

**LEGAL FRAMEWORK EVOLUTION ON THE ENTITY EVALUATION IN THE
REPUBLIC OF MOLDOVA****Iulita BIRCA**Ștefan cel Mare University of Suceava, 720229, Romania
iulitabirca2021@gmail.com**Abstract**

This paper presents the importance of the legal framework evolution in the field of assessing the value of economic entities in the Republic of Moldova. The aim of this study is the theoretical-empirical research of the literature on the legal framework in addressing the value of economic entities in the context of economic processes' evolution that has facilitated the knowledge and improvement of performance in the field of evaluation. The objectives of the research are to identify in time the legal framework in the field of assessing the value of economic entities in the Republic of Moldova and their positive effects as a result of the evolution and adaptability to new conditions of economic development. The following methods were used in the study: identification of the legal framework, analysis, synthesis, induction and deduction, comparative analysis. The results are reflected in the presentation of the legal framework, which can serve as recommendations within the research process of all interested subjects, as it aims to increase the value of an entity, maintain the reputation of the entity on the market and contribute to the strengthening of its stability, as well as improving the legislative framework.

Key words: *evaluation; entity evaluation; legal entity; law; legal framework.*

JEL Classification: *G32; P19; P40; P42; P49.*

I. INTRODUCTION

„Valuation is an important part of any entity's overall financial strategy and apparently small inaccuracies or incomplete valuations can have major repercussions. The evaluation process offers opportunities to address current issues, but also opportunities for future development” (Hitchner, 2006).

The emergence of enterprise valuation is due to the need to establish the market value of enterprises, because „enterprise valuation is a professional service of estimating the value of enterprises, based on multiple knowledge of the evaluator in several fields, which relies on internal information of the evaluated enterprise, concretized in information of the following nature: legal, technical, economic and financial-accounting, but also external information that the market offers, considering the observance of the evaluation principles, of the International Valuation Standards, of the evaluation methods and techniques, as well as of the professional code of ethics” (Țirlea, 2012).

The importance of estimating the value of economic entities in the Republic of Moldova is highlighted during the privatization and restructuring of enterprises in the early 1990s, which was considered a milestone in the development of the real estate market and valuation services market, respectively the valuation activity. The correct determination of the value of the goods for privatization was the primary concern at that time, including the approval, modification and completion of some normative acts in the field of privatization by the Government of the Republic of Moldova, included in Decision no. 561 of 10.08.1995 (HG 561, 1995).

The evolution of this process in the Republic of Moldova presents a rather complex course, the entity being the main subject in this context. The study of the legal framework regarding the stages of setting up the evaluation activity of the enterprise and their development path is particularly important for knowing and understanding the estimation of the company value in order to increase its efficiency. This supposes continuous completions and improvements of the legislative acts in the context of economic conditions of the Republic of Moldova.

"Evaluation activity is the activity carried out by evaluation companies, which consists in estimating the market value or another value of the object of evaluation" (Law 989/2002). The evaluation activity involves the establishment of a specialized framework, while the use of numerous information (legal, technical, fiscal, financial, managerial, etc.) from different fields of activity of enterprises requires the existence of the following elements mentioned in figure 1:

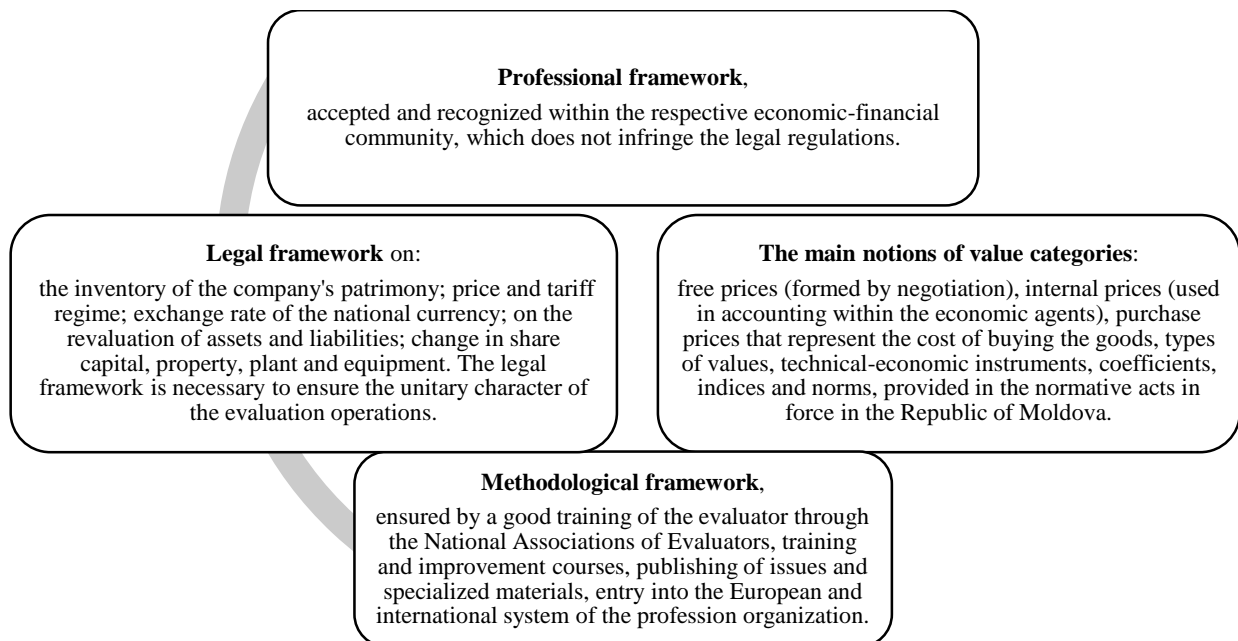


Figure 1 – Correlation of specialized frameworks in the evaluation process

Source: Elaborated by author based on the legislative acts of the Republic of Moldova Law 989/2002

The evaluation process is a sequence of procedures used by the appraiser to estimate the value of the property according to the professional standards. In this regard, support in this process rests with the "Provisional Regulation on the Valuation of Real Estate", approved by the Government Decision no. 958 of 04.08.2003, Published on 15.08.2003 in the Official Monitor no. 177, art. no. 1006 (1), which is elaborated on the basis of the Law on evaluation activity, no. 989-XV of April 18, 2002 (OM of the Republic of Moldova, 2002, no. 102, art. 773).

II. METHODOLOGY

In this study, we intend to gather information and emphasize the essence of knowing the history of the legal process regarding the evaluation of the entity and the importance of estimating the value of the entity. In this context, we researched the provisions of the legislation in the field to clearly know and systematize this information, applying several methods such as: analysis and synthesis, comparison and induction and deduction in order to highlight the legislative retrospective of the evaluation process of the entity. More specifically, the investigations were carried out according to the provisions of the Law on Property no. 459-XII of January 22, 1991; Law on the privatization of the housing fund no. 1324-XII of March 10, 1993, Accounting Law no. 426-XIII of April 4, 1995, Law on the Real Estate Cadastre no. 1547-XIII of February 25, 1998, Law on joint stock companies no. 244-XIV of 23.12.1998; Law on pledge no. 449, of 30.07.2001, Law of the Republic of Moldova on evaluation activity no. 989 of 18.04.2002 etc. and their subsequent amendments in force, but also on the basis of specialized bibliographic sources.

III. LITERATURE REVIEW

In the literature and in the legislative acts, the evaluation process of the entity and the aspects regarding the estimation of the entity's value were argued and approved by the legislative acts including laws, regulations, decisions, etc. Several domestic researchers such as Ganea (2014), Băncilă (2007), Buzu (2002), Cobzari (2019), Mihăilă (2017), Gribincea (2020); Romanians: Hlaciuc & Anton (2021), Mateș & Ciubotariu (2006), Mihalciuc (2022), Țirlea (2012), Ghiță-Mitrescu (2007), Albu et al., (2011) approached this subject and also some other foreign researchers among which we mention Hitchner (2006), Migliaccio & Arena (2021), Vishnani, Gupta & Gupta (2021), on international level etc.

"In an economic context characterized by continuous change and uncertainty, the entity may be able to maintain a state of equilibrium alone or with other external subjects, reducing the variety and variability of the external environment through consensus communication strategies with its own strategic plan, increasing the capacity to continuously adapt to the dynamics and changes of the environment in which it operates" (Mateș, 2006). „Evaluation is an activity specific to the market economy, which requires professional knowledge in several fields, which is why evaluation is perceived "as an art". The evaluation activity is part of the sphere of professional services and has a public utility in order to carry out transactions with goods and properties" (Țirlea, 2012).

Researcher Mihalciuc (2022) states that: "control of economic operations, economic processes and business sectors and implicitly costs is a management priority, the latter being a goal pursued by managers at all levels of the hierarchical pyramid; the link between accounting and management it is reflected in the progressive evolution of the management accounting from the role of recording information on costing to information support in the decision-making process of management. This information represents the resource for the database of the production process and forms the support of the decision-making system, offering managers cost-based options for establishing the objectives and resources necessary to carry out the business" (Mihalciuc, 2022).

Some of the topics approached within the works of Băncilă (2007) include the study of the conceptual bases of the evaluation activity on the types of values underlying the evaluation activity, the place and role of enterprise evaluation in the activity of commercial banks, the application of evaluation methods, regulation of evaluation activity in commercial banks, etc. (Băncilă, 2007). In her view, "the enterprise is an economic-organizational form of existence that can be expressed through a complex, open and dynamic system, owner of capital and user of resources" (Băncilă, 2006).

In the vision of local researchers Băncilă et al. (XX) "the issue of guarantees' valuation must be permanently correlated with "price" and "market", which is very difficult to achieve in the economic conditions of the Republic of Moldova. One of the ways to solve this problem is to develop the National Standard for the Valuation of economic units (enterprises) as patrimonial complexes (or their assets) for banking purposes, which should regulate the process of evaluating guarantees for bank loans, taking into account the international experience (European and International Standards for "Loan Guarantee Assessment"), considering the conditions of the assessment. Another way is the application of the mentioned International Standards, taking into account the economic conditions and the particularities of the evaluations in the Republic of Moldova" (Băncilă, 2014).

Italian researchers state that it has been possible to validate the method of analysis using the variance of the ANOVA and Tukey-Kramer tests, succeeding in expressing their opinion on the economic and financial balance of the entities: "Regardless of the locations, Italian tanneries are significantly indebted. However, the authors recommend, in this situation, a higher capitalization, considering the recent crisis caused by the pandemic. Profitability is positive, although is declining. This assurance is a relative safety margin in the event of a possible reduction of profits due to coronavirus. The disaggregated analysis highlights the disadvantage of southern companies that have lower profitability and on average, higher debt levels" (Migliaccio, 2021).

Indian scholars as Vishnani et al. (XX) analysed "whether the mandatory implementation of IndAS (IFRS Convergent Indian Accounting Standards) will lead to a higher quality of financial reporting". In particular, the effect of the adoption of IndAS by Indian entities on the management of earnings, the persistence of earnings and the relevance of reported financial value was studied. Because of the research, the scientists highlighted a certain improvement in the quality of finance reported after the implementation of IndAS, market-based measures. However, accounting-based attributes gave mixed findings. Although earnings management measures did not report any statistically significant differences, the measure of earnings persistence showed a distinct improvement" (Sushma, 2021). Therefore, the research of the aspect that is investigated in this paper is actual and acquires a special importance from the economic, legal and social point of view.

IV. RESULTS AND DISCUSSIONS

Legislative retrospective of the entity evaluation process in the Republic of Moldova

The evaluation activity in the Republic of Moldova begins with the start of transition process to market economic relations, in connection with which, in 1991, the Law on privatization was adopted (No. 627-XII of July 4, 1991), the "National Privatization Program" was launched, being legislated the right of private property over real estate, and the Law on Property no. 459-XII of January 22, 1991 was adopted (Legea 459, 1991). Subsequently, the Law on the privatization of the housing fund no. 1324-XII of March 10, 1993 and the Land Code no. 828-XII of December 25, 1991 were adopted (Legea 1324, 1993). "The process of transferring real estate into private property was regulated by a series of normative acts and methodical indications, in which the main conditions and ways of organizing this process were stipulated" (Evaluarea Intreprinderii, 2015).

It should be noted that the program and the privatization process, were very active during the period of 1992-1996, by increasing the volume of transactions in the real estate market, which required the valuation of traded goods. In connection with the intensification of these inevitable processes, the normative basis has also been developed, which has extended to enterprises, pledging, leasing of goods and their evaluation. These include: the Privatization Program for 1993-1994; The methodical indications for the evaluation of the patrimony of the enterprises and organizations from the Republic of Moldova, approved by the Government Decision no. 293 of 30.04.1992; Government Decision no. 118 of 05.03.1993 "On the revaluation of fixed assets and the research of the results of the evaluation of state assets for privatization", taking into account the level of inflation in 1992, which set the rules for indexing fixed assets, the Law on at the privatization of the housing fund, no. 1324-XII of March 10, 1993. At the same time, by the Accounting Law no. 426-XIII of April 4, 1995, art. 9, the rights and

property titles over the real estate were recognized, these being registered in the real estate register of the territorial Cadastral Offices (Law 426/1995).

Along the way, the approval of other normative acts followed, among which we can highlight: Decisions of the Government of the Republic of Moldova on procedures for determining the value of reconstitution of the price of one square meter of total construction area, considering the qualities of the room use [Government Decision of the Republic of Moldova regarding the revaluation of fixed assets, no. 30. from 16.01.1996, MO no.9 / 143 from 28.03.1996]; the order of sale of assets that were not capitalized in the technological process of the enterprise [Government Decision of the Republic of Moldova on the valuation and sale-purchase of objects from the fund of uninhabited real estate, leased no.349. of 21.06.1996, MO no.49-50 / 44 of 25.07.1996].

A key moment in this process is the fact that for the mass privatization of companies, the method of Republican auctions with subscription to shares was applied, with the participation of 3.1 million citizens or 89 percent of the holders of the vouchers. Over the course of a year and a half, 15 Republican auctions with subscriptions to shares, 94 open auctions and 11 public competitions were organized. As a result, in exchange for the patrimonial vouchers, 2235 enterprises (in whole or in part) and 191 thousand apartments were privatized” GD 305 / 1996 from 10.06.1996.

The process of trading and valuation of goods continued in the following years and was directly linked to the privatization process, which reached its third stage at the same time when the Privatization Program for 1997-1998 was drawn up, based on the Law of the Republic of Moldova no. 1217-XIII of June 25, 1997. Special attention was given to the process of sale-purchase of land and agricultural land. In connection with this, the privatization of agricultural land was carried out within the national program "Land" and the owners were handed certificates of ownership. Various land allocation regulations have been applied – from 0.04-0.06 ha in cities to 0.15-0.25 ha in rural areas (Law 1217/1997).

Subsequently, the Real Estate Cadastre Law no. 1543-XIII of 25th February from 1998 was adopted, which “established the way of creating and maintaining the real estate cadastre, which ensures the public recognition of the property right and other patrimonial rights over real estate, the protection of these rights by the state, the support of the tax system and the real estate market” (Legea Cadastrului 1543, 1998). Thus, began the State Program for the creation of the real estate cadastre, approved by the Decision of the Government of the Republic of Moldova no. 1030 of October 12, 1998; Title VI of the Fiscal Code “Taxation of real estate” was elaborated according to the Law of the Republic of Moldova no.1055-XIV of 16.06.2000 and the Law of the Republic of Moldova no.1056-XIV of 16.06.2000 regarding the implementation of Title VI of Fiscal Code.

Another law, equally important for this process is the Law on Joint Stock Companies no. 244-XIV on 23rd December 1998 and subsequent amendments, the last version in force being from 29th December 2017 based on the amendments by LP274 on 15th December 2017, MO464-470 / 29th December 2017 art.802, which “sets the manner of establishment, dissolution (liquidation) and the legal status of joint stock companies, the rights and obligations of shareholders, members of management bodies and other persons with positions of responsibility of the company, ensures the defence of the rights and legal interests of the creditors and shareholders of these companies”, according to art. 1. The field of application of the law ([legis.md](http://www.legis.md)).

Also, in these conditions, in 1998, within the Republican Association of Professional Assessment Experts (APERE) from the Republic of Moldova, the Rules of Conduct of the members of this association were elaborated, in which the following compartments were included: basic principles, provision evaluation services, confidentiality, labour market, signature and use of the name of the Association, advertising and professional insurance. According to these Rules, each member of the Association must respect the Statute and inform the Board of Directors about the committed errors. In the research of the subject regarding the organization of the evaluation activity at national and international level, a significant source of inspiration was the monograph (Buzu, 2002).

In connection with the development of the real estate market in the Republic of Moldova, in the mid-1990s (1994-1996) were created the following bodies (Figure 2):

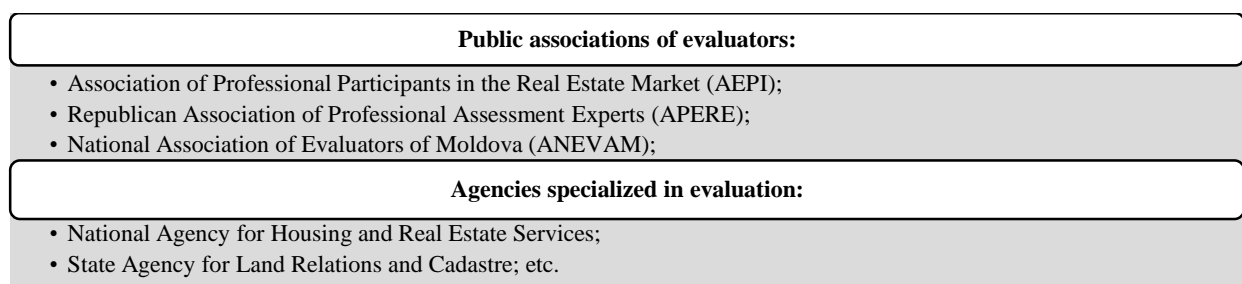


Figure 2 - Associations and agencies in the field of evaluation

Source: Elaborated by author based on www.legis.md.

The need to create public associations of evaluators in the Republic of Moldova arose with the development of the real estate market, because the estimation of the value of the real estate market had to be done by specialists in the field of real estate evaluation, who know the specifics of appraisal and possess knowledge in this field.

A new stage in the development of both the privatization process and the evaluation process begins in 1999. In this regard, a series of changes were made by the new rules of the market economy on the improvement of the Land Code, increasing the responsibility of local public administration bodies for the real distribution of land shares and their transfer in ownership, completing the privatization process of enterprises from different sectors of the national economy.

With the start of these processes, the real estate market also expanded. For these reasons, appraisal services have been absent from the process of trading real estate on the market. In countries with a developed market economy, evaluators have set up professional associations, based on voluntary association, to represent and regulate their work.

Along the way, in 1999, the National Real Estate Chamber was created, in which the first two public associations met, namely the Association of Professional Participants in the Real Estate Market (AEPI) and the Republican Association of Professional Valuation Experts (APERE). APERE figures as an independent legal entity organized on the principles of self-financing and self-management. Later, its right as an associate member (in 1998 the organization joined TEGoVA) of the European Group of Appraisers' Associations (TEGoVA) was transferred to the National Real Estate Chamber. The National Real Estate Chamber is a legal, non-governmental and non-profit entity that brings together individuals and legal entities, competent in the field of real estate and business valuation. Being a public organization, organized on a voluntary basis, within the National Real Estate Chamber, as well as in the Republican Association of Professional Valuation Experts (APERE), there are four categories of members: full members, associate members, honorary members and corporate members. They are obliged to comply with all the requirements of the Statute of the National Real Estate Chamber, the normative acts in force regarding the evaluation activity in the Republic of Moldova, as well as those elaborated by the European Group of Appraisers Associations (TEGoVA), as its associate member. At least once a year, within the National Real Estate Chamber, the General Assembly of its members is held, which elects the Board and the Audit Commission and decides on the directions of activity or cessation of its activity.

Therefore, both the National Real Estate Chamber and other valuation organizations, such as the Republican Association of Professional Valuation Experts (APERE), the Land Relations and Cadastre Agency, the State Agency for the Protection of Real Estate, the State Agency for the Protection of Copyright and other Private Real Estate Appraisal Agencies create the essential support for the development of appraisal activity and the appraisal profession in the Republic of Moldova. Of course, in order to remain on the market of evaluation services, their activity needs to be reviewed and modified in the light of the new perspectives and conditions of sustainable development and economic integration of the Republic of Moldova in the Single European and International Area.

According to studies in the literature, we attest that in 2006 there was no normative act regulating the licensing/ certification of business appraisers or appraisers of other types of activities separately, so that certified appraisers in the field of real estate also dealt with the valuation of other assets. In the Republic of Moldova, the law provided only the rights and obligations of the evaluator, without the requirements of conduct. Considering all these ideas, the researcher Băncilă (2006) proposed: "For the State Agency for Land Relations and Cadastre to certify the Associations of evaluators, which in their turn would certify their members; that the qualification certificate be differentiated by sectors (branches/ segments of activity, respectively for the evaluation of land, real estate, enterprises (businesses))".

It is obvious that the appropriate directions for the development and organization of evaluation activity in the Republic of Moldova must focus, in particular, on the application of evaluation principles and procedures in accordance with international requirements; more active collaboration with the National Association of Evaluators in Romania, with the International Committee for Evaluation Standards (IVSC) and with the European Group of Evaluators (TEGoVA), taking into account the prospects of Moldova's accession to the European Union; elaboration of National Standards (if applicable) for specific evaluations in accordance with European Evaluation Standards and International Evaluation Standards, taking into account the economic and political conditions in the Republic of Moldova and the nature of the evaluated asset, streamlining the activity of specialized evaluation organizations, including:

The National Real Estate Chamber, to actively contribute to the evaluation processes of companies and to the certification of business appraisers;

The Land Relations and Cadastre Agency – through its contribution to the development and improvement of the methodological framework for real estate valuation, this being the founder of the territorial system of cadastral offices, which registers real estate for tax purposes, manages land and regulates land relations;

The National Securities Commission by a wider application of the efficient valuation methods by which to determine the market value of the securities;

The State Agency for the Protection of Industrial Property, which must streamline the activity of valuing industrial property, ensuring it from a legal and methodological point of view;

Intellectual Property Assessment Agency, to ensure the correctness of the estimation of the value of intellectual property in accordance with international requirements and the legislation in force of the Republic of Moldova.

As present, the Public Association of the “Society of Independent Evaluators of the Republic of Moldova” (SEI RM) is active in the Republic of Moldova from 17th December 2014, being is a non-governmental public association. The aims of the Association are to contribute to: the elaboration and promotion by state bodies of well-balanced policies in the field; the evaluation activity taking into account the legitimate interests of the members of the Association; representing the interests of the members of the Association in their relations with the institutions of public power of all levels, as well as with the profile organizations from other countries; self-regulation and control over the evaluation activity carried out by the professional evaluators of the Association; regulation and elaboration of evaluation standards of different types of civil law objects (goods, properties) that are mandatory for the evaluators of the Association in order to streamline the evaluation activity in the Republic of Moldova; ensure the optimal conditions for the development by the members of the Association of the professional activity, including by granting them an informational, methodological, technical and legislative support, etc.; establishing a true partnership between the members of the Association and the consumers (beneficiaries) of the evaluation services with strict observance of the principle of the evaluator's independence. SEI RM provides its members with: information support; protection of professional activity; methodological and consultative support; support in expanding the order book; expertise of evaluation reports; representation of the interests of the members of the society in the central and local state bodies” (SEI RM).

In 2001, the Parliament of the Republic of Moldova adopted the Law on Pledge, no. 449, from 30th July 2001, published on 2nd October 2001 in the Official Gazette no. 120 art. 863. Also, the Methods for evaluating the state patrimony were elaborated and were reflected in “Methodological indications regarding the determination of the estimated value of the patrimonial complex of the enterprise and the establishment of the sale price of the state patrimony” and in the Government Decision of the Republic of Moldova no. 645 named “On the valuation of real estate of legal and natural persons of the Republic of Moldova”, mentioning the need to estimate the value of real estate, not taking into account the ownership, methods and purpose of valuation, except for taxable assets was adopted (Evaluarea Intreprinderii, 2015).

For a summary of the ascent of the legislative process regarding the evaluation of the entity in the Republic of Moldova described above, the table 1 was created.

Table 1. Retrospective of the legislative process regarding the evaluation of the entity in the Republic of Moldova

Year	Act adopted
1991	Law no. 627-XII of July 4, 1991 on privatization
1991	Law no. 459-XII of January 22, 1991 regarding the property
1991	Land code no. 828-XII of December 25, 1991
1991	Law on property no. 459-XII of January 22, 1991
1992	The methodical indications for the evaluation of the patrimony of the enterprises and organizations from the Republic of Moldova, approved by the Government Decision no. 293 of 30.04.1992
1993	Law on the privatization of the housing fund no. 1324-XII of March 10, 1993
1993	Privatization program for 1993-1994
1993	Government Decision no. 118 of 05.03.1993 "On the revaluation of fixed assets and the research of the results of the evaluation of the state patrimony for the purpose of privatization"
1993	Law on the privatization of the housing fund, no. 1324-XII of March 10, 1993
1994-1996	Creation of public associations of evaluators in the Republic of Moldova
1995	Accounting law no. 426-XIII of April 4, 1995
1996	Decision of the Government of the Republic of Moldova on the revaluation of fixed assets, no. 30. from 16.01.1996, OJ no.9 / 143 from 28.03.1996
1996	Decision of the Government of the Republic of Moldova on the valuation and sale-purchase of objects from the fund of uninhabited real estate, leased no. 349. of 21.06.1996, OJ no.49-50 / 44 of 25.07.1996
1997	Law of the Republic of Moldova no. 1217-XIII of June 25, 1997 on the Privatization Program for the years 1997-1998, National Program "Land"
1998	Law on the Real Estate Cadastre no. 1543-XIII of February 25, 1998 (Legea Cadastrului 1543, 1998)
1998	The State Program for the creation of the real estate cadastre, approved by the Decision of the Government of the Republic of Moldova no. 1030 of October 12, 1998; Title VI of the Fiscal Code “Taxation of real estate” was elaborated according to the Law of the Republic of Moldova no.1055-XIV of 16.06.2000 and the Law of the Republic of Moldova no.1056-XIV of 16.06.2000 regarding the implementation of Title VI of Fiscal Code
1998	Law on joint stock companies no. 244-XIV of 23.12 1998

1999	Creation of National Chamber of Immobile
2001	Law on pledge, no. 449, dated 30.07.2001
2002	Law of the Republic of Moldova no. 989-XV 2002 "On the evaluation activity"
2002	"Regulation on the attestation of real estate evaluators", by Decision no. 900, of July 24, 2003, elaborated in the base
2021	The version in force of the Law on evaluation activity, no. 989-XV of 18.04.2002, published on 16-07-2002 in the Monitorul Oficial no. 102 art. 773, version in force: LP130 of 07.10.21, MO264-265 / 29.10.21 art.332; in force 29.10.21 LP989 / 2002

Source: Elaborated by the author based on the indicated legislative acts.

Law no. 989-XV 2002 on the evaluation activity in the Republic of Moldova

In connection with the need to develop the evaluation activity, on 18th April 2002, a very important law was adopted for this field - Law of the Republic of Moldova no. 989-XV "On the evaluation activity". This law promotes the idea of ensuring the complex and unitary character of the evaluation operation in the conditions of our country, where the experience in the field of evaluation needs to be completed (Law 989/2002).

The most important aspects submitted for debate and settlement include the organization of the evaluation activity framework and the re-examination of the legal, methodological and practical aspects of the evaluation activity. In art. I of the respective Law the main notions of evaluation are reflected as stated in the Figure below:

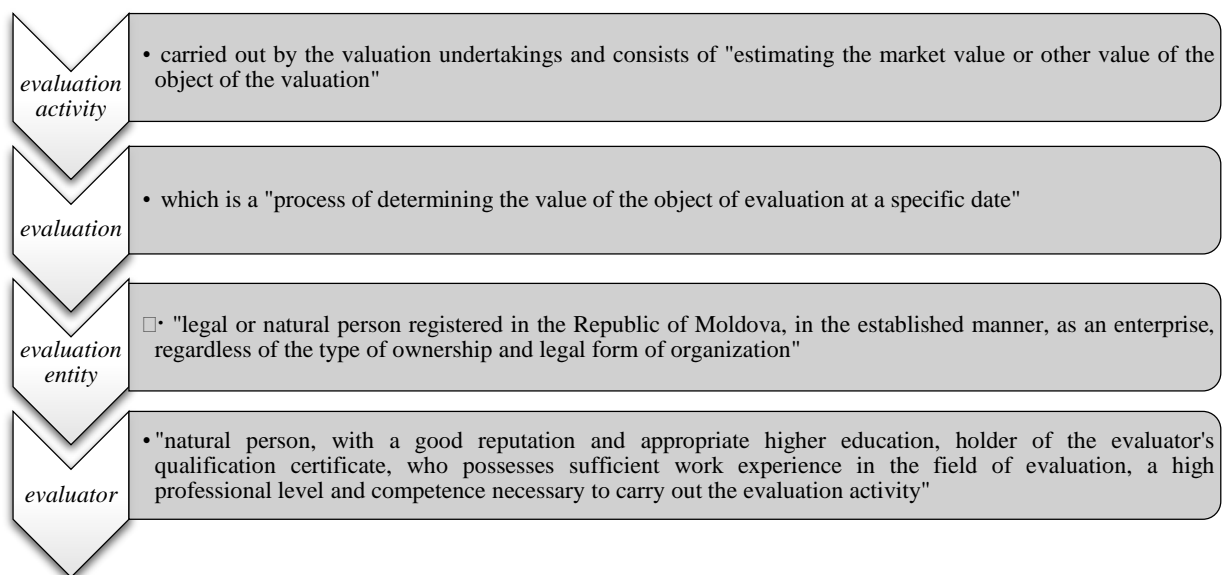


Figure 3 - Notions of the entity evaluation process

Source: Elaborated by author based on [Law 989/2002].

In addition to those mentioned, the nominated law identifies the objects and subjects of the evaluation, examines the aspects of the examination of the evaluation activity itself, such as: the licensing procedure of these activities, the procedure of attestation of evaluators, the issue of qualification certificates for evaluators, the procedure for the elaboration of national evaluation standards and the creation of public associations of evaluators.

In 2003, the Provisional Regulation on Real Estate Valuation was approved and was developed on the basis of the Law 989/2002, without including the methods and techniques of valuation of enterprises as heritage complexes, and "State Agency for Land Relations and Cadastre" had to develop measures rigor for the application of the provisions of the nominated Regulation in order to estimate the market value of the real estate by the valuation companies, regardless of the type of property and the organizational-legal form" [HG 958/2003].

Decision no. 900, of July 24, 2003, approved the "Regulation on the attestation of real estate appraisers", elaborated on the basis of the Law no. 989 from 2002, which establishes the manner of attestation, issuance and withdrawal of appraisal qualification certificates. According to this Regulation, the qualification certificate is issued by the State Agency for Land Relations and Cadastre, based on the decision of the Attestation Commission. The certificate is issued to the person who has higher education in assessment, economics, technical and adequate professional training. In addition to these aspects, the person must have at least one year of professional experience in the field of real estate appraisal, must have passed the qualifying examination and no criminal record (Regulament, 2003).

The certification of the evaluators takes place within the functioning of the Attestation Commission, whose functions and mode of activity, as well as the way of conducting the qualifying exams, are established in the

“Regulation on the establishment and functioning of the Attestation Commission and the way of conducting the qualifying exams of real estate appraisers”, adopted by order no. 178 / 18th August 2003 of the State Agency for Land Relations and Cadastre of the Republic of Moldova. Thus, the professional framework of the evaluation activity requires the organization of the evaluator profession and the evaluation process.

Law on evaluation activity no. 989-XV 2002 serves as a basis for the elaboration of other normative acts in order to develop the framework for the evaluation activity in the Republic of Moldova. These include the Decision of the Government of the Republic of Moldova on the approval of the Program of Measures on the Implementation of the New Real Estate Valuation System for the Purpose of Taxation No. 670 / 9th June 2003; Decision of the Government of the Republic of Moldova no. 1303 / 24th November 2004, approving the Regulation on the valuation of real estate for tax purposes; Decision of the Government of the Republic of Moldova no. 559 / 10th June 2005 by which the Land Cadastre was adopted according to the situation from 1st January 2005. At the same time, we mention that the Law in question provides for the development of the evaluation only for fiscal purposes, being derogated from other purposes of the evaluation, which requires the further improvement of the legal framework of the evaluation.

Currently, the Law on Evaluation Activity, no. 989-XV / 18th April 2002, published on 16th July 2002 in the Official Gazette no. 102 art. 773, version in force: *LP130 of 7th October 2021, MO264-265 / 29th October 2021 art.332; in force from 29th October 2021.*

The latest changes in the law were:

- 1^l) at the request of the integrity inspector: [Art.5 par.(4), let.1^l) introduced through LP130 from 07th October 2021, MO264-265/29th October 2021 art.332; in force from 29th October 2021];
- i) -revoked: [Art.10, par.(2), let.i);
- Art. 14, 16, 17.-revoked;
- Art. 21, par, (1) let. h)-revoked.

We consider that is important to mention that in Article 30 we find written: (1) The Government, within 6 months will elaborate and approve: f) the national evaluation standards; (2) Pending the approval of national valuation standards, the valuation undertakings shall carry out the valuation of the immovable property in accordance with the Provisional Regulation on the valuation of immovable property, approved by the Government (Legea 989, 2002).

Next, we present in table form the stages of development of the legislative framework related to the researched aspect regarding the evaluation activity in the Republic of Moldova – Law on evaluation activity, no. 989 / 18th April 2002, period of 2002-2021 (table 2).

Table 2. Evolution of the legal framework regarding the evaluation activity in the Republic of Moldova: Law on the evaluation activity no. 989 of 18.04.2002

Year	Name	Published	Modified	Validity date
2002	Law on evaluation activity, no. 989 of 18.04.2002	a) 16-07-2002 in Monitorul Oficial No. 102 art. 773		April 18, 2002 - September 22, 2005
2005	Law on evaluation activity, no. 989 of 18.04.2002	b) 16-07-2002 in Monitorul Oficial No. 102 art. 773	<u>Version in force since 23.09.2005 based on changes by LP205-XVI from 28.07.05, MO126-128/23.09.05 art.613</u>	September 23, 2005 – May 29, 2008
2008	Law on evaluation activity, no. 989 of 18.04.2002	c) 16-07-2002 in Monitorul Oficial No. 102 art. 773	<u>Version in force since 30.05.2008 based on changes by LP280-XVI from 14.12.07, MO94-96/30.05.08 art.349</u>	May 30, 2008 – October 26, 2017
2017	Law on evaluation activity, no. 989 of 18.04.2002	d) 16-07-2002 in Monitorul Oficial	<u>Version in force since 27.10.17 based on changes by LP185 from 21.09.17, MO371-382/27.10.17 art.632</u>	October 27, 2017- August 16, 2018

		No. 102 art. 773		
2018	Law on evaluation activity, no. 989 of 18.04.2002	e) 16-07- 2002 in Monitorul Oficial No. 102 art. 773	<u>Version in force since 17.08.18 based on changes by LP173 from 26.07.18, MO309-320/17.08.18 art.492</u>	August 17, 2018- July 20, 2020
2020	Law on evaluation activity, no. 989 of 18.04.2002	f) 16-07- 2002 in Monitorul Oficial No. 102 art. 773	<u>Version in force since 14.08.20 based on changes by LP154 from 20.07.20, MO205-211/14.08.20 art.462</u>	July 20, 2020- October 29, 2021
2021	Law on evaluation activity, no. 989 of 18.04.2002	g) 16-07- 2002 in Monitorul Oficial No. 102 art. 773	<u>Version in force since 29.10.21 based on changes by LP130 from 07.10.21, MO264-265/29.10.21 art.332</u>	October 29, 2021
		h)		

Source: Prepared by the author based on the legislative acts of the Republic of Moldova. <https://www.legis.md/>

Also, Law no. 989-XV 2002 represented the reference point for initiating the process of elaborating the National Evaluation Standards. Thus, on January 1st, 2004, the first Standard SM 249: 2004 was launched, “Unique patrimony valuation system: terms and definitions”, which, like the respective Law, requires the revision of the valuation terminology and notions, as well as the methodological aspects of evaluation.

The role of International Financial Reporting Standards for domestic entities

An important step for the entities from the Republic of Moldova was the “transition to the International Financial Reporting Standards, which was a real challenge. This accounting harmonization was not an easy process either for the developed countries of the European Union, according to the experience of certain countries. We are convinced that the IFRS will support the entities in their economic activity in order to achieve the advanced goals and obtain the desired profit, but they will also contribute to achieving a global higher quality, obtaining a freer movement of capital, harmonizing accounting aspects regarding the elaboration of the accounting reports, assurance of a good cooperation and the identification of the best practices at international level in order to facilitate the current activities and to be realized on the foreign markets” (Birca, 2021).

Currently, the Republic of Moldova is in the process of joining the EU and the application of IFRS acquires an obvious importance, contributing to the quality improvement of the economic activity in the field of financial sources attracted from foreign investors.

The issue of IFRS implementation is quite complex and many aspects need to be considered when evaluating the IFRS implementation (Albu, 2011(a)): the characteristics of the accounting system; historical perspective; company characteristics and attitudes; users of financial statements and their expectations; the specifics of the accounting profession.

The adoption of IFRS in the Republic of Moldova faces serious difficulties because the training and education of accountants is not very qualitative and there would be needed a period of analysis and study of their impact and behavior in order to be implemented, their application being quite expensive because the vast majority of enterprises are small and medium-sized (Hlaciuc, 2021).

The process of accounting legislation harmonization encounters „a number of difficulties related mainly to: the shortcomings of international regulations in establishing precise rules on certain aspects of accounting activity; the possibilities of interpreting the international legislation in accordance with the traditional legislation in the field of each country; the impossibility of companies to comply with international regulations” (Ghiță-Mitrescu, 2007).

The direct application of the methods left in the Republic of Moldova is difficult due to objective reasons, like: “insufficient development of the domestic securities market; limited access to information; the need for intervention with a large number of adjustments generated by the lack of transparency in the accounting records; uncertain long-term planning in the current conditions, leading to difficulties in applying the revenue approach to valuation; the fair valuation of assets is significantly reduced in comparison with the market valuation” (Cobzari, 2019).

Measures to improve the accounting harmonization process include: simplifying the financial and statistical reporting process by developing and launching a single reporting platform for IFS, CNAS, CNAM and the National

Bureau of Statistics; implementing the training programs and development of skills and knowledge of the representatives of the accounting profession in order to facilitate the application of the provisions of European legislation; systematization and harmonization of fiscal and customs legislation, through the elaboration and adoption of new legislation (Fiscal Code and Customs Code), ensuring the transparency, security and clarity of fiscal and customs policies and the efficiency of the application of International Financial Reporting Standards (IFRS) in the Republic of Moldova, in the current conditions of the market economy (Mihailă, 2017).

V. CONCLUSIONS

Following the research of the legislative retrospective regarding the valuation process of the entity, we find that the situation in the field has considerably improved over time, being developed and creating independent property valuation institutions; public associations of evaluators; the deontological code of the members of the association; private property; real estate market; the profession of evaluator; national evaluation standards, etc. We also want to highlight the significant role of the state in this process, because it is responsible for developing the legal, normative and methodological basis of property valuation, organizing the certification procedure of real estate appraisers, developing national valuation standards, etc.

Currently, the economic context generates both conditions (*de pus un antonim pentru impediment, nu conditii*) and impediments due to the pandemic, which slowed down or even stopped the activity of many entities. Generalizing the results of the study, we highlight the submission of the proposal to complete/develop the definition of evaluator (Law 989/2002) as having sufficient work experience in the field of evaluation, a high level of professionalism and the necessary competence to carry out the evaluation activity, otherwise his activity presents a scenario in favour of someone, but does not present the truth, respectively it is not useful to either the entity or the state.

The evaluation process in the Republic of Moldova encounters many difficulties, such as lack of information, access to data, lack of National Evaluation Standards in accordance with local market requirements, lack of specialists, insufficient collaboration between scientists and practitioners in the field, collaboration with international associations, etc. Efforts to develop the market for evaluation services in the Republic of Moldova will help to remedy the situation created due to several reasons, especially the drought and the Covid-19 pandemic from 2020-2022.

We propose some measures to recover the economic situation of the country and in particular, of the economic entities:

- improving the quality of valuation services by continuously training real estate appraisers;
- financial support from the state for the business field;
- using the services of professional evaluators;
- creating the conditions for obtaining the effective valuation report related to the value of the entity;
- multilateral collaboration of the authorities with the Public Associations of the evaluators and the economic entities.

However, the objective results included in the report of assessing the value of the economic entity will contribute to the development of the real estate market, which will improve both the economic conditions of the beneficiaries, at regional and national level and also at international collaborations (Birca, 2020).

In fact, valuation of the entity is favourable for both the seller and the buyer, because it increases management, facilitates investment decision-making and business growth. The participants in the financial market request the valuation of the assets in order to establish their value, their intention being to obtain a favourable price to their own interest for buying or selling a business. For this reason, we consider that it is an absolute necessity to adapt the legislative framework to new economic conditions.

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