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VALUATION AND CREATIVE ACCOUNTING

Theoretical article

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Abstract

This paper deals with the economic and financial valuation, that is the only type of valuation, based on a diagnosis and expertise, which has as objective to establish the market value of elements, whether goods or businesses, being a "orientation tool" for the economic operators on the market. There are specific means to measure value but there are also some mechanisms that can influence the value obtained, from the category of creative accounting.
Creative accounting occurs due to human intervention and even the most advanced accounting systems are not able to do this due to the lack of reasoning. There must be also assumed that it is possible that these creative accounting techniques may be caused by a simple mistake and not necessarily with the intention of manipulating the financial results and reports.

The aim of the paper is to see how specific element valuation can influence the general one, namely the value of a company.

Introduction

The conditions of globalization, considering the foreign capital and the distinct analyze modes used by managers and accountants, have led to the appearance of subjectivity in the choice of accounting policies. Due to the increase in multinational businesses, accountants have been faced to find answers for many more unanswered questions previously than were used to, during the time when the company had just to satisfy the diverse needs of the population within the territory of a single country.

Managers seek by all means to reach the highest value as possible for their enterprise, to make it more "tempting" for potential sponsors, but also to grow in the eyes of all accounting information users, creating a favorable image that may interest investors.

General aspects regarding value and the valuation activity

The term "evaluation" is used with the meaning of counting, calculation or estimation, and the International Standards define evaluation as the activity of determining the estimated value of a particular item (the evaluation process) and also as the estimated value for a particular element (the conclusion or outcome of the evaluation process) .

The valuation process may be considered by some as art and science to others. The scientific nature is mainly due to the use of data analysis and mathematical calculation of the value, while the proximity of art is due to the ability of the evaluator to know what information to use to make its own judgments and to form some opinions. In fact, a good evaluator will reach the stage where it is able to put his views in a mathematical form in order to present the problem, then to seek information about the evaluated item, and, at the end, to form a relevant and credible opinion given all the influential factors known. (Millington, 2000)

The economic and financial evaluation is the only type of evaluation, based on a diagnosis and expertise, that has as objective to establish the market value of some elements , whether goods or businesses, in different situations, being considered an orientation tool for the economic operators in the market.(Toma, 2009)

Value is the defining size measurement in a market economy. The main purpose of any acquisition or investment is that at the time of selling that item, the amount initially invested would have increased to an extent sufficient to compensate for the risk assumed. (McKinsey & Company, Koller, Goedhart & Wessels, 2010)

The International Valuation Standards delineate three main categories of values, according to the estimates made for their establishment.

The first is the market value, which is determined by estimating the price likely to be obtained in the case of an exchange made at the valuation date, in a free market, between a willing buyer and seller, acting prudently informed, without external constraints, after a prior proper marketing process. The market value price will be expressed in monetary units, the most favorable price which would reasonably have been obtained for both the seller and the buyer.

The second main category of values provided by the International Standards requires the estimation of the future benefit that an individual or entity will obtain due to the ownership of an asset. It is a specific value, which is different from the market value, depending on the purpose of evaluation. This category refers to the investment value and the special value.

The investment value is specific for one entity, reflecting the profits generated by holding an asset, without assuming that hypothetical exchange, as in the case of the market value. This value will depend on the situation of the entity for which the assessment is made, and its financial targets, being often used in order to determine the performance of an investment.

The special value is determined when an asset has special characteristics that make it attractive in the eyes of a particular customer, due to special advantages offered only to him and not to other buyers, making him pay a different amount than it would have usually paid on the market.

The third main category of values includes the fair value. This involves estimating the price that would be set for the transfer of an asset or liability between informed participants, but without the transaction taking place on the market. There must be emphasized the difference between the fair value defined by the International Financial Reporting Standards (IFRS) and the International Valuation Standards (IVS). The fair value from the IFRS is the price that would be received from the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the valuation date, so it approaches the definition of the market value, while the fair value of IVS is considered a broader concept than the market value. This involves taking into consideration the advantages and disadvantages the transaction participants could get. Instead, the market value assumes that the benefits the participants in the transaction may not benefit will not be considered. Therefore, the international standards consider the fair value a broader concept than the market value, which includes also the values that are not market-based, some researchers arguing that fair value is at the boundary between evaluation and accounting. (Niță, 2010)

The company valuation activity implies a subject, in the person of the specialist conducting the assessment, and an object, to be evaluated, which may be a business, a real estate, a tangible or intangible asset, etc. (Păvăloaia, 2006)

In the evaluation process of an economic entity, the object of the evaluation is the company that offers specific products or services. There will be considered only those elements of the business assets that are used with an economic purpose, the ability to generate benefits being the main condition for establishing the value of those assets. (Maxim, 2010)

There are many valuation methods by which we can estimate the value of a company, and they are classified in three main approaches, namely: asset approach, income approach and market approach.

The Assets Approach in valuation and ways to influence the value obtained

In this first approach, the value of a company consists of the present value of all the elements that compose its equity. These methods are often used because they are easy to apply, but may involve a significant workload for evaluating various types of assets, and there must be taken into consideration that the value obtained does not take account of the business evolution, being a static approach. It is used especially for companies that have several fixed assets and for which predictions about the future development of the business cannot be made.

The net assets method aims to establish the value of a company based on the last balance sheet only by decreasing the total value of the assets with the total value of the liabilities. Although it is the easiest and fastest way to estimate the value of an enterprise, this method provides sufficient inconveniences because the values from the accounting evidence may differ significantly from the economic reality.

A more relevant method in determining the value of an enterprise is the corrected net assets, which will consist of a detailed analysis of each balance sheet element, and some corrections made on the asset and liabilities to provide an image as close as possible to the economic reality.

Since the assets and liabilities in the balance sheet are usually presented at historical value, there are some drawbacks when determining their market value. Initially, the value at which the items were included in the balance sheet would have been closer to market value, but the influence of time, inflation, depreciation and tear that may occur, determine the need for analysis and corrections, all items finally being included in the balance sheet prepared by the assessor, at their fair value. The assessor will remove the non-values from the balance sheet, adjust the provisions, will reevaluate equities, debts and receivables in foreign currency, and correct the values of assets by the utility criterion.

For those companies experiencing difficulties and the liquidation being the last chance, there can be used the liquidation net asset method.

This method involves using as a basis for evaluation the liquidation value of the assets. The liquidation value is the amount obtainable from the sale of assets, a sale usually achieved in a shorter time than under normal circumstances. Typically, the liquidation value will be lower than the market value because the seller has a shorter time to expose the asset on the market and to use the best ways to promote it.

It should be noted that, in determining the enterprise value through this method, there will be taken into account also the costs of selling or the closure costs. In the case of liquidation, it is possible that certain intangible assets cannot be capitalized (e.g. goodwill), while others may retain their value as possible realized by sale (patents, trademarks, etc.). (Anghel, Oancea Negescu, Anica Popa & Popescu, 2010)

The value of a company determined through the methods included in the assets approach may sometimes be irrelevant, because the main source of information for the calculations is the balance sheet, a document created by accountants. It is very well known that humans sometimes make errors, with or without intention. The methods of influencing accounting data fall into the category of creative accounting, and may, sometimes, considerably modify the value of a company, especially when the valuation approach is based on assets.

Perhaps the most important creative accounting method appears when assessing inventories, goods that are fungible, regardless of the kind, which can be easily confused with each other, forming part of the same range, but which were purchased or produced at different times and at different prices or costs. When referring to inventories, we consider large amounts, and that is why it is very difficult to compute the individual costs for each asset. Therefore, for these types of goods which may be easily confused, the international rules considered two types of accounting treatment, the reference and the authorized one. The basic accounting treatment involves the use of the FIFO (first-in first out) method and CMP (weighted average cost) to determine the cost of inventory, whereas the alternative involves the use of the LIFO method (last-in first-out). When an enterprise manager decides on the use of a method, he must take several factors into consideration, in order to be sure that the results obtained are the ones expected.

Namely, there must not be forgotten that when the LIFO method is applied, the value of outputs increases and the inventory decreases, but only in a period of on growing prices. The results are reversed if the FIFO method is used in a period of growing prices, the value of costs related to inventory outputs will be dropping and the value of the final stock will increase.

In other words, to decrease the result in times of inflation, managers can turn to the LIFO method. If, instead, there is a period in which prices fall, for managers to obtain a smaller result, they should apply the FIFO method, because the result will be affected by the outputs with greater value, thus increasing the costs of raw materials. Unlike, the LIFO method can be used by managers to obtain a result higher when the market faces a price decrease.

There must, however, be pointed out that a more realistic method is LIFO because, although the balance sheet changes, existing stocks at the end of the year are those with lower value, resulting in a profit and loss account much more "true". This method gives the managers the "chance" to decrease the results, since the output value is greater than during the price increase. In addition, LIFO is the method that can lead to postponement of a part of the fiscal pressure, given the fact that the expenditures with the raw materials will be at the price closer to reality, so it is possible to recover the capital necessary for purchase of other stocks instead of those already consumed. (Georgescu, 2002)

The revaluation of fixed assets is done, according to the principle of prudence, at historical cost, although the annual accounts can be affected by this. This is why it is accepted to do the revaluation of fixed assets, when certain conditions are drawn up. Revaluation is sometimes necessary especially if it is taken into account the instability of the prices, in order to have an up-to-date situation of inventories. (Berheci, 2008)

However, this may not always be seen as a positive thing, because there are various items associated with the revaluation of such as the difference resulted from revaluation, the basis for calculating the depreciation or the amortization period, which may be "determined" in such a way as to provide the desired image and not the actual one. There should not be forgotten that the legislation under which a company must meet the condition that social capital is two-fold equity. In other words, it can call the reassessment in order not to reduce the capital when faced with a significant loss, and may thus increase equity at more than 50% of the share capital, unless it complies with the requirement.

Another technique of creative accounting, which affects the Revolving Fund (Floating Capital) and the liquidity rate, is linked to the classification of the securities acquired. This refers to the fact that there may appear several types of securities, namely, contribution securities, placement securities, securities immobilized on portfolio activity, and other immobilized securities, which are carried out according to the reason for which they were acquired. It can happen that, in "difficult" times, the enterprise decides to evidence the titles in the balance sheet as current assets, in order to improve the liquidity rate and the Revolving Fund.

There are also creative accounting methods related to customer receivables especially when referring to the assignment of claims and discounting promissory notes. The first technique, the claim assignment, is made in order to obtain liquidity, so that the Revolving Fund lowers, and also decreases the need for revolving fund, having an increase in the "targeted" Treasury. By discounting the promissory note the same results can be obtained, namely reducing the need for revolving fund which leads to an increase in treasury. (Cernușcă, 2004)

The creative techniques related to the balance sheet can take into account the possibility of sale and ransom of inventories, through which the company can obtain a "breath of fresh air" respecting cash, because the selling company obtains a so-called loan. In other words, in the period stipulated in the contract, from selling up till redemption, the company does not record any balance sheet debt to repay and no inventory sold, the difference between the price of the selling inventory (with option of repurchase) and the actual buy-back, being included in costs when the stock is sold outright to a buyer.

Research and development expenses are a "breeding ground" for the application of creative accounting, as a result of the decision of capitalize these costs or not, and the capitalized value or depreciation value of these expenditures. It should be noted that the matching principle but also the need for linking expenditure costs with the incomes from a financial year, force the expenditure costs capitalization, although these do not have visible results immediately but in the future. As a result, there cannot be a link between incomes and expenses, which is why we speak of intangible assets.

However, in order to decide whether these costs can be classified under the asset, there must be analyzed each stage of the research and development activity, especially since this differentiation "allows" the intervention of creative accounting techniques. If in researching, the organization may not ensure the existence of those assets to produce future income, resulting current expenses, registered in the 6th class, at the development stage it can be demonstrated that the benefits will occur in the future, because of the research continuation and the project development.

There must not be overlooked the fact that this capitalization of development expenses can have as result increased or decreased in accordance with their classification as expenses for research or development, especially since in the first case the profit and loss account is affected, and in the second one the balance sheet. (Feleagă & Malciu, 2002)

Another technique of creative accounting is the asset undervaluation leading to an increase of the goodwill. It can be classified in several ways, either in the balance sheet at the intangible assets with the depreciation value throughout the period of use, either as capital, but when it becomes apparent that depreciates, being created a provision for impairment, either charged to capital. If when not being depreciated it does not affect the result, in other cases, the first method reduces the result following the depreciation, while the second case diminishes the capital and affects the borrowing rate and the gross situation. (Mironiuc, 2006)

Also the amortization policy can change the financial results for the year, and also the value of the company. These interventions refer to the choice of the depreciation method, the useful life duration or salvage value. What is important is that the result is opposite proportional to the level of depreciation.
When determining the life period of a good, creativity can occur. This period is determined by a decision of the management, in other words is an estimated period which is believed to be needed to redeem the value of the asset. The same can be said related to the depreciation method, determined at the enterprise level, the decision taken as a result of the rhythm in which it is believed will "reap" this investment. However, it may appear changes in the depreciation method, although it is not indicated, because it does not comply with the consistency principle. The only way to make this change in legal methods, but is not shown, is when grounding its subject to improvements or repairs, additions and changes in the level of performance offered by this, because it is recommended a revision of the useful life duration, which may create room for the creative accounting.

When speaking about adjustments for depreciation we can also refer to the possibility of creative accounting techniques. At the fixed assets adjustments for depreciation, the problem comes precisely from what we previously discussed regarding assets depreciation, when the gross book value should be calculated, which happens through subtracting cumulative depreciation from the book value, so here can also be seen the influence of the depreciation. But adjustments also intervene in the case of financial fixed assets, because any loss of value from these should be recognized as expenses in order to satisfy the prudence principle.

The capitalization of the interest costs can also be considered as a creative accounting practice, by which the company may include these expenses in the cost of assets or operating expenditure. If it prefers to capitalize interest expenses, then the current year will not be affected, it will be transferred for future years and the value of the assets will increase, so also its value determined with an asset based method.

Another technique of creative accounting may be considered the artificial transfers of placement securities, whereby the organization decides to sell the securities when the purchase price is lower than the stock market, in order to redeem them right away. In this way the entity ensures growth outcome as well as upgrading the entrance value securities.

We cannot forget taking into account the transportation costs capitalization to inventories acquired as possible "niche" for creative accounting. It is known that the purchase cost includes the purchase price and shipping costs, handling, import duties and other charges or costs which can be regarded as the direct consequence of the process of inventories acquisition. In other words, the company can decide to include or not the spending in the cost, judgment based on the subjectivity of the managers involved, for the fact that these costs may be or may not be directly associated to the acquisition.

There can also be a creatively interference at the level of the construction contracts, for a period longer than one year, because there is no question of the choice between the two methods for the allocation of revenue and expenses, for the purposes of choosing either the percentage method or the completion of the works. The difference is that with the method of completion of works, the result is at the end of the work, but in the other method the result is assigned to the entire duration of the contract, depending on the stage in which the work is performed. There cannot be said that one method is better than the other, because both have some minuses: the completion of the works is an objective method, the researchers say, but does not comply with the matching principle, the result of years-only the last year of that period; the percentage of the advancement method, on the other hand, is based on estimates of expenditures, followed by those of income, in other words, this method is subjective, and does not respect the prudence principle, allowing the enterprise to overstate or undervalue this percentage, depending on the desired result.

What still needs to be added is that the company can easily pass from the percentage method to the completion of works method, just by specifying that certain clauses of the contracts do not allow the use of the first method, without the need for republication of the annual accounts, as it is customary when we are dealing with a change of method.

If there has already been reminded about the sub-activities costs, it must be specified that the application of creative accounting can be "pushed", taking into account the existence of the two methods of accounting of fixed costs, namely the rational allocation and the full cost. If in the case of the full cost method, the cost of production has incorporated proportional part of annual fixed expenses in relation to the quantity given in the annual stock produced, the imputation method is rational at production cost calculation, considering the proportional share of fixed costs with the amount of stock and annual normal production. In other words, if the cost of production method shall include all current expenses, regardless of the degree of utilization of production capacity, the second production cost method consists of the following fixed costs corresponding to production capacity at 100%, expenses related to it being considered current expenses and directly affect the result.

Another method of creative accounting may come also to minimize the losses from loans and advances, more specifically, where the company believes that there is a fairly high risk that a claim may not be charged, it may decide to ensure it. So there will be no need for the organization to set up an allowance for depreciation of the claim. In other words, when it is established that a claim has been impaired, the company enters into a contract of insurance on an amount which does not exceed 50% of the claim, through which the insurance company guarantees that upon expiration of the contract, it will pay the initial value of the claim. And this is possible, if we consider the financial side, because at the end of the contract, the amount that was established as a placement, reaches the initial value of the claim which was the subject of the contract, using the capitalized interest. The effects of this contract in bookkeeping are on one hand, the fact that there is no need to set up a provision, and on the other hand, the fact that the current result decreases, due to the increased costs for the year in which the contract was signed.

If we already talked about insurance premiums, we can consider one choice of the company to get ensured when there is a danger of increasing in interest rates, but also another technique that can manipulate the behavior of the financial statements users. In other words, if an enterprise has incurred certain loans with a floating interest rate, it can ensure the risk of rising interest rates, but still provide the benefit of lower interest rates, if the decrease happens. The firm signed a contract of insurance with a Bank, which will pay, in her name, the difference between the guaranteed rate and the level achieved. This operation is preferred when there is an interest rate considered very high, but it is also used for a rate that is not overly large, but surely will be achieved. Although the first is higher in this case, this helps the company to "pave" the result, in the year of signing the agreement when the financial result is reduced by the increase in costs with the assurance, and in subsequent years increases, based on higher revenues on account of amounts received from insurance, considering that it was reached the interest rate for bank guaranteed payment.

Another case of creative accounting is diminishing the differences in purchase, by increasing the amount that appears as the difference between the purchase price and the book value, results the undervaluation of property purchased, minus the difference in reserves, where regulations permit. It can be said that this method can lead to higher results for the following years due to the fact that depreciation charges are smaller, and increase return on capital and reserves. Revenue related to the sale bring added value to the result, even though it may not be sold at a price higher than the purchase, but that undervaluation of the acquisition, leads to the emergence of a "false" benefit.

The exchange rate differences are another chapter where can be intervened through a creative thinking, especially with respect to the loans received from different branches outside the country, which can be considered as being permanent or limited-term, a fact that may or may not affect the outcome. In other words, if one considers a loan receivable is permanently, and has no fixed date on which must be refunded, the accountant outcome will not be affected, and the differences will be passed on to the equity, while if there is a time limit in which it has to be repaid, the outcome can be affected by accounting for differences in spending accounts or financial income without affecting equity. (Cernușcă, 2004)

Also, there must not be forgotten the increase in expenditures on staff, as a creative accounting method, when talking about companies with a small number of employees, or even just with the manager and owner. Although at first glance this may be seen as being a positive one, the lack of spending on wages, which has influence on the result and the quota, for the purposes of their growth, fiscal pressure far too high makes the manager to look for other solutions than most "cheap" compared to the distribution quota. One of the solutions is to hire employees, and particularly family members.

The creative techniques describe above are only some of the great number that a company may use, in different circumstances, and with different purposes, one of them being the need for obtaining a good value for the company, in cases as selling of the company, reorganization, or issue of new shares.

The Income-based Approach of Valuation and Ways to Influence the Value Obtained

Unlike patrimonial approach which involves determining the value of a company only by its compounding patrimony, the income based approach starts from the anticipation principle, the companies' value depending on the future benefits anticipated to be generated by it. Therefore the present value of the company will be determined by converting into present value the expected future benefits.

The enterprise will be evaluated by determining the present value of the anticipated income, using mainly the net profit capitalization method and / or the discounted dividends or cash-flows.

Capitalization-based methods involve estimating a company's value by dividing a representative and reproducible level of income (as profit or dividends) at a capitalization rate, or multiplying it by a factor of considerable income.

Regarding the methods based on the discounting technique, the dividends or the cash flows are estimated for each year of the forecast period, and then their value is converted by applying a discount rate.

The best known method in this category is the Discounted Cash-Flow (DCF), which involves making predictions about the cash-flows of a company for a certain period, and updates the values predicted by a discount rate. This method is particularly favored, being widely used, especially internationally, because it takes into account the future development of the organization.

Determining the market value of a company through the discounted dividends method, has as starting point the idea that the organizations' value is given by the aggregate value of future dividends.

The most commonly used valuation model based on discounted dividends is the Bates Model that is based on the following assumptions:

- A forecast of dividends for a certain period, which generally coincide with the planning for the company's financial and economic indicators;
- A discount rate, which is usually equal to the size of the cost of equity;
- A resale value of the company for the period subsequent to that, for which the estimation is made, based on the value of companies listed and operating in the same domain.

Since dividends are only part of the net income that a company can generate, this method can be used especially when buying shares, and less if the evaluation is done in order to sell the business. (Ioniţă, 2009)

The Income Capitalization method is a simplified version of the Discounted Cash -Flow method, where the growth rate and discount rate are constant. For its application, there must be established a representative income level, which is divided by a capitalization rate or multiplied by an income multiple. The income forms most commonly used in this valuation method are: the current net profit, the operating net profit and the net cash flow. The criteria they must meet are: the profit must be corrected so as to be representative for the business activity; the profit has to be constant or to record a constant growth, and have a premise to be achieved in the future. The discount rate is usually represented by the cost of equity or the weighted average cost of the capital.

There must be underlined the fact that in the income-based valuation approach the creative accounting techniques mentioned above may be used in order to influence past results or the discount rate, but the main reason for subjectivity may result from the fact that estimations and assumptions are made for a future period. The managers may be determined to predict different incomes or results, by overlooking aspects already known regarding the future activity of the company. Considering the fact that predictions are made based on past events or results, but also taking into consideration external factors that might influence the business, and also long term strategies, it is easy to influence the inputs used for the calculations.

There must also be highlighted the fact that these predictions are made for a period between three to five years, so it is almost impossible to have a precise image of a company's results for such a long time, especially when some unexpected factors may occur.

Also, there are many cases of acquisitions when the manager's incentives are related to the takeover price of the company. So, they would be highly interested in offering such estimates that will determine the calculation of a greater value of the company than its real market value.

Also, a terminal value (value of the company at the end of the prediction period) will be determined, that often represents a large percentage of the total value estimated for the company. So, the way of estimating this terminal value may also be influenced by the managers' intentions, having different options for determining it.

Considering the fact that de discounted cash-flow method and the discounted dividends method imply calculation with exponentiations, only a slight change in the predicted values may considerably influence the value obtained for the company. (Steiger, 2008)

The Market-based Valuation Approach and its Relevance

The third approach used for valuing companies is the comparison with similar businesses, and involves estimating the value of a company based on the principle of substitution. This principle states that an informed buyer would not pay for a property an amount greater than that required for the purchase of another good, comparable to it and having an equal level of utility.

This method is considered the simplest and most direct way to estimate the value of a company based on comparing the property to be assessed with other similar properties, prices set for them, and identify the differences between the company that is subject to assessment and selected as a basis for comparison, differences that will influence the market value. (Shapiro, Mackmin & Sams, 2013)

At the basis of determining the enterprise value by this approach, will be the ratio of the price of a share and its annual net profit. This indicator reflects the number of times the price of a share exceeds the annual profit made per share by that company, being particularly used in business under the name "Price Earnings Ratio "-PER.

There must be emphasized that the value determined with this method is valid only for the time of valuation, because elements underlying its determination may vary significantly from one period to another, especially the earnings price.

Specialists also identify other variables used in the formula for determining the value of the company. Regarding the numerator of the fraction, there can be used: the share price, the market value of equity, or the market value of the invested capital. The denominator of the relationship may be represented by variables related to accounting profits, turnover, or income.

It is also important to emphasize the importance of choosing companies as proper peers for comparison, a very suitable option being a competitor in the market.

When having access to the information needed to apply this method, it may be considered the hardest to be influenced by creativity or creative accounting. This is because the information used has its source on the market and from other companies' financial reports, and cannot be directly influenced by managers or other stakeholders.

But there is a way this valuation method may be "manipulated", at the moment when selected the companies that will represent the basis for valuation. The rules say that the companies selected must be comparable or similar, but the similarity is difficult to estimate. One can choose either a company with similar activity but being leader on the market or companies that might be comparable from the domain point of view, but with much lower results. So, as long as the assessor has a justification for choosing one company or another for being part of the estimation base, there is room for a little "creativity".

Conclusions

Due to the large number of activities such as acquisitions, mergers or transactions with shares, nowadays, an increasing importance is given to the valuation process and to the methods of determining the value of a company or business.

There are different situations that may determine the need for a company's valuation, and also different methods through which this value can be estimated. The main approaches in business valuation are the asset approach, the income approach and the market approach, each of them having several different methods included.

The first approach, based on assets, is considered the most easy to apply and it is very used, especially at a national level. But there must be mentioned that, in some cases, the value determined through these methods may be considerably different from the real value of the company because of the source of data used for calculations. Accounting data is used, that may easily be influenced by accountants, through different creative accounting techniques. Specialists identified numerous creative techniques that can influence a large amount of elements from the balance sheet, so this is why the asset approach is considered the most easily to manipulate, in order to satisfy the managers or the shareholders.

When referring to the income approach, there must be mentioned that these methods are considered the most relevant, especially at the international level, but there must be specified also the fact that these methods imply estimations and predictions, so there is also a chance to influence the value obtained for a company.

The third approach, based on the market comparison, may be considered the hardest to manipulate, due to the fact that the data used is collected from the market and the stock exchange, and are considered objective.

In conclusion, although there are several approaches and methods of evaluation, it is important that the assessor chooses the most suitable ones for the enterprise, being guided by specific aspects of the enterprise, the information available about it, and taking into consideration the purpose of the evaluation, its destination, and so on, in order to obtain a reliable value, as close to reality as possible, taking also into account that there are some techniques which companies may use in order to manipulate or embellish the information provided for the valuation.

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