MANAGING PROPERTY VALUATION AND PROFESSIONAL EVALUATION ACTIVITIES IN UKRAINE

Managing property valuation and professional valuation activity in Ukraine is a system of mechanisms to ensure (guarantee) the authenticity and objectivity of valued property, as well as forming and developing the appropriate infrastructure.

The main mechanisms to regulate property valuation and professional evaluation activities in Ukraine are:

1. Normative-methodical regulation;
2. Organizational and legal mechanisms of segmentation and control the market of valuation services;
3. Organizational and legal mechanisms of so-called «Intra-corporate hierarchy»;
4. Organizational and legal mechanisms of regulation the access to the market of valuation services [1].

The mechanisms of normative-methodical regulation in Ukraine include:

- standardized property valuation, which consists in developing the common standards to evaluate property and the set of regulatory requirements for their implementation;
- methodical regulation of certain specific problems of practical evaluation activity in different segments of the market of valuation services.

The organizational and legal mechanisms of segmentation and control of the market of valuation services include:

- «selecting» normative-legal cases of compulsory evaluation,
- assigning the various segments of the property market to a certain type of entities of valuation activity;
- a system of controlling the quality of the evaluation (reviewing) [7].

The set of the mechanisms implemented by the state are the essence of governemntal regulation, and, accordingly, the set of the mechanisms that are implemented by public institutions – the essence of social regulation.
The essence and directions of governmental regulation of valuation activities.

The main normative document that regulates the evaluation is the Law of Ukraine «On valuation of property, property rights and professional valuation activity in Ukraine» (namely Section IV: State regulation of valuation activity, Article 23. Content and directions of governmental regulation of valuation activities) [1].

Governmental regulation of valuation activities is to ensure the forming and developing infrastructure of evaluated property in Ukraine, the objectivity and legality of its implementation, including the conformity of valuated property with regulatory legal acts on valuation of property, introducing international standards and rules of property valuation into practice of valuation activity, ensuring public interests as for property valuation, developing competitive environment among the subjects of valuation activity – business entities and educational institutions carrying out professional training for evaluators, property evaluation made by public authorities and local self-government according to the law [1].

According to the content of the Law (Article 24. The state authority that carries out the state regulation of valuation activities) by state authorities that carry out state regulation of valuation activities in Ukraine are:

- State Property Fund of Ukraine (SPFU);
- Cabinet of Ministers of Ukraine (CMU);
- other bodies of state power and bodies of local self-government exercising their authority in the matters of property valuation according to legislation.

The SPFU is a member of the central executive authorities with a special status. It exercises the state property owner’s authority determined by the law. The Fund is accountable and controlled by Verkhovna Rada of Ukraine. Its activities are directed and coordinated by the Cabinet of Ministers of Ukraine. The Head of the Fund is appointed by Verkhovna Rada of Ukraine on the proposal of the Prime Minister. [1]

The main legislative act regulating the process of property valuation and property rights in our country is the Law of Ukraine «On property valuation, property rights and professional evaluation activity in Ukraine» No. 2658-III dated July 12, 2001. It defines: what the evaluated...
activity is, which forms it is carried out, when it is necessary to evaluate the property, what is considered the object of evaluation and who can be the subjects of valuation activities, their rights and obligations, requirements to the subjects etc. [1].

Methodological regulation of the property valuation is carried out in relevant normative legal acts on property valuation: Provisions (national standards) of property valuation approved by the Cabinet of Ministers of Ukraine, methods and other normative legal acts that are developed considering the requirements of provisions (national standards) and approved by the Cabinet The Ministers of Ukraine or the State Property Fund of Ukraine.

In Ukraine, the status of the provisions (national standards) is defined as the main normative legal act on property valuation of a methodical nature, a kind of «constitution» of property valuation that can only be approved by the Government. National standards for property valuation are obligatory for the subjects of valuation activity when they the carry out the property valuation of all forms of ownership.

Provisions (national standards) to evaluate property, firstly, contain the concepts definition, valuation principles, methodological approaches and features of property valuation depending on the purpose of evaluation, requirements for the content of the report on property evaluation. Secondly, they determine the application procedure and restrictions to use valuation methodical approaches to calculate different types of property value. National standards are the main normative legal acts to evaluate property that establishes requirements to the content of reports on property valuation and the order of their review.

The completion of the stage of formation of property valuation in Ukraine and the transition to a new stage in the constructing a different methodological, organizational and practical space of evaluation activity determined the adoption of the National Standard No. 1 «General Principles of Property and Property Rights Evaluation», approved by a resolution of the Cabinet of Ministers of Ukraine dated September 10, 2003 No. 1440 which is obligatory to use at the property and property rights evaluation by the subjects of valuation activity as well as by individuals, who according to the legislation, review the reports on property valua-
tion. He made it possible to determine standards and rules of evaluation activities that are transparent in their content, the property evaluation as a science and practice at the same time [2].

National standard No. 2 «Evaluation of the real estate», approved by a resolution of the Cabinet of Ministers of Ukraine dated October 28, 2004 No. 1442 it is obligatory to use at the evaluation of the real estate property (real estate) by the subjects of valuation activity as well as by the individuals who according to the legislation, review the reports on property valuation and conduct state expertise of reports on expert monetary valuation of land plots of state and communal property in case of their sale [3].

National standard No. 3 «Evaluation of integral property complexes», approved by a resolution of the Cabinet of Ministers of Ukraine dated November 29, 2006 No. 1655 – is obligatory to use at evaluation of the integral property complex of an entity by the subjects of the valuation activity as well as by individuals who according to the legislation, review the reports on valuation of the integral property complex. [4]

National Standard No. 4 «Evaluation of Intellectual Property Rights» approved by a resolution of the Cabinet of Ministers of Ukraine dated October 3, 2007, No. 1185 – is obligatory to use at the evaluation of the intellectual property rights by evaluation entities as well as individuals who according to the legislation, review the evaluation reports. The standard can be used to determine the amount of damages incurred in connection with the unlawful use of intellectual property objects [5].

Independent property valuation is a process of determining its value at the valuation date according to the procedure established by regulatory legal acts for the property valuation resulting from the practical activity of the entity of valuation activity.

So, the evaluation process is a sequence of actions that are performed at determining the value. An independent property valuation is preceded by a preparatory stage where the following is carried out: familiarization with the object of valuation, specific terms of agreement, for which the evaluation is being conducted; defining the basis of evaluation; submitting the proposals to the customer regarding the essential terms of the contract to conduct the evaluation.
The collected data and other information collected by the evaluator should be reflected in the report on property valuation with reference to the source and the appendices providing the confidential regime according to the terms of the contract to conduct property valuation compliance with the legislation requirements.

The results on evaluation are the basis for both current and investment decisions. In the first case, the owners, managers of the enterprise receive a tool to manage the enterprise value; otherwise, there is an opportunity to demonstrate to the potential investor or lender the process of building up the enterprise value.

References