

FINANCIAL TECHNIQUES TO INCREASE THE COMPANYS VALUE

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In post-Soviet Kazakhstan, the need for professional appraisers arose in the early 90-ies of XX century the methodology of the American school of evaluation as the most progressive was adopted as a basis for the training of these specialists. On the basis of rich foreign experience and domestic practice, the Russian school of assessment of economic analysis, accounting, taxation was formed [1, p. 8].

So, today, to make effective management decisions, the owners and management of the enterprise often need information about the value of the business. Other parties are also interested in carrying out appraisal works: state structures (control and audit and other bodies), credit institutions, insurance companies, suppliers, investors and shareholders.

The increase in the value of the enterprise is one of the indicators of income growth of its owners. Therefore, periodic business valuation can be used to analyze the effectiveness of enterprise management. Traditional methods of financial analysis are based on the calculation of financial ratios and only on the data of the accounting statements of the enterprise. However, along with internal information in the process of assessing the value of the enterprise, it is necessary to analyze the data characterizing the conditions of the enterprise in the region, industry and the economy as a whole [2, p. 55].

The results of the business assessment obtained on the basis of analysis of external and internal information needed not only to negotiate buying and selling – they also play a major role in the selection of the enterprise development strategy: in the strategic planning process it is important to assess future income of the enterprise, the level of sustainability and the value of the image; to make informed management decisions required inflation adjustment of the financial statements, which is the basis for financial decision-making; for justification of investment projects on acquisition and business development it is necessary to have data on cost of all enterprise or a part of its assets [3, p. 60].

The relevance of the research topic is due to the fact that knowledge of the basics of valuation of the enterprise (business) and its management, the ability to apply the results of such an assessment in practice is the key to making effective management decisions, achieving the required profitability of the enterprise. The cost of the corporate structure, which is formed under the influence of decisions made by managers, should be considered as a target function of management [2, p. 61].

Having formulated, thus, the financial purpose of existence of business in terms of the greatest satisfaction of interests of owners at existing restrictions of the maximum size of the requirements shown to business by other interested parties, we will show preference of use of cost of the enterprise as criterion of its activity.

Let us use the following notations [3, p. 8]:

P – profit; S – revenue; cost effective – return on assets; ROE – return on equity; V – enterprise value.

Comparison of indicators is carried out on the basis of the condition of breadth of coverage and, accordingly, identification of various States of the enterprise as a system in case of

their use as a criterion. The results of the comparison can be presented in the form of a graph (figure 1) [3, p. 92].

Moving in the direction indicated by the arrows means moving from a less preferred indicator to a more preferred one. The top of the graph "enterprise Value" is the final indicator, the use of which as a criterion is most preferable. Moving in the direction indicated by the arrows means moving from a less preferred indicator to a more preferred one. The top of the graph "enterprise Value" is the final indicator, the use of which as a criterion is most preferable [3, p. 87].

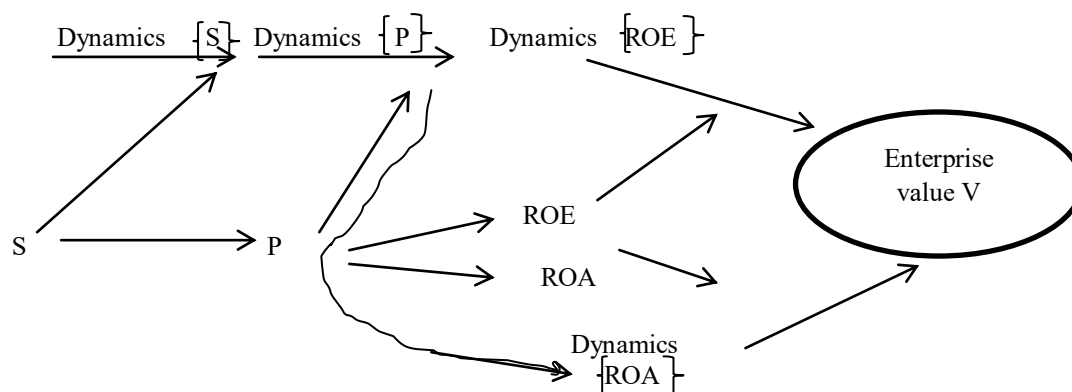


Figure 1 – Relationship of indicators

Business assessment is carried out using three approaches, each of which allows you to emphasize certain characteristics of the object:

- comparative approach;
- cost approach;
- income approach.

Approaches and financial methods used by the appraiser are determined depending on the characteristics of the evaluation process, the economic characteristics of the assessed object, the objectives of the evaluation [1, p. 235].

Consider the evaluation methods used in different approaches.

The comparative approach is a set of methods for assessing the value of the object, based on the comparison of the object of evaluation with similar objects, for which there is information about the prices of transactions with them. In the implementation of the comparative approach, the relevant market segment is studied and objects competing with the estimated business are selected, the data are adjusted accordingly for subsequent comparison. The basis of the amendments is the principle of contribution [4, p. 210].

The comparative approach is implemented through three methods:

1. The capital market method is based on the real prices of shares of open enterprises formed on the stock market. The basis for comparison is the price per share of a joint-stock company. It is used to evaluate a non-controlling interest.

2. Transaction method-for comparison, data are taken on the sales of controlling stakes in companies or on the sales of enterprises as a whole, for example, in acquisitions or mergers.

The method is used when buying a controlling stake in an open enterprise, as well as to evaluate closed companies that operate in the same market segment as open ones and have similar financial indicators. Includes analysis of multipliers.

3. The method of industry coefficients-involves the use of ratios or indicators based on sales data of companies by industry and reflecting their specific characteristics. Industry coefficients are calculated by special research institutes on the basis of long-term statistical observations of the sale price of enterprises and their most important production and financial characteristics.

The cost approach is a set of methods for estimating the value of an object based on determining the costs required to restore or replace the object of assessment, taking into account its depreciation [4, p. 158].

The basic formula of the cost approach looks like this:

Enterprise value = Assets-Liabilities (1)

There are also two methods of cost approach:

1. Net asset value method. The value of the business is equal to the market value of all assets of the enterprise less liabilities.

2. Liquidation value method. The value of the business is equal to the total value of all assets of the enterprise, net of liabilities, taking into account the costs of its liquidation.

Income approach-a set of methods for assessing the value of the object, based on determining the expected income from the object of evaluation. The expediency of application of the income approach is determined by the summation of the market values of the assets of the enterprise does not allow to reflect the real enterprise value, since it ignores the interaction of these assets and the economic environment of business [4, p. 92].

Methods of income approach to business valuation are based on determining the present value of future income. The main methods are:

- income capitalization method;
- cash flow discounting method.

When assessing the method of capitalization of income, the level of income for the first forecast year is determined and it is assumed that the income will be the same in subsequent forecast years (in the case of using the method of discounting cash flows, the level of income for each year of the forecast period is determined).

The value of the business (V) is determined by the formula:

$$V = D : R \quad (2)$$

where: D – net business income for the year; R – capitalization ratio.

The method is used in the evaluation of enterprises that have managed to accumulate assets that bring a stable income. If it is assumed that future income will change over the years of the forecast period, when the enterprises implement an investment project affecting cash flows or are young, the method of discounting cash flows is used. The determination of business value by this method is based on separate discounting of different-time changing cash flows.

Thus, it can be concluded that the availability of cost management technology becomes a condition of efficiency, as it determines a clear criterion for assessing the results of activities-an increase in the value of the enterprise. The results of the valuation affect almost all performance indicators of the enterprise and to achieve success in the activities of any company Manager in making every serious management decision must calculate whether its implementation will increase the value of the company.

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