

The Methodology of Direct Comparison in the Context of Movable Goods Evaluation

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The theme presents a synthesis of movable goods' evaluation. The market of movable has significantly developed during the last decade, especially after Romania's accession to the European Union, when movable goods from the exterior have started entering the internal market, which led to the growth of competition and also to the price reduction. This led us to the decision of approaching this theme. The methodology of direct comparison in the context of the movable goods evaluation, considering that the development of the movable goods market has equally influenced the individuals and the judicial persons, and that is why we considered that the enhanced study of this the theme could show us which are the buyer's argument when choosing a tangible good and which are the basic elements at the base of the decision of buying such a good.

Keywords: tangible goods, market value, market economy, the direct comparison method, the evolution of the tangibles market.

JELL Classification: G33, C39

1. Introduction

Nowadays, the inflation rate varies, a phenomenon whose main effect is the devaluation of the national currency and which leads to the reduction of the buying power of the RON and to a fast/accelerated devaluation of the tangibles goods.

In the context of the actual economy, the entrepreneurs' desire of knowing the market value has emerged in order to appreciate the value of the patrimony of the company, which represented a starting point in the field of evaluation.

The equipment represents an important part of the patrimony of a society and a basic element for its activity. It is chosen depending on the use and the companies' needs compared to the price, in order to gain profits.

The method of direct comparison is defined as the process through which the value of a good is estimated through market analysis in order to find similar proprieties and also to compare them to the evaluated propriety. At the basis of the valuation stands the principle of substitution, which results in the fact that the value of a propriety is represented by the price which could be paid to buy a similar propriety from the perspective of its attractiveness and use. Considering that the equipment that is the subject of this evaluation consists of goods that are frequently traded on the market and considering that the numerous offers of similar movables or which displays similar features of the evaluated goods, both new and used, we thus consider that the most relevant approach of the evaluation is made through the market, using certain offers that are available on the movables market in the moment of the evaluation.

The method of direct comparison supposes the use of adjustments to the equipment which is compared to the studied one, adjustments that are made depending on the differences the comparable goods display reported to the evaluated good.

2. The general presentation of the client and the recipient of the report

The evaluation was made in order to estimate the market value of the movables, namely the Dacia Logan MCV and Citroen Berlingo automobiles, as it is stated in the International Evaluation Standards, to inform, at the desire of the economic agent, in his/her position of beneficiary.

The market value, according to this standard, is the estimated amount of money for which an asset could be changed at the time of evaluation between a decided buyer and a decided seller, in an

objective transaction, after an adequate market and in which the parts consciously acted and with no restraints.

The calculus methodology of the market value has considered the objective of the evaluation, the properties’ type and the recommendations of the International Valuation Standards IVS 220 – Mobile tangible assets. The evaluation was made on the 30th of April 2015. At the basis of the evaluation stood the information regarding the level of prices and the data provided by the client until April 30th 2015, data which is available and for which the considered hypotheses and the estimated values of the evaluator are available.

3. The identification of the property and the location of goods

The evaluation process, defined as the orientation mean of the economic entities in the national economy, has set its main objective in establishing the market value, the circulation value of goods, assets and companies. When significant changes happen in a company, as for example: changes in the structure and volume of the primary capital, in the structure of shareholders or associates, in the case of trading activities, due to privatization when the elements in the balance sheet do not reflect market values, but rather administrative values, the evaluation of a company becomes mandatory.

The casuistry is made according to the value of the movable goods and their technical description, as following: Mobile good – Dacia Logan MCV automobile

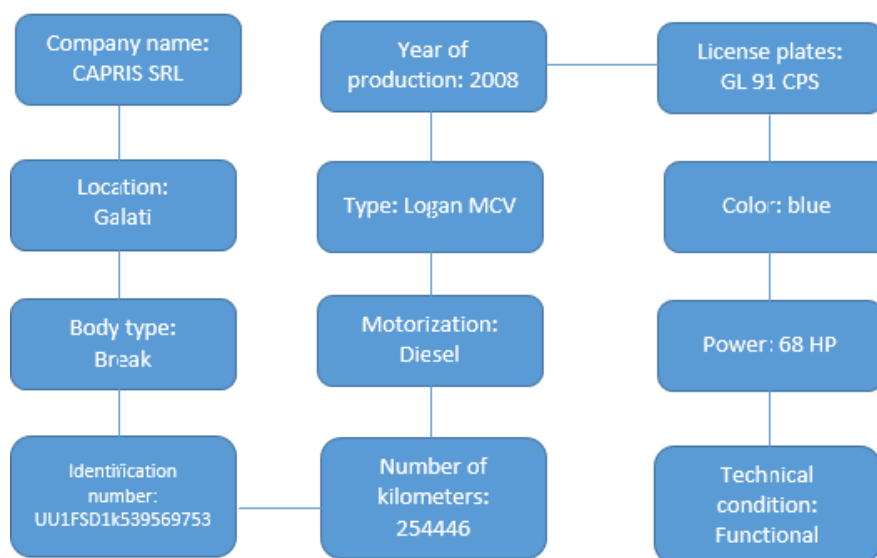


Fig. 1. Technical and functional description of Dacia Logan MCV
Source: Authors’ processing based on the company information



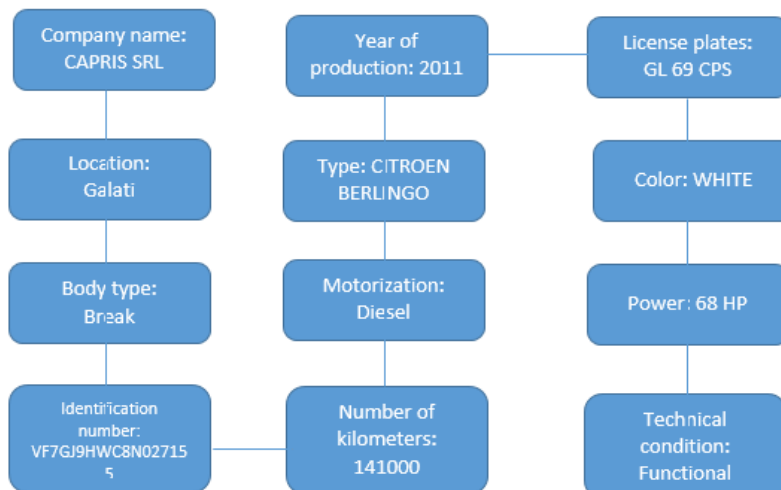


Fig. 2. Technical and functional description of Citroen Berlingo
 Source: Authors' processing based on the company information



The analysis of the good's market

The goods' market represents the economic environment in which buyers and sellers carry out their economic activity and the place where demand and offer meet, which leads to the determination of the good's price. The goods' market is influenced by the economic, social or governmental situation, but it is also influenced by buyers' and sellers' motivation and attitude.

The movable goods' market is a complex and vast one, with a very large number of participants, and, in order to carry out a detailed and accurate analysis, one must structure/rank it in undermarkets, depending on the utility and the features of goods, leading to a segmentation of the goods' market.

The movable goods' market can be classified after:

1. The location of the market
 - Local
 - National
 - International
2. The status of the good or the method of trading the goods on the market
 - New goods
 - Used goods

The movable goods that are evaluated in this report have a both local, national and international trading area, and most transactions are reported as second hand goods.

5. Offer analysis

Offer is represented by the quantity of a certain good which is available for sale or rent at different prices, on a market at a certain moment in time.

Such an offer can emerge in various fields, such as:

- The offer of new goods coming from the movable goods producers or clients' orders for goods that are adapted to their requirements compared to standard products. It can include, from case to case, guarantees on the purchased product or technical support services that are available during the guarantee period.
- The offer of used goods that comes from the companies that own equipment which either end their activity, reduce it or reorient themselves. The goods rapidly depreciate, especially in the first 2 years from the purchase. Though the equipment is not old, its repeated maintenance or reconditioning leads to a significant depreciation of the good. The movable goods market displays a significant offer for the studied equipment, considering the whole variety of types and dimensions, and also the producers.

6. Demand analysis

Demand is represented by a quantity in a certain type of goods for which the buying or renting desire is expressed, at different prices, on a market, at a certain moment in time. Demand is directly influenced by the attractiveness level of a property.

On the movable goods market, demand is different depending on the equipment condition, its use, its power or the notoriety of the producing company.

7. Market balance

On the movable goods market, there are specialized companies that deal with the maintenance and reconditioning of the equipment which is purchased at low costs, thus removing any type of damage or every other issue that influences the value of a good. One needs to delimitate the market balance on the two market fields, namely:

- The market of new goods, where trades happen between producers or providers of movable goods and their buyers. Large producers provide significant discounts to companies that purchase a high volume of equipment and they can also help buyers to get attractive financing sources. This market also generally include warranty on products, spare parts or technical assistance.
 - The market of used goods, where trades happened between the ones that own the equipment and the buyers in this field, either their users or intermediates.
4. Case study regarding the evaluation of movable goods evaluated through the method of direct comparison

The method of direct comparison consist of the use of adjustments, depending on the differences between the features of each comparable good and the ones of the evaluated good: these adjustments are used to remove the differences between the comparable goods and the evaluated good.

To use this method, one must collect information from the second-hand market of the evaluated good, the selling prices of similar goods that have as similar as possible features as the evaluated one. In this report, the price is established by comparisons to similar equipment found on websites that are especially designed for the trading of movable goods www.autovit.ro and www.bestauto.ro

Assuming that it is only a strictly literal interpretation of the term 'position', a fundamental law principle tells us that any ambiguous clause leading to the interpretation of an act or a contract shall be construed in favor (and not at the expense of A.N.) of the one it refers to, this is why we believe that, here, the meaning of position must be interpreted as submitted by Law no. 188/1999.¹⁴¹

¹⁴¹ Mihailescu Madalina-Elena, Can a national secretary working for a public institution, subordinate to the Romanian Government, be considered a civil servant? Revista de Studii Juridice, Iasi, Edit Lumen, nr. 3-4/2014, an IX,

Table no. 1. Direct comparison approach for Dacia Logan MCV

Criteria	Subject	Comparable A	Comparable B	Comparable C
Price (euro)		3.950	4.250	3.390
Source		autovit.ro	autovit.ro	autovit.ro
1. Name of good	Dacia Logan	Dacia Logan	Dacia Logan	Dacia Logan
Variation (adjustment)		0%	0%	0%
Adjusted value		3.950	4.250	3.390
2. Model	MCV	MCV	MCV	MCV
Variation (adjustment)		0%	0%	0%
Adjusted value		3.950	4.250	3.390
3. Selling date/offer		recent	recent	recent
Variation (adjustment)		0%	0%	0%
Adjusted value		3.950	4.250	3.390
4. Production year	2008	2008	2008	2008
variation (adjustment)		0%	0%	0%
Adjusted value		3.950	4.250	3.390
5. Body type	Laureate	Laureate	Laureate	Ambiance
variation (adjustment)		0%	0%	+5%
Adjusted value		3.950	4.250	3.559,5
6. Number of kilometers	254.446	89.000	78.000	83.000
variation (adjustment)		-12%	-10%	-15%
Adjusted value		3.476	3.825	3.025,57
7. Fuel type	Diesel	Diesel	Diesel	Diesel
Variation (adjustment)		0%	0%	0%
Adjusted value		3.476	3.825	3.025,57
8. Condition	Good	Good	Good	Good
Variation (adjustment)		0%	0%	0%
Adjusted value		3.476	3.825	3.025,57
9. Maximum power (HP)	68	75	86	70
Variation (Adjustment)		-5%	-10%	-3%
Adjusted value		3.302,2	3.442,5	2.934,8
Total gross adjustment		647,8	807,5	455,2
Total gross adjustment %		16,4%	19%	13,43%
Adopted value : Comparable C (the value with least adjustments)				
Property value (approximate)		3.000 euro		

Source: Author's processing of the information from the company and www.autovit.ro, www.bestauto.ro

Note: <http://www.cursbnr.ro> exchange

Exchange at 30.04.2015 1 Eur = 4.2025 lei

Equivalent property value in RON = 12.600 RON

Table no. 2. Direct comparison approach for Citroen Berlingo

Criteria	Subject	Comparable A	Comparable B	Comparable C
Price(euro)		7.600	7.950	7.850
Source		autovit.ro	autovit.ro	autovit.ro
1. Name of good	Citroen	Citroen	Citroen	Citroen
Variation (adjustment)		0%	0%	0%
Adjusted value		7.600	7.950	7.850
2. Model	Berlingo	Berlingo	Berlingo	Berlingo
Variation (adjustment)		0%	0%	0%
Adjusted value		7.600	7.950	7.850
3. data of sale/offer		recent	recent	recent
Variation (adjustment)		0%	0%	0%
Adjusted value		7.600	7.950	7.850
4. Production year	2011	2011	2011	2012
Variation (adjustment)		0%	0%	-3%
Adjusted value		7.600	7.950	7.614,5
5. body type	attraction	attraction	attraction	attraction
Variation (adjustment)		0%	0%	0%
Adjusted value		7.600	7.950	7.614,5
6. Number of kilometers	141.000	167.200	80.235	109.079
Variation (adjustment)		+5%	-15%	-5%
Adjusted value		7.980	6.757,5	7.233,78
7. Fuel	Diesel	Diesel	Diesel	Diesel
Variation (adjustment)		0%	0%	0%
Adjusted value		7.980	6.757,5	7.233,78
8. Condition	Good	Good	Good	Good
Variation (adjustment)		0%	0%	0%
Adjusted value		7.980	6.757,5	7.233,78
9. Maximum power(HP)	99	75	75	75
Variation (adjustment)		+10%	+10%	+10%
Adjusted value		8.778	7.433,25	7.957,16
Total gross adjustment		-1.178	516,75	868,6
Total gross adjustment %		-15,5%	6,5%	11,06%
Adopted value : Comparable B (the value with least adjustments)				
Property value (approximate)		7.500 euro		

Source: Author's processing of the information from the company and www.autovit.ro, www.bestauto.ro

Note: <http://www.cursbnr.ro> exchange

Exchange at 30.04.2015 1 Eur = 4.2025 lei

Equivalent property value in RON = 31.500 lei

Conclusions

Equipment market has faced a rapid development lately, which led to a significant growth of the offer, with multiple leasing or installment payment of the movable goods that are directly purchased from the producers or authorized dealers or from the second hand market. Movable goods

on the second hand market represent a less expensive alternative for similar use goods, but which are used and reconditioned.

Due to this reason, the method of direct evaluation supports the establishment of the market value of the studied goods, by evaluating each equipment and comparing it to similar goods from the perspective of use and conditions. The method of direct comparison is defined as the process through which the value of a good is estimated through the analysis of the market in order to find similar properties and compare them to the evaluated propriety. The principle of substitution stands at its basis, leading to the fact that the value of a propriety is represented by the price that could be paid to buy a similar propriety from the perspective of attractiveness and use. The market value the evaluator established as relevant and feasible is 3000 eur, namely 12.600 Ron for Dacia Logan MCV, respectively 7.500 Eur, namely 31.500 Ron, as complete data was gathered from the market regarding the evaluated good. The criteria considered by the author were the adequacy, the precision and the quality of the information. The evaluation of movable goods was made through the method of direct comparison, based on which accurate and real information is used, information that is collected from the second-hand market regarding the objective of the evaluation and the features of the goods.

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