

Problems and prospects of business evaluation activity in Russia
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Проблемы и перспективы развития оценочной деятельности в России
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Abstract: valuation is a very important tool of the market economy. Today in Russia there is a stagnation of the business evaluation market and the business evaluation profession by itself.

Аннотация: оценка является очень важным инструментом рыночной экономики. В настоящий момент на этапе «стагнации» находятся как рынок оценки в России, так и сама профессия как таковая.

Keywords: business valuation, evaluation activity, cost evaluation, object of evaluation, business value.

Ключевые слова: оценка бизнеса, оценочная деятельность, оценка стоимости, объект оценки, стоимость бизнеса.

The use of business evaluation approaches in Russia as a mandatory component of the legal transaction and also for management decision-making is accompanied by a number of problems. Business value is a highly subjective concept, and the assessment of Russian companies is often difficult because of the lack of adequate comparative information, the lack of a developed stock market, high long-term planning uncertainty, as well as the fact that the value of the assets may vary greatly depending on the appraiser's work goals [1].

One of the main problems existing nowadays in Russia is the problem of appraisers' irresponsibility and the loss of profession image. These problems are caused by the combination of the following factors:

- The disappointing results of the state cadastral valuation. The business community blames the appraisers in the problem, but the main issue is not only in an imperfect assessment procedure, but also in the false data, which an appraiser is forced to use, as well as insufficient amount of data, for which the state client is not responsible. Moreover, not everyone understands that the system of evaluation by often used estimation means not only significantly reduces the costs of the state for evaluation, but also allows the error results in some atypical cases.

- The cost of evaluation services has steadily been decreasing, and the price is often the main and only factor in the choice of the appraiser for government procurement. Often an appraiser is selected by means of procurement procedures in the form of an auction. All this hardly encourages the development of the valuation profession and allows conscientious industry participants to seek improvement of evaluation practices.

- Rare appraisers/evaluation companies value their reputation. In rare cases clients of evaluation organization draw attention to the image, experience and reputation of a company. As described above, the criteria of quality, experience and quality systems do not affect the choice of appraisal organizations (primarily it concerns with government clients, subsequently other clients adopt this practice). However, it worth bearing in mind that the choice of quality services in valuation at the end saves customers money (the results of poor-quality evaluation may be litigation, underestimated cost of the state property, the time delay of large transactions, etc.).

- The lack of a systematic approach in the regulation of appraisal activity. Nowadays, market participants do not understand the prospects of valuation activity development, as there are no strategic goals – in what direction the industry moves in the medium term (2-5 years).

In Russia the new standards of business evaluation has to be developed, and also the adjustment of the existing ones has to be done [3]. But the improvement of evaluation foundation should take place not only at the standard level, but also at the level of guidelines. There is a need to develop these methods and here are some examples.

- Methods of assessment for the purposes of withdrawals for state or municipal needs.

The need to develop this methodology necessitated by the fact that the withdrawal of land plots and real estate by the government requires including into the compensation package not only the market value, but also the compensation for lost profits and all related losses according to the Russian legislation. The absence of a unified methodological framework for this complex service can lead to significant misuses in the assessment work, which in turn may increase the cost of additional expenditures.

- Methods of assessment the rents of commercial properties.

According to the international standards of evaluation rent is separated into the independent object evaluation type with key pricing factors exclusively for the rental market, namely:

- the period of entering into the agreement,
- additional services of a renter,

- compensation for the repair,
- compensation for the marketing, and others.

In Russian practice the rent estimation is a very common and popular task; however, there is no consensus on the formation of the object value.

At one point of view the rent is not an independent evaluation object, and it can be determined only by reference to consulting. In another opinion the right of use must be valued.

At the same time there are also opposite positions on every statement. In such a situation the appraiser takes all the risks on himself, while working, which is absolutely unacceptable in case of mandatory assessment, when one of the parties is the state. The clear criteria for determining the object of evaluation must exist [2].

- Private methodology for the rent evaluation for the objects out of the market:

- determining the rent rate for land allocated under the acceleration lane at the exit from the object of roadside service on the highways;
- assessment of rent for runways at airports;
- evaluation of quay walls in ports;
- parking in the railway sidings;
- evaluation of land rent for the construction of linear structures;
- evaluation of equipment leases.

It is clear that changes in the law on appraisal activities, as well as the introduction of additional standards, should be reflected in training programs for appraisals, successful completion of which must be an essential requirement for the implementation of appraisal activities. So, along with the ongoing work to change the laws and standards, the parallel work on the improvement of education in the field of valuation should be carried out.

Taking into consideration all negative aspects that slow down the development of Russian valuation system a wise solution is to find possible opportunities in systems of foreign countries.

At first glance, some may seem that the question of whether there is a difference between the assessment of Russian and abroad Business Service is obvious, especially if you know that all assessment activity is based on the definition of basic economic concepts. Therefore, not much going into the nuances of determining the market value of enterprises, we can say that there is no difference. Business that in Russia, abroad this kind of asset that brings its owner a certain level of profit. And it happens everywhere, means and methods of its evaluation as a whole should not be different. But there are still some remarkable points that should be taken into account for the better and more wise business evaluation performance [4].

Russian appraisers face a lot of nuances in determining the market value of business objects. Such nuances can be improved by the proper analysis of foreign experience. Immediately it should be noted that, as for other types of assessment of objects, all the methodological basis for determining the value of the business has been formed abroad, respectively, it was based on the practical experience of the West. It is because of this there is the first obstacle to the possibility of extrapolation methodology of business valuation in the Russian branch of the evaluation. But still positive dynamics can be noted and effective practices can be implemented on Russian cases.

First point that differ Russian system and foreign evaluation system is that the whole variety of businesses that were taken for evaluation or that have a need for evaluation consists of small businesses and family businesses. In Russia, by contrast, enterprise evaluation is required in most cases for large organizations. This fact creates a paradox as the application of techniques developed by foreign authors for small businesses to much bigger. Unfortunately it is impossible to implement the whole approach that was created for the evaluation of small enterprises because different set of criteria was taken. At the same time the logic of evaluation process should be studied in details because it can be used as a framework with an ability to add more criteria that should be taken into consideration for a bigger business.

Analyzing more specific questions, it is possible to notice a fundamental difference in the possibility of using approaches. Foreign literature is based on the fact that the fundamental business valuation is a comparative approach. This is due to the fact that foreign purchase and sales business market is organized, developed, adequately regulated and predictable. What cannot be said about the Russian reality but as it was previously mention the main principle can be uniform for Russia and foreign countries. The whole evaluation approach results in the equation that have many variables such as current assets, debt and many others which are the same for all countries so in order to adapt it for Russian reality special coefficients can be created for each unique outcome in order to take into consideration the highly unpredictable situation of Russian changing market [5].

Also, differences, increasing the gap between the Russian and Western estimates can be attributed to the fact that the overall level and rate of economic development in Russia make predictions about future income streams, cost of production, the production of which is engaged in the enterprise, rather questionable and not always really true. And given that the prediction is a starting point in applying the income approach, and the value obtained with the use of some predictive value, cannot be regarded as unique. Another thing, when the market is predictable and organized. In this case, market information is reinforced by not only the current state of some,

but also retrospective analysis. So, the further development of adapted methods for business evaluation is needed.

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