THE IMPORTANCE OF COLLECTING ECONOMIC AND OTHER GENERAL FACTORS’ INFLUENCE ON THE VALUE OF PUBLIC COMPANIES IN SERBIA

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Abstract

To make the right decision in regard to the expression of the value of property, equipment or something else, first for appraiser it is necessary to examine the general economic and other factors that may affect the expression of the value of the company. Especially there is a need to pay attention to devote to the expression value of a public company, because the public companies manage property that stems in part by funds from the budget. This is especially important in the case of a country that aspires to become an EU member.

The Republic of Serbia signed the first two chapters with the EU in December 2015. Chapter 32 imperatively requires that the Republic of Serbia begins important application of fair expression of value of the property of public enterprises, because it is a section that requires audit activities of the entire public users, and therefore the company.

Keywords: financial statements, management, fair reporting.

Classification JEL: M41

1. Introduction

Management of public companies, among other things requires respect for fair valuation of the assets and all that the company uses in its operations. To be clear, comprehensive, and fair presentations, there must be expressed standardization in reporting of management or other state bodies.

One of the great assistance is the acceptance of fully the International Accounting Standards [1], which can speed up corporate governance [2]. At the same time thus starts to increase security the very financial statements [3] as part of the real financial reporting [4], [5]. Management of public companies can therefore affect the other global situation and understanding broader sense. In a word, we can talk about the process of socio-economic changing in the Republic of Serbia [6]. It is indisputable that only clear and fair financial reports can truthfully inform management about the actual state of events within the company.
To achieve this goal, the company has to make some form of reporting [7], which will be imposed on all the perpetrators, and that will serve to improve the overall financial reporting company [8]. This is especially important in the operations of medium and large enterprises.

Although for the truth, it should be noted that the novelties related to financial reporting with respect to real standards, primarily large corporations can afford [9], which have strong resources and a great need to introduce more secure reporting systems management, shareholders, and government institutions [10]. Apart from the mentioned internal factors that can influence the improvement of business operations through better and clearer financial statements, it should be noted that there are externally established control mechanisms.

In fact every year at the end of the business period the final financial and the overall enterprise accounts are being done. It is the Annual Financial Statement of enterprises. Each State prescribes in which period and which companies are required to keep the external audit [11]. In addition to the obligation of keeping the same external audit there should be harmonized and clear rights and obligations for all participants upon completion of the external audit [12], [13]. In addition there must be a constant education of all participants in the process of external audit, especially public companies [14].

At the end of the introductory section it should be noted that there must be a clear link between internal control mechanisms, or internal control and internal audit and external the Audit [15], which are financial-reporting and financial reports are raised to a higher level.

Certainly in the context of that it should be considered only after evaluating enterprise system fair value, as only fair valued assets can seem real basis of fair financial statements, which are still subject to the above mentioned mechanisms of internal audits and external audits, especially the public sector.

2. Case study as a model operation

Basis of preparation of this study was a case study, which was examined and explored by the authors of labor with the aim of achieving general conclusions regarding the advantages of fair value in the public sector of the Republic of Serbia.

In this sense, the authors collected economic and other data that may affect the general assessment of expressing the value of a public company. All the data that are presented in this paper are realistic and related to the actual and real public company in transition. The very name of the company is not given because the authors did not receive approval of management to label the name, but the obtained information presented in this paper, the authors used only for scientific purposes.

The presented data or factors’ influence of the evaluation of the company can be applied in a number of public, as well as other companies in transition countries. The Republic of Serbia on the way to the EU has more than 800 such companies, and it could be expected that the application of the fair value revives even more and structurally justified in 2016 and the following years.

3. Basic information related to the case study and the fair value

Estimation of the real evaluation is done by the appraiser, at the request of the Privatization Agency of the Republic of Serbia from 07.03.2016., which was received the day 18.03.2015. The Privatization Agency has deliver requirements in accordance with Art. 20, paragraph 2 and 3 of the Law on Privatization ("Off. Gazette of Republic Serbia, No. 83/14; 46/15; 112/15 and 20/16).

The Privatization Agency has asked for this letter and submitting a new census and estimates, as at 31.12.2015. So stated the basic data can be taken as a basis and must be presented in the introductory part of any valuation of property and equipment of any companies, especially public companies.

In addition framework mentioned in the introductory part shall be expressed:

- objective assessment
- subject to assessment
- date the required assessment and
- Method of assessment.

Therefore, the aforementioned process is based on research undertaken by appraisers to do the required assessment of the asset's fair value public capital firm may be in a coma after estimating the fair value.

In addition it should be noted on the assessment and documentation, and it consists of:
Financial statements of the company for the past 6 years (estimated to be only the actual state established a list
of the assessment date 31.12.2015);
Accounting documentation that supports the statements in the
Financial statements in the period analyzed past 6 years, and the rate for the purposes of the objectives of the
assessment;
Non-financial information obtained from the contracting authority;
Information received by permanent workers and responsible managers in order to strengthen estimate beliefs,
Legal documentation regarding capital;
Information in public documents regarding registration with APR,
Credit worthiness of the National Bank of Serbia,
With information of actual real estate market,
Specialist opinions related to the assessment of the equipment with which the company has and all.

In making the assessment as a document has to be noted that the assessor is responsible for the quality of the
evaluation. Purchaser is responsible for the quality of information presented and delivered. The amount of
compensation which he contracted assessor, cannot be grounds for the contracting authority to influence the estimated
value of the transaction by the assessor expressed in this report.

The structure of materials evaluation logic has a few basic units and to:
- Economic and business positions the company,
- Financial Analysis,
- The basis for the preparation and presentation of financial statements and
- Assessment of the value and structure of capital a certain method.

4. Expression of the capital

Expression of the capital of public enterprises as mandatory there are mandatory parts of the assessment
evaluation company that must be met, and they are primarily related to the obligation of expressing the determination
of capital which is entered in the ledgers of the company, the state of the Agency for Privatization and potential
differences. In this sense, the authors provide an overview of the capital, which is determined by the appraiser in the
evaluation and is given in Table 1.

Table No. 1: OVERVIEW OF THE CAPITAL OF THE COMPANY COMPREHENSIVELY EXPRESSED IN EUR AND RSD

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Paid cash capital</th>
<th>Entered cash capital in assets and rights</th>
<th>IN TOTAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>€</td>
<td>RSD</td>
<td>€</td>
</tr>
<tr>
<td>1</td>
<td>The accounting records</td>
<td>571.663,64</td>
<td>47.412.792,72</td>
<td>1.989.499,03</td>
</tr>
<tr>
<td>2</td>
<td>Status The Agency for Business Registers</td>
<td>571.663,64</td>
<td>48.496.456,07</td>
<td>1.989.499,03</td>
</tr>
<tr>
<td></td>
<td>DIFFERENCE</td>
<td>0,00</td>
<td>1.083.663,35</td>
<td>0,00</td>
</tr>
</tbody>
</table>

Source: Production authors.

4.1. Expression of enterprise location in relation to the positioning of the enterprise physical
The company or the company where the estimation must be located in the assessment that shows the assessor and location. Thus giving the name of the seat or the street and number, in this case, the address is: Bulevar Oslobodjenja 100 is located in Novi Sad, Bulevar Oslobodjenja. 100, a highly useful to locate more detailed location, and I see by the appraiser provided in Figure 1 in the form of a mapped view.

![Figure No. 1: ONLY SHOWN IMMEDIATE LOCATION WHERE THE COMPANY IS EVALUATED IN THE CONTEXT OF A REVIEW OF THE WIDER AREA OF NOVI SAD.](image)

### 4.2. View 10 customers with the highest turnover in the preceding business year

The authors provide an overview of the possible and obligatory inspections is essential for the adoption of a general and comprehensive picture of important events and activities at the company in which an evaluation is done by the fair valuation.

Table no. 2 authors provide an overview of 10 customers with the highest turnover in the preceding business year.

<table>
<thead>
<tr>
<th>No.</th>
<th>Code</th>
<th>Name of company</th>
<th>The city</th>
<th>Amount in dinars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Eps Distribucija D.O.O.</td>
<td>Novi Sad</td>
<td>230,600,461.15</td>
</tr>
<tr>
<td>2</td>
<td>11</td>
<td>Eps Distribucija D.O.O. Beograd Masarikova 1-3</td>
<td>Novi Sad</td>
<td>46,067,566.62</td>
</tr>
<tr>
<td>3</td>
<td>999</td>
<td>Jp-Em &quot;Elektromreza Srbije&quot;</td>
<td>Beograd</td>
<td>25,117,726.70</td>
</tr>
<tr>
<td>4</td>
<td>12296</td>
<td>Vp 4100 Novi Sad-Vojna Posta</td>
<td>Beograd</td>
<td>17,264,124.00</td>
</tr>
<tr>
<td>5</td>
<td>31</td>
<td>Energotehnik-Juzna Backa Doo</td>
<td>Novi Sad</td>
<td>13,598,109.22</td>
</tr>
<tr>
<td>6</td>
<td>12969</td>
<td>Naftagas Transport Doo</td>
<td>Novi Sad</td>
<td>13,533,149.08</td>
</tr>
<tr>
<td>7</td>
<td>9101</td>
<td>Novosadska Toplana Jkp</td>
<td>Novi Sad</td>
<td>12,678,697.00</td>
</tr>
<tr>
<td>8</td>
<td>9298</td>
<td>Jp Zavod Za Izgradnju Grada <em>Zig</em></td>
<td>St. Pazova</td>
<td>11,979,486.15</td>
</tr>
<tr>
<td>9</td>
<td>13487</td>
<td>Securitas Services Doo Beograd</td>
<td>Novi Sad</td>
<td>6,635,570.04</td>
</tr>
<tr>
<td>10</td>
<td>13413</td>
<td>Miva Plus Company Doo</td>
<td>Novi Sad</td>
<td>6,412,588.41</td>
</tr>
</tbody>
</table>
4.3. Review of 10 suppliers with the largest turnover in the preceding business year

The authors provide an overview of the possible and obligatory inspections is essential for the adoption of a general and comprehensive picture of important events and activities at the company in which an evaluation is done by the fair valuation.

Table no. 3 authors provide an overview of 10 suppliers with the largest turnover in the preceding business year, and the percentage of individual participation in the total procurement by the company.

<table>
<thead>
<tr>
<th>No.</th>
<th>Code</th>
<th>Name of company</th>
<th>The city</th>
<th>Amount in dinars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10218</td>
<td>Auto Promet</td>
<td>Novi Sad</td>
<td>14.277.767,54</td>
</tr>
<tr>
<td>2</td>
<td>13516</td>
<td>Optimum Mv-Ns Doo</td>
<td>Novi Sad</td>
<td>25.539.249,96</td>
</tr>
<tr>
<td>3</td>
<td>9935</td>
<td>Wurth Doo - Beograd</td>
<td>Novi Sad</td>
<td>13.254.980,03</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>Eps Distribucija D.O.O.</td>
<td>Novi Sad</td>
<td>7.676.211,15</td>
</tr>
<tr>
<td>5</td>
<td>10220</td>
<td>M-S Hermes</td>
<td>Novi Sad</td>
<td>11.602.345,37</td>
</tr>
<tr>
<td>6</td>
<td>9832</td>
<td>Strand Mesara</td>
<td>Novi Sad</td>
<td>11.206.206,59</td>
</tr>
<tr>
<td>7</td>
<td>13487</td>
<td>Securitas Services Doo</td>
<td>Novi Sad</td>
<td>7.637.304,00</td>
</tr>
<tr>
<td>8</td>
<td>11080</td>
<td>Vujmilovic Company</td>
<td>Novi Sad</td>
<td>7.451.192,40</td>
</tr>
<tr>
<td>9</td>
<td>9041</td>
<td>Nis-Ad Novi Sad Nis-Petrol, Nis-</td>
<td>Novi Sad</td>
<td>7.690.341,07</td>
</tr>
<tr>
<td>10</td>
<td>12315</td>
<td>Drina Coop Doo</td>
<td>Beograd</td>
<td>7.461.733,95</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total turnover, covered supplier</td>
<td></td>
<td>113.797.332,06</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total turnover of the account 433</td>
<td></td>
<td>262.149.030,27</td>
</tr>
</tbody>
</table>

The percentage share

Source: Production authors.

Based on the display of the 10 largest suppliers of the situation is much better. The 43,41% of the 398 active suppliers makes the 10 largest suppliers of the analyzed companies from the case studies. It is also good to give a comment in this case would read "situation compared to last year is almost unchanged since the aforementioned 10 suppliers observed in total recorded a drop in relation to the date displays for about 2%, thus continuing the diversification that was made in relation to suppliers, which is a boon for the contracting authority estimates".

4.4. Other explanations related companies

When developing the overall evaluation can be given explanations regarding:

1. Employees of the company

To acquire a comprehensive view regarding the movement of the number of workers employed appraiser highlights the fact that the previous year the total number of employees on 31.12.2014., amounted to 346. The company is the day 31.12.2015., Company had 248 workers on indefinite period of time. In addition the company has hired 18 workers, and for a limited time.

What is important for the adoption of any decision regarding the number of permanent employees is as follows:
- Number of full time employees was reduced by 98 employees.
- reduction percentage of workers in relation to the previous year was
- Approximately 28%.

Which is a large reduction, and it is generally speaking contributed to the increase of total positive developments related to the implementation of the result of the contracting authority estimates.
2. Management

Management of the company is carried out through administration bodies. Bodies are:
- Assembly of the
- Director of the company.

3. Organization

The Company is organized as a single entity, except that the technology has caused the organization of activities within the company by departments as follows:
- Management Department;
- Department for Economic and Financial Affairs;
- Maintenance Department;
- Department of Hospitality;
- Department fleet;
- Legal department, human resources and job security.

A brief comment on the issue appraiser organization would be that this is a very complex undertaking which has serious organized various parts of the organization that usually has a heterogeneous equipment of different ages.

5. CONCLUSION

Also this work emphasizes the importance of the fair value of a large number of enterprises in the Republic of Serbia, and above all it is about public companies. The aim of the research case study in a company, where the valuation of the property was conducted, was acquiring a general picture of the company as part of the new valuation. In order to do valuation properly, it is necessary to consider a complete company.

The authors provide an overview of several obligatory components that must include assessments, such as: the display of the general view regarding the obligation to assess, the display and documentation base that assessment must contain, the display of Economics and Business Position companies, financial analysis, Basis of preparation and presentation of financial statements and valuation and capital structure of a particular method.

Except prominent, the authors for the preparation of this labor used and explanations of important parts of the assessment in the form: Expression of the capital of a public company, the location of a public company, presenting the 10 largest customers and suppliers, as well as some other explanation, because they are basis for the acquisition credible opinions by appraisers who make an overall assessment of enterprise evaluation.

Thus, the authors with certainty can point out that there is no general written rule for fair valuation of the company, especially public company in transition countries, but they with the display just the opposite highlighted some of them, each assessor or the team that makes the evaluation is to choose the optimum in his opinion, so that they fairer expressed the value of a company, on requirements of management.

6. References

