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THE ASSESSMENT OF EQUITY IN THE ACCOUNTING: CHALLENGES AND OPPORTUNITIES

Recording objective condition and changes of the size (and therefore – the cost) of capital in the process of transformation and circulation, formation of data set necessary for both internal and external users is one of the main accounting functions in providing economic management of any company. The need to determine such value causes an objective need for justification of the methodology of measuring the value of equity in a market economic system, which provides for a continuation of the company's activity or its termination due to bankruptcy or liquidation, makes use of multivariate methods for assessing capital.

In modern international practice emphasis of accounting has shifted to the use of estimates according to the current value of the estimated object at the current valuation in an active market. This includes assessment: by market value and fair value. In particular, GAAP US require (or allow) to use a combination of both types of measurements. However, emphasis is on fair value, as it is believed that it provides users of financial statements with adequate information.

The system of fair value accounting requires companies to evaluate and suggest reporting on the resources (or equity) essentially agreed on a present value, and can display negative (for themselves) changes in their condition and structure influenced by market conditions pretty ruthlessly. For example, if the current value of the object is much lower than the original (historical) cost, in the balance sheets there will be large write-downs. However, we believe that these apparent losses can lead to lack of trust, especially if in the national economic space there is no developed and truly free market to exposure and determination of ultimately any value at all. The lack of truly free and active markets, where there are no hidden cartel agreements, markets with real, not simulated competition devalues reliability using the equity according to fair value. On the other hand, defining "fairness", the subjectivity of estimators themselves comes under its own pressure – motivated by certain interests, or one that is based on a certain unconscious mistakes. Imperfect methods for recognition and assessment and goodwill competencies implicit assets other components also allows us to consider the fair value as the only cure. If the countries with strong and stable market traditions face similar problems, what can we say about transitional and problem economies such as Ukrainian? This “fair” value of equity (and its tools) can be consciously or unconsciously falsified or distorted – either through lack of awareness, or intentionally to mislead users of accounting reports.

After all, no separately taken estimation of equity can quite objectively reflect the costs, because the cost of such a search may be dependent on the purpose of information. The same amount of net assets associated with equity can be measured not only by fair value, but also by liquidation value, mortgage value, and historical value. In this case, it is possible to find out the way in multivariate methods of evaluation, the possibility of using a number of complementary techniques that are not contradictory to generally accepted accounting principles and are fixed as possible for application in accounting policies of the company. The author believes that the assessment of methodology in general and equity in particular should be based on objective for the use of information. In the financial accounting and reporting documents, claiming the company’s accounting policies and notes to the financial statements it is necessary to carefully interpret methodology for this assessment of capital. There should also be easily traceable history of all the corrections, revaluations and other cost transformations in determining its value.