

On the selection of the approach to the assessment of intellectual property items

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Key words

cost approach, intellectual property item

Extended abstract

The modern industrial society is characterized by the fact that the achievements of science, culture and technology are the main source of wealth. In this regard, the intellectual property market has evolved in the knowledge economy. The distinctive feature of the intellectual property market is that the intellectual property items are mainly represented by protected ones (Mukhopad, 2010). Consequently, the main objective of the study is to evaluate and manage intellectual property items, to determine the effectiveness of their use. Intellectual property items are protected intellectual deliverables in any field of creativity as well as means of individualization equated to them. The list of intellectual property items is given in Article 1225 of the Civil Code of the Russian Federation. These include: scientific, literary and artistic works, computer programs, databases, performances, phonograms, broadcasting or diffusion of radio- or television transmissions via cable, inventions, utility models, industrial designs, selection attainments, topography of integrated circuits, trade secrets (know-how), trade names, trademarks and service marks, appellations of origin, business names.

The main works of Russian scientists in the cost estimate of the intellectual property items are: Bromberg G.V., Khin V.Y., Lyynik N.V. "Guidelines for determining the value of industrial property items"; Kozyrev A.N. "Valuation of intellectual property", 1997; Kozyrev A.N., Makarov V.L. "Valuation of intangible assets and intellectual property"; Leontiev B.B., Leontiev Y.B. "Guidelines for fair value measurements of intangible assets", 2003; Leontiev B.B., Mamadzhanov K.A. "Principles and approaches to the valuation of intellectual property and intangible assets", 2003; Azgaldov G.G., Karpov N.N. "Valuation of intellectual property and intangible assets", 2006 (Mukhopad, 2009). It is concluded that in Russia there are three approaches to value intellectual property: income approach, cost approach and sales comparison approach.

In this article we have attempted to evaluate the protected item by means of cost approach and income approach. In order to calculate the market value of an intellectual property item for entering into accounting records, it is necessary to capitalize intangible assets on the company's balance sheet. Intangible assets are recorded at their actual (historical) cost in accordance with Paragraph 6.2, Russian Accounting Standards (RAS) 14/2007. The inventory value of the utility model can be calculated by the following formula:

$$ATE_t = PE_t + FBE_t + CMO_t + OE_t$$

ATE_t – annual total expenses for intellectual property item in the year t during an accounting period, PE_t – payroll expenses in the year t, FBE_t – fringe benefit expenses (including unified social tax) in the year t, CMO_t – the cost of maintenance and operation of research equipment, depreciation of fixed assets and intangible assets in the year t, OE_t – other costs directly associated with creating intangible assets and ensuring the use of the assets for intended purposes in the year t (Kurchatova, 2015).

The value of an intellectual property item is estimated within the income approach by the Premium Profits method that is defined as extra profit due to estimated intangible assets. It is equal to the difference between the profit generated from exploiting the invention and the profit made by the manufacturer from selling products without the use of the invention. Annual Premium Profits are discounted taking into account the estimated time of its receipt. The calculation formula for this method is as follows:

$$APTP = \sum_{i=1}^T (UP_{new\ i} * V_{new\ i} - UP_{comp\ i} * V_{comp\ i})$$

APTP - additional pre-tax profit derived by a company as a result of the sale of goods or rendering services in comparison with companies that produce similar products or render similar services but do not have the appraised subject property; $UP_{new\ i}$ - unit price of a new high-tech product in the year i ; $UP_{comp\ i}$ - unit price of the comparable product in the year i ; $V_{new\ i}$, $V_{comp\ i}$ - corresponding volumes of goods sold or services rendered in the year i (Vidyakina, 2013).

Thus, in order to assess an intellectual property item it is necessary to define the goal of its use. These goals may be:

- fair market valuation of an intellectual property item;*
- inventory valuation of an intellectual property item as the main assets of the company;*
- valuation of an intellectual property item for entering into company's accounting records as an intangible asset;*
- fair market valuation of patents and licenses associated with sale to a third party.*

Three approaches (cost approach, income approach, and sales comparison approach) are applied for the first and fourth goals; cost approach is used for the second and third goals.

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