

## IMPROVEMENT OF INTANGIBLE ASSETS AND THEIR EVALUATION CHARACTERISTICS

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**Abstract:** In this article, intangible assets and improvement issues based on their evaluation characteristics are studied.

**Keywords:** intangible assets, brand, computer software, trade secrets, income approach, market value approach, cost approach

### Introduction

Life itself confirms that money alone is insufficient for business development and capital increase. In the information age, advanced ideas and scientific innovations are becoming the most valuable assets. Because money is only a part of assets. In order to turn it into capital, entrepreneurship, knowledge, and at the same time, risk-taking are required. That's why capital gathers innovative ideas, serious decisions, discoveries and know-how around it. After all, in today's strong competition, whether it is a product or a service, if it is not presented better, faster, more interesting and, of course, of high quality, it will not be possible to take a stable place in the market. Due to such factors, the demand for intangible assets in the world economy is increasing. According to the data, more than 99% of the assets of the famous company "Apple" are intangible assets. The remaining 1% is only material assets.

In fact, the share of intangible assets in the balance sheets of leading foreign companies is increasing year by year. For example, the share of intangible assets in turnover of the 500 most advanced US companies, which make up the "S&P 500" stock index, has exceeded 85 percent. However, 50 years ago it was possible to see the opposite. If this indicator is analyzed on the example of countries, we can be sure that intangible assets of all business structures operating in the USA and France reached 35%, in Belgium 32%, in Italy 29%, in Portugal 27%, and in Germany 24%.

In our country, unfortunately, the contribution of intangible assets is not even 1%.

### Literature review

Intangible assets are defined as follows: "Intangible assets are identifiable non-monetary assets that do not have tangible content".[1]

In accordance with BHMS No. 7, intangible assets are defined as property objects that are controlled by an enterprise and used for many years (more than one year) in the management of economic activities.

Q.Usmonova, a well-known economist, defined "Intangible assets - assets whose property cannot be preserved for the purpose of using the property objects of enterprises in the process of production, for performing work, providing services or selling goods, or for long-term administrative and other tasks." It is defined as "identified objects".[3]

### Research methodology

The research used induction, deduction, grouping, experiment, adaptive and several other methods.

### Analysis and results

Intangible assets are non-physical assets that play an important role in the success of an enterprise. Often, intangible assets directly affect the long-term growth of the enterprise. On the other hand, tangible assets are often short-term success, cash flow and common circulation if it serves to increase capital, it will benefit intangible assets in the long term.

Intangible assets can be divided into two categories: those with an indefinite useful life and intangible assets with a limited useful life.

One of the intangible assets with an indefinite useful life is a brand. A brand will have eternal value without any disaster and will serve the enterprise indefinitely. These types of assets can generate unlimited returns. Some intangible assets with indefinite useful lives include trademarks, goodwill, and brands. For example, about a famous franchise like McDonald's or Chick-fil-A. For franchises of this size, brand recognition is infinitely beneficial.

A finite-lived intangible asset is just that: an intangible asset that generates only cash flows over a period of time. The most common type of finite-lived intangible asset is a patent, as patents have an agreed-upon term when they are created.

For example, if Coca Cola had a patent for a particular flavor that lasted 10 years, that patent would have a life span of 10 years. Although finite-lived intangibles only last for a certain period of time, they are still long-lived assets and are as important as indefinite-lived assets.

The following types of intangible assets are common in world practice:

➤ *Brand recognition:* It is possible to create your own brand during the activity of the enterprise, and this is it an intangible asset and plays a role in the success of the enterprise. For example, a big brand name alone can help a company sell more than a company with less brand recognition.

➤ *Licensing Agreements:* A license agreement between an entity and another party is an intangible asset because it allows the entity to generate more revenue.

➤ *Copyrights and Patents:* A copyright, patent, trade name, trademark, or other type of intellectual property is an intangible asset because it plays an important role in a business's ability to generate revenue. Most of these elements, for example, a trademark, are directly related to the recognition of the company's brand.

➤ *Computer software:* If a business is paying for any computer software, it is an intangible asset. If a business needs quick cash flow, it can't sell a computer software license, but it adds value to the business because it would be passed on to the buyer if they bought the whole business.

➤ *Trade Secrets:* Trade secrets are one of the most important types of intangible assets because they are difficult to value, but they also certainly add value to an enterprise. If the enterprise has any trade secrets, this is also an asset, but their value will be difficult to determine.

➤ *Legal rights:* Any kind of permission or legal right can be classified as an intangible asset. For example, if you have a special security clearance that allows you to manufacture chemicals, this is an asset.

➤ *Domain Names:* Each domain name registered by the company is an intangible asset, because they act as a tool for the business, but cannot be assigned a specific value.

➤ *Customer Relations:* Technically, customer relationships are intangible assets. While clients and customer lists are tangible assets, the relationship itself is a gray area that leaves it in intangible territory. You can sell your customer list with your business, but you can't sell relationships.

From customer relationships to brand recognition, intangible assets are diverse and the list goes on. Today, there are countless intangible assets, most of which are specific to certain industries.

How should intangible assets be valued?

Valuation of tangible assets in the enterprise is considered easier than the valuation of intangible assets, because the value of tangible assets is clear and the company can easily evaluate this asset.

However, the valuation of intangible assets is a somewhat more complicated process, as it is somewhat more difficult to determine the value of intangible assets. In international practice, there are three methods that help determine the value of an intangible asset.

**Income approach** . The income approach to valuation is appropriate for any intangible asset that is closely related to income. For example, an income approach can be used to determine the value of a patent.

To determine the value of a patent, it is necessary to first examine how the patent serves the enterprise. If it allowed you to do something like create a unique product that you sell now, that's an indication that the patent is directly related to income.

**Market value approach**. The market approach to determining the value of intangible assets is not perfect, but it is a reliable method of estimating value.

To estimate the value of an intangible asset through market value, it is necessary to focus on competing companies and find out whether any of them have sold or sold a similar intangible asset publicly.

For example, a business sold a license agreement to a retailer. However, through this sales process, there is no way to determine how much of the value of this license agreement comes from the company's brand recognition.

**Cost approach**. The cost method or cost approach is generally used for tangible assets, but may also be used for some intangible assets such as software.

The cost method uses replacement to determine the value of an intangible asset. This is done by simply asking, "How much would it cost to replace this asset with a similar one?" For example, in the case of computer programs, this can easily be done by comparison.

This method is not very useful for most intangible assets, but it is important to remember that you want to determine how much your entire business is worth. Keep in mind that these software subscriptions are interchangeable and may not add as much value as you expect.

### Conclusions and suggestions

In conclusion, none of the intangible asset valuation methods mentioned above are perfect, but each has its own purpose to provide a deeper understanding of your company's overall value. Enterprises and business representatives use intangible assets they have or created by themselves using the above-mentioned methods, primarily based on the characteristics of intangible assets, i.e. the period of use, the period of generating income and the costs incurred on these intangible assets. will have revaluation based on. If the company reflects in its accounting policy on the types of intangible assets and which methods of revaluation are used for them, we think that the principles of transparency and correctness of accounting are followed, and through this, reliable information is provided to users. It will be possible to provide information.

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