



International Journal for Innovative Engineering and Management Research

A Peer Reviewed Open Access International Journal

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IJIEMR Transactions, online available on 18th Oct 2021.

Link: [https:// https://www.ijiemr.org/downloads/Volume-10/ISSUE-10](https://www.ijiemr.org/downloads/Volume-10/ISSUE-10)

DOI: 10.48047/IJIEMR/V10/I10/08

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Volume 10, Issue 10, Pages: 53-60

Paper Authors: **Shomirov Azizbek Abdurashidovich**



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SOME ISSUES OF VALUATION OF SHARES IN THE MANAGEMENT OF FINANCIAL RESOURCES OF JOINT STOCK COMPANIES

Shomirov Azizbek Abdurashidovich

Associate Professor of "Valuation and Investment", Ph.D, Tashkent Institute of Finance, Tashkent, Uzbekistan

E-mail: aashomirov89@gmail.com

ORCID: 0000-0002-2799-7985

Abstract: This article examines and analyzes the need for a stock valuation mechanism that is important for economic development. The article describes the content of stock valuation activities, the purpose and methods and approaches of stock valuation. The article identifies the problems in the field, on which the author develops suggestions and recommendations.

Keywords: Bu investment project, investment project appraisal, appraisal services market, appraisal companies, appraisal approaches, appraisal report, single property appraisal standard.

Introduction

In today's world practice, the issue of valuation of securities, including shares, is carried out in the business of joint stock companies. The research does not adequately address the problems that arise in the process of ensuring a fair market value of securities, including stocks, which requires research in this area.

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 includes deepening and stabilizing the financial market capitalization through securities and strengthening the financial stability and reliability of joint stock companies, development of promising investment projects, improving the quality of joint stock market valuation. the issue of forming an objective market price, ensuring the value and price equivalence of shares (including their package) was singled out.[1]

The assessment of the fair market value and formation of the objective price of the stock, which plays an important role in the development of the economy, including the lending and credit system, and its manifestation as a financial analogue (equivalent) of joint stock companies, requires other issues related to valuation approaches.

MATERIALS AND METHODS

In the course of our research, we have organized scientific research on the evaluation activities of some leading global and local economists. The Law of the Republic of Uzbekistan "On Appraisal Activity" of August 19, 1999 defines the economic category "Appraisal activity" as follows: "Appraisal activity is the activity of the appraising organization aimed at determining the value of the object of appraisal. [2] This law lists the objects of evaluation activities and the purposes of evaluation.

Well-known economists A.Gryaznova and M. Fedotova, in their research, with a special emphasis on business valuation, cited a methodology for valuing the shares of joint stock companies.[3] Another economist, T.Berdnikova, in her research has directly studied the processes of valuation of securities, including the valuation of shares. [4] G.Mikerin, V.Grebennikov and E.Neumann in their research studied the methodology of property valuation. [5] S.Valdaysev conducted research on business valuation. [6]

Local economists B.Khodiyev, B.Berkinov and A.Kravchenko have studied some aspects of the valuation of joint - stock companies.[7] Another leading economist, D.Abdukarimova, has suggested the use of securities as collateral for credit in her research.[8]

Analytical methods such as comparison, grouping were widely used in the research process. As a result of the study, practical proposals and recommendations on measures to optimize the evaluation of investment projects in the country have been developed.

RESULTS

We know that today the assessment of business of joint-stock companies is carried out on the basis of Section VII of the Unified National Assessment Standards of the Republic of Uzbekistan "Assessment of business and the right to participate in business(MBS No. 7). Order of the Director of the State Assets Management Agency of the Republic of Uzbekistan dated May 1, 2020 No 01 / 11-15 / 62.

We know that raising money for a joint-stock company through the issuance of shares is a clear example of an investment project. Shares valuation is the determination of the market value of a share of a particular enterprise (business), or more precisely, the share of the business value corresponding to the portfolio which is being valued.

First of all, in Table 1 below, we consider the classification of factors that may affect the value of a joint stock company.

Table 1

CLASSIFICATION OF FACTORS AFFECTING STOCK VALUE¹

Factors	Properties of factors
Macroeconomic factors	Development of competition, restriction of monopoly, provision of opportunities to invest capital in securities, its free flow and attraction to the stock market, investment climate, inflation component.
Microeconomic factors	The stock market segment is in its infancy
Basic or primary factors	Type of share, consumer characteristics as a commodity, value of property rights, legalization in practice
Secondary factors	Investment quality (profitability, liquidity, reliability, security and risk) and stock management skills

¹ Т.Б. Бердникова Оценка ценных бумаг: учеб.пособие. – М: ИНФРА-М, 2006. – 12 с.

Objective factors	Satisfaction of material needs, realization of financial prospects
Subjective factors	Forming sustainable motives and managing them
Structural factors	General trends in the structure of the stock market
Probable factors	Expected and accidental events will lead to changes in the stock market. Unexpected events can lead to a “drop” in price in the market. Crisis situations and imbalances in interests in open markets will be eliminated due to the flow of investments
Organizational factors	The level of development of the infrastructure of the securities market, the openness of information of issuers, the level of market transparency, the reliability of depository and depository services, respect for the rights of investors, etc.
Economic factors	Efficiency of the issuer's use of material, labor and financial resources, competitiveness of the issuer on the basis of introduction of the latest technologies, methods of organization of labor and production, marketing of products, application of licenses and patents, efficient use of intangible assets
External factors	Relevant area and regional location of the issuer
Internal factors	Economic viability of the issuer, the level of its financial and economic activity, a description of the efficiency of production activities, business reputation and status of the issuer

Factors that affect the value of a stock are affected in different ways. As a result, the value of the stock may fall or rise. This, in turn, can lead to an increase, decrease or non-increase in demand for the stock, which happens very quickly. As a result, market conditions will change.

In Figure 1 below, we will consider the purposes for which the valuation of shares is carried out:

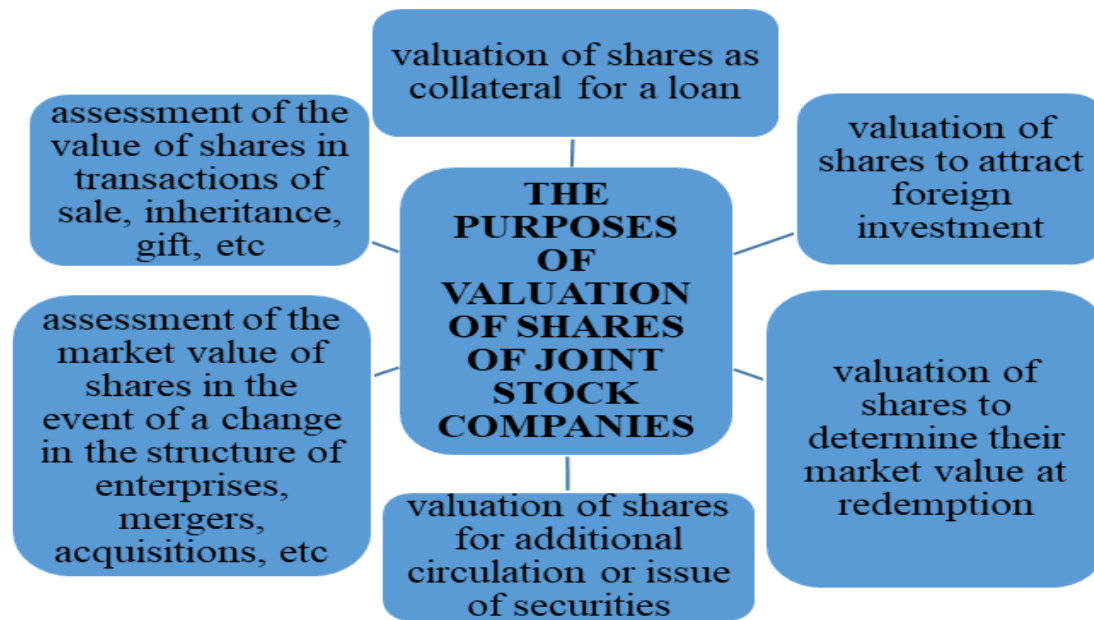


Figure-1. The purposes of valuation of shares of joint stock companies in practice²

As we can see from the picture above, the shares of joint stock companies can be valued for different purposes and this process helps them to determine the true fair market value of their shares.

Joint-stock companies are required to submit the following documents for the valuation of shares:

- Copies of the constituent documents, the memorandum of association, the charter of the enterprise, the certificate of registration;
- summary of issues and copies of reports on the results of the issue of securities;
- type of activity and organizational form of the enterprise;
- a copy of the lease agreement for real estate or real estate cadaster;
- accounting data for the last 3-5 years (balance sheet and report on financial results);
- auditing reports for the last 3 years;
- information on fixed assets;
- inventory of property;
- information on total assets (real estate, reserves, promissory notes, intangible assets);
- extension of accounts payable (payment schedules for each loan);
- the period of occurrence of the extension of receivables (repayment period);
- A copy of the business plan for 3-5 years.

The valuation of shares is done on the basis of three approaches: income, cost and comparative approaches. Table 2 below provides information on the approaches.

² Developed by the author on the basis of practical data

Table 2

Value concepts used for stock valuation³

Stock valuation approach	Valued concepts used to evaluate shares
Cost-based approach	<p><i>The value of shares is determined based on the convertible value of the existing joint stock company (similar to the value of the establishment of the enterprise). The value of shares is the derivative value of the operating enterprise (business).</i></p> <p><i>The value of shares is determined based on the part of capital assets (net asset value) or through the liabilities part (retained earnings). The share value depends on the total market value of each asset element and corresponds to the time and cost of their implementation.</i></p>
Income approach	<p><i>The value of the shares is based on:</i></p> <p><i>1) discounting the current value;</i></p> <p><i>2) capitalization of net profit (cash flows).</i></p>
Comparative approach	<p><i>Shares, profile, amount of capital, rates (multiplier) and other characteristics (parameters) of joint-stock companies, similar to the type of activity, have a value similar to the selling price of similar shares.</i></p>

The income approach is based on bringing the expected income from the appraised object to the value at the valuation date. The income approach is determined in two ways. These are ways to discount cash flows and capitalize income.

The cash flow discounting method is a method of determining the value of the object of assessment by adding the cash flows for the forecast period and the post-forecast periods through the discount rate.

When applying the cash flow discounting method, the appraiser should take into account the following:

- choose the type of cash flow;
- determine the duration of the forecast period;
- analysis and forecast of income and expenses;
- determine the amount of cash flows for each forecast period;
- determination of the discount rate;
- determine the value of the object of assessment after the forecast period;
- calculate the current value of the object of assessment;
- final corrections should be made.

The cash flow discount formula is calculated as follows: [10]

³ Под ред. Эскиндарова М.А., Федотовой М.А. Оценка стоимости бизнеса. Учебник Москва-2018, 321 ст;

$$PV = \sum_{i=1}^n \frac{CF_i}{(1+D)^i} + \frac{FV}{(1+D)^n}$$

Here:

PV - present value;

i - the number of the year of the forecast period;

n - the last year of the forecast period;

CF_i - forecast period i-th year cash flow;

D - discount rate;

FV - The value of the assessment object after the end of the forecast period (future value).

The method of capitalization of income is a method of determining the value of the object of assessment by dividing the amount of income for a certain period by the capitalization rate corresponding to that period: [11]

$$PV = \frac{CF}{R}$$

Here:

PV- present value;

CF - income expected to be received during the year (or other selected period);

R - capitalization rate.

In assessing the value of a business with a cost approach, the appraiser uses one of the following methods based on the costs required to restore or replace the appraised item:

The net assets method defines the business value as the difference between the market value of all the assets of the enterprise and its liabilities;

The cost of liquidation method is defined as the difference between the value of the business and the cost of liquidation that the owner can receive when the business is liquidated.

The general formula for cost-based approaches is as follows:

$$\text{Enterprise Value} = \text{Asset Value} - \text{Liability Value} [12]$$

In the process of calculating the cost approach, an economic balance is created. The appraiser determines the market value of the enterprise's real estate, machinery, equipment and intangible assets.

To evaluate the value of the appraised object with a comparative approach, the appraiser uses the following methods based on comparing the selling prices of similar enterprises or property shares in them:

✓ A capital market method based on the analysis of the market price of shares of similar enterprises;

✓ the method of transactions in the appraised enterprise based on the analysis of information on transactions with property shares in the appraised business.

The final value of the investment is the result of the calculations that give the maximum amount of value. In this case, the value of the block of shares may not be lower than the book value.

The final value of the object of assessment is determined by the following formula: [13]

$$K_f = K_{cost} * S_1 + K_{rev} * S_2 + K_{comp} * S_3$$

Here:

K_f - The final value of the evaluation object;

K_{cost} , K_{rev} , K_{comp} - are values determined by cost-related, revenue-related, and comparative approaches, respectively;

S_1 , S_2 , S_3 - are the corresponding specific dimensions selected for each evaluation approach.

Table 3

In the absence of market information, discounts and rewards are taken into account depending on the presence or absence of control elements⁴

Quantity of shares valued, %	Discount, %	Reward, %
From 100 to 75+1 ordinary share	0	25
From 75 to 50+1 ordinary share	5	20
From 50 to 25+1 ordinary share	10	11
From 25 to 10+1 ordinary share	15	5
From 10 and less	20	0

According to the table 3 above, discounts and premiums are used to determine the final market value of shares, and a single share value is calculated based on the controlling interest.

CONCLUSION

In short, the practice of valuing the value of shares in the valuation of our country has a very small share. Based on the above analysis, we consider it expedient to implement the following proposals and recommendations as a solution to the current problems in the industry:

1. In order to obtain an appraisal qualification certificate, it is necessary to radically improve the system of teaching students the concept and practical skills of the mechanism for evaluating investment projects during a 600-hour training course and advanced training courses.
2. Further introduction of a system of using foreign experience in the process of valuing the shares of joint-stock companies.

⁴ Unified National Assessment Standards of the Republic of Uzbekistan "Assessment of business and the right to participate in business(MBS No. 7). Order of the Director of the State Assets Management Agency of the Republic of Uzbekistan dated May 1, 2020 No 01 / 11-15 / 62

3. In order to increase the number of research projects to improve the methodology for assessing the value of shares of joint stock companies, it is necessary to involve researchers more widely.

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