

ESTIMATING VALUE WHEN BALANCING REAL ESTATE OF AGRICULTURAL ENTERPRISES IN THE REPUBLIC OF SERBIA

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Abstract

The first aim of this paper is to analyze the possibilities that an appropriately created and positioned function of financial estate management opens up for an agricultural enterprise and its significance for optimal balancing of estate in a company's total assets. Since estates often represent a significant position in the assets, it is necessary to repeatedly reassess the value of the agricultural company's estates by using an appropriate methodology, and that task is often assigned to an audit. If the values of particular positions of estate determined in the process of reevaluation differ significantly from the positions in the balance of assets, it is necessary to carry out corrections in financial reports. Depending on the degree of correction, an assessment is carried out and a contribution to the quality of financial reports is made. The importance of this paper stems from the fact that it presents a methodology of an agricultural company's estate value reassessment and gives a model of how, based on determined differences, one can assess quality of financial statements in the area of estate balance policies.

Key words: *financial statements, management, real estate, value*

JEL: *M21, M41, Q13*

Introduction

The object of interest of this article are certain conditions under which it is necessary to carry out re-assessment of the real estate of an agricultural company and perform adequate corrections in financial reports that are followed by the assessment of quality of those reports and consequences of those activities for the agricultural company based on the degree of correction.

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The aims of the paper are: first, to position the function of financial management and to determine its duties in the domain of estate balancing policy; next, to define the conditions under which it is necessary to conduct the agricultural company's real estate re-assessment and to present a methodology of land and building assessment as those are the most important forms of real estate; thirdly, and perhaps most importantly, the goal is to demonstrate who and in what way decides on the elimination of observed differences in terms of real estate and the correction of financial reports as well as to show the kinds of consequences that those decisions might have for the agricultural company.

Starting hypotheses were: Re-assessment or reevaluation of an agricultural company's real estate finds significant discrepancies when compared to the values found in financial reports; Correction of financial reports for the established discrepancy causes significant consequences for the agricultural company and decreases the quality of financial reports.

Testing of the stated hypotheses is carried out through the application of the appropriate methodology, primarily inductive-deductive method, analysis and synthesis as well as the descriptive method.

The significance of the paper is bolstered by the fact that a large number of our companies state substantial values in asset balances when it comes to the relationship between real estate and the overall asset value without having a defined function or at least accurately defined purpose in the domain of financial real estate management. For that reason, it is justified to question the stated real estate positions and the necessity of their reassessment as well as the application of certain corrections to the financial reports that are needed on the basis of the reevaluation. Simultaneously, it is important to think about the implications (good and/or bad) for the agricultural company.

For the purposes of the application of tests of the initial hypotheses it is necessary to define certain terms more accurately. For instance, the term assessment (evaluation) refers to the process whereby the value is determined as well as the provision of an opinion about the value of asset (in this case we are dealing with land and buildings) exclusively on one particular day.

Probably the most frequently used term is value which is in itself quite inaccurate because there are several acceptable definitions of the term, the most common of which is fair value. Fair value is the sum of money for which the seller is ready to give away the ownership over the estate in a voluntary exchange and with a reasonable degree of awareness on the relevant facts (exchange under usual trade conditions). It is also presupposed that one is dealing with a particular buyer and a particular seller i.e. the sale is not hypothetical and the estate is analyzed as it is without significant investments which is what needs to be done in an event of value assessment. Also, what is important is the fact that the sum that will be declared as the value of a particular estate and almost never identical to the sum specified in the financial reports of the agricultural company so the process of determining the discrepancy is implied.

1. Financial management of real estate in a contemporary agricultural corporation and its impact on the positions of real estate stated in the financial reports

Broadly speaking, real estates are parts of the Earth's surface i.e. something that cannot be moved from one place to another without losing its original character. In that light, land is a part of the Earth's surface that has a unique mark (cadaster number) and purpose (for agricultural production: agricultural and for construction: construction plot). On a municipal building land, different kinds of objects can be built. Their value together with the value of the land is stated in the asset balance of an agricultural company that owns them. According to a widespread economic perspective, "the value of estate represents the sum of all uses and profits that a particular estate can generate expressed in money" (Majstorović et al., 2013).

Prior to making decisions significant for agricultural enterprise financial management, it is required that the decision makers acquire the best possible image of comprehensive conditions, such as socio-economic (Popović, 2014) influences on the agricultural enterprise they manage. There is no general model for reaching actual, that is, initial understanding of the environment and influences on the agricultural enterprise that the management could implement, but it is very useful to make a short SWOT analysis of the existing situation which will present the following: opportunities, weaknesses, odds and threats the agricultural enterprise will most probably encounter with. Consequently, prior to control process (Gritsenko, Skorba, 2015), harmonization (Panchuk, 2015) and audit (Majstorović, Popović, 2015), it would be preferable to execute SWOT analysis, first of all, of the initial state. This is why the authors start this study with the presentation of possible short SWOT analysis, presented in Tab. 1.

Table 1. SWOT analysis of the existing state of influences on evaluation of the real-estate in the Republic of Serbia.

The available options and the existing power	Weaknesses
<ul style="list-style-type: none"> - Just the existence of legal solutions that encourage re-evaluating the assets of the agricultural company in the Republic, - The tradition of combining work book which dates from the time of the socialist economy, which proved to be very useful in real business conditions, we say that it is time that precedes Serbia's EU accession, - The existence of high-quality workforce that knows the situation in Serbia and finance companies, - Existence desires of skilled labour to perform continuous education and their professional development, which is essential in the process of assessing real estate, - The existence of a legal basis in the Republic of Serbia for the implementation of modern MRS, especially IAS 16 and IFRS 13 in the field of real estate appraisal agricultural company 	<ul style="list-style-type: none"> - The lack of current information, - Insufficient interest of managers, due to the short presence in companies that link, - Insufficient repressive role of the state in terms of the implementation of adopted laws that relate to tax policy, - Lack of interest of local companies for the re-valuation, as in the case of an increase in expression of the value grows tax liability companies, - Incoherence inspections and other state authorities, especially when detecting irregularities detected the final accounts of the agricultural company

Chances	Threats
<ul style="list-style-type: none"> - Permanently increase the security of financial statements, especially large companies, - Accelerating the integration of several related companies in the large business system of international companies, - Development of new forms of financial reporting which is compliant with the EU reporting system, - Companies who first introduce a new system of financial management and control can be sold to other companies that model and realize the benefits of “knowledge” which are mastered, - Strengthening the institutional capacity of the state, if there are a large number of companies that present fairly the state of their business books 	<ul style="list-style-type: none"> - The suppression of domestic agricultural enterprises by foreign big companies that have introduced new systems of financial reporting, as pressuring them to buy the right to use their knowledge, AOP, software systems et al. - Striving to increase the purchase price of finished programs of financial reporting companies, or pressure that big of estimating and audit firms carry out the assessment of property for the needs of domestic agricultural enterprises, - Negative impact of certain legal provisions, which are introduced in the Republic of Serbia, under the direction and influence of large companies that realistically lobby for some legal solutions that will be adopted in Serbia

Source: authors' calculations

After completion of the SWOT analysis, agricultural enterprises may start with forming of the agricultural enterprise internal control mechanisms (Popović, 2014a; 2014b), which is particularly useful in case of capital investments (Wang, 2003; Titman et al., 2004). The procedure of the essential evaluation process is continued with concretisation of evaluation of the agricultural enterprise, that is, evaluation of the parts of equipment or the real-estate (Popović et al., 2015), and finally completed with the audit process (Sloltani, 2009; Skrypnyk and Vygivska, 2015).

The authors of this study provide presentation of certain factors significant for agricultural enterprise management, and which have particular influence on the real-estate evaluation, as follows: if majority of risk intervals is higher in the presented Table 2, the influence on the agricultural enterprise will be stronger and the management will have to execute correction of the current agricultural enterprise policy.

Table 2. Presentation of the selected possible factors of influence on the agricultural enterprise preparing to make decisions relating real-estate evaluation and balancing

General factors influence		The impact of activities on risk assessment		Internal factors in agricultural enterprise organization	
Selected risk factor	Interval risk	Selected risk factor	Interval risk	Selected risk factor	Interval risk
Number of days of illiquidity in the past 12 months	1-5	Public-sector agricultural enterprises	1-5	Built mechanism of internal audit	1-5
The gearing ratios (the ratio of total loans and equity)	1-5	Sector Finance and Insurance	1-5	The existence of the obligation to harmonize accounting policies	1-5

Profitability ratios (the ratio of net income and operating income)	1-5	Industrial sector	1-5	The existence of the obligations of the IAS and IFRS in the agricultural company	1-5
The total risk	***		***		***

*** (Total risk represents the value of adding risk presented by groups, numbered and presented on the basis of measurable impact on the Agricultural Company in accordance with the policies of management companies).

Source: authors' calculations

Possible explanation of the risks interval authors illustrate Table 3, where they presented three possible models of real value determining intervals of risk expressed in the range of risks that are obtained after collecting the results shown in the previous table.

Table 3. Tabulation three proposed models intervals of risks, which are obtained after evaluating the overall results given in the previous table

Displaying risk sharing interval of possible risks by using three models				
The division into three categories of risk that different intensity affect the agricultural company		The estimated value intervals in numerical risk evaluation		
		Model B	Model C	
Model A				
1	Low risk	1-10	1-11	1-12
2	Medium risk	10-13	11-13	12-13
3	High risk	13-15	13-15	13-15

Source: authors' calculations

After presentation of this “walk through the possible system”, that is, the steps that the authors present in the first part of the study, the management may decide to execute balancing in the agricultural enterprises, as there are minimal risks of entering poor data in the business records of the agricultural enterprise.

1.1. Balancing within the agricultural company based on management decisions

Financial managers are responsible for the creation and execution of policies of estate balancing in an agricultural company. They are the ones who need to apply all measures determined by the accountancy, finance and other relevant sectors, and as the final result, they need to state the values of estates that are as close to the fair value as possible.

However, our accountancy legislature promotes the principles of stating the value according to the value of initial purchase which implies the use of the following formula:

$$I_{pv} = P_u + DEA \quad (1)$$

I_{pv} - Initial purchase value

(this is the value that needs to be stated in the financial reports) (2)

P_u - The price of using the estate (from a bill) (3)

DEA - Dependent expenses of appropriation

(expenses of assembly, adaptation, etc.) (4)

Once the price of a newly appropriated estate is expressed in the asset balance this way, financial estate management needs to determine the rate of amortization of buildings. "Our accountancy legislature requires that land need not be amortized but that buildings have to be amortized according to the rate which is an integral component of the official agricultural company balancing policy" (Majstorović et al., 2011). Therefore, financial management should define a period (n – the number of years of use) during which the buildings will be functional and to decide on one of the available methods of calculating amortization. For real estate it is usually one year. The amortization rate for buildings is determined by dividing I_{pv} by n , and the resulting value represents the yearly amortization of a building.

In financial reports, it is also necessary to state I_{pv} deducted by the yearly amortization and that value is most commonly referred to as corrected value of buildings (account 0229). This process is incorporated in the official rules of the agricultural company's accountancy and it is applied when acquiring new real estate and it is one of the most important duties of financial estate management.

However, after a certain number of years of use, "the value of a real estate in financial reports can differ substantially from its fair value, which is when it is necessary to carry out reevaluation of the estate and the correct financial reports in accordance with the universally applied principle of objectivity in accountancy" (Majstorović, Milojević, 2008). In addition to fair value, it is also possible to demand the assessment of the market value of estate.

Market value of estate can be defined as "the amount of money for which it can be exchanged in a free and competitive market voluntarily, under normal circumstances, in a transaction between interested parties that possess a reasonable amount of information about the relevant facts" (Dukić et al., 2013). Approximating the market value is the main motive for the implementation of evaluation models and the value thus received is never 100 % accurate as it is simply the result of a process of evaluation, assessment and valorization and as such it is subjective. The conditions under which to carry out re-evaluation of real estate are not explicitly stated in accountancy legislature. Nonetheless, it is important and in the following cases, one can safely say that it is essential:

- The need to obtain additional financial resources by means of sale of an estate,
- Making adequate investment and business decisions in the domain of real estate,
- The validity of financial and accountancy reports,

- Legal proceedings in the domain of assets,
- Taxation, insurance etc.

In practice, the market value is the price which is possible to receive under the given market conditions and it is located in an interval: the lowest market value (the price which can be obtained quite easily in a market with a large number of buyers) – realistically expected market value (the price that can be obtained in a reasonable amount of time with a larger number of potential buyers) – the highest market value – (the price which can be obtained with limited probability in a short period of time and with a small number of buyers who, for subjective reasons, have special interests in buying the estate).

Of course, the relationship of supply and demand determines the part of the interval in which the value of estate will be found. In cases where the supply is larger than the demand, the time period of achieving the selling price will be longer and the selling price will usually be located between the lowest market value and realistically expected market value. In cases where the supply is smaller than the demand the time period of achieving the selling price will be shorter and the selling price will be found between the realistically expected market value and the highest market value.

Financial estate management always needs to weigh out the decision carefully in terms of who has to conduct reevaluation when and how, because the decision will always determine the correction of value in the asset balance of the agricultural company. The answers to the questions when and how will be offered by the methodological framework of evaluation but the answer to the question who will be given by the top management of the agricultural company in response to the suggestion of financial management.

For less complicated elements of estate, the evaluation can be carried out by teams consisting of competent individuals from the agricultural company itself, but more complicated and more significant estates require hiring external experts, most commonly from a firm that does auditing of financial reports of an agricultural company because they are familiar with the agricultural company's assets and it is usually the most economical option for the agricultural company (Milojević, Zekić, 2015a).

If evaluation reports a decrease of value, certain financial parameters decline which leads to an overall deterioration of the financial conditions of the agricultural company. Conversely, if there is an increase in the value of estate financial parameters are improved but it can lead to the flow of money away from the agricultural company in terms of estate taxes or other expenses which are calculated based on the success of the agricultural company.

2. Methodological aspects of real estate evaluation regarding different forms of real estate according to the relevant accountancy legislature

“Evaluation of assets (specific components – real estate) is a procedure which is carried out by a team of competent and certified evaluators and which results in giving an opinion about the assets or particular components of assets on a given day” (Leko et al., 1997).

Different authors emphasize different factors – elements of real estate value assessment. Those elements receive smaller or greater significance depending on which part of the estate is being evaluated (buildings, infrastructure, land, forest etc.), but the dominant opinion is that the following are the most important factors:

- the location (cadaster municipality)
- quality (type, class)
- purpose (possibility of eventual change of the original purpose)
- distance from a settlement
- distance from the nearest road
- type and year of construction (for buildings only)
- Functionality of the estate.

The listed factors can be determined: by examining the ownership documents, by examining a copy of the plan in the cadaster office, by examining a the parcel map (this is the most common and the most important method when it comes to land), by examining pedological maps and through a firsthand analysis on the spot.

In order to determine the value, one can use the data about market prices of real estate in a particular area as well as the data about the taxation rate for real estate which is determined by the local tax authority. While making a value assessment, it is necessary to determine a method which will be used (methodological framework of assessment), all on the basis of previously defined and presented elements which can determine that value most accurately.

Real estate value assessor has the goal to predict fair and market value by means of an adequate methodology. Also, he or she needs to determine what are the possible benefits or profits that the estate can generate in a foreseen period and all of that has to be expressed in money on a given day. Therefore, the notion of evaluation or assessment refers to the expert opinion about the value of real estate as a consequence of application of an appropriate methodological framework.

In the assessment procedure, the basic assumption is the objectivity of the evaluator and the absence of any kind of conflict of interests, and it is necessary to keep in mind special ethical and professional standards. The significance of a correctly positioned methodological framework is seen in the fact that that correct applications of various methods can yield different results. Therefore, the decision about the application of a certain method is an exclusive responsibility of the assessor.

The choice of a method of assessment needs to depend on the quality and availability of data. Theoretically, under the conditions of perfect and equally accessible information, appropriate application of any method would yield the same result. However, in practice,

where there are no perfect pieces of information, methods should correspond to one another and the value assessments should be made through the application of at least three or four approaches. It is possible to successfully implement three different groups of methods:

- expense method (method of determining real values, expense approach, static method),
- comparative method (method of sales comparison, direct comparison of sales prices),
- method of capitalisation (method of profit assessment, yield approach, dynamic method, gain capitalisation method).

Before we define these methods theoretically and present the effects of application of any of them to the evaluation of real estate, it is important to point out that the process of evaluation has to contain the following elements of form and content:

- defining the evaluation arrangement,
- collection, selection and analysis of data,
- general data (macroeconomic, statistical, regional, etc.),
- special data about the estate being evaluated (history, expenses, prices, profits, use),
- comparative data (competition, similar transactions, etc.),
- the analysis of the best use of the estate,
- assessment of the value of land and buildings,
- application of the methodological framework of assessment (expense method, market method, yield method)
- reaching a conclusion about the value of the estate and
- writing a report about assessment.

The value of the estate expressed in the report of a certified assessor is, apart from the application of the appropriate method, knowledge and skills of the assessor, affected by market, political and natural factors.

At this point, we turn to an example of a concrete analysis of evaluation methodology of a municipal building land with constructed objects and infrastructure of an agricultural company, conducted for the purposes of correcting balance values necessary for the transformation of ownership structure.

2.1. Estate location - microlocation description:

The location of real estate is on the outskirts of the industrial area Novi Sad Sever, on an attractive location, by the E-75 highway and very close to an international railway corridor, 7.6 km away from the port Danube 1. It is characterized by excellent traffic connections which has the benefit of being available for additional infrastructural upgrades which could increase the value substantially. The land on this location belongs to the 1st class and it is

appropriate for agriculture as well. The plot is of rectangular shape with the dimensions given in the appendices, ideally even and just 950m away from a irrigation channel.

The entry to the plot is open from the main road and along the longer side of the plot there is a solid macadam road which is its integral component. There is no data about recent trade with plots of this kind and with the same objects even though there have been some sporadic sales of smaller plots below 1.5 ha with the prices in the range between 10 000 and 16 000 Eur/ha.

A firsthand examination showed that there are no negative impacts on the given plot, not is there a possibility of a sudden natural or man-made pollution of the plot. The plot contains an industrial warehouse with, 2800m² in surface, build in 1976 which is no longer usable. More than 60% of the tin roof is cut and 90% of glass surface is destroyed which contributed to the damage of the floor and the walls of the object. It is estimated that the value of the object can be at most 20% of the average market value of similar objects, i.e. 100eur/m². It has also been estimated that the value of the state stagnates in the lower region o highest expected market value and that the interest in buying it is low, and the interest in renting it is non-existent, the average sale time of an estate of this kind is around 10 months.

Table 3. Final results of the application of evaluation model according to the three presented methods

Plot surface (1,2ha) Building surface (2800m ²)	Value assessment Expense method 20.000E/ha	Value assessment comparative method 16.000E/ha	Value assessment Profit capitalization method 10.000E/ha	Expected market value 15.000E/ha	Overall assessed estate value Euro/ dinar	median exchange rate / date of assessment
land €/din	224,000 / 25,621,120	179,200 / 20,496,896	112,000 / 12,810,560	168,000 / 19,215,840	448,000	114.38
Object €/din				280,000 / 32,026,400	51,242, 240.00	12.31.2012.

Source: authors' calculations

The Table created by the authors, following: Research project: Evaluation of different forms of estate in the Republic of Serbia and the possibilities of their expression in accountancy, Faculty of Estate Management, University Nikola Tesla Union, Belgrade, 2012--2014. pp. 66-82.

An analysis of the data in table 1, will help us reach appropriate conclusions and spot certain regularities. It is important to point out that in every evaluation, it is necessary to create an Elaboration of evaluation which contains all the working papers of a certified assessor. Elaboration is an official document which can be used to reconstruct the entire process of evaluation and by the same token it is possible to calculate the number of hours

that the evaluation team spent, one the basis of which the compensation for the service of estate evaluation will be determined. "That elaboration can be used as evidence in the case of a potential lawsuit between a client and an assessor" Brkic (Brkić, 2007).

Since in the description of microlocation, it has already been estimated that the value of the construction object is 100Eur/m² then the overall value of the estate is estimated to 280000.00 Eur. As it can be seen from the table 1, the highest estimated value of the estate is 20 000 Eur/ha or 224000 Eur in total, and it was arrived at by using an expense method. The lowest value is 10 000 Eur/ha or 112 000 Eur, calculated by using the profit capitalization method. By examining the working papers of the assessor, it has been established that that state of affairs is a consequence of high expenses of potential investment in production on that plot and poor chances of acquiring a similar plot, which would be very expensive in this case.

The application of a comparative method implied taking the maximal realized sale value of 16 000Eur/ha (realized in the case of a much smaller plot of similar characteristics), which gave a total price of 179 200 Eur and the value that can be expected in terms of the final market value of this plot is somewhere around that sum. According to the Elaboration, the estimated sale value has been lowered for 1000 Eur/ha or 11 200 Eur in total so we estimate that the overall market value of the land is 1680 000 Eur.

To this, we add the overall value of the object which is 280 000 Eur and the overall evaluation of market value of estate equals 448 000 Eur or 51.24 million dinars. Here, it is necessary to state the day on which the assessment was carried out. In this case, it is 12.31.2012. This was done according to the request as the financial reports of the agricultural company are dated to that day which makes the comparison much easier and does not require further corrections. In the end, it is necessary to state the value of exchange rate by which it is calculated, because the legal obligation is to make financial reports in the national currency- the dinar.

2.2. Removal of the difference in the assessment and balance value of the estate with a discussion about the implications for the agricultural company

The evaluation procedure is completed when the Report of evaluation with the accompanying documentation (Elaboration of evaluation) is given to the client, i. e. in this case, to the financial estate management in the agricultural company, which then initiates the procedure of finding differences between the assessment and the balance value of individual elements of estate.

If the estate evaluation were to be dated differently, the agricultural company would need to make trial financial reports on that day or to make an additional request from the assessor to correct the assessment for the day to which the financial reports are dated. In our example the evaluation and the financial report are date to the same day and the procedure of identifying differences will be shown in the following table.

Table 4. Difference between assessed value and balance value of the agricultural company's estate.

Data on the day: 12.31.2012.	Balance Value (BV in dinars)	Estimated Value (EV in dinars)	DIFFERENCE EV - BV (in dinars)
Land account 020	40,580,000.00	19,215,840.00	-21,364,160.00
Value correction Buildings Account 0229	20,220,000.00	32,026,400.00	+11,806,400.00
TOTAL (in dinars)	60,800,000.00	51,242,240.00	-9,557,760.00

Source: authors' calculations

From the table, it can be seen that estimated value of the estate is 51.2 million dinars and that the balance value is 60.8 million dinars. i.e. that balance value has to be lowered by 9.6 million dinars. The principle of caution in accountancy instructs us to "reduce the value of the assets if it is certain that a reduction has occurred" (Damodaran, 2010). However, if after looking at the overall balance, we see that the overall assets of the agricultural company are worth 200 million dinars, the above mentioned reduction in the estate balance value would reduce the overall asset balance for 5% which would deteriorate the parameters of the agricultural company's indebtedness (the relationship total between total debt and overall assets, which in this case would be reduced by 5%), but at the same time, the parameters of efficiency would improve (smaller taxes, profit obtained by using the assets of smaller value, etc.)

Now we will focus the discussion on the land and buildings in order to examine the effects of potential corrections of those positions in the financial reports. The estimated value of land is 19.2 million dinars, but the balance value is 40.6 million dinars, that is, it should be reduced by 21.4 million dinars and state that the value of land has been reduced practically by half, which would cause the effects that we stated when analyzing the overall assets. It should be noted that the mentioned land was bought in 1960, and that the building was activated in 1976 and they had been listed in the balance according to their initial purchase value. Due to the changes in the buying power of dinar from 1976 until 2012, there have been at least 52 re-valorizations in accordance with statistical indices in order to obtain the current balance value for which according to the suggestion of the financial estate management and the assessor, it is necessary to accept the results of evaluation and correct the value.

Buildings are significantly described by the accountants, which means that the predicted number of years of use (n=50) has not been exceeded and that the balances under konto 0229 list the initial purchase value deducted by the annual amortization rate, which yields a correction of the value of buildings for the sum of 20.2 dinars, and the estimated market price is 32 million dinars. The suggestion of financial estate management is that the value of the buildings needs to be increased for 11.8 million dinars, i.e. the new balance value of the building is 32 million dinars and a new amortization rate has to be determined.

Therefore, the financial estate management has suggested that the evaluation should be accepted in its entirety and that the positions in financial reports should be corrected for suggested values as it was stated in the table number 2 in the column of differences. The final judgment is given by the top management.

Before it makes the decision, the top management has to examine the Elaboration of evaluation, the analysis of evaluation prepared by the financial management and the impact of the decisions of the financial management on the agricultural company as a whole. The evaluation methodology and the decisions on the part of the financial estate management have been discussed, and now we turn to the implications of the decision of the top management to accept or reject the proposal for the financial reports and the agricultural company as a whole.

The decision to reject the results of evaluation is usually difficult to defend if there is no adequate response on the following two questions:

- if we are now prepared to accept the results of evaluation, why did we order it and by it in the first place?
- how to convince the users of financial reports that they are valid if there so great discrepancies in the field of estate only?

In our example, the discussion has been about the differences between estimated and balance values so the attention has to be paid to the assessment of quality of financial reporting in the agricultural company for which the responsibility is held by the top management. It is certain that numerous market and business factors impacted the estate value in the period in which the agricultural company has owned it (52 years for the land and 36 years for the building), which then led to such a significant value mismatch.

However, one can ask if it is necessary to reevaluate all other positions of asset balance as well as to inquire in the quality and structure of financial and accounting departments when there are such great differences.

In this particular case, it was shown that it is necessary to accept the results of evaluation in entirety, correct the balance values of estate and make a decision about the re-evaluation of overall assets of the agricultural company in the coming report period (Milojević, Zekić, 2015b). It has also been shown that making this decision did not improve the quality of financial reports significantly, but only in the domain of estate balancing policy.

However, the potential decision of top management to reject the results of evaluation would have a negative impact on the quality of financial reports which would not show the value of assets of the agricultural company realistically and that would have various negative implications for the agricultural company.

Conclusions

The projected goals of the paper have been reached completely, both in terms of presenting the role of financial estate management in re-evaluation and in terms of determining the

conditions under which re-evaluation is necessary and the implications of the decision of top management to correct the financial reports for the agricultural company. The application of adequate methodology was tested and the first hypothesis has been completely confirmed, which was that re-evaluation of an agricultural company's estate brings significant differences when compared to the values stated in the reports. In our case, it has been shown that the total difference between the estimated and balance value of the estate is almost 20%.

The hypothesis that a correction of financial reports has significant consequences for the agricultural company and that it decreases the quality of financial reports has only been partially confirmed. Namely, even though a difference between the estimated and balance value has been found to be 9.6 million dinars or 20%, which in overall asset balance of 200 million dinars amounts to 5%, significant consequences have been found only in the fact that it contributed to the deterioration of indebtedness parameters while the parameters of efficiency have been improved.

The part of the hypothesis which states that a correction simultaneously decreases the quality of financial reports has not been confirmed because it has been shown that a decision about a significant balance correction does not impact the quality of financial reports. Interestingly, it has been shown that a potential decision of the top management not to correct the balance of estate values would cause a decrease in the quality of financial reports, especially in the domain of reliability and objectivity, which would be an interesting topic to research.

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PROCENJIVANE VREDNOSTI PRI BILANSIRANJU NEKRETNINA POLJOPRIVREDNIH PREDUZECA U RS

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Rezime

Prvi cilj ovog rada je da se analiziraju mogućnosti da se na odgovarajući način stvori i pozicionira funkcija finansijskog menadžmenta nekretnina preduzeća i istakne njegov značaj za optimalno uravnoteženje pozicije nekretnina u ukupnoj aktivni bilansa stanja preduzeća. Kako nekretnine često predstavljaju značajnu poziciju u ukupnoj imovini, potrebno je više puta preispitati vrednost, koristeći pritom odgovarajuću metodologiju. Ako se vrednosti pojedinih pozicija nekretnina u imovini značajno razlikuju od vrednosti u bilansu, potrebno je izvršiti njihovu ponovnu procenu, a na osnovu toga i odgovarajuće korekcije u finansijskim izveštajima preduzeća, što bitno doprinosi kvalitetu tih finansijskih izveštaja. Značaj ovog rada proizlazi iz činjenice da on prezentuje moguću metodologiju procene vrednosti nekretnina i daje model kako se, na osnovu ponovne procene, može izvršiti korekcija finansijskih izveštaja preduzeća u domenu nekretnina, što je jedan od osnovnih zadataka funkcije finansijskog menadžmenta nekretnina.

Ključne reči: *finansijski izveštaji, menadžment, nekretnine, vrednost*

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