

IMPACT OF INTANGIBLE ASSETS ON VALUATION OF COMPANIES

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ABSTRACT

Intangible property usually includes patent, non-patent, trademarks, copyright, franchisees, rights of land usage etc. But till now, the definition of intangible property is in the dispute. This abstract data is selected from the CCER database intangible objects, including goodwill. The intangible asset has not yet been found in the financial position of any company, yet it has a very important effect on the company's entire financial situation. When a company passes through the steps of your evaluation to detect the position of its market or when he is planning to sell or merged his business or merge, then the question of its value comes in the picture. Since the middle of the 20th century, with the rise of business forms such as subsidizing, franchising, OEM, etc., the external property enterprise plays an important role in the enterprise's daily operation and expansion, and the stable benefits for the enterprise. For example: Microsoft controls the global software market by the intangible properties such as trademark rights and software copyright due to the trademark, recipes and a unique alcohol making, the State Liquor Mao Tai also produces significant value. At such time it will have to find out what the role of intangible assets in the company's total value is to. The manager of major companies in today's changing economy understands that the major source of value construction is intangible assets (IA). The latest survey confirms the fact that these property prices are now the driver of the "traditional" property. The same survey confirms the fact that one-third of all effective investment solutions is based on the existing intangible properties, and it is based on the basis of IA, allowing them to make more accurate prediction of the company's income and profitability in the future and therefore, the value of the company to the shareholders. The purpose of this research is to evaluate the effect of intangible assets which are internally (i.e. which growth costs and patents are included). This research is done using different ideas and information using various professionals engaged in various companies. About 12 different companies have been the sample of financial. Data has been collected through questionnaire mode for the purpose of study and study. Studies show that the value of intangible property affects the market evaluation of companies.

Keywords: *Intangible Assets, Valuation, Profitability, Strategic, Expansion, Operation, Traditional.*

Introduction

In the modern trade era, knowledge, such as abstract property, skills, relationships, processes, brands or culture are important strategic resources. Governments have started exposed to the importance of abstract objects as anti-motivational for economic development and started firm to encourage more attention to their abstract property. In the abstract aspect of business, the investment companies are required to provide value-added products and services. Investors need to understand the emerging assets and the corporate value and emerging importance of development through it.

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Intellectual capital has emerged as a major asset due to the change of the industry from a manufacturing base to a service base, driven by knowledge workers among industrialized peoples. Countries around the world this article is an introduction to the intangible asset because it tries to provide some basic information on that area, including the difference, importance, management and measurement and its difference from tangible property. In today's world, many businesses have their valuable assets as intangible assets. Whether all technology based companies are pharmaceuticals or drug manufacturing company, space program development companies. Companies of aircraft and aviation industry, software development companies or similar nature, spends Crores of rupees every year on research and development. Such research and development is not for any special period, but it is a continuous activity. In such a case, the patent plays a very important and important role, without which the company cannot protect them from others using their innovations. This situation will probably be the most attractive element. Therefore, the patent plays an important role in protecting the rights of the company. Especially whenever it develops a new innovation it makes it apart from others in the throat competition. In the future period, the full revenue of the company depends on the success of their innovations and will undoubtedly run it for many years. With the expansion of business worldwide, the business is expanding its scope, but it requires the superiority in patent rights and intellectual capital. The company's value is not determined in all the ancient ways in today's scenario where only the value of the tangible property is considered. In ancient times, intellectual property was no recognition. Walnut is now considered as the main role in the value of the intangible assets through the whole world as the main role in the company's real estate and the real market value.

Review of Literature

According to the International Public Sector Accounting Standard Board (2010), **Gamayuni, 2015**, intangible assets, non-monetary items are recognized, which is lacking in physical substance. An asset is a resource that a result is a result of previous activities, such as acquisition or self-creation, and thereby expecting the economic benefits of the future, such as cash flow or other assets (International Public Sector Accounting Standards Board, 2010). Some types of intangible assets are not included in financial statements because it is difficult to evaluate or magnify in monetary context.

Mr. Tarak Shah and Ms. Anshu Khedkar (2006), they have stressed that it is a very famous fact that the intangible assets have become more important than the tangible property. Traditional ways of institutions, including capitalization, or profit margins, sales growth or other nature, have become obsolete now and they do not reflect the actual position of the institutions. The situation is worst in the case of service industry entities that have more than eighty percent of their assets in the form of intangibles, including most of their assets in the form of brands or human potential as their capital. However, there is no doubt that the valuation of intangible property is evaluated a complex issue and such cases are highly subjective and complex.

Deloitte, 2021, after the first recognition, an intangible property should be kept on the re-evaluation amount of its reasonable value on the date of re-evaluation, in which the earned refinement should be reduced. For the purpose of re-evaluation under this standard (IAS 38), reasonable price will be installed in the context of an active market (International Public Sector Accounting Standard Board, 2010). Apart from this, this researcher also mentioned that the re-evaluation should be done on a regular basis so that the borrowing amount of asset in the reporting date is not converted significantly from its reasonable price.

Shurveer S. Bhanawat (2008) has evaluated the intellectual property or intangible asset by calculating the difference between the firm's market value and the firm's book value. He also found that the current system of intellectual property or intangible assets is not particularly in pharmaceutical companies, and the companies who have evaluated, have not disclosed their intellectual property that they have developed or acquired.

Objective of Study

It has been found that most companies are identifying intangible assets in their portfolio, but still they are unaware of or are ignoring the concept of intangible assets internally. It is undoubtedly a highly valuable and efficient element to afford buyers along with the supplier. His inability to identify intangible assets or inability is cut in their market value, which has a negative impact on the profitability of the companies. In such a deep-competitive world, the intangible property company firmly gives the market value, which helps to become part of the competition. With the strengthening market value of companies, it is needed to pay more attention to intangible assets.

Hypothesis for Study

The hypotheses based on the problem of the study and questions as follows:

H₀₁: There is statistically significant effect of intangible assets on the market value of the company.

H₀₂: There is no statistically significant effect of intangible assets on the market value of the company.

Scope of the Study

This research is done using different ideas and information using various professionals engaged in various companies. For the purpose of study, a sample of financial companies of approximately 12 different companies has been taken and the study statistics have been collected through the questionnaire mode. Based on the answer given in the questionnaire, reviews of various officers and employees have been noted.

Research Methodology

The current research can be a combination of explosive and descriptive studies. An exploratory study is done when there is no more thought about the case, or there is no information about how similar problems or research issues are solved in the past. A descriptive study is done so that in a very position, the characteristics of interest of the variables of interest are being able to be described. Thus, the study made a testimony to explore and explain its impact on the credit card concepts and the purchasing behaviour of the consumer decision.

Data Collection

As mentioned earlier, the data is collected from secondary resources which include different studies done so far, different research papers, financial statements of different companies and questionnaires filled by various employees and experts in intellectual property and intangible assets.

Results and Analysis

A five-point scale has been selected to measure opinions and reactions. It is easy to understand, and indicates samples under the test for the limit of their agreement for each paragraph. A science has been adopted with some principles of accounting and management to understand the answers given by the defendant. The scale of the measurement of five is divided into three levels, which are:

To understand the responses given by respondent a scale has been adopted with some principles of accounting and management. The scale having the measure of five has been divided into three levels which are as follows:

A: Lowest degree of agreement (1 - 2.50).

B: Moderate degree of agreement (2.51 – 4.00).

C: High degree of agreement (4.01 - 5).

To investigate the reliability of the study equipment, we are using the Cronbach's equipment to use variable reliability coefficient (to measure the internal stability of questionnaire reactions). Overall, the percentage of the stability of the device was ninety five percent, which is very high to approve the results of the study the average percentage of the internal stability is high. Since the results of humanities and social research are acceptable percentage (60%) or more, as shown in the table (1) below:

Table 1: Stability Study Tool

	Variable Examined	Correlation Coefficient
1.	The impact of SELF GENERATED Intangible Asset on (development Cost) the total Market value of the company	92%
2.	The impact of SELF GENERATED Intangible Asset on (Patent) the total Market value of the company	85%
	Total	93%

The researcher has used computer program to remove statistical results from the data used and used variables. These are available in the software SPSS i.e. Software package statistical social science. Different statistical methods have been used by the aim of processing of data. These techniques include percentage analysis, Means Test, Standard Deviation Method and T-Test.

Table 2

Variable to be Tested	Impact Factor	Significance	Standard Deviation	Mean Value
The impact of SELF GENERATED Intangible Asset on (development Cost) the total Market value of the company	High	1	.71	2.93
The impact of SELF GENERATED Intangible Asset on (Patent) the total Market value of the company	High	1	.61	3.49
Total			.49	2.98

Results of Statistical Analysis

As we can see from the above table that the average value of the company's internally generated intact property is generally higher and more than 2.5. Due to the capitalization of the cost of capitalization and reasonable disclosure, and the continuous expenditure on the development of the new product has a big impact on the company's capitalization and helps to increase and maintain the stock price.

Acceptance and Rejection of Hypothesis

Hypothesis 1

There is no statistically significant effect of intangible assets (development costs) on the market value of the company.

T Test shown the result as follows:

Mean	2.93
SD	.71
T-Test value	12.91
Significance Level	52
Result	Rejected

Based on the above results, the null hypothesis is rejected alternative hypothesis has been accepted which is "**Intangible Assets (development costs) on the market value of the company has significant effect**".

Hypothesis 2

There is no statistically significant effect of intangible assets (patents) on the market value of the company at the significance level $\alpha=0.05$.

T Test shown the result as follows:

Mean	3.49
SD	.61
T-Test value	13.01
Significance Level	52
Result	Rejected

Based on the above results, the null hypothesis is rejected alternative hypothesis has been accepted which is "There is no statistically significant effect of intangible assets (patents) on the market value of the company".

Conclusion and Recommendations

Conclusion

As the study above, confirms that the internally generated abstract property has an impact on the company's market value and this is the reason that companies capture their cost of internally identified intangible assets. Research and development costs are capitalized which increases market value and helps them to stand and fight in the throat competition. However, on the other hand, the investment in the patent or copy rights is no significant impact on the creation of intangible assets. Patent costs, as shown in financial statements, the company's market has very little effect on capitalization.

Recommendations

Especially the values of internally generated intangible assets have a wide impact on the company's market value. It is undoubtedly acceptable in the whole world. There may be no less or more important effect on some castle property or copy rights, but the rest of the intangible assets have played an important role in it. Current practices adopting companies in India does not emphasize enough fact and do not realize the intangible assets in their financial. Sometimes the value shown is not appropriate, so the recognition is false in itself. Therefore, corporates will have to see this matter and develop practice to correct. Identification of intangible property International Accounting Standard 38 has come out with the detailed principles of identification and recording of abstract properties with all its spread, however much or work is still required by the International Accounting Standards Council and the Institute of Chartered Accountants of India with regard to development. Uniformly follow the principles and standards for recognition, measurement and disclosure of intangible assets.

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