

The implementation of professional definitions in valuation standards of different levels: international practice and domestic experience

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As every field of activity and as every research area has its own terminology, business valuation is not an exception and has its own glossology too. Unlike western companies, where the first pages of annual reports straightway attract the readers attention and declare the company's orientation for "creation and growth of value", value based management in Ukraine is only about to evolve. Along with it, the lack of generally-accepted approach in terminology that is used is quite noticeable. This, in turn, sometimes leads to mutual misunderstanding between the participants of business valuation process, and can even cause significant misstatements.

Though this issue is of great actuality, the features of professional definitions in valuation standards of different levels remain undetermined and little studied. Using international experience in business valuation can be very important and useful in solving this problem, especially the investigation of ASA Business Valuation Standards of the American Society of Appraisers. Consideration of International Valuation Standards that were adopted by international committee on valuation standards, review of valuation standards adopted in other countries, use of Russian practice experience will be also relevant.

Analyses of national and international valuation standards, Ukrainian accounting standards drives to the conclusion that an amount of similar definitions have different meanings. Thus, in the terminology of business valuation and accounting such definition as "liquidation value" has slightly different meaning. Also, sometimes specialists are mislead by similar definitions that nevertheless have differences in their apprehending, for example, definition "similar objects", that is used in accounting and "similar property", described in National valuation standard №1. Comparing the concept of "deterioration" in business valuation and accounting we also observe fundamental differences in interpretation of the terms. There are also some differences in the definitions of terms in national, American and Russian standards.

It is also should be noted that in accordance with accounting standards the objective of financial statements is reflection of operating results and financial position of the company, for which these financial statements are developed. That means, that accounting standards inherently are not designed to determine the value of the enterprise. The figures of the balance-sheet do not show current utility or use-value of the asset. Valuation, on the other hand, is based on the market principles and takes into account the dynamics of pricing factors that contributes to the interpretation and understanding of professional terminology.