ASSESSMENT ISSUES OF ORGANIZATION'S ASSETS IN ACCOUNTING

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Abstract

The article is devoted to the problems associated with approaches to asset valuation, which, in turn, lead to unreliable reporting and distortion of the company's financial results, reducing its investment attractiveness. The authors considered various approaches to the definition of assets, analyzed the types of assessment applied to assets in domestic accounting. Particular attention is drawn to the legal framework of the issue. The priority direction of development is recognized as a course towards international standards that single out fair value as the leading assessment.

Key words: IFRS, Accounting, Assets valuation, International standards, Fixed assets and Organization.

1. Introduction

In every science there is an immanent, inherent problematic only to it. In accounting, there is a significant proportion of debatable points related to the quality and reliability of the financial statements. The correctness of the formation of accounting indicators primarily depends on the level of professionalism of the accountant and the choice of accounting estimates, since an incorrect assessment leads to a distortion of data on the financial position of the company. The formation and development of a market economy, globalization and active entry into the international market have led to a significant reform of the accounting system, as well as to the revision of domestic standards, taking into account the experience of other countries.

The process of reforming domestic accounting was not without a change in the functional role and place of assessment in accounting, first of all, this can be explained by the use of free prices in the country's economy, which made it necessary to legally allow new

Types of costs and methods for their calculation and provide enterprises with the opportunity to choose them. However, the assessment options proposed by regulatory documents do not solve the problems of accounting practice and do not meet the requirements of users, which is confirmed by numerous facts of violation of the established assessment rules that are unreasonable from the point of view of economic feasibility.

The relevance and significance of the choice of asset valuation is due to a number of factors, among which one can single out the desire to improve the accuracy of financial results and prevent financial risks. Quote by Robert Kiyosaki "Rule one. You need to know the difference between an asset and a liability and buy assets. Many people have financial problems precisely because they do not understand the difference between assets and liabilities" quite fully describes the role of assets in the life of the company (Kiyosaki Bogatiypapa, 2012).

The reality and correctness of the assessment of the property of the enterprise and its sources are essential for building the entire accounting system. However, the greatest attention should be paid to the valuation of assets, since it is the real costs expressed in

monetary terms that underlie the valuation of property.

2. Literature review

A number of works of domestic and foreign scientists are devoted to the problems of asset valuation, including M. D. Akat'eva, I. L. Malshakova, A. King, D. M. Zak, L. A. Bernstein and others (Akateva and Malshakova, 2008; Bernstein, 2008; King, 2011; Zack, 2011, Bankovskaya Entsiklopediya, 2013; Druzhilovskaya, 2013). It should be noted dissertations devoted to the issues of asset valuation, in particular M. B. Uzhakhova, E. S. Druzhilovskaya, D. R. Lapin and others (Druzhilovskaya, 2013; Lapin, 2014; Uzhakhova, 2011).

In the economic literature, the issue of using fair value assessment as a type of assessment of accounting objects in domestic accounting practice is currently the subject of discussion. It is considered in the works of L.V. Gorbatova, A.A. Efremova, V.V. Kovaleva, V.D. Novodvorsky, Ya.V. Sokolova, A.N. Khorin and other economists. The authors analyze the possibilities of assessing accounting objects at fair value, options for its formation, positive and negative aspects of accounting at fair value, etc.

The arguments in favor of fair value accounting are that the fair value method provides more objective data for estimating future cash flows than the cost method, provides a basis for comparability of information about assets, is best aligned with active management principles, and contributes to more an objective assessment of the results of the work of managers. However, the noted works disclose the valuation methodology in relation to each type of assets, without giving a generalized classification. The purpose of this article is the theoretical and methodological substantiation of the classification of asset valuation types used in accounting science. In accordance with the goal set, such tasks as a theoretical consideration of the rules for asset valuation, systematization of its types depending on a number of factors have

been solved, and the author's classification of asset valuation has been proposed.

A refined asset valuation classification methodology will increase the level of sophistication of the problem, identify the most appropriate valuation methods depending on the type of asset and the time of its valuation, and will reduce the level of errors caused by this problem. As a result, interested users will be able to get better reporting to make rational decisions.

3. Analysis and Results

At the regulatory level in the country, assets are recognized as economic assets, control over which the organization has received as a result of the fait accomplish of its economic activities and which should bring it economic benefits in the future. In international practice, an asset is a resource controlled by an entity as a result of past events from which future economic benefits are expected to flow to the entity.

The modern economic dictionary gives the following definition: "Assets are a set of property and funds owned by an enterprise, firm, company (buildings, structures, machinery and equipment, inventories, bank deposits, securities, patents, copyrights in which funds are invested owners, property having a monetary value). In the broad sense of the word, assets are any value that has a monetary value. Assets are usually divided into tangible (tangible) and intangible (intangible), the latter include an intellectual product, patents, debt obligations of other enterprises, special rights to use resources" (Bankovskaya Entsiklopediya, 2013).

The main requirements for asset valuation are its reality and unity. The reality of the assessment ensures the accuracy of monetary indicators, the reflection in them of the actual value of accounting objects. An appraisal is a way of measuring data systematically collected and analyzed by experts, which helps to reliably determine the value of various types of property on the basis of current legislation and accepted standards. Thus, it can be argued that the
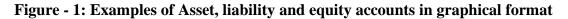
assessment allows you to bring to monetary terms any kind of assets.

When goods are accepted for accounting as a general rule, they are valued at the actual cost formed similarly to other types of assets, however, an organization engaged in trading activities may include the costs of procurement and delivery of goods to central warehouses, incurred before they are transferred for sale, to be included in selling expenses. Thus, one of the modifications to the valuation of goods is the purchase price. In addition, the sale value as a valuation of goods as part of inventories is used

in retailers and can be determined as the actual cost (the cost of their acquisition) plus individual markups.

The nominal value is determined by the issuer when issuing shares, bonds, bills or banknotes or coins. It, as a rule, is indicated directly on the form of a security or banknote. The balance sheet value of debt financial investments during the circulation period can be brought to the nominal value by attributing the difference between the initial cost and the nominal value to other income or expenses.

Figure - 1: Examples of Asset, liability and equity accounts in graphical format

The market current value of goods and services, including commodities, stock values and currencies, is determined on the basis of supply and demand at any given moment in the market, i.e. is the amount of cash or cash equivalents that must be received as a result of the sale of the object or when it falls due for liquidation.

When evaluating receivables as one of the types of assets, the current accounting legislation is based on the principle of nominalism, according to which receivables generated from the sale of products, goods, works, services are determined based on the price stipulated by the contract, including discounts, caps, interest on commodity credit, etc. In this case, if the specified receivables are recognized as doubtful,

a reserve of doubtful debts is created for it, determined on the basis of an assessment of the solvency of the debtor and the probability of repayment of the debt.

4. Discussion of Results

International Financial Reporting Standards (IFRS) introduced the concept of fair value into the accounting categories. Under IAS 39 Financial Instruments: Recognition and Measurement, fair value is the amount of cash that is sufficient to acquire an asset or settle a liability in a transaction between knowledgeable, willing, and independent parties.

Experts consider the implementation of this concept in practice as a fundamentally new approach to the organization of accounting, which allows obtaining information about the organization's assets not only in their historical assessment, formed on the basis of actual costs incurred, but also in the future, based on expected cash flows.

In today's business environment, the need for fair value measurement is increasing. Financial analysts, potential investors, creditors and other interested parties to assess the future financial capabilities of the organization, to maximize the identification, assessment and consideration of possible risks, to predict financial results, etc. information about the real value of the organization's assets is needed. In this case, the real value is understood as the amount of money that can be received from the sale of assets in the period of time for which the information is generated. Cost-based accounting does not always provide such information. The price that reflects the actual costs at which assets were recognized at the time of their acquisition, during the time that the entity owns the assets, may change significantly compared to their value at the time the information is reported to users. Determination of the real value of the organization's assets is possible when using in practice the assessment at fair value as one of the types of assessment of accounting objects.

IFRS allow accounting for fair value measurement of almost all financial instruments on the balance sheet of an organization, with the exception of receivables and loans, as well as debt instruments held to maturity, and those financial instruments whose fair value cannot be determined. Since 2000, fair value valuation has been defined as the main type of valuation for non-financial assets in terms of investment property (profitable investments in tangible assets).

A problematic issue that arises in the transition to measurement at fair value is the question of the indicator that most reliably reflects this value. There are many approaches to determining fair value and, consequently,

indicators reflecting it. For example, fair value can be expressed, under certain conditions, as market value, depreciated replacement cost, present value and other types of value. Most often, the best indicator of the fair value of an asset is its market value. However, these concepts are not equated by economists.

Market value fully corresponds to fair value only in an active market, i.e. a market in which prices are determined by supply and demand, transactions are made fairly often, without coercion, and the parties involved are independent of each other. Stock exchanges are an example of an active market. In an inactive market, fair and market values can be considered as similar if transactions on it are made irregularly, but it is possible to comply with all conditions that make it possible to determine fair value (purchase and sale is made voluntarily, information on prices for similar objects is public and known to the parties to the transaction, and the latter are independent of each other). Real estate transactions are an example of an inactive market.

The concept of fair value is currently absent in the Russian legislative and regulatory framework. Practical perception as a fair value of the market value in the current economic conditions is not always justified, and sometimes impossible. The reason lies in the fact that the concept of market value in the field of economic knowledge as a whole does not have an unambiguous interpretation, and that the domestic market for many assets is either underdeveloped or non-existent.

In accounting regulations, the concept of market value is sometimes unreasonably confused with the concept of current market value. As you know, the market value is characterized by the interval value of estimates determined using various methods or various sources of information. The current market value is a specific price prevailing in a specific market. In addition, current market value is sometimes incorrectly defined as the amount of cash that can be obtained from the sale of assets. In practice, the purchase and sale price of an asset

may not always be equivalent to the current market value. For example, in a forced transaction or dependency between the parties, the sale and purchase of an asset may take place at individually set prices.

For tax purposes, in accordance with Art. 40 of the Tax Code of the Russian Federation, the market price is understood as the price that has developed during the interaction of supply and demand on the market for identical (and in their absence, homogeneous) goods in comparable economic and commercial conditions. The market price is set on the basis of official sources of information and stock quotes. In the absence of information on transactions with similar goods, the subsequent sale prices determined on the basis of the cost method are equated to the market price. In some cases, the participation of an expert appraiser in determining the value of specific types of property is allowed.

As one of the main drawbacks of fair value accounting, there are significant difficulties in determining such a value in the absence of an active market, which entail another negative point associated with the use of fair value - high labor intensity and high additional costs caused by the need to improve the qualifications of accountants. and engaging professional appraisers. Many appraisers admit that the main factor hindering the development of the appraisal business is the low solvency of clients.

As the experience of Ukrainian professional appraisers shows, when moving to fair value measurement, organizations may face a number of problems, among which are the following:

a) Significant terms of evaluation. It takes about six to eight months to evaluate the entire property of large organizations. In this case, as a rule, several appraisers are involved in the assessment.
b) The subjectivity of the assessment for most of the organization's assets. Approximately 80 % of the assets of an industrial organization are specialized,

i.e. assets for which market prices cannot be applied due to the absence of an established market.
c) High cost of services of appraisal organizations.
d) The need for a subsequent reassessment with the participation of expert appraisers after a period of time established by the organization.
e) Presence of technical problems during the revaluation related to the identification of appraisal objects, the choice of the appraisal basis (an appraisal method that provides greater reliability), the classification of appraisal objects and determining the degree of their depreciation, the establishment of the useful life of fixed assets, etc.

Economists consider the impossibility of documentary confirmation of this assessment in many cases and the likelihood of manipulations with assessments to be a significant drawback of asset valuation at fair value, which will prevent accounting from performing one of its main functions - control. As noted by Ya.V. Sokolov and V.Ya. Sokolov, "refusing to document the facts of economic life and granting the accountant not even the right, but imposing on him the obligation to account for assets at a fair, but in fact, at an arbitrary price, only opens the green light for waste and theft."

According to opponents of the introduction of fair value valuation into domestic accounting practice, this valuation has not yet been theoretically formed, therefore, its practical application as a whole is unacceptable and impractical, with the exception of certain cases, which include the sale and purchase of an organization as one property complex, planning issuance of securities, obtaining a loan secured or pledged by real estate or another asset.

Nevertheless, certain elements of fair value estimation are implicitly present in Russian accounting. Their presence allows you to receive accounting and reporting information about the assets of the organization, to a certain extent

corresponding to reality. These elements include:

- ✓ Revaluation of fixed assets by direct recalculation at documented market prices or on the basis of expert opinions.
- ✓ Creation of a reserve for the reduction in the cost of material assets that have completely or partially lost their original quality or part of their value or are morally obsolete.
- ✓ Revaluation (subsequent valuation) of financial investments for which the current market value can be determined by adjusting their previous accounting valuation and bringing it to the current market value.
- ✓ Creation of a reserve for the depreciation of financial investments, for which the current market value is not determined in the event of a steady decrease in their value.
- ✓ Creation of a reserve for doubtful debts.

In addition to the use of fair value in accounting, providing interested users with information about the true value of an organization's assets is possible by disclosing this information. Reflection of assets at fair value leads to a change not only in the data in the balance sheet, but also in the financial results of the organization's activities presented in the income statement and the statement of changes in equity. Disclosure of information about the fair value of the entity's assets provides additional data necessary for the analysis of the entity's performance. The financial statements remain unchanged.

The calculation of the discounted value of assets as a whole is carried out according to the formula:

$$PV = \sum_{n+1}^{t} \frac{FCF_n}{(1+R)^n}$$

where PV is the current (discounted) value of assets; FCFn - forecast values of net cash flow in period n; R is the discount rate; t is the duration of the estimated period; n is the number of periods.

5. Conclusion

For the purposes of a predictive analysis of the state of the organization's assets, the calculation of fair value should be based on the task of the relevance of the assessment for a long period of time. One of the options for determining the fair value of assets, taking into account the future valuation, is the discount method. Its use has a number of advantages. First, the discounting method allows you to establish "fairness" not only at the time of assessment. Second, it takes into account the usefulness of the asset in terms of the future economic benefits associated with owning the asset. Thirdly, the present value is less subject to fluctuations in market conditions, since it is based on factors that most fully take into account the possible characteristics of assets: cash flows generated by assets over time and all kinds of risks.

When determining the risk-free rate of return, as a rule, they are guided by securities issued by the Government of the Russian Federation, in particular Eurobonds. The reliability of calculations when using the cumulative method depends on the accuracy of assessing the risks inherent in a particular asset.

For analytical purposes, it is necessary to bring to the discounted value all financial investments, receivables, profitable investments in tangible assets, intangible assets, part of inventories and fixed assets, the possible sale of which will not disrupt the production cycle of the organization. To do this, the formula for calculating the discounted value of assets as a whole must be specified or modified for each specific asset. It should be noted that when writing this article, mainly domestic experience was taken into account. International standards include other types of asset valuation.

As priority areas for improving the valuation of assets in domestic accounting and reporting, one can single out the orientation of the valuation to international financial reporting

standards, which offer fair value as the main, main valuation. At the same time, the assessment of accounting objects is determined by the purpose of holding assets (for resale, income from their presence, use in the production process, etc.). The consolidation of rules similar to IFRS in federal accounting standards will make it possible to increase the representativeness of the information generated in the reporting, which will ensure the inflow of additional funds into the domestic economy. As a justification for the practical significance of the work, it should be noted that the classification of accounting estimates of assets proposed in this article can be used by business entities in the development of internal accounting standards and their unification with international rules.

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