

# Reflection on Teaching Asset Evaluation Cases Based on Framework Content

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## ABSTRACT

This article aims to teach asset valuation case studies, focusing on the content of the asset valuation framework, and analyzing the significance, mode, and related issues of asset valuation case studies through practical experience, in order to provide reference opinions for improving asset valuation case studies.

## KEYWORDS

Asset evaluation; Framework; Case teaching.

## 1. INTRODUCTION

As an intermediary service activity under market economy conditions, asset evaluation exists in various fields of commodity economy and social reproduction. Asset valuation is the application of commodity value theory to provide a true, objective, fair, and reasonable evaluation and estimation of the price of specific assets. Asset evaluation is a highly practical and applied discipline. Therefore, in the teaching practice of asset evaluation, especially in the CPV (Certified Public Valuator) direction of financial management, CPA (Certified Public Accountant) direction of accounting, and MPACC (Master of Accounting) teaching practice, it is necessary to actively try case teaching and organize and implement case teaching in a scientific and reasonable manner, continuously exploring and exploring the best combination of asset valuation theory and practice, promoting the development of asset valuation case teaching. Undoubtedly, the case study can serve as a vivid demonstration for the training of students before engaging in practical work. Qin Jing's (2013) teaching research article illustrates the importance of case studies. Shao Wentao and Tian Suyuan (2023) pointed out the impact of the "school enterprise association" linkage on improving the research ability of undergraduate students in asset evaluation, and proposed suggestions for the implementation of asset evaluation in financial management teaching.

In the teaching process of investment management and project evaluation courses, we found that: firstly, asset evaluation technology has strong applicability and broad professional scope; Secondly, in the implementation of teaching organization, it is further found that it has put forward high requirements for the preparation of related knowledge such as finance, taxation, and auditing; Once again, teaching asset valuation cases is a complex task that involves a wide range of aspects, including efforts from teachers, students, schools, and society, as well as comprehensive reforms in teaching facilities and methods, especially the widespread application of multimedia technology and computer network technology, and the importance of professional expansion for accounting students.

The above discussion indicates two meaningful directions: (1) With the development of China's economy, asset evaluation will gradually grow into a cross disciplinary field of professional knowledge, playing a role in identifying and guiding market value estimation and resource allocation. (2) Case teaching is an important form of learning for economic students. From the perspective of students adapting to the demand for versatile talents in the main business of accounting firms, appraiser firms, and tax law firms in the future, case teaching research on asset evaluation can lay a solid foundation for students' practical work in the future.

## **2. THE CURRENT DEVELOPMENT STATUS AND PROBLEMS OF ASSET APPRAISAL PROFESSION IN CHINA**

The beginning of China's asset appraisal industry began in 1989. With the approval of the Ministry of Personnel, the former State owned Assets Administration established the Asset Appraisal Center, which exercises the supervision and management functions of national asset appraisal. In November 1991, the State Council issued Order No. 91 on the Management Measures for State owned Asset Evaluation, which established the basic basis for China's asset evaluation work. In 1993, China established the Asset Appraisal Association (which was merged into the Chinese Institute of Certified Public Accountants from 2000 to 2003), marking the transition of China's asset appraisal industry from direct government management to self-discipline management under government supervision. In 1995, the China Asset Appraisal Association represented the Chinese asset appraisal industry and joined the International Valuation Standards Committee (IVSC), putting China's asset appraisal industry on the path of international integration.

With the rapid development of China's market economy, it has grown rapidly, and in just 10 years, it has gone through a history that other countries took more than 100 years to complete. It has emerged with the transformation of China's economic operation mechanism and will develop with the establishment of the socialist market economy mechanism. Whether in economic exchanges, government work, legal affairs, or social activities, it will involve asset evaluation activities. The evaluation industry has become an indispensable part of the market economy and an important component of the intermediary service industry. With the establishment and improvement of the socialist market economy system, especially the deepening of state-owned enterprise reform and the development of the factor of production market, various forms of property rights transactions such as asset transfer and asset restructuring have become increasingly frequent. As a result, the asset appraisal industry, as an intermediary institution serving the market economy, has emerged and flourished, playing an increasingly important role in the construction and development of the market economy. However, with the continuous deepening of China's economic system, the growing evaluation market has increasingly high requirements for the evaluation industry. The Chinese asset appraisal industry will face new and more severe challenges.

In response to the current development status of asset valuation, we have found that with the development of socialist market economy, various economic activities and behaviors are becoming increasingly complex. In economic activities such as asset and property transactions, it is necessary to hire an independent third party to express professional opinions on the value of assets and rights, providing a value scale for economic activities such as asset transactions. Evaluation intermediary services have become the foundation of major economic activities such as enterprise restructuring, asset restructuring, Sino foreign cooperation, property rights transactions, as well as leasing, mortgage, insurance, etc., thus becoming an important component of the market economy system. The factors influencing asset value are very complex, and information asymmetry among all parties involved in the transaction. How to reasonably determine the value of assets or rights not only concerns the interests of all parties involved in the transaction, but also affects the interests of the state and the public in asset evaluation in areas such as state-owned enterprise reform, securities, and finance, and is related to whether the economy can develop healthily.

Currently, the country is accelerating the adjustment of the layout and structure of the state-owned economy, especially in the reform of state-owned enterprises, which involves the interests of investors, creditors, enterprises, and employees, and requires good coordination. In asset trading, the bottom price is mainly determined based on the results of asset evaluation. If the asset evaluation results are not accurate, it is likely to cause the loss of state-owned assets, may also infringe on the legitimate rights and interests of employees, and more seriously, may also affect social stability. In the asset evaluation of listed companies, improper evaluation results can affect investors' confidence in the stock market, affect their correct decision-making, and may also harm the legitimate rights and interests of shareholders, affecting the healthy operation of the securities market. In bank mortgage loans, if loans are issued based on overvalued asset values, it may increase non-performing loans. Therefore, in many cases, although asset valuation is only an intermediary in market trading activities, its impact on the economy is very extensive and often has time delays, which have an impact on subsequent economic activities. Therefore, asset appraisal not only assumes professional responsibility, but also strong social responsibility. It should not only serve the client, but also serve the public and safeguard public interests.

### **3. TEACHING FRAMEWORK AND CONTENT OF ASSET EVALUATION**

We emphasize in our teaching that the responsibility of asset evaluation is to serve the public interest. During the learning process, educate students to establish confidence and belief in the asset appraisal profession. The main framework is as follows:

#### **3.1. Main teaching objectives**

Clarify the meaning, assumptions, and characteristics of asset evaluation, and correctly understand the status and role of asset evaluation under the conditions of socialist market economy; Comprehensively understand the theory of asset valuation, and master the valuation methods of various types of assets. Learn to apply the knowledge and skills of asset valuation to serve business decision-making.

Through case study, in future practical work, we should abide by professional ethics, timely grasp domestic and foreign valuation standards, master valuation processes and techniques, and promote the development of asset valuation profession and practice.

#### **3.2. Specific professional knowledge and skills**

As an asset appraiser, it is necessary to conduct in-depth research and understanding of the relevant laws, regulations, and policies in the field of assets being evaluated.

Asset appraisers need to be familiar with laws and regulations related to companies, finance, taxation, and accounting, securities and futures trading, intellectual property, and trade secrets. They need to be familiar with evaluation standards and norms, such as International Financial Reporting Standards, US Financial Accounting and Financial Standards, International Accounting Standards, International Investment Planning Standards, etc. They need to understand the legal status and scope of application of these standards and norms in various countries to ensure that the evaluation results meet regulatory requirements.

Meanwhile, asset appraisers need to connect basic theories and methodologies in the field of valuation, such as value theory, geometric averages, and adjustment factors. They need to understand common concepts, principles, calculation methods, and common misconceptions in the field of evaluation to improve the accuracy and credibility of the evaluation work.

## **4. CURRENT SITUATION AND TEACHING DIFFICULTIES OF ASSET APPRAISAL PRACTICE**

### **4.1. The basic theory of asset evaluation is not mature, and the theoretical system is not perfect**

In the early stages of the development of China's asset appraisal industry, China's economic system was still in the process of transitioning from a planned economy to a market economy. The various appraisal cases and difficulties encountered were much more complex than those in foreign countries. Although many practical operational difficulties had been solved, there were still many controversies; With the continuous development and maturity of China's market economy, the problem of weak evaluation theory, especially basic theory, is becoming increasingly prominent, which to some extent limits the development of China's asset evaluation industry and may even shake its position, restricting its role. This makes theoretical teaching lack foresight in practical cases.

### **4.2. Uncertainty and Market Risk in Asset Evaluation**

When evaluating capital market assets, market uncertainty should not be confused with market risk. Market risk refers to the possibility that risky assets in the market may lose value over time due to changes in the evaluation date of market conditions. The market transaction price of assets will reflect the impact of future changes in the capital market.

So, although there may be many fluctuations in prices over a period of time, there is almost no market or valuation uncertainty for a given date. For example, in the case of stocks traded on the exchange, their daily trading volume on public exchanges is significant. However, due to the independence of market uncertainty and market risk, the valuation of highly liquid listed stocks has almost no uncertainty, but can still reflect higher market risk.

From theoretical and practical considerations, contrary to market risk, market uncertainty is unmeasurable because it arises from the inability to observe the impact of events on prices. In practical teaching, due to the lack of objective conditions for students to practice (or they can only simulate stock trading, but the effect is basically zero because it will not affect reality), it is easy to confuse the two conceptually.

### **4.3. Nature of Asset Evaluation Report Information and Industry Evaluation**

In asset valuation practice, there are clear regulations on the matters that need to be handled when preparing reports and valuing reports. Especially for many physical asset measurements and evaluations, estimation methods can only be used, which is difficult for students who have not yet left school, even if they watch teaching materials such as videos, they cannot obtain a sense of experience. When preparing the scope of work or report on real estate value, it is necessary to indicate the items included and specific examples. For example, when evaluating the value of forestry, it is necessary to explain the issues that may be involved in forestry valuation. Usually, it is necessary to refer to the sources of forest inventory and other information, and try to display complex data as projects. In addition, if it is necessary to rely on information provided by clients or third-party experts, the degree to which asset appraisers are required to conduct due diligence should also be recorded.

### **4.4. Supervision and Impact of Multiple Leaders in the Asset Appraisal Industry**

Asset evaluation, as an economic behavior that mainly relies on market mechanisms, although the government led industry management model in China has its historical necessity, it has not fully reflected the independent market-oriented position of the evaluation industry, resulting in even the current thorny problems of multi management and departmental intervention.

The outstanding performance of multi head management is that various industry regulatory departments divide the management power of asset evaluation, establish an asset evaluation management system and qualification certification within the industry, and form industry monopolies. From international experience, asset evaluation should include evaluation services in different professional fields, but as a complete industry, the management of each professional field should be unified. In the development process of China's asset appraisal industry, various industry regulatory authorities have artificially monopolized the evaluation of different professional fields. For example, in addition to the asset appraisal industry managed by the Ministry of Finance, the price department, land department, trademark department, and construction department also have their own industry evaluation supervisory powers, and each has its own regulations, policies, and evaluation standards. This sometimes leads to conflicts in regulations between different regulatory authorities, making it difficult to form unified management. The inconsistency between multi management and standards greatly restricts the objective performance of asset evaluation. On the other hand, the industry monopoly caused by departmental intervention also seriously hinders the role of asset appraisal industry in the market. Some regulatory authorities exclude evaluation agencies from other industries due to their own interests, in order to prevent reputable evaluation agencies from taking away their own "jobs", which seriously affects market competition in the evaluation industry and leads to resource waste.

Due to inconsistent standards and multiple administrative practices, the authority of teaching case explanations is insufficient. This often makes it difficult for students to determine whether the case applies the guidelines or administrative regulations.

#### **4.5. The marketization level of asset appraisal institutions and appraisers is not high**

Government intervention and multi stakeholder management have an impact on the independent market-oriented position of evaluation institutions. The evaluation agency is affiliated with administrative institutions and is subject to the supervisory department in terms of personnel, finance, name, and internal interest distribution, making it difficult to independently, objectively, and fairly carry out evaluation work; Due to the presence of regulatory authorities as the background, evaluation agencies and personnel lack market competition and risk awareness, and cannot truly adapt to the needs of the market economy to become self reliant and risk-taking practitioners. On the other hand, the professional quality and ethical standards of domestic evaluation institutions and personnel severely limit the position of asset evaluation in the minds of the public and management, thereby affecting its necessary role, resulting in a lack of clear guidance for vocational education in asset evaluation.

#### **4.6. Standardization of Asset Appraisal Standards and the Basic Legal Status and Interests of the Asset Appraisal Industry**

There are multiple technical standards in the asset appraisal industry, and different technical standards and behavioral guidelines often prioritize the interests of the department, ignoring the common needs of the entire asset appraisal industry. In the actual operation process, the transparency of technical standards is very low, which has become an important means to prevent other departments from evaluating institutions from entering the market, resulting in inconsistent and non-standard guidelines for the entire industry.

The asset evaluation criteria lack strength in regulating the evaluation behavior in practical operations, soften the risk constraints in evaluation, and due to the lack of clear evaluation criteria protection, it is difficult for evaluators to find regulatory basis for avoiding risks in legal proceedings. In addition, the delayed introduction of the Asset Appraisal Law cannot clarify the legal status of the asset appraisal industry and provide the most basic legal protection to appraisal institutions and personnel.

However, the Chinese certified public accountant industry has already established relatively mature Independent Audit Standards and the Chinese Certified Public Accountants Law. In contrast, the asset appraisal industry is clearly far behind in terms of legal and regulatory construction, and its position and role are weakened.

## **5. TEACHING REFLECTION**

It may have an impact on asset owners and play a crucial role in the effective operation of financial markets (Zhou Qinye et al., 2010). Therefore, the teaching framework must cover and reflect the requirements for the independence, objectivity, and ability of valuation based on laws and evaluation criteria; Emphasis must be placed on training students to master the procedures and guidelines to be followed when providing valuation opinions suitable for different purposes.

It is not difficult for us to come to this understanding from the above. (1) In reality, this is the foundation of our case teaching and the best demonstration of using existing theories to explain and reveal cases. It is precisely because there are shortcomings in reality that cases that reflect the impact and conflicts between different institutional levels and market mechanisms are included in a unified and feasible framework, which is more convenient for students to understand and master. (2) In teaching, when strengthening case design, it is also necessary to consider the examination content of national registered asset appraisers, which is beneficial for graduates to obtain qualification certificates. In this way, we can adapt to the needs of the socialist market economy system reform process and make our school's financial management major better adapt to the needs of economic construction and development.

## **6. SUGGESTIONS**

(1) Strengthen professional competence training in teaching. The professional competence of asset appraisers must comply with the principles and requirements of the Chinese Asset Appraisal Standards.

(2) Strengthen professional ethics risk education. As professional assessors will be responsible for any failure to adhere to ethical principles or to effectively apply professional knowledge and skills. This accountability can come from being accountable to self regulatory agencies (such as valuation professionals) or government recognized licensing agencies. In the absence of such institutions, accountability can be achieved through the employer's internal disciplinary procedures or through peer review by asset appraisers. To achieve accountability goals, any system for reviewing the conduct of asset appraisers should be transparent to the public and available for public review in the event of public complaints about the conduct of asset appraisers. Therefore, it is necessary to clarify and implement the requirements for accountability of asset appraisers in teaching.

(3) Strengthen compliance updates. Asset appraisers must comply with the conditions of any statutory licensing system or other regulatory requirements related to the market or industry in which they operate. Therefore, it is necessary to update the compliance regulations for asset appraisers in real time during teaching.

(4) Strengthen the regulatory understanding of the asset appraisal industry. It is necessary to guide students to understand the actual situation in China through multifaceted and multi-level case studies. Especially for cases of regional nature, try to use conventional thinking to determine the applicability of the provisions in the case.

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