

Privatization value analysis of a foundry

In my essay I deal with the problems of valuation and I try to figure out what issues the appraiser would have faced in 1993 if he had not used a combination of liquidation values and an unrealistic market estimation to determine the privatization value.

I tried to determine the value of the company in 1993, at the time of the company's privatization, with the help of modern company assessment procedures.

In the first part of the essay I present the process stated by the law. The process was based on the determination of the value of the assets, namely the liquidation value.

Afterwards, using the method of discounted cash flow for estimating the cost of the equity, I immersed in the company's beta estimation which enlightened several assessment and decision-making problems.

My publication moved to the direction of presenting the difficulties of evaluation.

My main goal was the practical use of the theoretical knowledge I acquired during my master studies.

I knew at the time of choosing the topic that I would face a lot of difficulties including the availability of data, the use of the method of discounted cash flow, and also the subjective factors of evaluation.

In connection with the conclusion we can say that the subjective elements have a huge role in evaluation.

It can be easily imagined that the value estimated by the accountant involved in privatization converges best to the actual value of the company if my calculations were too optimistic or misled by certain subjective elements.

However these subjective elements can occur during the estimation of the assets' market value.