

# THE IMPACT OF THE CHOICE OF ASSET VALUATION TECHNIQUES ON THE VALUATION OF AGRICULTURAL ENTITIES: A CASE STUDY

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**Abstract.** Research aim is to analyse the impact of the choice of asset valuation methods on the financial performance of agricultural entities. Research problem: different methods can be used to value the assets of an agricultural entity in its financial statements. The choice of valuation method affects not only the accounting for all transactions relating to the use of assets, but also the financial position of the enterprise and its current and future performance. Therefore, there is a need to determine which valuation methodology reflects a more realistic representation of the financial position of the agricultural entity and provides users with true and fair information. In order to analyse the impact of asset valuation techniques on the financial performance of the enterprise, a simulation model was developed based on the data AC X. It was found that the valuation of fixed assets at revalued amount and of biological assets at fair value less point-of-sale costs has a significant impact on the financial performance of AC X. The application of fair value based methods results in an increase in the value of total assets, equity and liabilities on the company's balance sheet, and also increases the company's profits, which in turn leads to an increase in the profitability of sales. The return on assets and return on equity decrease. Indebtedness ratios are also reduced, making the company more attractive to creditors.

**Keywords:** asset valuation, historic cost, fair value, financial results

## INTRODUCTION

The actual financial position of an entity is critical to the correct decision-making of external and internal users of information and is linked to the presentation of true and fair information in the financial statements. To present true and fair information in the financial statements, it is important to make the appropriate choices and apply the required methods of measuring financial items, both in recording items at initial recognition and in preparing the financial statements. One of the elements of financial statements is assets. The consequences of an inaccurate valuation of an asset may be felt for several periods. The structure of the balance sheet, the income statement, the amount of depreciation expense and tax calculations will all depend on the valuation of assets. Therefore, the valuation of assets in corporate accounting needs to be given considerable attention.

**Research problem:** different methods can be used to value the assets of an agricultural entity in its financial statements. The choice of valuation method affects not only the accounting for all transactions related to the use of assets, but also the financial position of the enterprise and the current and future performance of the enterprise. Therefore, there is a need to determine which valuation methodology reflects a more realistic view of the financial position of the agricultural entity and provides users with true and fair information.

**The object of the study** is valuation methods.

**Research aim:** to analyse the impact of the choice of asset valuation methods on the financial performance of agricultural entities.

**Study objectives:**

1. Identify the advantages and disadvantages of the cost and fair value methods of valuing assets.
2. To determine the impact of cost and fair value measurement techniques on the financial position and performance of AC X.

**Research methods:** analysis of scientific literature, comparison, case study.

## THE ADVANTAGES AND DISADVANTAGES OF COST AND FAIR VALUE MEASUREMENT TECHNIQUES

Valuation is commonly understood in accounting as the process of determining the value at which items in the financial statements are presented in the financial statements. The laws on corporate financial reporting in the Republic of Lithuania outline the rules for the valuation of corporate assets. These laws require companies to value assets in their financial statements in accordance with generally accepted accounting principles and business accounting standards. Since 2007, Lithuanian companies can choose between International Accounting Standards (IAS) and Business Accounting Standards (BAS), except for listed companies, which have to prepare their financial statements in accordance with IAS. Both IAS and BAS provide a number of main options for the valuation of assets: historical cost and fair value.

According to Bužinskienė, Montrimienė (2023), (IAS 12, 2016), Arjunan (2022), Barker et al. (2022), Modria et al. (2022), the most common method of valuing assets in practice is the acquisition cost method. According to the Accounting Standards for Business Enterprises (IAS 12, 2016), and Bužinskienė, Montrimienė (2023), Rudžionienė, Lukošūnaitė (2020) „cost is the amount of cash or cash equivalents paid or payable, or the value of other assets given

or consumed in exchange, at the time of the asset's acquisition or construction". Bužinskienė, Montrimienė (2023), Arjunan (2022), Barker et al. (2022), Modria et al. (2022), Rudžionienė, Lukošūnaitė (2020), Candra et al. (2022), Li et al. (2024), Jang, Yehuda (2021) argue that the main purpose of this approach is to correctly value the asset by attributing to the value of the asset the full amount of the principal costs of acquiring and producing it. Kalčinskas, Kalčinskaitė-Klimaitienė (2017) state that „the basis for the valuation of tangible fixed assets should always be the actual cost of acquisition (in other words, the 'cost to oneself'), which is also referred to as the acquisition (production) value". However, it should be noted that, although the cost method is simple, widely used and labour-intensive, it does not always reflect the true value of an asset. Table 1 highlights the advantages and disadvantages of valuing assets at cost.

Table 1

**Advantages and disadvantages of the cost method** (compiled by the authors from Bužinskienė, Montrimienė (2023))

<b>Benefits</b>	<b>Disadvantages</b>
Cost is easy to calculate. A simpler and more stable way	The fair value of assets, which changes over time as the business situation changes, is not reflected, resulting in a misstatement of the entity's financial results
An entity can reliably measure cost because the acquisition of an asset is evidenced by the relevant purchase or exchange transactions, which are the basis for measuring it.	
No additional cost, as the company's specialists can determine this value themselves from the acquisition documents	Making it harder to compare assets

To summarise the data in Table 1, the cost method, although simple and labour-intensive, does not always reflect the true value of an asset. And it is very important for company managers to know not only how much it cost to acquire an asset, but how much it is worth now. Therefore, over time, it has become apparent that it is no longer sufficient to use double entry accounting, recording all transactions and events at cost, but that other methods must be used to give a true and fair view of the financial position and performance of the company and its cash flows. This becomes particularly important when everything around you is changing: resource prices, wage rates, interest rates, real estate and other commodity prices. The analysis of the academic literature shows that an increasing number of authors refer to the fair value approach in their articles. According to Rudžionienė and Lukošūnaitė (2020) fair value accounting is based on market equilibrium with a perfect competitive environment. This theoretical ideal consists of the same expectations of all market participants, the availability of all commodities, the absence of transaction costs and taxes, and the same interest rates for money invested and borrowed in capital markets. Under these conditions, the fair value of an asset is its objective market value, and it is then easy to determine the fair value of an asset because it is simply the market price, which is independent of the individual conditions in a given company. However, such ideal conditions do not exist in reality - firms operate in markets that are not perfect and where neither market equilibrium nor objective market value exist. Therefore, it is argued that the determination of the fair value of an asset is quite complex and that fair value can only be defined as an approximation rather than a specific value. However, it should also be noted that the initial valuation of assets also distorts the true financial position and performance of an entity as prices change. Thus, the academic literature has shown a debate about which valuation method a company should choose to value its assets, and whether historical prices are better than certain varieties of present value.

According to Rudžionienė and Lukošūnaitė (2020) „the choice of asset valuation method is particularly relevant for the valuation of long-lived assets, as valuation at historical cost usually leads to impairment of the asset's value, thereby reducing the availability of long-term credit. Valuing short-term assets at cost can lead to a reduction in costs and an increase in taxable profits“. According to DeFond et al. (2020), the future financial reporting framework should include only fair value-based information, which will make the financial statements more informative and transparent.

Table 2

**Advantages and disadvantages of fair value measurement** (compiled by the authors based on Rudžionienė, Lukošūnaitė (2020), Ahn et al. (2020), DeFond et al. (2020))

<b>Benefits</b>	<b>Disadvantages</b>
Allows for an objective assessment of cash flows	Difficult to assess in the absence of active market share
Shows how efficiently assets are used	Indicates the notional value, which may nevertheless differ from the transaction price
Makes it easier to compare the value of assets, making it easier to assess and analyse	Requires additional costs and good professionals
Financial reporting reflects a more realistic view of the company's financial position	Because it is new and rarely used in practice, there is a lack of specialists and methodological information. There is no specific guidance in the Financial Accounting Regulations on how to reliably determine this value.

Thus, according to all the authors who have analysed asset pricing issues, companies that use only historical prices in their accounting records are presenting in their financial statements a state of affairs and performance that is out

of line with market conditions rather than the true state of affairs. Therefore, in the opinion of the author of the study, today's management needs require timely information on the financial position of the company, which would nevertheless be better reflected by the use of current values. In the author's view, fair value can be defined as the amount for which assets or services can be exchanged. The fair value of an asset can be measured reliably if fluctuations in its fair value are insignificant or if the likelihood of the results of different valuations varying can be accurately determined or estimated.

Table 2 highlights the main advantages and disadvantages of the fair value option.

The analysis of cost and fair value approaches shows that there are advantages and disadvantages to both approaches, making it difficult for managers to decide which approach to use when valuing assets. An analysis of articles by various authors in this decade and the last decade on cost-based and fair value-based methods of valuing assets shows that almost all of the authors are of the same opinion, recommending that companies should choose the fair value method of valuing assets. According to Rudžionienė, Lukošūnaitė (2020), Ahn J. et al. (2020), DeFond et al. (2020), Fukui et al. (2022) and other authors, the fair value approach is more promising as it allows for a more realistic value of assets and more reliable performance and financial indicators. It also simplifies accounting by eliminating the need to calculate the cost of all types of production. According to the authors, the fair value of assets reported in the balance sheet is consistent with the real value of the assets at the reporting date, and the fair value of assets is consistent with the accounting prudence principle and provides valuable feedback to users.

According to Rudžionienė and Lukošūnaitė (2020), in order to increase the reliability of accounting and reporting data, it is necessary to abandon the tradition of valuing only at acquisition cost, as such valuation is in many cases biased. In his view, the fair value method should be used to value assets. The author also recommends this method for agricultural holdings with biological assets, as the fair value method provides a more reliable and realistic valuation of assets. Foreign authors also support the view that assets should be measured at fair value. Sharma et al. (2024) argue that applying the fair value approach internationally would increase the comparability of corporate financial information. DeFond et al. (2020), Alharasis et al. (2022), Mahieux (2022) argue that fair value measurement is important for the decisions of creditors, investors as it reflects a company's true financial position. The cost method also influences decision-making as long as the carrying amount is reasonably consistent with fair value. When cost deviates from fair value, the influence of cost-based decision making decreases. According to Fukui, Saito (2022), the world needs to phase out the historical cost approach and adopt the fair value approach. According to him, fair value accounting provides more information for management functions. According to Blecher (2019), companies adopting the fair value measurement approach will generate greater social welfare, and a financial statement based on fair value is more useful in assessing the performance of the company in calculating financial ratios.

However, there are other opinions. Kalčinskas, Kalčinskaitė-Klimaitienė (2017) consider that the historical cost method is flawed because it focuses on the past, but reflects the costs actually spent to acquire the asset. The author argues that fair value does not indicate anything because it focuses on the real price of the asset, which can only be the case in one instance: at the time of sale-purchase. Cahyani, Firmansyah (2023), Nguven, Tran (2023) are also not very positive about the fair value method of valuation. They consider that fair value measurement is less objective and verifiable, and that the size of the entity affects the relevance and reliability of the fair value effect in financial statements. Alharasis et al. (2022) argue that fair value measurement is more like a forecast than a reality. Zhang et al. (2020) also doubt that fair value measurement of assets provides any benefit. Blecher (2019) argues that the choice of valuation method depends on a variety of factors that influence the use of one or the other method. As companies can choose which valuation method to use, this author believes that the choice of valuation method may be influenced by factors such as the size of the company, the composition and durability of the assets held, the tax system of the country, etc.

In summary, one of the most pressing issues in corporate accounting is the choice of how to value assets, because the valuation of assets determines the reliability of information about the assets and financial position of an entity. IAS and IAS prescribe that assets should be measured at historical cost or fair value. Both methods have advantages and disadvantages, making it difficult for managers to decide which method is appropriate. The literature review shows that many authors favour the fair value approach and suggest it for companies that have a large number of fixed assets with a long useful life and a high degree of market volatility. They consider that the fair value of assets provides a more accurate assessment of financial ratios, such as the liquidity of the company and the profitability of assets. This information is particularly relevant for capital formation, bank borrowing and other purposes. For small, young companies that have no plans to borrow, are saving money and do not want to incur additional costs, the authors suggest that the cost approach should be used, as the costs of accounting for assets at fair value may exceed the benefits, thus violating the requirement of optimality. After analysing the advantages and disadvantages of valuation methods, the author proposes that companies should value assets at fair value. Although more complex and labour-intensive, this method provides a more accurate reflection of the company's financial position and performance, and more accurate financial ratios, which are essential for true and fair information.

## **THE IMPACT OF ASSET VALUATION TECHNIQUES ON THE FINANCIAL PERFORMANCE OF AC X**

Calculations have been carried out to justify that the use of fair value provides a more reliable and realistic financial valuation of the company. The author has selected the data from the financial statements of the agricultural

company X for the calculations. The calculations were based on the company's balance sheet, profit and loss account, accounting policies and information provided by the company's accountant. AC X was established in 2015 and its main activity is crop farming: cultivation of cereals (wheat, barley), storage and marketing of cereals. The company has 400 ha of cultivated land. The assets of AC X comprise fixed assets, biological assets and current assets. Fixed assets consist of tangible assets, biological assets consist of crops, agricultural produce consists of grain, and current assets consist of inventories, receivables within one year and cash equivalents. Inventories are stated at the lower of cost and subsequently cost or net realisable value when acquired; receivables and cash equivalents within one year are stated at cost. There are no alternatives to change the valuation methods for current assets and therefore the value of these assets remains the same in the following calculations.

The valuation of tangible assets in the financial statements may be based on the historical cost or revalued amount method. Many authors argue that it is appropriate to measure tangible assets on a fair value basis because these assets represent the largest proportion of a company's asset structure and, therefore, changes in the value of these assets have the greatest impact on the company's financial performance. For the purposes of the financial statements, AC X measures its property, plant and equipment at cost and applies the straight-line method of depreciation to these assets.

The revalued amount of the fixed assets of AC X was determined on the basis of the active market price. If there is no active market, the fair value is determined by reference to the market price of identical assets. If it is not possible to determine the market price of an identical asset, then the value of the asset is determined by reference to the market price of a similar asset. When the fair value of an asset cannot be determined in the market because it does not exist or because of significant improvements in technology, the asset is carried at cost.

## TANGIBLE ASSETS

The fixed tangible assets of AC X comprise: land, buildings and structures, equipment and vehicles. As already mentioned, the company owns 400 ha of arable land in Prienai district. The land was purchased in 2015 for EUR 400 000. As the land is not depreciated, the carrying amount at 31 December 2023 remains the same as at the date of purchase, i.e. EUR 400 000. In order to find out what the land is currently worth on the market and how it differs from the balance sheet, a market price analysis was carried out. The revalued value of the land according to the active market price was established on the basis of data from the agricultural land values map of the registry centre (<http://www.registrucentras.lt/masvert/>). According to the data of the Centre of Registers, the value of land in the Prienai district ranges from EUR 3801 to 4500/ha. The highest price of agricultural land, i.e. EUR 4 500/ha, as reported by the Register Centre, has been selected for the calculations (see Table 3).

Table 3

**Value of tangible fixed assets of AC X as at 31.12.2023**

Tangible fixed assets	Carrying amount, EUR (estimated cost less depreciation)	Market value, EUR (revalued)	Difference between carrying amount and market value, EUR
Land (400 ha)	400.000	1.800.000	1.400.000
Building (900 m <sup>2</sup> )	38.240	190.000	151.760
Tractor Case magnum 310	1	32.700	32.699
Harvester Massey Ferguson Cerea 7278	1	35.000	34.999
Drill Kongskilde	1	9.500	9.499
Iveco 35c15 truck	1	9.800	9.799
<b>Total:</b>	<b>438.244</b>	<b>2.077.000</b>	<b>1.638.756</b>

Table 3 shows that the revalued value of the agricultural land is as much as 4.5 times (EUR 1 400 000) higher than the carrying amount as at 31 December 2023, calculated on the basis of the cost method. As the difference in value between the balance sheet value and the revalued value of the land is sufficiently large, it is appropriate for the land to be revalued at the market price. AC X has one building which houses the company's administration and the company's ancillary facilities (200 m<sup>2</sup>) and grain storage (700 m<sup>2</sup>). The building was purchased in 2017 for EUR 71700. The depreciation standard for buildings in AC X is 15 years (Appendix 1 to the Law on Corporate Income tax). The revalued amount of the Company's buildings is based on the active market price of similar buildings offered for sale in similar locations on websites. The price of the building 900 m<sup>2</sup> is based on the price of a similar building found on skelbiu.lt (<https://m.skelbiu.lt/skelbimai/parduodamos-gamybines-patalpos-prienu-rajone-patalpos-76840559.html>). Table 3 shows that the carrying amount of the building at 31 December 2023, calculated at cost (less depreciation), is EUR 38240. The revalued value of the building is EUR 190000, which is EUR 151 760 higher than the carrying amount at 31 December 2023. As the difference between the revalued value of the building and the carrying amount calculated on the basis of the cost method is very significant, it is appropriate for the AC X to revalue the building on the basis of the market value. The revaluation of the building will allow a more realistic view of the value of the building in the company's financial statements. The group of machinery and equipment of AC X consists of: a Case magnum 310 tractor, a Massey Ferguson Cerea 7278 combine harvester, a Kongskilde Demeter Combiseed drill. The company's depreciation allowance for the tractor, combine harvester and seed drill is 5 years (Appendix 1 to the Law on Corporate Income tax). The agricultural

machinery was purchased by the company in 2015 and has a carrying amount of EUR 1 each as at 31 December 2023. The fair value of the tractor, combine harvester and drill can be estimated using active market prices. The price of a Case magnum 310 tractor (made in 2009) is calculated on the basis of the price of a similar tractor found on the website skelbiu.lt (<https://m.skelbiu.lt/skelbimai/parduodu-traktoriu-case-magnum-310-76614327.html>). The price of the Massey Ferguson Cerea 7278 harvester (made in 2008) is calculated on the basis of the price of a similar combine harvester found on the website autoplius.lt (<https://autoplius.lt/skelbimai/fendt-8350-massey-ferguson-cerea-727-kombainai-17173857.html>). The price of the Kongskilde Demeter Combiseed drill (made in 2006) is also calculated on the basis of the price of a similar drill found on the website autoplius.lt (<https://autoplius.lt/skelbimai/kongskilde-demeter-combiseed-3-m-sejamosios-sodinamosios-25781384.html>). As the difference between the revalued value and the carrying amount of agricultural machinery is very large, it is appropriate to revalue this machinery at market prices. The revaluation of the agricultural machinery will provide a more realistic view of the value of the company's machinery in the financial statements. X has an Iveco 35c15 truck (made in 2009). The depreciation standard for trucks is 4 years (Appendix 1 to the Law on Corporate Income tax). The market price of the truck is calculated on the basis of the price of a similar truck published on the autoplius.lt website (<https://autoplius.lt/skelbimai/iveco-35c15-savivarčiai-26780593.html>).

As the difference between the revalued value and the carrying amount of the truck is significant, it is appropriate to revalue the asset at market prices in order to present a true and fair view in the financial statements.

In summary, the prices of real estate, agricultural machinery and vehicles can change significantly over time, depending on the economic situation of the country. As can be seen from the data in Table 3, the valuation of assets at cost does not always accurately reflect their true market value, and it is therefore appropriate to revalue assets periodically, especially those with a high value and a long useful life, as these assets are likely to have the most significant impact on the company's financial performance and the values of financial ratios.

## BIOLOGICAL ASSETS

The biological assets of the agricultural company X consist of crops and the agricultural production consists of cereals. The Company's accounting policy provides for the valuation of biological assets at acquisition (production) cost. In order to present a true and fair view in the financial statements, it is appropriate to measure biological assets at fair value less costs at point of sale. The fair value of the agricultural production (grain) of agricultural company X is determined by reference to the purchase prices of grain on 29-31 December 2023 (see <https://www.linasagro.lt/matif-birzos-kainos>), less costs at the point of sale.

The differences between the value of biological assets and agricultural production when valuing biological assets at cost and fair value less point-of-sale costs are shown in Table 4.

Table 4

**Value of biological assets and agricultural production at 31 December 2023**

Assets	At cost, EUR	Fair value measurement, EUR
Agricultural production	512.500	683.282
Crops	73.900	73.900
Unfinished production	43.600	43.600

Table 4 shows that the value of biological assets at cost is lower than their fair value less costs to sell. Although the differences in the value of the biological assets between the valuation methods shown in the table are small, the author considers that it is appropriate to value the biological assets at fair value less costs to sell.

In order to understand the impact on the financial position and performance of AC X of the valuation of fixed assets at acquisition cost and revalued amount, and of biological assets at cost and fair value less point-of-sale costs, a simulated balance sheet and profit and loss account has been developed (see Tables 5, 6).

Table 5

**Balance sheet of AC X at 31 December 2023**

Article from	Assets measured at cost, EUR	Fixed assets at revalued amount; biological assets at fair value, EUR
<b>Fixed assets</b>	<b>512.144</b>	<b>2.150.900</b>
Tangible assets	438.244	2.077.000
Biological assets (crops)	73.900	73.900
<b>Short-term assets</b>	<b>621.172</b>	<b>791.954</b>
Stocks:	556.100	726.882
Agricultural production	512.500	683.282
Unfinished production	43.600	43.600
Receivables within one year	51.232	51.232
Cash and cash equivalents	13.840	13.840
<b>TOTAL ASSETS:</b>	<b>1.133.316</b>	<b>2.942.854</b>
<b>Shareholders' equity</b>	<b>495.166</b>	<b>2.033.273</b>

Authorised or share capital	200.000	200.000
Revaluation reserve	0	1.538.107
Mandatory reserve	25.445	25.445
Retained earnings (losses)	269.721	269.721
<b>Provisions for income tax</b>	<b>0</b>	<b>271.431</b>
<b>Accounts payable within one year and current liabilities:</b>	<b>638.150</b>	<b>638.150</b>
Debts to suppliers	303.050	303.050
Income tax liabilities	47.598	47.598
Employment-related liabilities	127.100	127.100
Other payables and current liabilities	160.402	160.402
<b>TOTAL EQUITY AND TOTAL LIABILITIES:</b>	<b>1.133.316</b>	<b>2.942.854</b>

Table 5 shows that the revaluation of property, plant and equipment at revalued amount and the valuation of biological assets at fair value less point-of-sale costs resulted in a significant increase in the value of all assets. The difference in the value of total assets on the balance sheet amounted to EUR 1 809 538 (160 %). The increase in the revalued assets resulted in a revaluation reserve in the balance sheet (EUR 1 538 107) which led to an increase in equity. The revaluation reserve is recorded at the amount resulting from the increase in the value of the assets resulting from the revaluation of the assets less the provision for income tax. The revaluation of the asset resulted in the carrying amount of the asset being higher than its tax base, giving rise to a taxable temporary difference which resulted in a deferred income tax liability. The provision for corporation tax (EUR 271,431) is calculated by multiplying the taxable difference by the corporation tax rate (15%). The deferred income tax liability has increased the company's total liabilities.

Table 6 shows an example of a simulated profit and loss account. As at 1 January 2023, the company's agricultural production balances had a balance sheet value of €184,800 and a fair value of €26,640. The carrying amount of crops at 1 January 2023 was EUR 45000 and the value of work in progress was EUR 20000.

Table 6

**Profit and loss account of AC X as at 31 December 2023**

Indicator	Assets measured at cost, EUR	Fixed assets at revalued amount; biological assets at fair value, EUR
Sales revenue	1.118.589	1.118.589
Change in the value of agricultural production	327.700	498.482
Change in value of biological assets	28.900	28.900
Change in value of work in progress	23.600	23.600
Gross production	1.498.789	1.669.571
Variable and fixed costs	1.181.470	1.181.470
Profit from typical activities	317.319	488.101
Corporate income tax (15%)	47.598	47.598
Net profit	269.721	440.503

Table 6 shows that the company's variable and fixed costs and income tax are unchanged as a result of the revaluation of the assets on 31.12.2023, and are the same as when the assets were valued at cost. However, it should be noted that next year, when depreciation will start to be calculated on the significantly higher value of the property, plant and equipment, the costs will increase. Net profit increased by EUR 170,782, i.e. 63.3%, as a result of the increase in gross production. The analysis shows that the fair value measurement of assets has a significant impact on the financial position and performance of AC X. The valuation of assets affects not only the level of assets, equity and profits, but also the financial ratios (see Table 7).

Table 7

**Financial indicators of AC X in 2023**

Relative indicators	Assets measured at cost, EUR	Fixed assets at revalued amount; biological assets at fair value, EUR
<b>Profitability indicators</b>		
Operating profitability, % (VP/PP*100)	28,37	43,64
Net profitability, % (GP/PP*100)	24,11	39,38
Return on assets, % (GP/T*100)	23,8	14,97
Return on equity, % (GP/NK*100)	54,47	21,66
<b>Liquidity (solvency) ratios</b>		
Total liquidity ratio (TT/TL)	0,97	1,24
Critical liquidity ratio (TT-A)/ CI	0,1	0,1
Net working capital, EUR (TT-TOU)	-16.978	153.804

<b>Turnover rates</b>		
Asset turnover ratio (PP/T)	0,99	0,38
<b>Indebtedness indicators</b>		
Leverage (I/NK)	1,29	0,45
Indebtedness ratio (I/T)	0,56	0,31

As can be seen from the data in Table 7, the financial ratios of AC X differ between the cost and the fair value methods of valuation. When fixed assets are valued at revalued amount and biological assets are valued at fair value less point-of-sale costs, the increase in the values of the profitability ratios is due to the increase in the company's profits. The return on assets and return on equity decreased, with a particularly significant decrease in the return on equity (-32,81 p.p.), due to the revaluation of assets resulting in a revaluation reserve in the company. It can therefore be concluded that the profitability indicators are affected by accounting differences. The analysis of the company's solvency situation shows that the fair valuation of assets increased the gross liquidity ratio and net working capital. The increase is due to an increase in current assets as a result of the revaluation of agricultural production at fair value. However, it should be noted that the company has a very low critical liquidity ratio. This situation indicates that the company has a large amount of inventories that will have to be sold. The asset turnover ratio decreased, due to a 160% increase in the value of the assets as a result of fair valuation. The gearing ratios of AC X at fair value also decreased. The lower these ratios, the better the company's situation. Creditors will always prefer low debt ratios. If a company has a high level of liabilities and little equity or assets, it will be less attractive to investors because of the investment risk.

The analysis shows that the application of the revalued amount method for fixed assets and the fair value less costs at point of sale method for biological assets will be continuously influenced by the market situation, as well as many other conditions. Such fluctuations in the value of assets affect the presentation of equity and the value of assets in the financial statements and, as a result of these fluctuations, users of the financial statements are able to see a truer and more accurate representation of the company's financial results.

## CONCLUSIONS

1. Assets may be accounted for in two main ways: based on historical cost or fair value. The literature review found that the authors prefer the fair value-based approach because the use of fair value provides a more reliable and realistic valuation of assets. Proponents of the cost approach argue that fair value-based valuation is unreliable because the real price of an asset can only be determined in one case: at the time of sale/purchase. Fair value proponents argue that fair value based valuation provides a more accurate representation of the value of the asset on the balance sheet at the reporting date, thereby providing users of financial statements with more realistic financial information about the entity.

2. The results of the simulation suggest that the valuation of fixed assets at revalued amount and biological assets at fair value less point-of-sale costs has a significant effect on the financial performance of AC X. The application of fair value based methods results in an increase in the value of total assets, equity and liabilities on the company's balance sheet and an increase in the company's profits, which in turn results in an increase in the profitability of sales. The return on assets and the return on equity decrease, with a particularly significant decrease in the return on equity, which is due to the revaluation of the company's assets resulting in a revaluation reserve. Indebtedness ratios also decrease, making the company more attractive to creditors.

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