Role and Importance of Evaluation in Management Enterprise

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In determining the enterprise value is assessed, are taken into account all areas that help to generate future profits in the întreprindrii evaluated, respectively. In this respect, a special role is managerial decision. This is the main tool to achieve business objectives, which should be based on past actual situation of the enterprise, the current existing realities on forecasting ability, but also work with other specialişti. Rezultatele assessment is an important source of decision management.

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1. Introduction

One purpose of the evaluation is the application of value-based management to redirect the performance of various activities of the enterprise, in the sense, when, how and how to expand businesses that bring value, which is the operative measures likely to increase the value.

In general, business valuation is required in the following situations:
- Operations of acquisitions, mergers, capital increases;
- Expropriation;
- Litigation support;
- Disputes between shareholders;
- Disputes between spouses (divorce);
- Requiring financial institutions before deciding financing company;
- For-profit legal actions (succession, bankruptcy, mortgage).

The accounting information provided by accounting accounts synthetic and analytical economic and financial analysis serve as raw material leading the development of powerful diagnostic based on economic and financial reality accurately captured the relevant accounting accounts (Crecan, C.2000, page 28).

Since economic elements that comprise a company's assets can record only changes the nature of increase or decrease, accountants becomes a powerful tool of measuring these changes. For information provided by accounting accounts be seized to its true value, it is necessary to establish a direct link between the information generated by the accounts and financial and economic analysis.

In analyzing the overall efficiency of an enterprise is very important quantity and quality of financial and accounting information existing at a time of economic enterprise system (Crecan, C.2000, page 29).

Mathematical modeling made possible by information technology under current opens implement production functions (economic) in the economic entity, regardless of its size.

It is clear that to achieve superior profitability across economic activities, a company can maximize the economic function of profits and to minimize economic costs function (Crecan, C.2000, page 29).

Based on information provided by synthetic and analytical accounts, at each balance sheet business is built as a summary of all changes to financial retrieved at an accounting exercise.

2. Literature and practices

As I said in Rochefounauld "the greatest of all gifts is the power to estimate things at true value," so each manager is directly interested in the value of the business to know where the economic entity in the economic and social.

Economic theory provides several concepts of value. Value of property is based on the notion of exchange, the price equilibrium point is that the seller and the buyer accepts the transaction.
To evaluate means to assess, determine a value, to determine a price that can be used in a transaction. If you set the value of an active economic entity things seem simple, but to determine the value of the business, things are more complex.

The complexity of the evaluation process of an economic entity depends on:

− The nature and extent of the economic entity;
− Assets of the economic entity and the possibility of its recovery given that company assets were acquired at times and at different prices, which are measured at the utility;
− Assessment of the economic entity leads to the determination of differences between scripting and records factual situation and assessors must make a series of operations leading to consistency between scripting and factual records.

Reassessment means to evaluate again that day to determine the value for the price. Business value reflects the result of a judgment based on an assessment according to the criteria of comparison, the analysis, calculations or expert.

About the value of the business are more current (Ișănescu, A., Robu, V. Anghel, I., Tutu, A. 1999, page 20):

− Current fondist (Adam Smith) that the business value is determined by labor fund assets invested in company stock of finished goods for sale, generating profit;
− Current materialistic or realistic, which considers capital as a determinant of value, meaning that the market value of the company is given of its assets invested capital arises;
− Current neofondist which to base future enterprise value streams they generate tangible and intangible assets in the mining them.

Any change during an economic entity conducting business on the merger of entities, takeovers, tender of shares of subsidiaries etc., can increase the value of assets or business. Managers are interested in any time that is business value, economic entity and what are the prospects for development.

Evaluation recipients may be individuals, managers, companies, tax, banking, investment funds, researchers, experts, etc., their interests being customized.

Information needs of business value are even more varied as economic entity seeks to continue operation or to liquidate the business.

Managers will assess the economic entity will invest in programs and business directions that will get an increase in the entity.

3. Role and importance of evaluation in management company

Economic evaluation process aims to establish market value, the amount of movement of goods, assets and businesses, it is an instrument for guiding operators in the country's economic space. Need to assess a business enterprise occurs when life held some significant changes such as changes in size and Structured capital, changes in the number and composition of the shareholders or associates, legal actions-profit in commercial transactions during privatization when elements presented in the balance sheet does not reflect market value but rather administrative value or historical cost much different fair values.

Value resulting from the operation of conventional evaluation and is a size determined by the assessor, independent of negotiating parties. Value is not a fact, is an opinion given by the assessor in the specific conditions of the economic entity or property. Assessor, the assessment process, determine a range of values that will be the starting point of negotiations.

The difference between price and value is determined by the seller and buyer motivations, the ratio of market forces, as well as some subjective criteria.

Evaluating a property, of intangible assets, or a business is to express an opinion, the estimation of their value. Make this estimate is to do some specific steps performed by a professional or a company specializing in the evaluation.

Any valuation of assets or economic entity’s balance sheet as a starting point, the audit - all engine operations evaluation because it reflects the amount of own funds, market strategies applied by the company, it reflects the heritage, wealth accumulated by since its firm financial results for the recently ended.

Price is the amount of money that can be made from the sale of property voluntarily between parties knowingly in a transaction where the price is determined objectively. Pricing involves
negotiation, the evaluator does not intend to price but range values, the area could begin negotiations and could probably be within the price.

We can say that business valuation is characterized by more complex than other types of assessments because we must take into account a range of factors related to the market, among which may be mentioned: economic development, investment theory, financial markets, the housing market regulations, tax system. Business value includes the contribution of land, buildings, machinery, equipment, goodwill and other intangible items.

Value of property is based on the notion of change, it may be so that the business value is the equilibrium in which the seller agrees to sell and buy. Value depends on some criteria or factors that influence willingness to buy or sell, these criteria can be subjective, psychological or economic objectives by applying valuation methods addressing, both separately and together, side patrimonial and good profitability active or entităţii as a whole.

The value is an estimate of the likely price to be paid for a good or service.

Price is a term used for an amount requested, provided or paid for a good or service. Diagnosis at the entity level, aims to:

− Understanding the economic factors that influence the enterprise sector;
− Knowledge of competition rules in the sector in which the enterprise belongs;
− Determine the opportunities and threats, strengths and weaknesses in the present and in the future.

Diagnostic role in assessing the company is to guide the evaluator in the evaluation stage itself establish that the evaluation hypothesis, choice of methods, helps to anticipate the future of the company, the detection of risk factors and assumptions in determining the assessment value chain determined and presented in the final report.

Managers are interested in any time that is business value, economic entity and what are the prospects for development.

The purpose of evaluation may be presented by the following:

− Estimating marketing strategies presented in company planning the initiation of new products, entering new markets;
− Evaluating mergers, acquisitions, sales, issuances of new shares etc.
− Closer cooperation between managers and shareholders on the value of future business strategies and preparation;
− Application of value-based management in order to bring value to business development, the design and implementation of measures which enhance the value of the economic entity.

Market value is an estimate of the price that could be obtained from a sale at the measurement date, i.e. the estimated amount for which a property could be exchanged on the date of valuation between a buyer and a seller in a transaction determined balanced after proper marketing, where each party acts knowingly, prudently and without compulsion.

A special category of buyers is the company's management and employees offered for sale. The specific feature of this category is that buyers are more informed about the internal situation of the company, but have a limited view on the economic environment in which the company works.

4. Research methodology

Given the complexity of the phenomenon studied, the targets chosen by managers largely dependent economic entities evaluation results.

Managers using the results of the evaluation will analyze the company's position against competition, and thus establish a viable strategy will develop fields that increase enterprise value. Application of strategic management at the enterprise level is a very complex process, with implications for the economic entity's performance.

For the manager, the assessment is intended to guide the implementation of the strategy and enables the control and management strategy evaluation at the level of the economic entity. The overall objective of the evaluation strategy is to determine whether it meets the company mission and strategic goals, available resources, changes in the internal environment, and external. Quality strategic assessment depends largely on the company's ability to interpret the results and to learn from their strategic experience.
5. Conclusions

Based on the economic entity AValue diagnosis can build relevant scenarios that underpin assessment and on which tests can produce diagnostic consistency between various parts, and between proper evaluation and diagnosis business. Diagnosis for evaluation not only serves to present the situation of the company at a time, but also to direct and support the evolving business scenarios, economic and financial projections.

In the practical work of evaluating a firm diagnosis must provide the necessary information assessing past and present situation, which is a basis for estimating key elements and variables to be considered when applying various valuation methods. Since the company's evaluation does not mean a mechanical application of techniques but requires a deep appreciation of firm performance, the evaluation team must consider normal operating parameters of our business environment and evaluated at the time of evaluation.

For assessing an economic entity, the diagnosis can be divided into five components: diagnosis legal, technical, human resources and business management, commercial and financial.

A particularly important issue is the assessment of financial analyst financial indicators included in the diagnostic methodology in relation to certain standards or by comparing the financial ratios with industry averages financial rates.

It outlines a broad interest not only for managers to analyze the company's position against competition, and thus establish a viable strategy, but of particular concern for investors who can determine which are the most profitable sectors and within sectors can firm chooses to invest, and even banks who had established customer related strategy, and policy lending.

References