

REPORT OF DISSERTATION READER

of dissertation thesis of PhDr. Andreas Laux, elaborated on topic

“Valuation of non-cash contributions in German start-up balance sheet according to the German Commercial Code, Austrian Code and International Financial Accounting Standards”

Dissertation is dedicated, as it results from its name, to the issue of valuation of the non-cash contributions into the start-up corporations. The very conception of valuation in accounting is the subject of extensive discussion in the current literature and therefore it was necessary to define theoretical approaches to the valuation in the accounting and their stipulation in the legislation in the introductory chapters. Author understands the valuation in the accounting as a process that is developing in the context of political and also economical conditions in the given space and time. It is evident that valuation impacts the financial situation and also performance of the corporations and eventually also the whole economy. Dissertation reacts to the current situation in the German legal regulations and from this point of view it is an interesting contribution to the ongoing discussion.

History shows that already at the end of 17th century there were two different approaches to the valuation in connection to the development of German and French economy and to the strength of the impact of the macroeconomic surroundings. One was based on market value preferred by the creditors and the lawyers and the second on spent costs supported by the management and the owners of the corporations. At that time the creditors did not have a sufficient impact in order to influence legal regulations and concept of acquisition costs predominated. Successively in other periods the concept of market value grew stronger till the cautious variant of lower acquisition costs or market evaluation at the end of 19th century. After the collapse of American Stock Exchange the acquisition costs, as the objective criteria, were again implemented into the newly arising standards (US GAAP). Market valuation in the form of so-called fair value (IAS, IFRS) began again to enforce later at the end of the last century

In connection to the results of the literature research, focused on the current legal regulation of the valuation of non-cash contributions into start-up corporations according to the German and Austrian laws and in the international rules (IFRS) there are defined the main and also the partials aims of this dissertation. Achieving these aims there is defined an appropriate methodology of work and that corresponds to the logical structure of the dissertation. The main aim of the dissertation is to respond to the question whether the uniform method of the valuation of the non-cash contributions into the start-up corporations should be codified within the German Commercial Code and to propose the ideal method of valuation.

The starting point for the fulfillment of this aim is the detail analysis of the current state of the recognition in the law and also accounting rules dedicated mostly to:

- Users and the function of the financial statements in the German and Austrian regulations and IFRS,
- Non-cash contributions from the point of view of the company,
- Costs related to acquisition and the principle of historical costs according to HGB,
- Costs related to acquisition and the principle of historical costs according to IFRS.

The focal point of the dissertation is the discussion of the individual variants of the valuation as imaginary costs related to acquisition. Within this chapter there are systematically collected the scientific views published in current German professional literature, their classification is made and

comparison with scientific discussion dedicated to Austrian approach to solution of the issue resp. international rules. Present effects of the various scientific opinions are subsequently researched using case studies. The starting point of the case studies is the fundamental situation described by selected parameters, which is modified using different valuation of non-cash contributions into the start-up of the corporation. Individual methods of valuation are assessed using appropriate criteria. The total valuation of the advantage and disadvantage of these methods using the appropriate method of analysis known from the decision theory is made from the individual assessment of the methods of valuation. Specifically there was selected an analytical model of utility according to Zangemeister, which analysis the aggregate complex action of alternatives with the aim to identify the components of this aggregate in connection to the preferences of the decision-making body with regard to the multidimensional target system. The utility model enables to value advantages and disadvantages during deciding about the method of the valuation of non-cash contributions into the start-up corporations.

In my opinion the main aim of the dissertation was fulfilled by the formation of the utility model and its solution. Positive answer to the implementation of the uniform method of valuation of non-cash contributions in start-up corporations in German has been found and the fair value, which is considered to be the ideal method of valuation by the student, was recommended for the valuation of the presumed acquisition costs.

Some questions and comments resulted from the studied dissertation which I would suggest for answering during the internal defense:

1. Synthesis of utility confirmed expected differences between alternative methods of the valuation of the contributions into start-up of corporations in accordance with original assignment of the illustrative example. Under the given preconditions would it be possible to achieve different result?
2. Descriptive character predominates in the dissertation, mainly when recording legal requirements to the contributions, accounting methods and published scientific opinions to the related issue. It practically limits the possibility of wider empiric research, which would confirm the economic effects resulting from individual alternative of the valuation of contributions. Desirable is mainly the quantification of the economic effects as a result of the comparison of the fair value with the valuation of the contributions in the German commercial corporations which compiled start-up balance sheet with non-cash contributions in the previous period.
3. How will the equity participation be reported in the accounting of the company which provided contribution into the start-up company?
4. It is recommended the valuation by the fair value as optimal method for the valuation of contributions in the start-up balance sheet of the company. How will the contributions of the aggregate of assets and liabilities be reported (displayed)?
5. What consequences may have the use of market valuation of contributions instead of fair valuation for the start-up corporation?
6. Dissertation fulfills the requirements from the formal point of view except the content where there are not listed the pages of the individual chapters and other subchapters.

The fundamental pillar of the dissertation is a study of quite significant quantity of information sources, mainly legal documents, accounting rules and discussion papers to the given issue, which enabled to define alternative valuation methods and to select model appropriate for the comparison of these alternatives. Aims defined in the dissertation were verified by the application of the model. In this field the student has shown the necessary knowledge and ability of the scientific work.

Dissertation completes theoretical findings with the valuation models and their impact on reduction resp. elimination of silent reserves for contributions into start-up corporations.

Interesting application of utility model, when valuating alternatives of the valuation of start-up contributions, is advantage of the dissertation. It brings new findings for the business theory in the field of application of accounting methods and created data in the management of corporations. Utter preconditions and aims are gradually verified and compared using theoretical model appropriate for decision-making tasks. Thesis fulfils requirements generally imposed on dissertations in the given field and therefore I recommend it for the defense and after the answering the observations and successful defense to grant the title of philosophiae doctor.

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