



PROBLEMS OF ASSESSING BUSINESS VALUE IN MODERN CONDITIONS

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ABSTRACT	KEYWORDS
Modern conditions determine the mutual exchange of property and the need to form clear conditions for assessing the value of assets. The value of a business is an important assessment indicator that provides an objective assessment and reduces the likelihood of disputes. Any financial transaction, whether it is an investment, the sale of assets or management decisions, operations related to a mortgage or inheritance, requires the conduct of an assessment process. This article examines the features of assessing the value of a business and develops approaches to implementing this process.	Business, enterprise as a property complex, value, valuation, income, cash flow, profit, approach, method, cost approach, comparative approach, income approach.

Introduction

In developed countries, business and private entrepreneurship have been proven in practice to be an important factor in achieving socio-economic stability in society, especially its level of capitalization. In the context of market reforms, the government of Uzbekistan has implemented a number of measures to develop business and private entrepreneurship, as a result of which the share of business and private entrepreneurship in GDP increased by 51.8% in 2023, and more than 77% of the total employed population is engaged in this sector.

The analysis shows that there are a number of problems in the development of business and private entrepreneurship. This situation is manifested in the inability of business entities to adequately organize their activities in accordance with the requirements of market economy laws, low economic efficiency, and still high levels of control by state regulatory bodies.

Entrepreneurial activity is the basis of effective business development, economic freedom and growth under the control of the law. The state's policy of developing entrepreneurship requires identifying existing problems in increasing business entrepreneurial activity, analyzing the criteria for assessing activity, and conducting in-depth research on entrepreneurial activity as an important lever for the development of a market economy. Also, in the economic literature, there is a lack of comprehensive scientific works devoted to determining the effectiveness of enterprise activities, assessing entrepreneurial activity, especially the criteria for assessing the value of a business (enterprise) as a property complex.

Solving these tasks requires the analysis of the activities of business enterprises and the laws of their development, the assessment of entrepreneurial activity and the value of business for various purposes, taking into account the characteristics of world practices, and the need to conduct scientific research devoted to its future development.

In modern conditions, assessing the value of a business (an enterprise as a property complex) is of particular importance, as it is of great importance for various participants in financial relations when making management decisions, lending, investing, transferring ownership rights and (or) renouncing them at the expense of another person, merging and acquiring.

Literature Review

The specific features of the application of valuation procedures in modern conditions are that the transfer of investments or property rights on a paid or free basis is based, first of all, on the assessment of a specific property (business, project, enterprise, etc.). And currently, in various sources, much attention is paid to the analysis of the problem of using practical approaches to assessing the value of a business. In the works of domestic and foreign authors, this analysis is often carried out in the context of using standard valuation methods. In foreign scientific literature, great attention is paid to this issue by U. Sharp, A. Damodaran, T. Koller, T. Coupland, F. Modigliani, J. Stewart, and others [1–6]. Various aspects of business valuation have been studied by both CIS and domestic scientists, among whom the leaders are A. Brodunov, S. Valdaysev, V. Esipova, P. Krush, G. Makhovikova, E. Spiridonova [7–11], A. Kravchenko, Sh. Shoha'zamiy, K. Khomitov [12–14] and others.

Despite the fact that the issue of business (enterprise) value assessment has been studied in detail by scientists and scientific schools from different countries [1–14], and in practice, already established tools are increasingly used, recently there have been enough questions about finding more effective methods of assessment. In this article, the author tried to identify an effective method of business value assessment, taking into account the problems identified as a result of using standard assessment methods.

Research Methodology

In the course of the research, the features of international practice in business valuation, their role in the economy, the works of foreign and domestic scientists were studied and analyzed. The article effectively used methods such as theoretical observation, systematic approach, observation, generalization, analysis, synthesis, and also formulated conclusions and proposals on the problems of business valuation and their solutions.

Analysis and Results

In modern conditions, there is a need to further improve methodological tools for assessing the value of business entities, which is explained by the turbulent environment of companies, significant uncertainty in the forecast values of the economic parameters of companies' activities, and serious shortcomings in existing valuation methods.

At the present stage, the problem of the lack of a comprehensive balanced approach to assessing the value of business entities operating in various organizational and legal forms has not been sufficiently resolved. In Uzbekistan, the use of income, cost and comparative approaches is legally consolidated on the basis of the Unified National Valuation Standard, and each of them provides for the assessment

of the value of the business based on current data. At the same time, none of them takes into account indicators of other time scales, including indicators for predicting a possible increase or decrease in activity, and the company's previous achievements.

The developed approaches are sufficiently adapted for practical use in assessing the value of companies, but modern changes in socio-economic conditions, recent and current economic crises and their consequences require their improvement and appropriate adjustments. Despite the achievements of foreign and domestic scientists, scientific and practical research and analysis on the use of conceptual approaches in assessing the value of businesses remain relevant.

It is worth highlighting three main approaches to assessing the value of a strategic business unit (in particular, an enterprise): revenue, cost, and comparative.

The valuation of an enterprise using the income approach is the determination of the value of future income arising from its commercial activities and, if possible, its subsequent sale. Thus, the valuation of an enterprise from the perspective of the income approach largely depends on how prospective it is assessed, that is, in essence, the ability of the valuation object to generate positive cash flows in the future as a result of its intended use is assessed [7, p. 65].

One of the main problems that arise when using the income approach is the forecasting of future income. In order to calculate the value of the amount within the framework of this approach, it is important to obtain sufficiently accurate (reliable and reasonable) information about the future income of the enterprise, which creates certain difficulties in practical application. The use of this approach allows you to more fully take into account the target amount of value corresponding to the indicators of economic and social development of the country as a whole.

Since all business entities have sufficiently regulated accounting and automation systems for their activities, and their reports are often checked by both auditors and relevant government agencies, the use of the income approach is based on a well-structured and verified database. This, in turn, makes the results obtained reasonable and objective. The main methods of this approach are the discounted cash flow method (indirect capitalization method), the income capitalization method (direct capitalization method) and the economic value added method.

The advantages of the income approach to valuing a business are that it has the real ability to assess the value of a business (enterprise) based on the quality of current financial indicators, the possibility of future earnings, and an indirect comparison of activities with analogues.

However, there are a number of factors that complicate the use of this approach. At the heart of many of them is the problem of predicting key elements of the assessment, such as:

- medium or long-term (5-6 years or more) forecasting;
- forecasting the value of non-core and non-operating assets, as well as their working capital to make corrective adjustments [7, p. 65];
- calculating the return on capital, especially determining the alternative cost of capital, etc.

The income approach describes the ability of an enterprise to generate future profits and the present value of an object based on expected future income.

The cost approach, unlike the income approach, considers the value of an asset today in terms of the costs incurred to create it in the past.

The essence of the cost approach is that the enterprise is valued as a property complex used to carry out commercial (production, trade, etc.) activities. At the same time, its value is determined by re-evaluating the resources spent on creating this business, that is, the costs already incurred are estimated.

To calculate the value using the cost approach, balance sheet data as of the valuation date is used. The most common methods of the cost approach include the net asset method and the liquidation value method.

The features and advantages of the cost approach lie in the ability to estimate the book value of an economic entity, regardless of the profitability of its activities. This is usually due to the availability of reliable data for calculations, as well as the use of cost methods traditional for the local economy to assess the value of the business. However, on the other hand, when the enterprise's activities are accelerating, that is, when things are starting to go well, it is considered incorrect to use only retrospective, that is, valuation methods based on old data, without taking into account development prospects and future cash flows.

The comparative approach involves analyzing the purchase and sale prices of similar items, with appropriate adjustments for differences between the comparison items and the valuation item.

The main advantage of the comparative approach is that it is the easiest to use and statistically sound, since it is based on the current market value of real-life valuation objects, which provides reliable data suitable for use in other approaches. The main limitation in applying this approach is the mandatory presence of an active market. Among the disadvantages, this approach requires adjustments, many of which affect the reliability of the results. In addition, the data are not always comparable.

In addition, the use of a comparative approach is possible only if complete financial information is available not only for the company being valued, but also for its analogues selected by the appraiser in the analysis process. Information on transactions between legal entities in the country that could serve as a basis for comparison is often not available. The actual price and terms of transactions are often known only to insiders [15, p. 132].

The objectivity and relevance of the comparative approach are based on the principle of substitution (the presence of an equivalent substitute), according to which the value of the business (enterprise) being valued should not exceed the value of another existing valuation object with similar characteristics. This approach can be further considered in a broader sense, taking into account the characteristics of the activities of the enterprise being valued and adjustments to the market value of all similar enterprises, that is, in the situation where they are currently available for purchase and sale for full or partial ownership. The fundamental difference between these concepts is the identification of two important features in the latter version: taking into account the complete uniqueness of the business of the assessed object and the ownership of it (full or partial).

Depending on the type of economic relationship on which the value of market analogues is based, the following main methods of the comparative approach are distinguished: the closed transaction method and the quotation method (analogous company method). These methods are based on comparing the value of similar property, which is determined in closed type contracts or is determined on the basis of quotations of the company's shares on the open market during a merger or acquisition, the purchase of significant blocks of shares, etc. [5, p. 126].

At the same time, most approaches to valuing a business (enterprise) are based on static indicators, which do not provide complete information about the growth rate of the enterprise and cannot determine its real market potential, future activity or profit from sales.

To increase the objectivity of business valuation, in particular, it is proposed to use an integrated value indicator, the calculation of which is based on the principles of income and cost approaches, which

allows taking into account a much wider database. This indicator can be calculated using the following formula:

$$IPV = \sqrt{\frac{FR_n}{i}} \times A \times d, \quad (1)$$

here, *IPV* -integrated business value indicator;

FR n– financial result (net profit) for the reporting period *n*;

i – growth rate of financial result;

A– carrying amount calculated using cost approach methods;

d – dynamics of financial results.

The use of the income approach in this formula is based on the use of a method that takes into account the growth rate of financial results, which can be determined as follows:

$$d = \frac{FR_n}{FR_{n-1}}, \quad (2)$$

here, *FR_{n-1}*- financial result (net profit) of the previous period (*n – 1*).

This allows you to expand the scope of valuation objects and makes it more convenient to determine the value of the enterprise being analyzed.

The proposed approach to determining the value of a business (enterprise) allows you to combine the results obtained by various valuation methods and take into account the dynamics of the company's development, which makes the valuation result more objective.

The positive aspects of this method include:

- a comprehensive approach to assessing the value of a business (enterprise);
- taking into account the effectiveness of business (enterprise) activities;
- taking into account social phenomena such as expected changes and trends in business (enterprise) development.

The disadvantages include:

- The results of comparing the business (enterprise) under study with its analogues are not taken into account;
- There are difficulties in finding reliable and sufficient information.

Conclusion/Recommendations

In conclusion, it can be noted that although the proposed methodology does not take into account the results of the comparative approach, it can be used as one of the methods for determining the market value of a business entity.

The main point is that the proposed tool for assessing the value of a business can be adjusted as needed and applied to various sectors of the economy. One of the positive features of the integrated indicator is the possibility of reformulating it by changing its income component. For example, replacing the Gordon formula with the net present value of cash flows or discounted operating income.

The expectation coefficient, as mentioned above, implies adjusting the value of the company depending on the dynamics of the enterprise's performance indicators, that is, predicting possible future changes

and, therefore, possible potential based on extrapolation. This means that this indicator can be used to assess the competitiveness and investment attractiveness of a business entity.

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