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EDITORIAL EJAFB
CAN INTANGIBLE CAPITAL BE MEASURED?

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The issue of company valuation, from the perspective of all creditors and not only shareholders, has been the subject of numerous studies in the academic and professional fields. The relevance and topicality of the subject derives from the consideration that the valuation of the company is a fundamental moment in its life, influencing both strategic and operational decisions. Another circumstance that makes the issue more relevant than ever, especially in the context of the financial market crisis of recent years, is the fact that the valuation of a company's fundamentals should underpin the price of its shares on regulated markets. Conditionality is used because of the inverse proportional relationship between the value of the company's fundamentals and its stock market price. This phenomenon, which has persisted for some time, may have various generative causes, largely attributable to information asymmetries caused by market imperfections that cause market value to deviate significantly from intrinsic (fundamental) value and sometimes even from its former value.

In an inefficient market, where there are information asymmetries between traders, the intrinsic value, the issue value of a share and its market price may be different and deviate - positively or negatively - from the true target value of the company. Intrinsic value reflects the fundamentals of the company or the income and financial performance as well as the credibility and sustainability of the business, issue value is the result of a process of combining the interests of the various parties participating in the listing, and market price is the result of the bid and offer offered by the stock exchange on the securities being valued. Intrinsic value, issue price and market price coincide only in the presence of perfect and perfectly efficient markets.

It is noted, however, that fair market value conflicts with the approach prevalent in the valuation practice of many professional operators who see market prices as an essential benchmark for determining the value of each company. These professionals do not accept the idea of being able to estimate company value independently of stock market prices, even when the market expresses unbalanced prices, unambiguously in relation to company fundamentals. The problem is that these analysts follow price dynamics through the valuation methods they practice, instead of anticipating these dynamics. There have always been investors in financial markets who believed that market prices were determined by the perceptions, right or wrong, of buyers and sellers, rather than by trivial factors such as cash flows or profits. Many agree on the importance of perceptions, but it certainly cannot be agreed that this is the only important element underlying investors' decisions. It is possible to estimate value from financial fundamentals for most assets and therefore the market price cannot deviate from this value in the long run (IAS 38)[1]. In business economics, the concept of value has been used with reference to the company as a whole, the term economic capital being conceived in this sense and introduced to distinguish the notion of company value from that of book equity, which instead refers to the assets shown in the balance sheet (Mates et al., 2016)[2].

Gaining a sustainable competitive advantage over time comes exclusively from having rare and unique resources that are difficult for competitors to imitate and that create value for the customer, i.e. distinctive resources. Unfortunately, despite their fundamental importance, intangible assets cannot be valued using traditional accounting tools, i.e. those used normally to analyse the economic and financial state of a company.

The topic of economic capital valuation remains a central theme in business economics to this day, as the valuation of a company is an effective synthesis of all aspects of its internal and external activities. By measuring value, it is possible to reach an effective understanding of the company and its operating mechanisms. Business economics thus reintroduces a notion of value that challenges the idea central to the concept used in finance, namely that value does not exist in itself but is a measure of something different. Business economics, on the other hand, gives substance and real content to the concept of value. It is no longer considered a simple measure, but an object, an asset, a patrimony, in other words the patrimony of that social institution which is the company itself. Value is therefore no longer defined as in finance - as a measure in itself and only in relation to a term - but it is an object that can in turn be measured and evaluated. Value is again an almost metaphysical concept, even if it is endowed with great operational utility.

In the 1980s, the concept of value was given an additional responsibility, namely that of the main objective of management activity (Guatri, 1997)[3], which should be oriented towards maximising the value of shares. Subsequently, this notion of value as an objective of managerial activity was taken up in economic doctrine and replaced the term share value with economic capital.

For example, an intangible asset to be accepted as security for a loan, it must be clearly identifiable and retain its value even when it is separated from the company. Even if these requirements are met, estimating the market value of an intangible asset is complex and requires skills not normally resident in the bank's valuation system, with consistent use of experts (Grosu, 2013)[4]. Although they are considered assets, i.e. resources, due to their lack of material consistency, intangible assets are difficult to identify and separate from other groups of assets together with which they generate economic benefits.

In conclusion, it can be said that an intangible asset should only be recognised internally in its development phase if it meets all the criteria listed: it is shown to have economic usefulness; there is an intention to complete the activity, use it or sell it; there is the ability to use or sell the asset, but also the likelihood of generating future economic benefits; it is a suitable resource and the costs attributed in the development phase are significant.

[1] IAS 38 - Intangible Assets, available at: https://www.iasplus.com/en/standards/ias/ias38
[2] Mateș, D., Cosmulese, C.G., Anisie, L. (2016, April). Approaches and methods for valuation of intangible assets, Accounting and auditing paradigm: national realities, regional and international trends,
[3] Guatri (1997) The theory of value creation: a European way, Egea Milano, Italy.
[4] Grosu, V. (2013). Evaluation of Intellectual Capital, Romanian Academy Publishing House, Bucharest, Romania