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Challenges to cooperative societies: implementation of international standards of accounting CPC 01

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Abstract

The objective of this study is to identify the main barriers in the International Standard Application of the "Impairment of Assets" (CPC 01) which from the 2010 financial year, will have on cooperative societies. We used exploratory and descriptive research with a qualitative approach, using literature and document analysis. The exploratory and descriptive research, according to Gil (2002), searches for the initial understanding of a given phenomenon, in this case, cooperatives in general. The results show that although the standard allows a number of different methods to be used in determining its various assumptions, little concrete guidance is passed to accountants in applying these methods. Coupled with the natural complexity of introducing a concept and accounting regulations, must consider the lack of skilled labor in Brazil to define and implement complex premises, sensitive and with a high degree of judgment involved. That said, it is expected that the definition and application of these assumptions should be supported by independent experts and widely discussed among managers of cooperatives. We conclude that the cooperative societies, in particular, with little experience in Accounting, will face difficulties and serious problems in the implementation of accounting pronouncement CPC 01.

Keywords: Recoverability of assets. Accounting of cooperatives. Regulation.

Introduction

The cooperative has emerged as a reaction movement to the miserable living conditions in their time, their precursors defended as an instrument of change of the capitalist system, seeking the abolition of private property for the benefit of the community says Gil (2002). It also adds Gil (2002), the characteristics of the philosophy of cooperativism emphasize cooperation and mutual assistance, democratic and participative management and mutual obligation of the partners to contribute goods and services for the exercise of economic activity in the common good without objectify profit. For Pine (2004), cooperation can be focused as a doctrine, theory, system, movement or simply cooperatives administration technique. A firm can be seen as a set of contracts involving owners, customers, employees, administrators, community, etc. (JENSEN; MECKLING, 1979). According to Condon (1987), the cooperative is a set of contracts governing ownership and control rights over resources, involving aspects of decision-making, resource allocation, returns division and appropriation of profit and risk.

Research problem

From the year 2010 cooperative societies will have to face a new problem was apparently solved before the emergence of international accounting standards. These standards for application in Brazil are prepared by the Accounting Procedures Committee - CPC, which make the numbering of the standards using the acronym CPC. Cooperatives are partnerships and as such have an interest to society as a whole. Research on accounting unions is not very extensive, but it shows enough to demonstrate the difficulties that these entities have when dealing with organization and legal records.

See, for example, the thesis of Duarte (2003) who sought to draw a picture of Unimed, a cooperative health supplement, in a context of scarcity of empirical information. The cited research highlights that the accounts of cooperative organizations is one of the many aspects worthy of further investigation.

The FERREIRA search results and Braga (2007) confirmed the hypothesis that cooperatives are less efficient than limited companies in the category production efficiency, asserting thus the importance of promoting different policies to improve efficiency in the dairy industry.

The aforementioned researchers conclude that one cannot say that the cooperative model is less efficient than limited companies, since the results of their studies are very contradictory and limited nature. In fact, there is, in the economic literature, consensus on the efficiency or inefficiency of cooperative societies as compared to limited companies, which motivates an investigation in this regard. It seeks this research to identify the main barriers that accountants and cooperatives will have to face to meet the current international accounting standards the rules of CPC 01 will be used to assess these problems.

General objective

This work aims to identify the main barriers in the International Standard Application of the "Impairment of Assets" - CPC 01 that from the 2010 financial year, will have on cooperative societies. Some items of accounting standards already in place will most significantly affect the financial statements of companies in general (entities) for the years ended from December 31, 2010. In addition, depending on the specific circumstances of cooperative societies there may be other aspects of the Pronouncements, Guidelines and Interpretations, not analyzed in CPC pronouncement 01 which deals with the impairment of assets or "impairment", which may also impact, in a relevant way, the financial statements.

Fundamentals of the study

History of Brazilian legislation

Although there is some disagreement within the time limits that define periods of historical development of the Brazilian cooperative legislation, the literature on the subject shows at least three basic periods:

1. a phase of implementation and initial consolidation of cooperatives, which began in 1903 extending to the late 30 (PINHO, 1982);
2. a phase characterized by state intervention, which continues until the 1988 constitution, being more acute in the late 60s; and
3. a phase of greater autonomy, driven especially from 1988.

Consistent with its historical evolution in the world, the emergence of cooperativism in Brazil is related to the labor movement. Treating of Agricultural Unions, Decree 979, of January 6, 1903, refers in art. 10, the organization of cooperatives, is considered the starting point of cooperativism in Brazil.

It is recorded, soon after the Decree 1,673, of January 5, 1907, where cooperatives are defined without, however, assigned to them independent legal entity. During this period, although the law recognize their existence, they were not proper and specific rules being considered commercial general partnership in commandite or anonymous.

The publication of Decree 22,239, of December 19, 1932, is a most important milestone for the legal consolidation of cooperatives, which now acquire their own legal format. In art. 2: "The cooperative societies, whatever their nature, civil or commercial, are partnerships and not capital, legal form" sui generis ". This Decree is considered the fundamental law of cooperativism in Brazil.

The study covers the characteristics of cooperatives and establishes doctrinal principles. It lasted until 1966, when Decree-law 59 of November 21 was promulgated.

In December 1942, three Decree Laws defined strong state interference in some types of cooperatives - fishing and production, trade and products of manioc and fruit.

In 1966, Decree-Law 59, regulated by Decree 60597 of April 19, 1967, increased state interference to other categories - especially insurance, credit and credit sections of mixed unions - and determined the loss of most fiscal stimulus. This decree is considered a second milestone in the history of the cooperative.

In 1971, Law 5.764 was promulgated, which is still valid today. According to the menu, it defines the national policy of cooperativism, establishes the legal regime of cooperative societies and provides other measures. It also reaffirms the interference of the State, instituting state monitoring under the tutelage of organs created to coordinate the cooperative system.

In the mid-1980s, studies began for the development of Brazilian cooperativism without the government. With the holding of the 10th Brazilian Congress of Cooperativism, held in March 1988, the self-management defense of the National Congress begins, through the Cooperative Parliamentary Front (RODRIGUES, 2015).

Cooperativism exerted an important influence on the Constitution. For Périus (2004), the constituents devoted protection to the system. The author locates the Brazilian constitutional text as one of the best among the countries that protect cooperativism. It points out that the nominations forwarded by the Parliamentary Cooperative Front, approved in the Constitution, translate into the following provisions:

- According to the autonomy of cooperatives, Art. 5, inc. XVIII decrees the end of state tutelage on cooperatives: "the creation of associations and, in the form of the law, cooperatives is independent of authorization, and state interference in its operation is prohibited."

The State has the role of encouraging cooperativism, as explained in Article 174, § 2: "The law will support and encourage cooperativism and other forms of cooperativism"; And in Article 146: "Complementary Law: [...] III - to establish rules on tax legislation, especially on: [...] - appropriate tax treatment of the cooperative act practiced by cooperative societies".

Thus, according to the author, the concept of a cooperative act is enshrined in the Constitution, and its relationship with a complementary law obliges the legislator to define the appropriate tax treatment. The self-management of cooperatives is also definitively guaranteed in the constitutional text.

Until the late 1960s, cooperatives enjoyed some incentives and tax benefits, which drove the development of cooperativism. For Maria Henriqueta Magalhães, a specialist in Cooperative Law, the losses of tax benefits, determined by the legislation of this time, led to the termination of a large number of cooperatives, which survived these incentives, and led to mergers and mergers of others, In the market (personal interview held on April 6, 2001).

In fact, taking as an example the incidence of income tax, Law 5.764 / 71, currently in force, restricts to non-taxable transactions those that characterize cooperative acts, defined in Article 79 as "those practiced between cooperatives and Its members, between these and those and for the cooperatives among themselves when associated, for the attainment of social objectives. " In the same article, a single paragraph states that "cooperative act does not imply market operation, nor contract of sale of product or merchandise." Article 111 specifies that the positive results obtained by cooperatives in operations with non-cooperative third parties and obtained from participations in non-cooperative societies are considered as taxable income. The previous legislation exempted the cooperative from offering to taxation all the positive results obtained

It is noteworthy that, historically, cooperatives enjoy differential treatment under Brazilian law. According to the literature, the incentives were higher in the initial periods of cooperativism, being more scarce in recent periods. In any case, even today, "cooperative operations" are differentiated from "market operations". Without deriving to value judgment, this differential represents, at least, certain advantages in tax terms.

The legal basis for non-taxation, as pointed out by the specialists in cooperative law, is based on the nature of cooperatives, which are defined as societies of persons - not capital - which reciprocally undertake to contribute goods or services for the exercise of An "economic activity of common advantage", with no objective of profit. "Although it moves wealth, it does not aim for profit, this being the main difference of mercantile societies, in which this is the main objective" (PINHO, 1982).

Legal and accounting aspects of cooperatives

The law on cooperatives (Law 5764/1971) defines cooperatives as societies of persons, with their own legal form and nature, of a civil nature, not subject to bankruptcy, constituted to provide services to members.

Social objectives of the cooperative society

These companies may, with the purpose of enabling the activity of their associates, adopt any object, respecting the legal limitations in order not to engage in illegal activities or prohibited by law. The most commonly used social objectives in cooperative societies are: producer cooperatives; Consumer cooperatives; Credit cooperatives; Labor cooperatives; Housing cooperatives; Social cooperatives.

Commercial and tax bookkeeping

Since cooperative societies are subject to income tax of the legal entity when they obtain positive results in non-cooperative acts, and must note in their accounting books the revenues, costs, expenses and charges related to these acts - operations performed with non-members. In view of these requirements, it is concluded that, in such cases, cooperatives should possess all the accounting and tax books required of other legal entities.

Formation of the social capital of the cooperative society

It has the art. 24 of Law No. 5,764 of 1971, that the share capital will be subdivided into shares and subscription may be proportional to the movement of each member.

For the formation of the capital stock, it may be stipulated that the payment of the shares be made through periodic payments, regardless of call, in national currency or assets. The cooperative legislation provides that the payment of shares and the increase of the share capital may be made with assets previously evaluated and after approval at a General Meeting or by retention of a certain percentage of the value of the financial movement of each member.

Concept of cooperative acts

Cooperative acts are called those practiced between the cooperative and its associates, between these and those and the cooperatives between them when associated, to achieve the social objectives, in terms of art. 79 of Law No. 5,764 of 1971.

The cooperative act does not imply a market operation, nor a contract to buy or sell a product or merchandise. Thus, we can cite as examples of cooperative acts, among others, the following: the delivery of products of the members of the cooperative, for commercialization, as well as the transfers made by the cooperative to them, resulting from this commercialization, in agricultural production cooperatives; The supply of goods and merchandise to associates, provided that they are linked to the associate's economic activity and are the object of the cooperative in the agricultural production cooperatives; The beneficiation, storage and industrialization of the associate's products in the agricultural production cooperatives; Acts of assignment or use of houses, in housing cooperatives; To credit cooperative members.

Non-Cooperative Acts

Non-cooperative acts are those that matter in operation with non-associated third parties. Among others, the following (Law No. 5,764, 1971, articles 85, 86, and 88) are: the commercialization or industrialization, by agricultural or fishing cooperatives, of products acquired from non-members, farmers, ranchers or fishermen , To complete lots for the fulfillment of contracts or to supply idle capacity of its industrial facilities; Supply of goods or services to non-members, to meet social objectives; Of participation in non-cooperative societies, public or private, to meet complementary or complementary objectives; Financial investments; The contracting of goods and services of non-associated third parties.

Accounting for Non-Associated Operations

The art. 87 of Law No. 5,764 of 1971 establishes that cooperative societies must account separately for the results of operations with non-members, in order to allow the calculation of taxes.

In addition, MP no. 2,158-35, of 2001, in its art. 15, paragraph 2, provides that the amounts excluded from the PIS and COFINS calculation base, related to operations with associates, shall be accounted for by the cooperative, and such operations must be proven by means of appropriate and proper documentation, with identification of the acquirer , Of its value, of the kind of good or commodity, and of the quantities sold.

Methodology

The research methodology is characterized as exploratory-descriptive with a qualitative approach. The bibliographical research and documentary analysis were mainly used. Exploratory-descriptive research, according to Gil (2002), seeks the initial understanding about a certain phenomenon, in this case, cooperative societies. It should be noted that the choice of this is due to the fact that recently this type of society has stood out, becoming an example of successful enterprise, even acting in a highly competitive segment.

Results Analysis

The main barriers detected for the application of the international CPC 1, regarding the fiscal aspects, the methodology and criteria to be used in defining the main premises and the aspects of the first application of CPC 01 are described below.

A. Tax aspects

The impairment of an asset does not constitute a deductible provision for the purpose of calculating income tax and social contribution on income. The deductibility of this provision occurs when its realization, which usually occurs by the depreciation, amortization, exhaustion or disposal of this asset.

Consequently, when assessing the impairment loss of an asset, the company must maintain control of the depreciation rates over the cost of acquisition of the asset, and realize the provision as the original cost is depreciated.

Therefore, the provision should be controlled as an undecidable temporary expense that will be realized in proportion to the depreciation of the original cost of the good. Regarding the temporary difference, income tax and social contribution

Deferred social security.

B. Methodology and criteria to be used in defining the main premises

For all intangible assets with indefinite useful life and for goodwill based on economic expectation of future profitability, the impairment test is required annually. For the other assets included in the scope of IAS 36, such valuation is necessary whenever the indicative loss is identified in its recoverable amount. Paragraphs 7 to 17 of IAS 36 indicate, objectively, what those indicatives may be. In paragraph 12, there is a detailed, but not exhaustive, list with examples of internal and external factors that may indicate such loss.

Once the need to perform the asset impairment test has been identified, the company must use the higher of the net sales value and the value in use of the asset. This last evaluation involves premises and criteria whose definition is little objective and with a high degree of judgment. The definition of value in use can be summarized in five steps, namely:

Step 1: Divide the company into cash-generating units

The cash-generating unit should be the lowest possible and practicable level of independent cash generation. This definition should be made considering how managers monitor, define continuity and / or decide to sell part of the company's operations (eg, product line, business segment, units, plants, offices, districts or regions). Here are some practical examples of identifying cash-generating units:

Example A

A mining company has a private railroad to back up its mining activities. This road can be sold only by the (residual) value of scrap and it does not generate cash inflows from continuous use that are largely independent of cash inflows from other mine assets.

It is not possible to estimate the recoverable value of the railway because its value in use can not be determined and is probably different from the value of scrap. Therefore, the company estimates the recoverable value of the cash-generating unit to which the railway belongs, ie the mine as a whole. The net book value of the railroad shall comprise the accounting balance of the cash-generating unit for purposes of testing the recoverable value of assets.

Example B

A public transportation company has acquired the concession of five bus lines in a municipality that requires minimum service on each of the five lines. The assets

Dedicated to each row and the cash flows from each row can be identified separately. One of the lines operates at a significant loss. As the company is unable to eliminate any of the lines, since they were all acquired in a single concession and could not have been acquired separately, the lowest level of identifiable cash inflows, which are substantially independent of cash inflows from other assets or groups of assets, are the cash inflows generated by the five lines together. The cash-generating unit is the concession, which must encompass all five lines.

Step 2: Identify the net book value of cash generation units

The net book value of a cash generating unit is determined in a manner consistent with the determination of the recoverable amount. In addition, the net book value of a cash-generating unit includes only the assets that can be directly allocated or allocated on a reasonably consistent basis.

It is important to note that Management must ensure that the sum of the net book values of the cash-generating units must be reconciled with the accounting books of the company. It should be noted that certain assets may be inherently incapable of generating significantly independent cash flows (as explained in Example A of step 1 above). Another good example of these assets are corporate assets such as administrative buildings. In this case, Management must apply a consistent and reasonable methodology that allows the allocation of the full value of the asset to the other cash generation units. We have included below a practical example of what this criterion might be:

Table 1 – Example of the methodology

	Manufacturing Units			Asset	Total
	A	B	C		
Net book value	100	150	200	150	600
Useful life remaining in years	10	20	20	20	
Net Book value weighted	100	300	400	N/A	800
% Pro-rata for allocation	13%	38%	50%	N/A	
	100/800	300/800	400/800	N/A	
Net book value of the asset to be allocated				150	
Amount to be allocated	19	56	75	(150)	
Net book value after allocation	119	206	275	-	600

Source: Search Data, 2016.

Step 3: Estimate the future cash flow before income and social contribution taxes for the cash generation unit being evaluated

To calculate the value in use of a cash-generating unit, the company needs to estimate the future cash flows that will be derived from the use of the cash-generating unit, considering the possible variations in value and time of cash flow realization. Cash flow projections should:

a) be reasonable and based on supported assumptions that represent the best estimate of the management of the economic factors that will exist during the remaining useful life of the asset - greater weight should be given to external evidence;

b) be based on the most recent business plans approved by the Board of Directors, which shall not exceed 5 years.

However, they should exclude any projections arising from future restructurings (unless the company is committed to a restructuring as defined in IAS 37 - Provisions, Contingent Liabilities and Contingent Assets), planned asset improvements and / or performance enhancements;

c) for future years, in addition to the period covered by the business plan approved by the Board of Directors, projections should be extrapolated considering the current average growth rate, a declining growth rate compared to the current rate or even a growth rate negative. In addition, this growth rate should not exceed the average growth rate expected by the market for the products, industry segment, country and region. The use of projections on a basis other than those mentioned above will be extraordinary circumstances, which should be substantiated and normally can only be supported by independent experts.

Management shall ensure that the assumptions on which the cash flow projections are based are consistent with the current cash flows of operations. This security must be obtained by comparing and analyzing the differences between the budgeted and the realized. Projections should be adjusted based on recent results. In addition, the projection of future cash flows should include the following three elements: Cash inflows arising from the continuous use of the asset; Cash outflows required to generate the above receipts, such as those relating to operating expenses and costs, administrative expenses, etc., and all payments that can be allocated or allocated on a reasonable or consistent basis, in addition to the necessary capital investments The maintenance of the level of expected economic benefit for the future; And, the net amount expected to be received or paid for the disposal of the asset at the end of its useful life.

Future cash flows can be estimated considering the general price changes resulting from expected inflation for the future period. If inflation is inserted into the model used to forecast future cash flow (for future receipts and payments), then the discount rate should include the effect of inflation.

Paragraph 48 of IAS 36 explicitly states that improvements in the current performance of the asset should not be included in future cash flow estimates until the investment that will support these performance improvements is expended. This is due to the fact that, even if the company makes future expenditures to reverse the impairment of the asset, the loss must be recognized. Subsequently, if additional investments demonstrate effective results, then the previously recorded loss can be reversed.

Finally, the expected future cash flows for an asset should be allocated to the different periods for discount to present value, as discussed in the next step.

Step 4: Identify the appropriate discount rate and discount future cash flows

Once the cash flows have been estimated for the respective future periods, these amounts should be discounted to present value using a discount rate calculated before income tax and social contribution and reflecting the following:

a) The value of money in time;

b) The specific risk of the asset for which future cash flows have not been adjusted.

This means that the discount rate must be a rate that reflects the expected return on the market to match the investment risk. Paragraph 79 of IAS 36 clarifies the following: "A rate that reflects current market assessments of the currency's value over time and the specific risks of the asset is the return that investors would require if they had to choose an investment that generated cash flows of values, time and risk profile equivalent to those that the company expects to extract from the asset. This rate is estimated from rates implied in current market transactions for similar assets or the weighted average cost of capital of a publicly held company that has a single asset or portfolio of assets similar in terms of potential service and risk of the assets under review. However, if the flows are in constant purchasing power currency, the discount rate (s) used to measure the value of an asset in use shall not reflect the risks for which future estimates Of cash flows were adjusted, nor the projected inflation. Otherwise, the effect of the premises shall be taken into account duplicity. "

Therefore, where practicable, the rate should be a market rate or a obtained rate of market transactions. It should be the rate implied by current market transactions for similar assets or the weighted average cost of capital (WACC). However, special attention should be given to the definition of the WACC rate, since IAS 36 specifies that the discount rate is independent of the company's capital structure and the way it finances the purchase of assets. It is suggested by IAS 36 that the incremental loan rate of a company is relevant to the selection of a discount rate.

However, this should only be a starting point, since the appropriate discount rate should be independent of the company's capital structure or the way the company finances the purchase of its assets. Therefore, the incremental loan rate of a company must be carefully used, since it considers, for example, the risk of default for the company as a whole, which is not relevant for determining the expected return on assets.

It is likely that, in practice, the estimation of an appropriate discount rate will have to be made considering the WACC concept. Since most of the value-in-use calculations are done at the cash-generating unit level, it will be rare to have a similar market at that level.

An appropriate WACC rate is extremely technical and subjective, and although there is much academic literature available, there is little consensus on this subject. In practice, the use of specialists should be strongly used.

Step 5: Compare the net book value with the value in use and record the impairment loss, if applicable.

The comparison between net book value and value in use is relatively simple. However, special attention should be given to ensure that the standard used to define the cash generating units, as mentioned in step 1 above, was the same as that used in determining the net book value of the units, as mentioned in steps 2, 3 and 4.

If the net book value (original cost plus revaluations and reduced accumulated depreciation) is less than or equal to the value in use, there is no impairment loss on the asset. On the other hand, if the net book value is greater than the value in use, a loss for impairment of the asset should be recognized immediately, the counterpart to the reduction of the asset being a debit in the revaluation reserve or in the result for the year, as the case may be.

C. First application of CPC 01

Possible adjustments in the first year when adopting CPC 01

Ernst & Young's study with companies that have already adopted the IFRS reveals that one of the key challenges in the process of consolidating standards is improved transparency and comparability of information.

This study contemplated the review of the balance sheets of 65 large companies with financial statements prepared in 2005, in accordance with IFRS, to identify trends and needs in the first full year of implementation, with emphasis on goodwill based on the expected future profitability goodwill and Intangible assets with indefinite useful lives. It also sought to assess the degree of consistency in the adoption of the new model and to discover how the performance evaluation based on IFRS has been used in communication with the market.

Of the companies analyzed, 64 had goodwill in their financial statements for the year ended December 31, 2005, and approximately half of them had goodwill impairment losses in 2005, while 70% of these companies reported a loss on reduction to the recoverable value of tangible assets and intangible assets with defined useful lives.

Although a impairment loss depends on a company's specific circumstances, the frequency of asset impairment in the sample surveyed suggests that the standard required by IAS 36 introduces greater emphasis on the routine and formalization of the test, consequently, more frequent losses.

Due to the lack of prior guidance regarding the recognition of a provision for impairment, significant effects can be recognized in the accounting results of the companies. For example, when adopting the international rule in the Netherlands, the telecommunications company KPN recognized an impairment loss of 9 billion Euros.

"Cash-generating units" (CGU)

Another issue in the authors' evaluation, which may be crucial, is the understanding, identification and determination of the concept of cash-generating units (CGU).

Paragraph 6 of IAS 36 defines a cash-generating unit as "the smallest identifiable group of assets that generate cash flows significantly independent of the cash flows of other groups of assets."

Paragraph 80 of IAS 36 describes how goodwill should be allocated to each CGU. More than a quarter of the companies in the sample surveyed (a survey conducted by Ernst & Young mentioned earlier) adopted a standard approach to describe how cash-generating units were determined and how goodwill was allocated to these units, key of IAS 36 added specific details about each company.

Some of these companies defined their cash-generating units as a business segment as mandated by IAS 14. A significant number of companies indicated that cash-generating units were defined at a lower level than a business segment.

Use of the Technical Feasibility Study (Business Plan)

The Statutory Audit Board and Statutory Bodies of Administration must evaluate and approve such Technical Feasibility Study. It is the responsibility of the independent auditor, in the course of his or her work, to obtain sufficient or adequate evidence or evidence to substantiate his or her opinion on the audited financial statements, especially as to the premises for the realization or recovery of the asset subject to impairment analysis and its correct disclosure. Immediately when changes are identified that imply changing the premises that guided the preparation of the Technical Feasibility Study, in whole or in part, there should be a detailed review of the recoverability of these assets.

Conclusion

Although CPC 1 (IAS 36) allows a number of different methods to be used in determining its various assumptions, little concrete guidance is given to accountants in applying these methods.

Allied to the natural complexity in the introduction of a concept and normative accounting, the absence of skilled labor in Brazil to define and apply complex, sensitive and with a high degree of judgment involved should be considered.

That said, it is expected that the definition and application of these premises should be supported by independent experts and widely discussed among the managers of the cooperatives. It can be concluded that cooperative societies, specifically, with little experience in Accounting, will have difficulties and will face serious problems in the implementation of this accounting pronouncement.

The relevant problem in the application of the impairment tests is the one related to the calculation of the present value of the cash flows generated by a certain cash-generating unit. This involves a lot of discernment, good quality projections, common sense, sensitivity analysis, etc. Projections of future cash flows, on the other hand, are indispensable in good corporate management, and absolutely indispensable in company valuation processes. Publicly-traded companies have their market values determined primarily by these projections, and analysts also seek to work with the division of the company as a whole in their cash-generating units as a way of improving their estimates. Many closed companies may not invest much time in this line of management, which is well known in the literature as one of the factors that cause so many of them not to be able to add as much value as they could to their assets.

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