Scientific Bulletin
of Mukachevo State University

Series
Economics

Volume 11, No. 2, 9-17
Journal homepage: https://economics-msu.com.ua/en

UDC 657.421.1
DOI: 10.52566/msu-econ2.2024.09

# Methods of financial assessment of the intellectual assets of an enterprise and features of their reflection in accounting

***Nusret Babayev****
*Senior Lecturer*
*Azerbaijan State University of Economics*
*AZ1001, 6 Istiglaliyyat Str., Baku, Republic of Azerbaijan*
*https://orcid.org/0009-0002-9688-8982*

***Sifariz Sabzaliyev***
*PhD in Economic Sciences, Associate Professor*
*Azerbaijan State University of Economics*
*AZ1001, 6 Istiglaliyyat Str., Baku, Republic of Azerbaijan*
*https://orcid.org/0000-0002-3161-7869*

**Abstract.** Modern common accounting methods have been created and improved over the years; nevertheless, finding methods for their improvement still remains relevant. Thus, in the work it was decided to evaluate one of the important components of accounting for many enterprises in Azerbaijan, namely the assessment and display of intellectual assets, as well as to propose methods for their improvement based on the experience of other countries. Therefore, the purpose of the work is to find the shortcomings in the valuation of intellectual assets existing in the modern accounting system of the country and offer them an alternative or an opportunity for improvement. The main method in the study was analysis, since during the work the primary processing of significant amounts of data was carried out. Other methods can also be noted, namely comparison, historical, induction and others. Thus, some methods of valuation of intellectual assets at Azerbaijani enterprises were evaluated in the work. It has been shown that the most commonly used are the historical method of valuation, as well as fair value. Subsequently, a much larger number of them were described, proposed by other scientists and referred to under other reporting standards. In addition, the features of the process of subsequent revaluation of intellectual assets are indicated, as well as the corresponding entries that the accountant must make, depending on some variables. The work brings new knowledge for the formation of the basic principles of accounting, in particular in the context of intellectual assets and their display in statements

**Keywords:** intangible assets; finance; the economy of Azerbaijan; international accounting standards; entrepreneurship

Received: 01.03.2024, Revised: 22.05.2024, Accepted: 28.06.2024

**Suggested Citation**: Babayev, N., & Sabzaliyev, S. (2024). Methods of financial assessment of the intellectual assets of an enterprise and features of their reflection in accounting. *Scientific Bulletin of Mukachevo State University. Series "Economics"*, 11(2), 9-17. doi: 10.52566/msu-econ2.2024.09.



*Corresponding author

## Introduction

Accounting plays an important role both in ensuring the well-being of the enterprise, and the state and society. In the first case, this is due to the fact that accounting allows you to notice any problems that exist in the enterprise at their earliest stage, as well as keep certain statistics on it. In the second case, accounting allows the state to assess how lawfully an enterprise behaves, what income it actually receives, what taxes it must pay, etc. (Gajindranath, 2019; Cotoc *et al*., 2021). In addition, this makes it possible to assess the general economic situation in the country, to tally up statistics on how enterprises feel at the moment, what activities they are conducting.

In the modern realities of accounting, the valuation of intellectual assets plays a very important role. At their core, they are a reflection of the assets (economic resources) of the company that have been recreated as a result of intellectual or creative work, and also have the property of rarity and the ability to bring economic benefits to their owner (Zakharchyn & Sytnyk, 2023; Kryvovyazyuk, 2023). The main reason for the increase in their influence in modern realities is the creation and spread of completely different types of enterprises that create products of intellectual power: among these are audit firms, IT companies, marketing agencies (Tarczynski *et al*., 2020). They may have a small number of registered and reported tangible assets, but they can be expensively valued by market participants. Another reason is the creation of new methods of information dissemination, among which the Internet has played an important role. Its development has led to an increase in the role of the brand and company image for their well-being and economic efficiency (Tarczynski *et al*., 2020). Modern accounting standards have certain sets of rules about how the valuation and display of intangible assets should be carried out. Nevertheless, it is still relevant to find methods for their improvement. In this paper, the study is carried out precisely in the context of the accounting standards of Azerbaijan.

A large number of scientists have been studying this issue. The study by C.-N.B. Cotoc *et al*. (2021) focuses on the effectiveness of anti-money laundering measures in the European Union member states. The authors analyze different cases to identify which strategies and policies are most effective. The results of the study show that a comprehensive approach, including international cooperation, constant monitoring and updating of legislation, is key to successfully combating money laundering. The study also emphasizes the importance of using modern technologies to detect and prevent illegal financial transactions. The paper by E.K. Laitinen (2019) examines the discounted cash flow (DCF) method as a tool for assessing the financial success of startups. The author analyzes in detail the advantages and limitations of DCF, emphasizing its ability to take into account future cash flows and the time value of money. The study shows that DCF can be an effective valuation method if it is used with the specific risks and uncertainties inherent in startups. The author also discusses examples of DCF application in various industries, which allows for a better understanding of its practical value.

A.U. Shehu (2020) provides an overview of the fair value approach to asset valuation. The study emphasizes the importance of this approach to ensure transparency and accuracy in financial reporting. The author discusses various methods of determining fair value, including the market approach, income approach, and cost approach. The author also analyzes the main challenges that companies face when applying this method, such as determining market prices and managing subjective estimates. Z. Spacirova *et al*. (2020), T. Shou (2022) propose a general framework for classifying cost estimation methods in health economic evaluation. The authors analyze different methodological approaches to cost estimation, including microeconomic and macroeconomic models. They emphasize the importance of accurate cost estimation for evaluating the effectiveness of health care interventions. The study also addresses the issue of standardization of costing methods and their application in international contexts.

Thus, the purpose of the work is to describe the existing problems or shortcomings of the current methodology for assessing and displaying intellectual assets in the financial statements of Azerbaijan.

## Materials and Methods

The analysis method was applied to process and review a large number of materials related to the assessment and display of intellectual property objects in accounting. With its help, a systematic study of various methods of valuation of intellectual assets was carried out, as well as their comparison based on the ease of application to intangible assets in general. The analysis made it possible to assess the development of changes in the methods of accounting for intellectual assets in accordance with the requirements of IFRS 38 and to compare them with the accounting methods and principles of other countries, in particular, former members of the USSR. In addition, thanks to the analysis, the most popular methods of valuation of intellectual assets in Azerbaijan were determined, as well as the process of accounting and display of intangible assets in reporting, taking into account changes in their value due to revaluation and depreciation, was considered. In addition, the historical method made it possible to assess the development of changes in approaches to the assessment and display of intellectual property objects in accounting. Another method was induction, which makes it possible to evaluate the general most popular methods used for the valuation of intellectual assets in the country, based on known individual data on their effectiveness and application; the deduction method, in turn, is used on a much smaller scale. The comparison since the paper analyzes several methods for evaluating intellectual assets, and subsequently shows their comparison based on the convenience of applying to intangible assets in general.

Thus, the entire research process can be divided into several stages, in which the main features of accounting were evaluated in accordance with the accounting policy of Azerbaijan using the requirements of IAS 38 and in

comparison, with the accounting methods and principles of other countries, in particular, the former members of the Union of Soviet Socialist Republics (USSR) (Rovshan, 2019).

At the second stage, the most popular methods of valuation of intellectual assets in Azerbaijan were reviewed, namely, the methods of historical and fair value. In addition, the analysis method considered the entire process of accounting and reporting intangible assets in the statements, taking into account the assessment of changes in their value due to revaluation (its corresponding increase or change), taking into account depreciation. All results were subsequently shown in the framework of the table, which can allow accountants and auditors to greatly simplify the understanding of the process of conducting revaluation and accounting of intellectual assets. At the end of the study, the results obtained using the two main valuation methods in Azerbaijan – the historical cost method and the fair value method – were evaluated by comparing them with other methods mentioned in international standards and scholarly works.

## Results

Taking into account that the system of economic relations of Azerbaijan was formed on the basis of the system of economic relations of the Soviet economy, the necessity of the concept of reconstruction of the traditional national accounting system in accordance with the international standards of financial statements in our republic was characterized by the similar reasons and features as in the CIS countries. Although, unlike the countries of the Soviet Union, reforms in the sphere of accounting in our Republic started with a certain delay due to objective and subjective reasons, as a result of the practice of transitioning to the International Standards of Financial Statements of those countries and the study and analysis of the experiences collected in this regard, these reforms were carried out by step-by-step implementation of the determined national strategy in accordance with the country's uniform accounting policy (Jafarov *et al*., 2011).

In accordance with the requirement of International Accounting Standards (IAS) 38 "Intangible Assets", the valuation of intellectual assets should be carried out only by professionals and experts with many years of experience (Rovshan, 2019). This is especially important given the special nature of this type of assets, which in fact does not have obvious physical manifestations. Therefore, private audit companies or accounting companies should pay more attention not to what methods or principles are used in the assessment, who conducts it, what experience and background this person has.

One of the main components for displaying intellectual assets in financial statements is their valuation. In the literature, one can find a very large number of methods by which the valuation of intangible assets is carried out, and to be precise – about 40 (Sveiby, 2001). In Azerbaijan, there are two main methods of primary valuation: initial (historical) and fair value. In the first case, the asset is valued based on an estimate of the amount of cash (cash equivalents) paid or the fair value of the consideration paid (exchangeable non-monetary assets, obligations assumed, equity instruments issued) at the time of its acquisition (Tkachuk, 2019). This includes both direct and indirect purchase costs. In turn, a fair estimate is based on measuring the amount that can be received if the asset is sold to another party that has an interest and is sufficiently informed about it (Shehu, 2020). The second method is more universal, since intellectual (as well as intangible) assets are not always acquired: for example, identifiable assets acquired by a company during a business combination are paid taking into account business reputation (goodwill).

There are some more features of displaying the value of intangible assets in the process of their acquisition. In particular, if the asset was acquired with a government grant (with no subsequent compensation required), then the grant and the asset must be measured using the fair value method; if this fails and is not feasible, the face value of the asset should be used, taking into account the cost of bringing it to a usable condition. If an asset was obtained by exchanging for another asset (or a certain amount of monetary and non-monetary assets), then their cost is also measured using the fair value method, except in certain cases: if the transaction does not have commercial substance and / or when the fair value of the asset or assets, acquired or transferred cannot be determined reliably. In the latter case, the value of the asset must be determined based on the fair value of the assets given up.

Within the framework of the norms for the financial assessment of intangible assets of Azerbaijan, goodwill created through the direct activities of the company during its existence should not be recognized as an asset. In the case of valuation of other assets that have been created in this way, the valuation should be based on the historical cost of directly attributable costs necessary for their creation, production and preparation in order for them to function in the manner planned by the management of the enterprise. Otherwise, such assets (trademarks, newspaper headlines, publishing rights, customer lists and other similar items) are not recognized as assets, and the costs associated with their acquisition are recognized as expenses in the periods in which they are incurred (Kiesler *et al*., 2002; Al-Khasawneh *et al*., 2014).

After the initial appraisal of the value of an asset, the company must regularly (within reporting periods) update its value. There are also two main models for this, namely the cost model and the revaluation model. It is important to note that if a company uses a valuation model for one specific intangible asset, then it must also apply it to other assets of the same class. Thus, the first and most common model is the cost model, in which an asset is carried at its historical cost less accumulated depreciation and impairment losses. Another model, more complex, is the revaluation model. In connection with it, the asset also, after initial recognition, the asset must be carried at fair value at the revaluation date, less accumulated depreciation and

impairment losses. However, the most important difference is that this fair value must be remeasured every certain amount of time and regularly enough that the carrying amount of the asset does not differ materially from its fair value at the balance sheet date. There may be scenarios where only a portion of an asset can be revalued using this method: in such a case, it is applied to the portion to which it can be applied. In turn, the part that reduces the value of the asset due to depreciation is not subject to revaluation: thus, the remaining part of the asset is revalued (subject to depreciation).

Consider some of the points from the above operations. The initial cost of acquired intangible assets is the sum of the direct costs incurred to bring the asset to a condition appropriate for its intended use, including customs duties and non-refundable taxes, after deducting discounts from their purchase price. An intangible asset does not arise during the exploration phase (or during the exploration phase of an internal project). At this time, the costs of the research phase (or the costs incurred during the research phase of an internal project) are reflected in accounting as costs of the reporting period from the moment they are incurred. Costs of intangible assets created in the course of development work (or intangible assets created as part of the development stage of an internal project) are reflected in accounting as capitalization of intangible assets. Acquired intangible assets are used after recognition. After recognizing an intangible asset using the historical cost model, the accounting entity calculates the depreciation of this asset at historical cost, followed by an assessment at the end of each reporting period if they have any signs of impairment. If there is such an indicator, the corresponding impairment losses are calculated. In these cases, accounting entries are made (Table 1).

**Table 1.** List of accounting entries for the calculation of asset impairment losses

| The procedure for maintaining accounting records in commercial enterprises in accordance with IFRS by points | Content of the financial transaction | Debit | Credit |
|---|---|---|---|
| 11.19.1 | The initial cost of acquired (purchased) intangible assets after deducting sales discounts from their purchase price, including customs duties and non-refundable purchase taxes. | 103 | 531, 532, 537, 538, 545 |
| 11.27. | Costs for intangible assets created during the research phase (or costs incurred during the research phase as part of an internal project) are reflected in accounting as expenses of the reporting period from the moment they are incurred. | 731 | 102, 112, 201, 204, 207, 522, 531, 532, 533, 537, 538 |
| 11.28. | Costs of intangible assets created in the course of development work (or intangible assets created as part of the development stage of an internal project) are reflected in accounting as capitalization of intangible assets. | 103 | 102, 112, 201, 204, 207, 522, 531, 532, 533, 537, 538 |
| 11.29. | When using acquired, accepted on the balance sheet intangible assets. | 101 | 103 |
| 11.31. | Once recognized as an asset, depreciation is calculated for intangible assets using a cost model. | 202, 203, 711, 721, 731 | 102 |
| 11.31. | The assets are then assessed at the end of each reporting period for any indication of impairment. | 731 | 102 |

**Source:** created by the authors

When an accounting entity uses intangible assets after recognizing them as assets, the revaluation model is reflected in accounting at the revaluation cost, which is their fair value. At the end of the reporting period, these assets are revalued regularly enough that the carrying amount of intangible assets does not differ materially from their fair value. As a result of the revaluation of intangible assets, its book value may either decrease or increase. If the carrying amount of an asset increases as a result of a revaluation, the increase is recognized directly in capital reserves as a revaluation reserve under the heading "revaluation increase". In this case, the carrying amount of the intangible asset must be adjusted to its revalued amount. At the date of revaluation of the asset using the method of zeroing accumulated depreciation, accounting entries are made (Table 2).

**Table 2.** The procedure for maintaining accounting records in the event of an increase in the carrying value of an asset

| The procedure for maintaining accounting records in commercial enterprises in accordance with IFRS by points | Content of the financial transaction | Debit | Credit |
|---|---|---|---|
| 11.34.1. | Zero accumulated depreciation is determined by subtracting it from the cost of the asset. | 102 | 101 |
| 11.34.2. | If the carrying amount of an asset increases as a result of a revaluation. | 101 | 331 |

**Source:** created by the authors

When applying the method of proportional adjustment of the cost of an asset and the amount of accumulated depreciation, its cost is changed in accordance with the revaluation of the residual value. The initial value is adjusted in proportion to the market price or the change in the residual value. Accumulated depreciation at the revaluation date should be adjusted to equal the difference between cost and residual value, taking into account any accumulated impairment losses. As a result of the revaluation, an increase in the carrying value of an asset is credited to the respective reserve capital sub-accounts. When the carrying amount of an intangible asset is reduced as a result of a revaluation, the amount of the reduction (net of accumulated depreciation charges on that asset) is written off to a loss in the reporting period. If an increase from previous revaluations was recognized in equity, subsequent impairment losses are charged to other equity reserves to the amount of the increase, with the remainder recognized in profit or loss.

If impairment losses arising from previous revaluations are recognized in the statement of profit or loss and other comprehensive income, subsequent increases in the statement of profit or loss and other comprehensive income are included in other operating income up to those impairment losses, and the amount in excess of previous years' impairment losses, the revaluation is credited to a reserve account (Table 3). At the date of revaluation of the asset using the method of proportional adjustment of the initial cost of the asset and the amount of accumulated depreciation, the following accounting entries are made.

**Table 3.** Accounting entries in the asset revaluation process

| The procedure for maintaining accounting records in commercial enterprises in accordance with IFRS by points | Content of the financial transaction | Debit | Credit |
|---|---|---|---|
| 11.35. | Once recognized as an asset, depreciation is calculated for intangible assets using a cost model. | 202, 203, 711, 721, 731 | 102 |
| 11.35. | The assets are then assessed at the end of each reporting period for any indication of impairment. | 731 | 102 |
| 11.35.1. | If the carrying amount of an asset increases as a result of a revaluation. | 101 | 331 |
| 11.35.2. | Accumulated depreciation at the revaluation date is adjusted as the difference between the gross carrying amount and the carrying amount of the asset, after accounting for accumulated impairment losses. | 101 | 102 |
| 11.36. | A decrease in the carrying amount of an intangible asset as a result of revaluation is recognized as an expense. | 731 | 102 |
| 11.36. | At the same time, accounting entries are made to reflect these expenses in losses. | 801 | 731 |
| 11.37. | If an increase from previous revaluations was recognized in equity, subsequent impairment losses are charged against other equity reserves up to the amount of the increase. | 331 | 101 |
| | The remaining amount is charged to profit or loss. | 731 | 102 |

Table 3, Continued

| The procedure for maintaining accounting records in commercial enterprises in accordance with IFRS by points | Content of the financial transaction | Debit | Credit |
|---|---|---|---|
| 11.38. | If impairment losses arising from previous revaluations are recognized in the statement of profit or loss and other comprehensive income, subsequent increases in the statement of profit or loss and other comprehensive income are included in other operating income up to and including those impairment losses, and the amount in excess of previous years' impairment losses, the revaluation is credited to a reserve account. At this time, the following accounting entries are made: | | |
| 11.38.1. | For the amount of the impairment loss resulting from the revaluation for the previous period | 102 | 611 |
| 11.38.2. | By an amount exceeding the impairment losses of previous years | 101 | 331 |
| | Alternatively | 102 | 331 |

**Source:** created by the authors

The presented data can be used by the auditor as a guide for the revaluation of intangible assets, since it provides virtually all the necessary data for its implementation. The results of the study showed that the system of economic relations in Azerbaijan, formed on the basis of the Soviet economic system, requires the reconstruction of the national accounting system in accordance with international financial reporting standards. It was found that the valuation of intellectual assets should be carried out only by professionals with many years of experience, as these assets do not have obvious physical manifestations. The main methods of initial valuation of intellectual assets in Azerbaijan are historical cost and fair value. The results also highlighted the importance of regularly updating asset values and using cost and revaluation models to reflect changes in asset values in financial statements. This data can be used by auditors to simplify the process of revaluation and accounting for intellectual assets.

## Discussion

Among the methods for valuation of intangible assets presented in the article, which are the most common, there are other methods established by IAS 38. One of them is the current cost method, which is described in Z. Spacirova *et al.* (2020). Its essence is to compare assets at prices that exist in an efficient market. If the market is not efficient enough or the assets being valued differ too much, the accountant has the right to apply additional asset valuation techniques to determine the price. These methods should subsequently be described in the notes to the financial statements if they are presented in accordance with International Standards. It can be seen that this valuation method is very similar to the fair valuation method, however, they have one difference: the current cost method estimates the price of an asset based on market prices, and the fair valuation method estimates what price the buyer can pay for this asset having reliable information about it. To be honest, the present value method is quite difficult to implement, given that most, if not all, intangible (and especially intellectual) assets can be traded in an efficient market. The exception is some digital assets that are currently gaining popularity, such as cryptocurrencies, NFTs (non-fungible token), and others (Burchell *et al.*, 1980; Apostu *et al.*, 2022).

Another method is the replacement cost estimate, which is described in their work by S.E. Jackson *et al.* (2014). In general, replacement cost is the cost of recreating an exact copy of a given asset at current prices. This method is similar to historical cost, in which the price of an asset is based on the cost of creating it in the past. However, they also have obvious differences, since the replacement cost method makes estimates in modern prices, and the original cost price based on prices in the past; thus, asset valuations made using any of these methods will in any case differ from each other in one direction or another. Also, the replacement cost method has such a disadvantage in application, as well as the historical method: it is almost impossible to estimate the amount of money that needs to be invested in order to recreate many types of intellectual assets.

The discounted present value method, partially described in the work of T. Shou (2022), is also interesting: although it is most often used to evaluate investment projects in terms of their profitability, it is also suitable for assessing the value of assets. This method is based on the expected future cash flows received from a certain asset at a certain interest rate and number of periods, as well as its estimated value in the most recent period. Another option for finding this value is to estimate the future flows in a certain number of periods that an asset can bring

(Panigrahi *et al*., 2021). If an asset is valued for a conditionally endless period of time, then the assessment of its future value may not be necessary, since in any case it turns into conditional 0, which simplifies the calculation process. However, in practice it is better to estimate the returns to be received from the asset in the next few years and its approximate value in the future, rather than apply such a simplification (Grobys, 2021). In this case, the accuracy of the calculation largely depends on who conducts it, that is, on the expertise of an accountant or auditor, which is one of the main components for accurately determining the valuation of an intangible asset. Note that the methodology for estimating the value of an intangible asset using the discounted cash flow method is quite effective, since it introduces a clear list of the necessary data for the assessment. On the other hand, evaluation with it may give a false result due to its strong dependence on any changes in variables (Khodakivska *et al*., 2022).

The discounted cash flow method was also studied by E.K. Laitinen (2019). He also believes that the tasks that this method takes on to generate an estimate of the value of an asset are too complex due to the fact that there are too many variables. Note that due to the complexity of forecasting, the accuracy of the results obtained in the case of using the method will vary depending on the business cycle, as well as the political and economic situation in the world as a whole (Kanaryk, 2024). Thus, during recession years, most experts' estimates will gravitate towards lower asset values, and during the "economic boom" – to overestimated ones. Therefore, a good auditor and accountant should take these factors into account when making their own assessment (Heaton, 2022).

There are some other evaluation methods, but they are less global than those described above, and can be used in rare cases to evaluate the results obtained. For example, the market capitalization method involves finding the value of all the intellectual assets of an enterprise by finding the difference between the market capitalization and the declared amount of tangible assets (Brown and Cliff, 2005). Although such a technique is quite logical, since market participants, when choosing to buy shares of a particular company, take into account not only the value of its assets, but also prospects, ideas, image and other factors. Thus, if we believe that market valuation is always effective, then the level of intellectual assets of an enterprise is indeed the difference between capitalization and monetary value of tangible assets. However, markets do not always carry out their assessment carefully enough. In addition, the formation of an assessment based on such factors would be problematic due to the frequent fluctuations in the company's price during the trading session (Spytska, 2023). Also, this method does not allow you to estimate the price of each individual asset, which makes it highly specialized.

Another possibility for evaluation is the use of the ROA (Return on Assets) method, which is also rather doubtful in application. To do this, you first need to calculate the actual ROA, which can be found with data on the company's net profit and its asset value. When applying it, an accountant or auditor must evaluate the level of profitability of the company's assets, and then compare the result with the average in the industry in the country (Horoshkova *et al*., 2022). Thus, if the value of this indicator in the company is higher than in the industry on average, then the value of this difference is the return that intangible assets bring to the company. On this basis, it is possible to estimate the total value of intangible assets. However, the reliability of this method leaves a large number of questions, as well as applicability. The methods described above in the article are more effective. Thus, the methods described in the work above can become quite useful for accountants and auditors of Azerbaijan: with their help, they can get new opportunities for evaluating intangible assets and compare the results obtained with those obtained using other methods. Although they are still not widespread in the country, if recommendations are provided by the state for their application, it will definitely help to increase their significance. In addition, auditors can always use them on their own to evaluate a particular result obtained during the assessment.

## Conclusions

This paper discusses the main methods of valuation of intellectual assets in Azerbaijan. The most commonly used methods are the historical cost method and the fair value method. Both methods, although different in nature, do a good job of valuing assets, including intellectual assets, although they have certain peculiarities and existing problems. The study showed that the much more time-consuming part is not the initial valuation of an asset, but its subsequent regular revaluation. It has been found that revaluation can be done through depreciation (i.e., without revaluation in principle, but only by reducing the actual value from year to year) and by estimating the new price of the asset. The article describes in detail how an asset should be revalued and how it should be reflected in the financial statements.

In particular, the final posting after revaluation may differ depending on how the asset was valued last year and on which accounts the value of the asset is currently recorded. The paper presents these nuances in a table that can be used in accounting at enterprises. The paper also evaluates other methods of intellectual property valuation that are not common in Azerbaijan but are mentioned in the economic literature: among them are the current value method, the replacement method, the discounted present value, and others. It turned out that their application in some situations for the valuation of intellectual assets can be useful for identifying errors or inaccuracies in the use of basic methods. The study also showed that the system of economic relations of Azerbaijan, formed on the basis of the Soviet economic system, requires reconstruction of the national accounting system in accordance with international financial reporting standards. The cost of other assets created in this way should be based on the historical

cost of direct costs necessary to create, produce and prepare them for operation in accordance with the company's management plans.

In further research, it would be appropriate to display empirical examples of the assessment of a certain intellectual asset at an enterprise using different assessment methods to compare their effectiveness. This would allow not only to clearly demonstrate the advantages and disadvantages of each method, but also to provide practical recommendations for accountants and the audience.

## Acknowledgements

None.

## Conflict of Interest

None.

## References

[1] Al-Khasawneh, R.O., Oqool, M., & Bshayreh, M. (2014). The importance of the accounting information and the role of the scientific accounting research in developing the economic development service in the developing countries (case study Jordan). *Research in Applied Economics*, 6(1), 240-257. doi: 10.5296/rae.v6i1.4699.

[2] Apostu, S.A., Panait, M., Vasa, L., Mihaescu, C., & Dobrowolski, Z. (2022). NFTs and cryptocurrencies – the metamorphosis of the economy under the sign of blockchain: A time series approach. *Mathematics*, 10(17), article number 3218. doi: 10.3390/math10173218.

[3] Brown, G.W., & Cliff, M.T. (2005). Investor sentiment and asset valuation. *The Journal of Business*, 78(2), 405-440. doi: 10.1086/427633.

[4] Burchell, S., Clubb, C., Hopwood, A., Hughes, J., & Nahapiet, J. (1980). The roles of accounting in organizations and society. *Accounting, Organizations and Society*, 5(1), 5-27. doi: 10.1016/0361-3682(80)90017-3.

[5] Cotoc, C.-N.B., Nitu, M., Scheau, M.C.S., & Cozma, A.-C. (2021). Efficiency of money laundering countermeasures: Case studies from European union member states. *Risks*, 9(6), article number 120. doi: 10.3390/risks9060120.

[6] Gajindranath, M. (2019). *Accounting and money laundering*. Toronto: York University.

[7] Grobys, K. (2021). When Bitcoin has the flu: On Bitcoin's performance to hedge equity risk in the early wake of the COVID-19 outbreak. *Applied Economics Letters*, 28, 860-865. doi: 10.1080/13504851.2020.1784380.

[8] Heaton, J.B. (2022). *The DCF Valuation Methodology is Untestable*. Retrieved from https://corpgov.law.harvard.edu/2022/04/20/the-dcf-valuation-methodology-is-untestable/.

[9] Horoshkova, L., Antoniuk, D., & Vasylyeva, O. (2022). Methodological principles of loss of profit assessment. *University Economic Bulletin*, 17(1), 181-191. doi: 10.31470/2306-546X-2022-52-181-191.

[10] International Financial Reporting Standards. (2022). Retrieved from https://www.ifrs.org/.

[11] Jackson, S.E., Finn, M., & Scheepers, K. (2014). The use of replacement cost method to assess and manage the impacts of water resource development on Australian Indigenous customary economies. *Journal of Environmental Management*, 135, 100-109. doi: 10.1016/j.jenvman.2014.01.018.

[12] Jafarov, E., Abdullayeva, F., & Mammadyarov, M. (2011). Reforming of accounting sphere in Azerbaijan. *Finance and Accounting,* 3, 9-24.

[13] Kanaryk, Yu. (2024). Peculiarities of conducting economic activity under martial law: Business and human rights. *Law. Human. Environmen*t, 15(1), 23-36. doi: 10.31548/law/1.2024.23.

[14] Khodakivska, O., Kobets, S., Bachkir, I., Martynova, L., Klochan, V., Klochan, I., & Hnatenko, I. (2022). Sustainable development of regions: Modeling the management of economic security of innovative entrepreneurship. *International Journal of Advanced and Applied Sciences*, 9(3), 31-38. doi: 10.21833/IJAAS.2022.03.004.

[15] Kiesler, S., Kraut, R.E., Cummings, J., Boneva, B., Helgeson, V., & Crawford, A. (2002). Internet evolution and social impact. *Society*, 1(1), 3-24. doi: 10.1201/9781420025477.ch10.

[16] Kryvovyazyuk, I. (2023). Prospects of entrepreneurship development in the conditions of modern challenges: Global and national dimensions. *Economic Forum*, 1(3), 109-118. doi: 10.36910/6775-2308-8559-2023-3-14.

[17] Laitinen, E.K. (2019). Discounted Cash Flow (DCF) as a measure of startup financial success. *Theoretical Economics Letters*, 9(8), 2997-3020. doi: 10.4236/tel.2019.98185.

[18] Panigrahi, A., Vachhani, K., & Sisodia, M. (2021). Application of discounted cash flow model valuation: The case of exide industries. *Journal of Management Research and Analysis*, 8(4), 170-179. doi: 10.18231/j.jmra.2021.034.

[19] Rovshan, A.I. (2019). *Improvement of theoretical and methodological aspects of accounting and audit of intangible assets in commercial organizations in Azerbaijan.* Baku: Azerbaijan State University of Economics.

[20] Shehu, A.U. (2020). Asset valuation: An overview of fair value measurement approach. *Jalingo Journal of Social and Management Sciences*, 2(3), 68-76.

[21] Shou, T. (2022). A literature review on the Net Present Value (NPV) valuation method. In *Proceedings of the 2022 2nd International conference on enterprise management and economic development* (pp. 826-830). Dordrecht: Atlantis Press. doi: 10.2991/aebmr.k.220603.135.

[22] Spacirova, Z., Epstein, D., Garcia-Mochon, L., Rovira, J., Lima, A.O.D.L., & Espín, J. (2020). A general framework for classifying costing methods for economic evaluation of health care. *The European Journal of Health Economics*, 21(4), 529-542. doi: 10.1007/s10198-019-01157-9.

[23] Spytska, L. (2023). Prospects for the legalization of cryptocurrency in Ukraine, based on the experience of other countries. *Social and Legal Studios*, 6(4), 226-232. doi: 10.32518/sals4.2023.226.
[24] Sveiby, K.-E. (2001). *Methods for measuring intangible assets.* Retrieved from https://www.sveiby.com/files/pdf/intangiblemethods.pdf.
[25] Tarczynski, W., Tarczynska-Luniewska, M., & Majewski, S. (2020). The value of the company and its fundamental strength. *Procedia Computer Science*, 176, 2685-2694.
[26] Tkachuk, N.V. (2019). Historical cost and fair value: Advantages, disadvantages, application. *Journal of History Culture and Art Research*, 8(1), 173-182. doi: 10.7596/taksad.v8i1.2052.
[27] Zakharchyn, H., & Sytnyk, Yo. (2023). Construction and development of corporate knowledge in modern conditions. *Economics, Entrepreneurship, Management*, 10(1), 40-50. doi: 10.56318/eem2023.01.040.

## Методи фінансової оцінки інтелектуальних активів підприємства та особливості їх відображення в обліку

***Нусрет Бабаєв***
*Старший викладач*
*Азербайджанський державний економічний університет*
*AZ1001, вул. Істіглаліят, 6, м. Баку, Азербайджанська Республіка*
*https://orcid.org/0009-0002-9688-8982*
***Сіфаріз Сабзалієв***
*Кандидат економічних наук, доцент*
*Азербайджанський державний економічний університет*
*AZ1001, вул. Істіглаліят, 6, м. Баку, Азербайджанська Республіка*
*https://orcid.org/0000-0002-3161-7869*

**Анотація.** Сучасні загальноприйняті методи бухгалтерського обліку створювалися та вдосконалювалися протягом багатьох років, проте пошук методів їх вдосконалення залишається актуальним. Таким чином, в роботі було вирішено оцінити одну з важливих складових бухгалтерського обліку для багатьох підприємств Азербайджану, а саме оцінку та відображення інтелектуальних активів, а також запропонувати методи їх вдосконалення на основі досвіду інших країн. Тому метою роботи є пошук недоліків в оцінці інтелектуальних активів, що існують в сучасній системі бухгалтерського обліку країни, та запропонувати їм альтернативу або можливість для вдосконалення. Основним методом у дослідженні був аналіз, оскільки під час роботи було здійснено первинну обробку значних обсягів даних. Також можна відзначити й інші методи, а саме порівняння, історичний, індукції та інші. Таким чином, у роботі було оцінено деякі методи оцінки інтелектуальних активів на азербайджанських підприємствах. Було показано, що найчастіше використовуються історичний метод оцінки, а також справедлива вартість. Згодом було описано значно більшу їх кількість, запропонованих іншими науковцями та згаданих в інших стандартах звітності. Крім того, зазначено особливості процесу подальшої переоцінки інтелектуальних активів, а також відповідні проводки, які повинен зробити бухгалтер залежно від деяких змінних. Робота привносить нові знання для формування основних принципів бухгалтерського обліку, зокрема в контексті інтелектуальних активів та їх відображення у звітності

**Ключові слова:** нематеріальні активи; фінанси; економіка Азербайджану; міжнародні стандарти бухгалтерського обліку; підприємництво