisions based on the accurate calculation of the value of securities is growing.

"Business valuation is an important component in the organization of the developed infrastructure necessary for future economic reconstruction in the country. Business valuation is the determination of the value of the enterprise in monetary terms, taking into account its efficiency and the costs associated with obtaining this efficiency" [5].

"An owner interested in property valuation and management sets valuation and management objectives. The following can be said about the content of the evaluation activity. The process of property valuation and price formation is based on economic principles that allow determining the law and level of influence of various factors" [6]. According to the above-mentioned approaches, business valuation is very important to increase economy with the help of valuing fairly.

ANALYSIS AND RESULTS

In addition to being the main means of guaranteeing a bank loan, collateral security also causes some inconveniences, high costs and time-consuming problems in the process of using them as collateral in credit relations and in the process of covering problematic loans.

As a result of the financial market crisis, the use of collateral in financial transactions has increased dramatically in many countries. In Europe, banks have more than doubled the market value of their assets under collateral management in Eurosystem national banks in five years, reaching almost two and a half trillion euros in 2012 and 2013 [7].

In addition, the demand for collateral, as well as the required quality, cannot fall to pre-crisis levels. Also, the Committee on the Global Financial System (CGFS) estimates that the current wave of new regulatory requirements, as well as new market standards in the money market sector, will require an additional four trillion USD in additional collateral in the coming years.

The European Market Infrastructure Regulation (EMBR), the US Dodd-Frank Act, the new Basel III capital and liquidity requirements have created new regulatory requirements that lead to an increase in the use of collateral in financial transactions. The new liquidity requirements introduced by Basel III, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), have led to an increase in the demand for secured funding by financial institutions. particularly among banks, losses from unsecured sources are projected to be offset by higher cash flow factors from secured financing, and banks will be forced to replenish their liquidity reserves to meet new demand. This situation created the need to optimize the management of bank collateral.

At this point, we will focus on how Deloitte, a world-famous company that offers qualified services in the evaluation of bank loan collateral, fixed assets, tangible and intangible assets, approaches this process.

Table 1

Valuation services offered by Deloitte [8]

№	Types of Services	Classification of services
1.	Businessvaluation	<ul style="list-style-type: none"> ○ Assess business value ○ Valuation of tangible assets ○ Valuation of intangible assets, including purchase price allocation ○ Determination of fair value ○ Estimation of termination (disruption) value ○ Stock-based payment evaluation
2.	ValuationAdvisoryServices	<ul style="list-style-type: none"> ○ Fair value measurements in financial reporting ○ Transaction Advice ○ Fund portfolio evaluation ○ Model design and risk assessment for financial instruments
3.	Infrastructure / ProjectFinanceConsulting	<ul style="list-style-type: none"> ○ Project financing advice ○ Debt financing advice ○ Project proposal consultation ○ Feasibility study of the project ○ Consultation on the project agreement ○ Financial modeling

Deloitte's skilled valuation professionals can value business interests, tangible assets, intellectual property, intangible assets, common and preferred stock and other securities, partnership interests, employee stock option plans, private debt instruments, options, warrants and other derivatives. These services are needed by clients to assist clients in mergers, acquisitions and sales, planning and tax compliance, financial reporting, bankruptcy and reorganization, litigation and dispute resolution, strategic planning, (Table 1).

Business Valuation - Business valuation involves providing a valuation opinion or valuation advisory services to value general business interests or business enterprises.

Such analyzes are conducted for transaction planning, business acquisition or sale, general business purposes, financial reporting or tax reporting purposes, foreclosure or secured financing or refinancing, litigation or dispute resolution purposes, and include the following transactions [8]:

Assessing or determining the value of interests in business, entrepreneurial shares, securities, partnerships and limited liability companies in private, public or public organizations;

Performing valuation or valuation evaluations or analyses, including the evaluation of the fair value of common business entities in connection with the entity's financial statements in accordance with statements issued by regulatory bodies or financial or accounting standard-setting bodies.

Fair value reporting encompasses a broad category of valuation services typically provided in connection with the purchase, sale or transfer of assets or interests or in connection with contractual, governmental, regulatory or legislative requirements, such as disclosure requirements. Financial statements are defined in accordance with the requirements of the FASB and the International

Accounting Standards Board and national regulatory authorities. In these processes, assets and liabilities must be analyzed at fair value. These services include the following (Figure 1).

Valuation services provided in connection with fair value studies and equity opinions are generally based on legal requirements and may include unique or non-standard valuation procedures or the definition of standard valuation metrics. Services related to such requirements require special knowledge and experience.

In the past few years, efforts have been made to account for fair value based on IFRS and US GAAP. Using fair value, financial reporting becomes more complex because there are very few assets and liabilities whose market value cannot be easily determined. Instead, companies and their auditors must rely on valuation models that involve the use of high-value methods and assumptions.

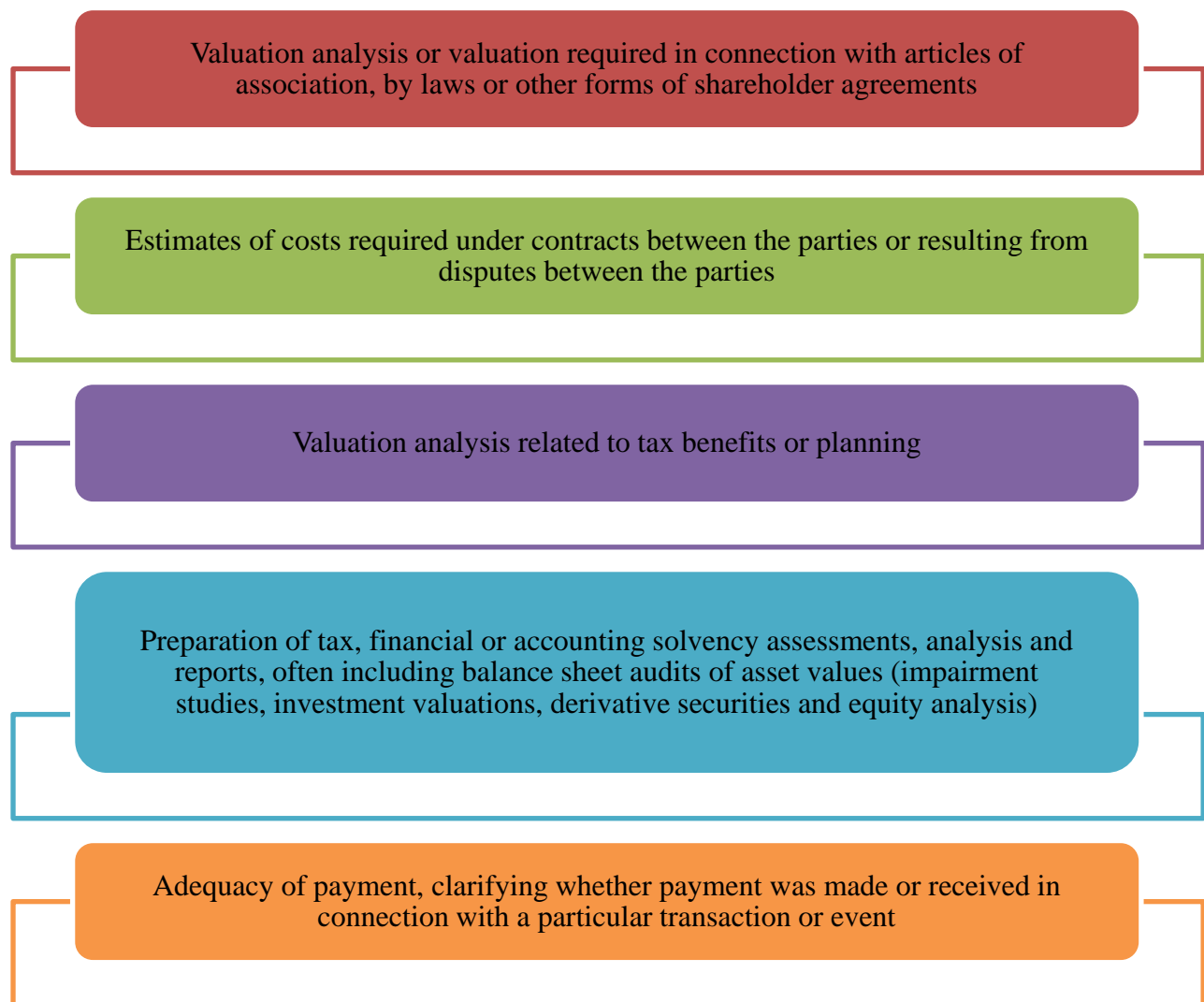


Figure 1. Fair value analysis of assets and liabilities [8]

Deloitte can provide clients with insightful decision-making advice when evaluating strategic alternatives, acquisitions or new ventures. Drawing on extensive experience across a wide range of industries, specialist practitioners can provide value perspectives and help interpret the impact on transaction structuring, dealmaking and risk management strategies. Customers can focus their

resources on the factors that have the greatest impact on value to achieve the most efficient use of resources and speed and efficiency in the transaction process.

CONCLUSIONS

Based on the analytical data presented above, the following scientific-theoretical conclusions can be formed as a result of studying the experiences of business value assessment in the practice of foreign countries.

Although many years of theoretical and practical experience in assessing the value of bank business have been accumulated in foreign practice, it is necessary to develop strictly defined procedures and rules for assessment in national practice.

When determining the business value, the impact of risks, market value and several other factors is taken into account.

As fair value becomes increasingly important as a measurement standard for financial reporting purposes, it is increasingly important for auditors to understand the dynamics of fair value measurement and have access to appropriate expertise and resources.

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