

Nature of the System of Common Standards for Valuation in the Countries of the Eurasian Economic Union

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Abstract: The article is devoted to the concept of a system of common valuation standards in the countries of the Eurasian Economic Union. Much attention is given to the necessity of creating a system of unified standards, its composition and structure. It is spoken in detail elements of the codification of evaluation standards. The article gives a detailed analysis of the results of implementing a system of common standards in the practice of assessing the countries of the Eurasian Economic Union.

Keywords: System of cost standards, the concept of common standards, the Eurasian Economic Union, appraisal activity, harmonization of evaluation standards, codification of evaluation standards.

1. INTRODUCTION

The present concept of the system of common evaluation standards of the countries of the Eurasian Economic Union (hereinafter referred to as the Concept) has been developed in accordance with the objectives of the long-term strategic development of the Eurasian Economic Development of the Economic Union for ensuring dynamic development of the economies of the countries of the Eurasian Union, reducing business risks and developing the financial markets of these countries.

The system of uniform standards for property valuation proposed by us is an important tool for solving the problems of overcoming differences in the evaluation activity of the countries of the Eurasian space and creating uniform approaches to property valuation within the supranational legislation of the Eurasian Economic Union. In this context, the content of the Eurasian assessment standards may be of interest not only to practicing appraisers - the countries of the Eurasian Union, but also to their legislators interested in the effective functioning of appraisal activities in these countries.

Eurasian evaluation standards are intended to disseminate the principles of coherence and transparency to the entire valuation process and include explanations of common approaches and methods for assessing ownership, as well as the procedures to be followed by all assessors of the countries of the Eurasian Union in carrying out a

practical assessment, and preparation of appraisers. This article is summary of the results of a study carried out in the framework of a state order at the Financial University under the Government of the Russian Federation.

Eurasian evaluation standards should be recognized by all countries participating in the Eurasian Economic Union. Since property valuation is the main function in making managerial decisions in all spheres of the economy, to reduce the level of risks, unified standards of valuation are required, which will be recognized by all appraisers and entrepreneurs of the countries of the Eurasian Economic Union.

Eurasian evaluation standards are developed and adopted by the Evaluation Council under the Eurasian Economic Union and are recommended for use in all member countries of the Eurasian Union. The purpose of the Concept development is the definition of the main directions for the development of standardization of valuation activities in the countries of the Eurasian Economic Union.

2. RATIONALE FOR THE NEED TO CREATE A SYSTEM OF COMMON EVALUATION STANDARDS IN THE COUNTRIES OF THE EURASIAN ECONOMIC UNION

At present, certain work is being done to integrate appraisers into a single Eurasian economic space. Work is also underway to develop and implement evaluation standards in the countries of the Eurasian Union. In 2012, the International Association "Council of Associations of Eurasian Appraisers" (SOE Eurasia) was established, one of the objectives of which is to systematize the features of the assessment in the face of changing markets for their inclusion in regional

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evaluation standards, taking into account the International Valuation Standards. The first edition of the Eurasian Valuation Standards (ECO) was presented in June 2014 as part of the 13th International Congress of Eurasian Evaluators in Belovezhskaya Pushcha, Republic of Belarus. The developers of the first regional assessment standards were representatives of Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia and other countries.

Three standards were included in these standards: "ECO 1. Code of Ethics", "ECO 2. Types of Value", "ECO 3. Final Evaluation Document". It is planned that the composition of the EEOS will be expanded. It is planned to develop qualification requirements for the appraiser. Also, standards will be developed for the evaluation of various types of property, damage assessment, etc.

In October 2014, the International Council on Valuation Standards adopted the International Association "Council of Associations of Eurasian Appraisers (OO Eurasia) as an institutional member.

In fact, with the formation of the first three Eurasian standards of valuation, a regulatory framework is beginning to be created in the field of property valuation of the member countries of the Eurasian Economic Union. However, it is still very imperfect. The authors of these standards followed the well-trodden path of creating single unrelated, though important, cost standards. Whereas it is necessary to develop a unified system of standards that takes into account the experience of international, European and national evaluation standards (Artemenkov, 2013, 2014; Rutgaizer, 2008; Standards for the assessment of RICS, 2011), as well as suggestions of scientists working in the field of valuation in the countries of the Eurasian Economic Area.

In connection with the development of the Eurasian Economic Union, the harmonization of legislation, including the harmonization of evaluation standards, is seen no longer as a distant future, but as a necessary and immediate reality.

The need to integrate the assessors of the countries of the Eurasian Union has matured right after the creation of the union itself and this integration, already shown above, is already under way. However, for appraisers from different countries to speak the same professional language when carrying out transactions in different markets on the territory of the single

economic space, it is necessary to unify the legislation of the Eurasian Union member countries in the field of appraisal activity in the near future. This will not only accelerate the trade and economic processes in the countries of the Eurasian Economic Union, but also increase mutual exports of goods and services.

Examples of international integration of appraisers of different countries are known. These include the International Council for Evaluation Standards and the European Association of Appraisers (TEGOVA). These are associations based on the membership of national public organizations of appraisers, declaring unified ethical and professional principles of evaluation. They are aimed at the use of common standards for valuation activities, based on a single methodological basis for property valuation and unified requirements for practical evaluation.

The main disadvantage of these associations is that the standards they develop are of a recommendatory nature and their non-fulfillment does not entail significant consequences for violators, and hence the effect of these standards is reduced. In this regard, we propose to create a system of common evaluation standards that would be recommendatory for the first five years, and then be mandatory for use in assessing property in all countries of the Eurasian space. The need to have the recommendatory nature of these standards for the first five years is due to the fact that over the years unified assessment standards can be adapted to the national conditions for valuation, including from the point of view of adaptation of the assessment legislation.

The main tasks of the system of unified Eurasian assessment standards are:

- achieving the uniformity of evaluation procedures and the high quality of property valuation in the countries of the Eurasian Union;
- establishment of unified assessment standards representing the views of professional organizations of appraisers in all countries of the Eurasian Union;
- assistance to appraisers in the preparation of assessment reports and evaluation clients of various member countries of the Eurasian Union.

The Eurasian standards are recommendatory for the first years by normative documents that establish a minimum level of quality of performance of the

evaluation, conditioned by the status and qualifications of the appraisers, the content of the evaluation contracts, and the methodological approaches to assessing in specific situations.

Despite the fact that the Eurasian standards in the first years are recommendatory for the countries of the Eurasian space, they are developed on the basis of the best international experience and are recommended for inclusion in the relevant normative acts of the Eurasian Economic Union and the adoption of national assessment standards based on them.

The main purpose of the system of unified standards for property valuation is to serve as a methodological basis for the development and development of evaluation standards in the countries of the Eurasian Economic Union, including standards of public self-regulating organizations of appraisers.

Eurasian evaluation standards have both theoretical and practical significance. They can be changed, corrected, supplemented, explained, canceled, accompanied by comments, methodological guidelines and methodological recommendations. They are intended for appraisers, consumers of valuation services, as well as for judicial and state bodies regulating the market of valuation services. The purpose of the Eurasian assessment standards is to promote and maintain a high level of public confidence in the evaluation activity in the countries of the Eurasian Economic Union by establishing requirements for appraisers.

3. THE COMPOSITION AND STRUCTURE OF THE SYSTEM OF COMMON EVALUATION STANDARDS IN THE COUNTRIES OF THE EURASIAN ECONOMIC UNION

The concept of the structure includes the ordered arrangement of the elements of the system and the interrelations between the elements on some criterion (in our case, the distribution of the elements of the system of unified standards of evaluation is carried out on the basis of the object, that is, on the basis of the particular standards themselves). Under the structure of a system of unified standards for property valuation is understood the form of distribution of different valuation standards that provide a qualitative property assessment.

To determine the structure of the system of standards for property valuation, a systematic approach is applied with the involvement of relevant

scientific disciplines: the general theory of systems, system analysis and system engineering. A systematic approach to the development of a system of unified evaluation standards allows us to obtain a new scheme for the distribution of evaluation standards, depending on the specific features of individual standards and depending on the characteristics of individual sets of standards, to better identify the interrelations between them and to anticipate the emergence of new standards in the future.

The structure of the system of common evaluation standards reflects the composition and interrelation of the evaluation standards. Each assessment standard is assigned the relevant goals, objectives, areas of application and substantive provisions that model certain areas of property valuation. In determining the content of each standard, we are guided by the methodology for assessing ownership, the principles of the system approach and the results of the analysis of evaluation processes that are modeled in certain standards. This takes into account the socio-economic state of the economies of the countries of the Eurasian Union and their individual industries.

The overall objective of the system of common evaluation standards under consideration is to ensure the quality of property valuation throughout the Eurasian space. This goal reflects the designation of the entire system of common evaluation standards.

When designing the structure of a system of common evaluation standards, the following tasks are solved:

- 1) definition of the object of standardization;
- 2) determining the links between the standards of the system;
- 3) identification of conditions for the application of a particular system standard;
- 4) identify the conditions for the functioning of the entire system of common evaluation standards and develop measures to improve it.

Solving these problems allows to achieve the integrity of the system of common evaluation standards, the homogeneity of its individual subsystems and elements, as well as the effectiveness of its functioning. All subsystems and elements of the system of common evaluation standards are considered and designed simultaneously. This allows

them to coordinate, which to some extent improves the quality of the evaluation system.

The structure of the system of common property evaluation standards in the Eurasian Economic Union has the following features.

1. The number of levels it refers to the multi-level systems. And the standards of one level are homogeneous, i.e. they have one sign of their classification. The hierarchy of the system of common evaluation standards implies the possibility of autonomous functioning of individual levels and the possibility of their separate application and improvement.
2. The system of common evaluation standards is a system with a changing structure, that is, the composition and structure of the system changes over time due to the influence of a number of factors: changes in assessment methodology, changes in the markets of valuation services in the countries of the Eurasian Union and other factors.
3. By the principle of partitioning of elements, the system refers to the subjective feature of the partition, i.e. an element of the system is a specific subject - the standard of evaluation.
4. The structure of the system of common evaluation standards in the countries of the Eurasian Economic Union is the same, but the degree of application of certain standards of the system in different countries of the Eurasian Union may be different. Below in Figure 1, a general scheme for standardizing the evaluation activities of the countries of the Eurasian Union is presented.

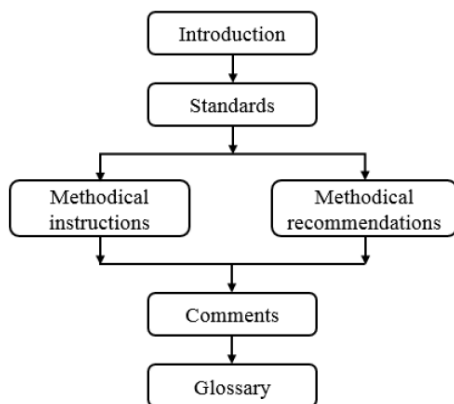


Figure 1: General Scheme of Eurasian Evaluation Standards.

Figure 1 presents a general outline of the Eurasian standards for property valuation: evaluation standards, methodological recommendations, guidelines and comments to the above documents, a glossary of terms. Moreover, the standards and guidelines are mandatory for execution by appraisers, and methodological recommendations are desirable for application in the practical assessment of property. Methodical recommendations and methodological instructions, as a rule, detail the provisions of evaluation standards. Below in Figure 2 presents a hierarchical, more detailed structure of the system of common standards for property valuation of the countries of the Eurasian Economic Union.

Section 1	Introduction
Section 2	Code of Conduct
Section 3	The main methodological provisions of the assessment
Section 4	General standards
Section 5	Types of valuation
Section 6	Object standards
Section 7	Functional standards
Section 8	Industry standards
Section 9	Comments
Section 10	Methodical instructions and methodical recommendations
Section 11	Glossary

Figure 2: The composition and structure of the system of common evaluation standards for countries of the Eurasian Economic Union.

Section 1. Introduction

The introduction describes the scope of the system of common evaluation standards of the countries of the Eurasian Economic Union, the procedure for the development and adoption of common evaluation standards, the history of the creation of common evaluation standards.

Section 2. Code of Conduct

The Code of Conduct includes two basic standards:

2.1. Ethical code and

2.2. Rules of conduct (interaction scheme, rule of competence, rule of deviation, exclusion from jurisprudence, etc.)

Section 3. Basic methodological provisions for property valuation

This section contains the following standards:

3.1. Basic concepts of evaluation

3.2. The objectives, functions and principles of evaluation

3.3. Basic approaches to property valuation

3.4. Types of value

3.5. Property rights, etc.

Section 4. General Standards

1.1. Professional standard

1.2. Technology of property valuation

1.3. Requirements for the evaluation report

1.4. Expertise of the evaluation report, etc.

Section 5. Types of evaluation

5.1. Assessment with the existing use of the valuation object

5.2. Estimation under market restrictions

5.3. Specialized evaluation

5.4. Revaluation

5.5. Wear and obsolescence, etc.

Section 6. Object Standards

6.1. Business valuation

6.2. Property valuation

6.3. Evaluation of machines and equipment

6.4. Valuation of intangible assets

6.5. Valuation of financial instruments

6.6. Assessment of land plots, etc.

Section 7. Functional standards

7.1. Estimation of cadastral value of real estate

7.2. Valuation of assets in the public sphere

7.3. Evaluation in the process of corporate restructuring

7.4. Valuation for security purposes

7.5. Valuation for the purpose of issuing securities

7.6. Estimation of the market value of rent

7.7. Valuation for International Financial Reporting Purposes

7.8. Assessment of hazardous and toxic substances

7.9. Assessment of damage (due to:

7.9.1. withdrawal of the subject of valuation;

7.9.2. environmental impacts;

7.9.3. military conflicts;

7.9.4. natural cataclysms, etc.)

Section 8. Industry standards

8.1. Evaluation of enterprises of the fuel and energy complex (FEC)

8.2. Valuation of metallurgical enterprises

8.3. Evaluation of mining enterprises

8.4. Evaluation of machine-building enterprises

8.5. Evaluation of construction companies

8.6. Assessment of transport organizations

8.7. Evaluation of telecommunications organizations, etc.

Section 9. Comments

Comments are normative documents explaining certain provisions of the standards. They have the power of evaluation standards and are adopted in the same way as the evaluation standards of the Eurasian Economic Union's Evaluation Council after extensive discussion by the professional communities of the countries of the Eurasian Union.

Section 10. Methodological guidelines and guidelines

10.1. Methodical instructions - this is a normative document, mandatory for appraisers in their practical

appraisal activities. They outline the procedural issues of application of evaluation standards in specific practical situations and guidelines for solving practical assessment problems. For example, (a) indications of evaluation at a retrospective or future valuation date; b) indications of a departure from the valuation standards; c) instructions for the electronic transmission of evaluation reports; d) guidelines for the use of valuation standards for transactions between business entities belonging to different countries of the Eurasian Economic Union.

10.2. Methodical recommendations are a normative document detailing the methodological provisions of valuation standards and outlining methods for determining the value of various types of property and different types of value, methods for determining individual valuation parameters, for example, capitalization coefficient, discount rate, cash flow, reasonable exposure time, and so on. These can be methodical recommendations for inspection of the evaluation object, specific differences between different types of value, the impact on the value of the object of the assessment of environmental and other specific factors, evaluation of objects in the presence of encumbrances;

definition of the "normative state of business", evaluation of the same property at different times,

evaluation of the same property for different customers, etc.

Section 11. Glossary of terms

The sphere of appraisal activity is characterized by the presence of its own language - its specific terminology. Due to the fact that the evaluation activity within the framework of international standards in the countries of the Eurasian Union begins to develop only since the 90s of the last century, the common terminology in these countries has not yet developed. This circumstance may be the main reason for the disagreements and the lack of mutual understanding between the evaluators of the countries of the Eurasian Union when discussing the problems of valuation activity. In this regard, it is advisable to include in the composition of the Eurasian assessment standards a special standard "Glossary of terms", which would be constantly updated with new evaluation terms. The structure of this standard could be fulfilled identically to the structure of the Eurasian assessment standards, i.e. all the evaluation terminology is divided into

separate sections in accordance with the sections of the Eurasian standards: Code of Conduct, Basic Methodological Valuation Regulations, General Standards, Types of Costs, Valuation Types, Object Standards, Functional Standards, Industry Standards. The structure of this standard can be different: traditional - in alphabetical order.

The above system of common evaluation standards has a number of advantages:

- it is complex and covers the main evaluation phenomena and processes that need to be standardized;
- its implementation will ensure the high quality of property valuation in the countries of the Eurasian Economic Union.

The list of standards given in the proposed system of common evaluation standards in each separate section is not exhaustive. It can be supplemented: the list given in this study is our view of this problem at the present time. Over time, the situation in the markets for valuation services and views are changing. The emergence of certain standards at one time or another, according to our observation, is a consequence of various factors, for example, the acute practical necessity of the appearance of a specific standard, attention to this problem of state bodies, the ability of professional appraisers to formulate and promote a particular standard. The combination of these factors leads to the emergence of new evaluation standards.

In any case, constant attention and consistent work on standardization of appraisal activity will allow to generalize, systematize and disseminate the positive experience of property evaluation among the appraisers of EURASEC countries, which will significantly improve the level of their qualification and the quality of valuation services.

3. CODIFICATION OF EVALUATION STANDARDS

Codification of evaluation standards for countries of the Eurasian Economic Union is carried out by the serial-ordinal method, which, in addition to classifying objects of codification, allows characterizing some of their properties, i.e. to determine whether a particular standard belongs to an evaluation procedure.

The evaluation procedure is a set of measures aimed at determining the value of the valuation object. The codification of the standard for appraisal activity

corresponds to the codification of evaluation procedures.

The concept of evaluation procedures is combined into the previously listed 11 sections.

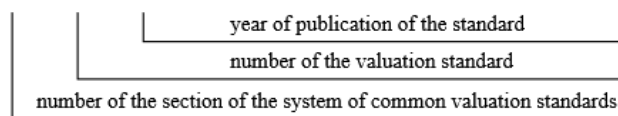
In accordance with the above classification of evaluation procedures, the codification of the assessment standards of the countries of the Eurasian Economic Union is carried out:

- JIU RA 01-00-00 - standard Introduction
- UNECE SO 02-00-00 - Standards of the Code of Conduct
- UNECE SO 02-01-00 - Standard Ethical Code
- UNECE SO 02-02-00 - standard Rules of conduct
- EEA Unified Energy System 03-00-00 - standards Main methodological provisions for property valuation
- JIU EA 03-01-00 - standard Basic concepts of property valuation;
- UNECE CS 03-02-00 - standard Goals, functions and principles of assessment
- UNECE CO 03-03-00 - standard Basic approaches to assessment
- UNECE CO 03-04-00 - standard Types of value
- JIU RA 03-05-00 - standard Property rights, etc.
- EEA Nuclear Power Plant 04-00-00 - General Standards
- SO EEA 04-01-00 - Professional Standard for Valuation Activities
- EEA nuclear power plant 04-02-00 - standard Information requirement and assessment technology
- UES of the EAE 04-03-00 - standard Requirements for the evaluation report
- SO EEA 04-04-00 - standard Examination of assessment reports, etc.
- EEA SOEs 05-00-00 - standards Types of valuation
- EAEPS 05-01-00 - standard Assessment under the existing use of the valuation object
- UES of the EAE 05-02-00 - standard Estimation with limited market turnover
- EEA SO 05-03-00 - standard Specialized assessment
- UNECE CO 05-04-00 - standard Revaluation
- UES 05-05-00 - standard Wear and aging
- UES of the Unified Energy System 06-00-00 - Object Standards
- UNPGP 06-01-00 - standard Business valuation
- JIU 06-02-00 - standard Real estate valuation
- JIU 06-03-00 - standard Evaluation of machines and equipment
- JIU 06.04-00 - standard Assessment of intangible assets
- UES of Russia 06-05-00 - standard Evaluation of financial instruments
- UNECE CO 06-06-00 - standard Assessment of land plots
- UNECE CS 07-00-00 - Functional standards
- UES of the EAEU 07-01-00 - standard Assessment of the cadastral value of real estate
- UNPGP 07-02-00 - standard Asset valuation in the public sphere
- UES of the EAE 07-03-00 - standard Evaluation in the process of corporate restructuring
- UNECE CS 07-04-00 - standard Assessment for security purposes
- SO EESP 07-05-00 - standard Valuation for the purpose of issuing securities
- UES of the EAE 07-06-00 - standard Estimation of the market value of rent
- UNECE CS 07-07-00 - Standard Valuation for International Financial Reporting Purposes
- SO EESP 07-08-00 - standard Assessment of hazardous and toxic substances

- JIU EA 07-08-00 - standard Damage assessment
- UES of the EAEA 08-00-00 - Industry standards
- UES of the EAEU 08-01-00 - standard Assessment of enterprises of the fuel and energy complex (FEC)
- CO EAЭC 08-02-00 - standard The estimation of the enterprises of a metal complex
- UES of the EAEU 08-03-00 - standard Evaluation of enterprises for the extraction of minerals
- UNECE CO 08-04-00 - standard Assessment of machine-building enterprises
- SO EESP 08-05-00 - standard Assessment of construction organizations
- UNECE CO 08-06-00 - standard Assessment of transport organizations
- UNECE CO 08-07-00 - standard Evaluation of telecommunication organizations
- CO EAЭC 09-00-00 - Comments
- CO EAЭC 10-00-00 - Methodical instructions and methodical recommendations
- CO EAЭC 10-01-00 - Methodical instructions
- UES EAE 10-02-00 - Methodical recommendations
- UES of the EAEU 11-00-00- Glossary of terms

Note "Code number designation":

00 – 00 – 00



In case of development it is always possible to supplement the codification of the standard with one more digit. For example, the standard code 08-01-00-Evaluation of enterprises of the fuel and energy complex, can be modified if in 2020 there will be a standard "Estimates of electro-producing enterprises". Then its code will be as 08-011-20.

4. RESULTS OF THE IMPLEMENTATION OF COMMON EVALUATION STANDARDS SYSTEM CONCEPT FOR COUNTRIES OF THE EURASIAN ECONOMIC UNION

This Concept was developed in 2016. In connection with the changes in the markets of valuation services of the countries of the Eurasian Economic Union and in the evaluation methodology, the content of this Concept must be constantly improved.

The concept is designed to provide for the period up to 2025 (the year of the end of the period of harmonization of financial regulatory documents in the countries of the Eurasian Economic Community):

- the basis for the development of a system of common evaluation standards in the EurAsEC countries;
- favorable business environment for transactions with property in EurAsEC countries by increasing the level of trust and satisfaction of consumers of valuation services with high quality of valuation;
- Complexity and unity of the entire process of development, implementation and updating of common evaluation standards in the EurAsEC countries through the implementation of a systematic approach to the process of standardizing valuation activities;
- recognition of the professional qualifications of employees - service providers in the field of property valuation;
- Recognition of evaluation reports carried out on the basis of common evaluation standards in EurAsEC countries;
- convergence of the access mechanism to valuation activities in the EurAsEC countries;
- international recognition of evaluation reports, carried out on the basis of common evaluation standards developed in accordance with international standards for evaluation;
- a high level of public confidence in valuation activities by setting certain evaluation requirements and appraisers.

The abovementioned results of the implementation of the system of common evaluation standards will contribute to the creation of a single free market for

valuation services, the reduction of the cost of services for the population of the EurAsEC countries with the growing competition in this sector of the economy, and the attraction of additional investments in the economies of the EurAsEC countries through the activation of cash flows within the Eurasian economic space.

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Received on 29-05-2018

Accepted on 19-08-2018

Published on 12-11-2018

DOI: <https://doi.org/10.6000/1929-7092.2018.07.81>

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