

THE POTENTIAL USE OF INTANGIBLE RESOURCES OF BUSINESS ENTITIES IN ECONOMIC SECURITY ASSESSMENT

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1. Introduction

The problem of economic security entities characterized by high complexity and priority category, as also by large number of functional elements and factors that determine it. In this regard, study of theoretical principles the concept of “economic security entities” requires the consent of all system resources and the entity of their structural components, and determining the place and role of intangible resources in ensuring economic security of entities.

The problem of determining the nature and classification of intangible assets (IA) are engaged by many domestic and foreign researchers. The very first attempt at a full-scale study IA was the work by B. Lev [1]. Further development of this problem was found in the writings of L. Edwinson [2], T. Stewart [3], A. Brooking, T. Copeland [5] and others.

2. The main material research

- Economic security entities considers:
- Synergy effect (enterprise’s economic security increases as a whole greater than the sum value of individual asset components);
- The cost of intangible resources that not is reflected in the balance sheet (reputation, goodwill, intellectual and human potential);
- Prospects for further development, including future revenues and earnings that may be obtained.

Accordingly, the most valuable and acceptable definition of the essence of economic security entity is as its state of operation in which the company and its products are competitive in the market and at the same time provided: the most efficient use of resources, intellectual and human potential; stability operation, stability and progressive development.

In terms of International and European standards assessment, measurement of IA is associated with valuation of the business [6 p. 769], and also of its separate parts [7]:

- Retained IA (goodwill);
- Identifiable intangible asset.

In accordance with the International Financial Reporting Standards IA are divided into the following groups:

- Related to customers: customer lists and customer contracts;
- Related technologies: technologies, patents, software, databases, know-how;
- Related to contracts, licenses, royalties, license agreements and franchising agreements, labor agreements;
- Associated with marketing: trademarks and service agreement rights;
- Associated with art: literary, artistic and musical works, video and audiovisual materials.

The obvious is the fact that in order to use intangible resources in Ukraine effectively it is necessary

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to put all the elements of IA on the balance. This task is complicated by the choice of identified and unidentified IA valuation technique.

IA evaluation is the least developed branch of professional assessment. By their nature, IA are a special kind of assets for which the assessment cannot be used by universal methods of assessment.

Of all the methods that are used in the income approach none of the methods other than the method of excess profits, does not assess the hidden intangible resources share. So we proposed a modification of the method of excessive profits, based on changes to the Calculated Intangible Value (CIV) method, proposed by T. Stewart [3, p. 82]. For practical application of the modified method of excessive profits we have made some suggestions, namely regarding to calculation of the hidden IA (i.e. intangible resources that the entity has, but are not shown in statements due to the imperfection of accounting).

In the article it was substantiated own vision of hidden intangible assets indicator as the sum of three components: human capital, customer capital and organizational capital company. This approach provides identification off-balance sheet intangible objects and the possibility of studying their contribution to determining a reasonable level of economic security entities.

To attempt to quantitatively display these hidden IA we have put forward a number of hypotheses:

1. Structure of tangible assets of entities of one industry rather similar and typical.
2. The difference between economic entities of one industry can be explained only by intangible resources.

From this it follows:

- Tangible assets are almost identical and match industry's average level;
- IA is the difference between individual assets of the entity and industry's average level assets.

Generally accepted that the total assets of an entity equal to the sum of its tangible and intangible assets:

$$A^b = A_m^b + A_n^b; \quad (1)$$

where, A^b – the book value of assets;

A_m^b – the book value of tangible assets;

A_n^b – the book value of intangible assets.

Taking into account that one industry entities characterized by similar structure of assets, and the share of IA that is recorded in the statement of financial status is extremely small, we consider the structure of assets can be add as follows

$$A^b \approx A_m^b \quad (2)$$

It follows that the hidden IA amount can be found by comparing the assets of the entity with industry's average assets:

$$A_n^{vb} = A_m^b - \bar{A}_m^b \quad (3)$$

where A_n^{vb} – hidden (off-balance sheet) value of intangible assets;

\bar{A}_m^b – industry average book value of assets.

Provided the use of Calculated Intangible Value (CIV) method we estimate almost all quantity of intangible assets. However, the final value obtained does not contain intangible resources type's details. In the process of determining the optimal level of intangible resources in providing economic security entities we managed the following conclusions and also make some suggestions:

- The share of intangible assets in total assets of large enterprises should be the largest (approximately 40%) and gives the least impact on the return on equity;
- The share of intangible assets in medium-sized enterprises should be about 12% of total assets;
- The intangible assets proportion of small enterprises and their expenditures can be minimal, but even their low level gives the most significant impact on return on equity.

3. Conclusions and recommendations for further development

Modern research methodology economic security entities has several limitations that prevent the solution of urgent theoretical and methodological problems, such as:

- The categorical apparatus of the evaluation of intangible resources is not enough developed to improve economic security entities;
- There is no generalized method of the obtained results of different models approaches to assessing the economic security entities;
- The models of economic security entities do not reflect the processes of formation and use of intangible assets.

Summing up the value of IA in providing economic security entities can be argued that there are many interpretations of intangibles, which differ depending on who describe them: foreign author, domestic author, a lawyer, manager, company owner, estimator or an accountant. The main feature of intangible resources is their uniqueness. Accordingly, we can conclude that the concept of intellectual capital and intangible assets are used as synonyms depending on who examines their and what goals researcher puts. Perspective evaluation of the total value of intangible resources should be search for the most appropriate ways to identify and correct assessment of individual components of intellectual capital.

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Summary

The article deals with theoretical and methodological aspects of potential intangible resources to assess the level of economic security entities. The approach to measuring intangible resources of entities to identify their degree of influence on economic security was considered.

Keywords: intangible resources, intangible assets, economic security entity, return on equity.

JEL classification: O320

UD classification 658.15:005.934

Date of acceptance: 12.11.2014.