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LIQUIDATION OF ASSETS AND THE DIFFICULTIES OF THE FORENSIC ACCOUNTANT

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ABSTRACT

The litigation involving members with respect to the valuation of equity of their companies requires an accounting professional capable of providing the court with subsidies for the fair settlement of dispute. However, in the development of their work, the forensic accountant may come across hindering circumstances, and, in view of the foregoing, the purpose of this study is to identify the major difficulties posed to the forensic accountant when liquidating assets in judicial processes. By means of a 13-question structured questionnaire sent to 45 forensic accountants acting in the city of São Paulo in the liquidation of assets under the judicial branch, from November 06, 2019, to November 11, 2019, the study found that the major difficulties of the forensic accountant when liquidating assets in judicial processes are: valuation of inventory, intangibles and goodwill, as well as the valuation of all equity items upon hindering circumstances, to wit: deficient or non-existent accounting records, absence of supporting documents for accounting events, non-existence of a special balance at the time of company dissolution and omission of data and/or information from the parties to the dispute. Therefore, the results of this study show the difficulties experienced by – and capture the perception of – the professionals working in this field, thereby fostering the discussion of current critical issues, which may help the search for alternatives which may provide these professionals with means to overcome these obstacles.

Keywords: Forensic Accounting; Liquidation of Assets; Forensic Accountant; Difficulties.

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1 INTRODUCTION

The valuation of a legal entity is a common practice in business and often draws attention from the media when it refers to large-sized companies which create relevant impact on society. In the year 2019, for example, two of the largest business acquisitions in Brazil were witnessed: Nextel was acquired by Claro, in the communications industry, and Avon was acquired by Natura, in the cosmetics industry. These acquisitions certainly required the valuation of these companies to obtain their business value, in order to consolidate these agreements.

In this sense, Martins (2001) describes that some reasons to value a company are: spin-off, consolidation, merger, dissolution, liquidation or even the capacity of managers.

The valuation of a business is closely related to the continuity or discontinuity thereof. In a scenario of business continuity, a certain method of valuation may be used, whereas another may be adopted in a scenario of business discontinuity. (Paulo, Cunha, Alencar, & Martins, 2006).

Under the judicial branch, the valuation of a company is stated as liquidation of assets – a procedure which primarily aims to measure the interest held by each member. According to Ornelas (2003), the “liquidation of assets” is a judicial procedure ordered in court and conducted by a forensic accountant to value the interest of a company.

Paulo, Cunha, Alencar and Martins (2006) explain that the valuation process is heterogeneous because, upon company dissolution, the dissenting members tend to increase the business value thereof, whereas the remaining members tend to decrease it. In view of this impasse, the judge requires a professional with technical expertise to value the interest held by each member, and, at this moment, a forensic accountant is required to provide subsidies for a fair settlement of dispute.

However, during the discussion on the portion entitled to each interested party, several factors may interfere with the dispute, such as the non-existence of accounting records of the company subject to dissolution, and, therefore, valuing a company under the judicial branch is not an easy task, and, however complex and full of obstacles, this environment requires the forensic accountant to perform the task assigned and submit accurate evidence to court, so that none of the parties can be adversely affected.

Therefore, having the liquidation of assets under the judicial branch as the point of discussion, it is hereby established the following question which lays the foundation of this research: What are the major difficulties posed to a forensic accountant when liquidating assets upon partial company dissolution in the scope of the judicial branch?

The purpose of the study is to clarify the major obstacles posed to a forensic accountant when liquidating assets upon partial company dissolution under the judicial branch in the city of São Paulo.

The justification hereof is based on the reduced amount of academic research on the theme and on the proposition to broaden the perception of the processionals working in the field by casting light on the critical issues identified by forensic accountants when liquidating assets, thereby providing masters with a view of what may occur during a valuation of property under the judicial branch and, therefore, allowing those in charge to seek alternatives in advance to aim at a speedy trial.

2 THEORETICAL REFERENCE

2.1 Liquidation of Assets

The liquidation of assets consists of a procedure aimed to value the equity of a company (assets and liabilities) and, consequently, the value entitled to each member. Fonseca (2012) basically defines "liquidation of assets" as the assessment of the value corresponding to the interest held by the member who dissents or is dissented from the company.

In the scope of the judicial branch, the procedures to be observed when liquidating assets upon partial company dissolution are provided for in the Civil Code (CC) of 2002 (Law No. 10,406/2002) and the Code of Civil Procedure (CPC) of 2015 (Law No. 13,105/2015).

Article 1,031 of the CC of 2002 determines as follows: if no guidelines on the liquidation of assets are provided for in the articles of incorporation, the liquidation of assets upon partial company dissolution shall be performed on the basis of the wealth of the company, on the date of dissolution, as stated on a balance sheet especially drawn up for the purpose thereof:

> Article 1,031. If a company is dissolved in relation to a member, the value of the interest held by this member, according to the amount effectively paid in, shall be liquidated, except as provided for otherwise in the articles of incorporation, on the basis of the wealth of the company, on the date of dissolution, as stated on a balance sheet especially drawn up for the purpose thereof (Law 10,406/2002).

According to the new CPC of 2015, it is worth mentioning that, during the effectiveness of the CPC of 1973, no express rules were established for partial company dissolution, and that, therefore, the rules provided for in the CPC of 1939, which remained effective pursuant to Article 1,218, item VII, of the CPC of 1973, would be applied.

Upon the establishment of the new CPC of 2015, the institution of partial company dissolution has been innovated. As in Article 606 of the CC of 2002, the CPC of 2015 provides for the prevalence of the articles of incorporation and, in case of the lack thereof, the book value shall be assessed on an equity determination balance sheet, on the basis of the date of dissolution, as well as the assets and liabilities valued at exit price (market).

> Article 606. In case of omission in the articles of incorporation, the court shall define, as the criteria for the liquidation of assets, the book value assessed on an equity determination balance sheet, on the basis of the date of dissolution and the valuation of the tangible and intangible assets and rights, at exit price, in addition to the liabilities to be assessed in the same manner (Law 13,105/2015).

Under the judicial branch, "liquidation of assets" represents a set of activities liable to difficulties and complexities, since several factors may impact the valuation, such as:

- The majority of the valuations refer to small and medium-sized companies which fail to draw the due attention to their accounting or which do not even have one;
- As it is an environment of dispute, there are a number of uncertainties, since the dispute between the parties may lead them to omit data/information relevant to valuation to their own benefit;

- The valuation of a company uses expectations, which may sometimes be partially based on subjectivity, whereas court orders must be based on facts, events and objective occurrences; and
- Absence of academic papers which set forth particularities inherent in the theme. (Mondandon, Siqueira, & Ohayon, 2008).

On the same thread, Paulo et al. (2006) affirm that, amongst the problems found in valuations of equity, forensic accountants reported non-existent or reduced reliability of accounting records and difficulty in estimating subjective values.

The interest valuation process involves situations which are classified by Ornelas (2003) as challenges, including the absence of a special balance sheet, non-existence of regular accounting records as well as financial statements and accounting records challenged by the dissenting member.

Perez and Famá (2004) explain that, according to court precedents, the liquidation of assets is carried out by means of an equity determination balance sheet based on a physical and accounting inventory and considers all (tangible and intangible) assets and liabilities. They also explain that the liquidation of assets is not impacted by any change in equity items after the date of company dissolution.

As in court precedents, upon the establishment of the new CPC of 2015, Article 606 thereof sets forth that, in case of omission of the articles of incorporation, the liquidation of assets shall be conducted under the criteria of the equity determination balance sheet.

2.2 Valuation of Companies

According to Perez and Famá (2004), there are several methods to value a certain company, which vary according to the purpose of valuation, business characteristics as well as availability and reliability of information. Damodaram (1997) affirms that no model can be considered the best, as the choice for the best method depends on the special characteristics of each company.

Although there are several methods to value a company, the purpose of this article is not to describe these methods but to set forth an in-depth discussion on the valuation of companies under judicial processes, which, as mentioned previously, is referred to as liquidation of assets.

The valuation of a company in the scope of the judicial branch is stated on an equity determination balance sheet. It is incumbent upon the forensic accountant appointed by court to draw up the aforesaid balance sheet on the basis of the accounting records of the company subject to valuation. This balance sheet does not impact the accounting of the company under valuation and exclusively aims at the portion entitled to the dissenting member or the successors of the deceased member.

2.3 Equity Determination Balance Sheet

The equity determination balance sheet consists of a special balance sheet drawn up by a forensic accountant solely for judicial purposes, which was based on the balance sheet of the entity. The special balance sheet, despite under valuation, does not change the accounting of the entity subject to valuation, because the purpose thereof is to determine the assets of the dissenting, dissented or deceased member (Perez and Famá, 2004).

Ornelas (2003, p. 83) affirms that the equity determination balance sheet is "drawn up for the date of event, when the equity items are valued and consigned at market value."

Although the equity determination balance sheet is not considered a company valuation method per se, the purpose thereof is to state the market value of the owners' equity. The equity determination balance sheet maintains a close relationship with the special balance sheet provided for in Article 1,031 of the CC of 2002. However, the former cannot be confused with the latter, since the special balance sheet states the wealth of the entity on the date of event, and, the equity determination balance sheet, the assets at market value, liabilities at present value and, when the company is capable of having it, goodwill (Caríssimo 2014).

Usual financial statements of companies under judicial valuation are stated at purchase cost. Therefore, these financial statements are required to be redone in the light of court orders (Ornelas 2000).

When drawing up an equity determination balance sheet, some extra accounting adjustments are made, so that the equity items can reflect the respective net realizable value on the date of event. These adjustments aim to reduce the difference between the amount entered in the accounting records and the actual economic value of the business, since traditional accounting does not reflect the actual value of the company subject to valuation.

Despite these adjustments, Hoog (2010) emphasizes that the structure should remain similar to that of the balance sheet, in order to state assets, liabilities and owner's equity. The author also emphasizes that the equity determination balance sheet can be recognized as – but not confused with –a special balance sheet, the purpose of which is to determine the assets of the dissenting or deceased member, as well as being accompanied by notes in order to provide more transparency.

Although there is no law or rule which institutes or obliges the use of the equity determination balance sheet to liquidate assets, Ornelas (2000) and Hoog (2010) consider the use thereof an accounting procedure which aims to provide more accurate and reliable information on company dissolution, thereby effectively complying with the understanding established by the judicial branch.

Until the year 2010, Brazilian Accounting Standard (*Norma Brasileira de Contabilidade* - NBC) T - 4 (Resolution No. 732/92), issued by the Federal Accounting Council (*Conselho Federal de Contabilidade* - CFC), would provide for the valuation of equity and determine parameters to draw up an equity determination balance sheet. In view of the convergence between the Brazilian Accounting Standards and the international standards initiated in 2008 and concluded in 2010, NBC T - 4 has been revoked under Resolution No. 1,283/10, which is also issued by the CFC. Despite the revoked standard not having a specific correspondent, the content thereof has been incorporated by the standards involved in the convergence process.

Caríssimo (2014) emphasizes that, even if it is not explicitly provided for in the rogatory standard of NBC T - 4, it can be concluded that such revocation has been made due to the incorporation of the fair value established in the impairment test, among other standards adjusted to the new International Financial Reporting Standards (IFRS).

Ornelas (2000, p. 135) sets forth how an equity determination balance sheet shall be drawn up and stated:

Table 1
Structure of the equity determination balance sheet

ASSETS	LIABILITIES
Cash and Cash Equivalents	**Liabilities**
• Cash and banks (according to adjusted balances)	• Goods and services suppliers (face value converted into present value)
• Cash equivalents (invested value plus returns)	• Deferred revenue from customers (recognize potential monetary loss)
• Investments in gold (market value less brokerage expenses)	• Current labor expenses (original cost plus charges to date)
Credits	• Current labor provisions (original cost plus charges to date)
• Securities and bonds receivable in short and long term (face value converted into present value plus, as the case may be, financial income under agreement)	• Financing (principal and charges to date)
• Prepaid expenses (according to unearned value after the date of event)	• Other accounts payable (original cost and/or present value)
• Advances to suppliers (recognize any monetary gain)	**Provisions**
Inventories	• Tax provisions: capital gain (forensic accounting calculation)
• Salable inventories (selling price in cash less expenses and profit margin – if organized Market – for merchandize, finished products, semi-finished products and services under provision: at cash prices equivalent to the state of finishing; raw materials, materials and components: purchasing price in cash)	• Labor, tax and business contingencies (forensic accounting calculation)
• Real estate inventory for sale (realizable value less brokerage expenses)	**OWNERS' EQUITY (VALUE OF THE COMPANY)**
• Obsolete inventories (probable liquidation value)	• (Assets – Liabilities)
Investments	
• Shares in publicly-held companies (Stock Exchange quotation)	
• Controlled and affiliated companies (owners' equity of controlled and affiliated companies at market value)	
Fixed Assets	
• Real estate (expert engineering report less brokerage fees)	
• Machines and equipment (expert engineering report, if material)	
• Personal property, utensils, tools and software, computing equipment, etc. (at market value, considering the materiality thereof: at book value)	
• Vehicle and right to use telephone lines (at market value)	
Prepaid Expenses	
• Pre-operating expenses, product research and development expenses (at probable economic value)	
Intangible Assets	
• Brands, patents, commercial location, concessions, etc. (forensic accounting calculation)	
• Goodwill (forensic accounting calculation of the overvalue)	

Note. Adapted from "Avaliação de Sociedade" de Ornelas, 2000, p. 135.

2.3.1 Characteristics of an Equity Determination Balance Sheet

In order to attribute the actual value to the company subject to valuation when liquidating assets, it is necessary to attribute value to all monetary and non-monetary equity items. The Accounting Pronouncements Committee via Technical Pronouncement 02 (R2) defines “monetary items” as currency units held in reserve and assets and liabilities receivable or payable at a fixed or certain number of currency units, whereas “non-monetary items” were not defined in the latest review of the aforesaid technical pronouncement; however, the essential characteristic thereof was defined, and it consists of the absence of the right to receive (or the obligation to provide) a fixed or certain number of currency units.

The following, according to Perez and Famá (2004, p. 108 - 109), are the principal adjustments and points of attention to equity items when drawing up an equity determination balance sheet. These are necessary to reflect the value of the company to the closest actual value possible and, consequently, avoid distortions.

Table 2
Adjustments to Equity Items

Valuation of Monetary Items:	**Valuation of Non-Monetary Items:**
Cash and Cash Equivalents: a) Cash and checking account balances corresponding to their own value; b) Foreign currency translated at the corresponding (selling) exchange rate on the effective date; c) Financial investments are the sum of the originally invested value and the proportional net returns to effective date; d) Other financial assets are the market value on the effective date less realizable expenses. Credits: Credit rights and negotiable instruments shall be valued at present value on the effective date, considering adjustments for inflation, exchange rate change and other contracts, except for matured credits. Liabilities: Liabilities are calculated at present value on the effective date plus non-payment charges, if due. Provisions: The existent provisions are examined, and the necessary technical adjustments are made, so that the values are properly reflected on the effective date.	Inventories: Inventories are always valued at market value, that is, at cash price or equivalent thereto on the effective date, less realizable expenses, obsolete or unsalable inventories not be considered. Permanent Investments: Permanent investments are interests held in controlled or affiliated companies valued at the market value of the owners’ equity on the effective date, also in accordance with the Equity Determination Balance Sheet and transferred via equity method. Fixed Assets: Fixed assets are also valued at market prices less realizable expenses. Oftentimes, the valuation of some items which constitute fixed assets requires other technical and engineering expert reports. Deferred Assets: Deferred assets are valued at investment cost less respective amortizations to effective date. Contingencies: All contingencies related to assets and liabilities and originated from all legal fields must be considered, valued by lawyers and consigned in the Equity Determination Balance Sheet under adjustments to owners’ equity.

Note. Adapted from “Métodos de avaliação de empresas e o balanço de determinação” de Perez e Famá, 2004, Revista Administração em Diálogo, v. 6, n. 1, p. 108-109.

As already mentioned herein, until the year 2010, NBC T-4 would provide guidelines in order to draw up an equity determination balance sheet. Upon the harmonization and convergencies between the Brazilian accounting rules and the international standards, two valuation criteria for assets and liabilities must lay the foundations when drawing up an equity determination balance sheet: “fair value” (market value) and “present value.”

The Accounting Pronouncements Committee defines “fair value” “... as the price which would be received for the sale of an asset or which would be paid for the transfer of a liability during an amicable transaction between market participants on the date of measurement" (Technical Pronouncement CPC 46, 2012, item 9). Technical Pronouncement 12 of the same Committee, on the other hand, defines "present value" as "the estimated current value of a future cash flow in the ordinary course of business of the entity."

In view of these two valuation criteria, for an equity determination balance sheet to state the actual value of the entity subject to valuation, rights and obligations must be stated at present value, and, assets and liabilities, at fair value. Another characteristic to be observed when drawing up an equity determination balance sheet is the temporal aspect. There is a considerable difference between the date of partial company dissolution – which is the effective date to determine the value of the company – and the date when the forensic accountant draws up the valuation report. What would be future on the date of partial company dissolution became past on the date when the report was completed. Provisions and/or losses estimated on the date of partial company dissolution may be compared to the values stated thereon. On the other hand, physical verifications available at the time, such as inventory and value in cash, are impossible to be carried out (Paulo et al., 2006).

Owners' equity and market values can be valued after adjustments to equity items. Upon the completion of an equity determination balance sheet, goodwill is then required to be calculated – another characteristic to be observed when drawing up an equity determination balance sheet.

Caríssimo (2014) defines "goodwill" as the difference between the economic value of a company and the total market value of its assets, that is, the surplus value of the company. Perez and Famá (2004) affirm that it is the mismatch between the economic value and the book value of the company. Also, according to Perez and Famá (2004, p.110), goodwill "is not reflected on the balance sheet, as it cannot be depreciated or amortized, and belongs to the company in its entirety, that is, it does not exist separably."

3 METHOD OF RESEARCH

This research, with respect to the purposes hereof, is descriptive, and, according to Gil (2010), "descriptive research" aims to describe the characteristics of a population, a phenomenon or an experience.

The nature hereof is qualitative, because it qualifies the major difficulties posed to a forensic accountant when liquidating assets in judicial processes.

According to Gibbs (2009), qualitative researchers are interested in having access to experiences, interactions and documents within a natural context, which, therefore, provides them with room to study the respective materials and particularities.

The procedures adopted herein consist of field research via questionnaire, which, according to Marconi and Lakatos (2010), is a data collection tool comprised of an ordered series of questions which must be answered in writing and in the absence of the interviewer. In general, the researcher sends the questionnaire to the informant, either via post office or courier service, and the informant, after completing the questionnaire, returns it to the researcher by means of any of the aforesaid services. A note or letter explaining the nature, importance and necessity of research must be sent together with the questionnaire.

The questionnaire consists of 13 questions on the major difficulties posed to a forensic accountant when liquidating assets in judicial processes in the city of São Paulo. The reason for the questionnaire to be exclusively completed by those acting in the city of São Paulo arose from the fact that the civil courts in the city concentrate a significant number of company dissolution processes discussed before the Brazilian judicial branch, and, therefore, professionals acting before these courts have more expertise in the object of research. The questionnaire was emailed to forensic accountants integrating the Association of Forensic Accountants of the State of São Paulo (*Associação dos Peritos Judiciais do Estado de São Paulo* - APEJESP) and to those enrolled with the National Register of Forensic Accountants (*Cadastro Nacional de Peritos Contábeis* - CNPC). It is worth emphasizing that not all professionals from APEJESP and CNPC were emailed.

The assumptions defined to prepare the questions were the major obstacles to liquidating assets in judicial processes, depositions from professionals with vast expertise in liquidating assets under the judicial branch, situations which hinder the work from being performed and literature on the major factors which influence the liquidation of assets upon company dissolution.

The questionnaire was sent to 45 forensic accountants from November 06, 2019, to November 11, 2019. On the fourth day of application, the number of questionnaires returned upon completion decreased significantly, and, therefore, the period of time for application consisted of 6 days only. In total, 24 completed questionnaires were received and, therefore, considered valid for analysis, quantification and qualification.

4 ANALYSIS OF RESULTS

At the beginning of the questionnaire, it was intended to identify the respondents' characteristics. According to the answers received, it can be noted that, in addition to the academic background in Accounting Science, the respondents reported to have graduated in other fields such as Business Administration, Economics and Law. Table 3 sets forth that the majority of them are specialized in the forensic field, which is relevant, because they are qualified to meet forensic demands.

Table 3
Specialization

	Yes	No	Total
Specialization in the Forensic field	66.7%	33.3%	100.0%

Note. Prepared by the authors.

When asked about the period of experience, 66.7% of the forensic accountants answered to have been acting for more than 16 years, as set forth in Table 4. When analyzing the results in relation to their time of expertise and qualification, it can be noted that, despite having vast expertise, the respondents had not ceased to pursue qualification, thereby meeting the need to pursue qualification required from a forensic accountant.

Table 4
Time of Expertise

Time of Expertise	Respondents	Percentage
0 to 5 years	4	16.7%
6 to 10 years	2	8.3%
11 to 15 years	2	8.3%
16 to 20 years	3	12.5%
More than 20 years	13	54.2%
Total	**24**	**100.0%**

Note. Prepared by the authors.

When asked about the number of valuations of companies in judicial processes, 62.5% of the respondents affirmed to have valued more than 10 companies. Out of those having valued more than 10 companies, 41.7% conducted more than 20 valuations. These results confirm the respondents' vast expertise previously mentioned herein.

After the identification of respondents at the beginning of the questionnaire, the focus was shifted to the major difficulties posed to a forensic accountant when liquidating assets in judicial processes.

The respondents were asked about the level of difficulty upon the existence of some situations when liquidating assets, such as: a) Absence of a special balance sheet; b) Absence of an inventory; c) Non-existence of documents supporting accounting events; and d) Deficient accounting records. As set forth in Table 5, upon such circumstances, the level of difficulty in valuing a company is considered extremely high for 33.3%, high for 41.7%, average for 20.8% and low for 4.2% of the respondents. These results state the importance of accounting when liquidating assets in judicial processes.

Table 5
Level of difficulty upon certain circumstances

Level	Respondents	Percentage
Extremely High	8	33.3%
High	10	41.7%
Average	5	20.8%
Low	1	4.2%
Extremely Low	0	0.0%
Total	**24**	**100.0%**

Nota. Prepared by the authors.

The literature used herein corroborates these results. Paulo et al. (2006) indicate the non-existence or reduced reliability of accounting records as a problem when liquidating assets in judicial processes. Ornelas (2003) classifies the absence of a special balance sheet and the non-existence of regular accounting records when valuing interests as challenges.

When asked whether the non-existence of accounting records contributes to a distortion in the results of liquidation of assets in judicial processes and whether, according to them, it was easier to value a company when there was no special balance sheet, all of them responded that upon the non-existence of accounting records, the distortion in results was bound to occur; however, upon the non-existence of a special balance sheet, 79.20% responded it would be more difficult to value a company upon this circumstance.

These results corroborate Mondandon et al. (2008), who affirm that several factors influence the valuation of companies in judicial processes and that one of these factors is not giving the due importance to accounting. Therefore, it can be concluded that accounting records are essential to the fair liquidation of assets in judicial processes.

Another aspect raised herein is the omission of data and/or information from the parties to the dispute. All respondents affirmed that the correct liquidation of assets in judicial processes may be adversely affected in case of omission of data and/or information.

This unanimity is not against literature. Mondandon et al. (2008) also affirm that the omission of valuable data and/or information is a factor that may influence the valuation of companies in judicial processes.

The respondents were also asked about the level of difficulty in particularly valuing three equity items: inventory, intangibles and goodwill.

With respect to the level of difficulty in valuing inventory, the results were as follows: extremely high for 8.3%, high for 41.7%, average for 33.3%, low for 12.5% and extremely low for 4.2%, as set forth in Table 6.

Table 6
Level of difficulty in valuing inventory

Level	Respondents	Percentage
Extremely High	2	8.3%
High	10	41.7%
Average	8	33.3%
Low	3	12.5%
Extremely Low	1	4.2%
Total	**24**	**100.0%**

Nota. Prepared by the authors.

Paulo et al. (2006) affirm that, due to a considerable period of time between the date of company dissolution and the date of appointment of the forensic accountant in order to draw up the valuation report, physical examinations available at the time, such as those of inventory, are impossible to conduct. This difficulty in valuing inventory may be related to the existence of an interval of time between these dates.

With respect to intangibles, the results were as follows: extremely high for 16.7%, high for 41.7%, average for 33.3% and low for 8.3%, as set forth in Table 7.

Table 7
Level of difficulty in valuing intangibles

Level	Respondents	Percentage
Extremely High	4	16.7%
High	10	41.7%
Average	8	33.3%
Low	2	8.3%
Extremely Low	0	0,0%
Total	**24**	**100.0%**

Nota. Prepared by the authors.

According to the data presented, 58.4% of the respondents have difficulty in valuing intangibles, which may be attributed to the fact that intangibles are one of the most difficult equity items to be valued. According to Hendricksen and Breda (1999), intangible assets compose one of the most complex areas in accounting, and this is partly due to definition difficulties and, primarily, due to uncertainties when measuring their values.

With respect to the level of difficulty in valuing goodwill, the results differed from those found for inventory and intangibles. The results were extremely high for 12.5%, high for 29.2%, average for 45.8%, low for 8,3% and extremely low for 4,2%, as set forth in Table 8. It is worth drawing attention to neutrality, that is, the majority of 45.8%, and to those who affirm to have difficulty valuing goodwill, that is, 41.7%.

Two analyses can be extracted from these results:

I) Neutrality may occur due to the fact that goodwill is not always required to be valued, since, according to the literature hereof, the majority of the liquidation of assets for judicial purposes involves small-sized companies, and these companies rarely have attributes to state goodwill;

II) Another analysis which may be conducted refers to those who affirmed to have difficulty in valuing goodwill, which may be associated with the subjectivity associated with the valuation of companies.

Table 8

Level of difficulty in valuing goodwill

Level	Respondents	Percentage
Extremely High	3	12.5%
High	7	29.2%
Average	11	45.8%
Low	2	8.3%
Extremely Low	1	4.2%
Total	**24**	**100.0%**

Fonte: Prepared by the authors.

The last question required the respondents to provide an opinion on something which is common when liquidating assets in judicial processes and which hinders the entity from being valued. The more commonly provided answers were: a) deficient or non-existent accounting records, b) absence of supporting documentation and c) absence of trustworthy information.

The results obtained from the questionnaire are again in harmony with the literature on the theme. Ornelas (2003), Paulo et al. (2006) and Mondandon et al. (2008) affirm that these more common answers are considered, when liquidating assets in judicial processes, situations which hinder the company from being valued for judicial purposes and challenge forensic accountants.

According to the results obtained from the questionnaire, it can be noticed that, when liquidating assets in judicial processes, the forensic accountant experiences a series of situations which hinder the work from being done and which consequently interfere with the valuation results.

5 CONCLUSIONS

Upon the analysis of the results obtained from the questionnaire, it can be noticed that, when liquidating assets in judicial processes, forensic accountants experience situations which, depending on the level of relevance thereof, may change the result of a company valuation. In general, this occurs when valuing very small and small-sized companies, since the companies classified under these groups tend not to have either structured and effective accounting or appropriate management.

Depending on the level of relevance, the circumstances which may change the result of a company valuation under the judicial branch are: a) deficit or non-existent accounting records, b) absence of supporting documentation for accounting events, c) absence of a special balance sheet drawn up at the time of company dissolution and d) omission of data and/or information from the parties to the dispute.

This article discussed the major difficulties posed to a forensic accountant when liquidating assets upon company dissolution under the judicial branch.

The difficulties include specifically valuing two equity items: inventory and intangibles. According to the results from the research, the respondents affirmed to have difficulty in attributing value to these two equity items. The difficulty in valuing inventory may be associated with the considerable interval of time between the date of company dissolution and the date of valuation report, which precludes the physical inventory from being conducted, whereas the difficulty in valuing intangibles may be due to the fact that intangibles are one of the more complex areas in accounting because of the uncertainty when measuring the values thereof.

Another equity item worth mentioning is goodwill. For a considerable number of the respondents, the level of difficulty in valuing goodwill is average, whereas, for the majority of the respondents, it is high or extremely high. With respect to those who affirmed to have difficulty in the valuation, such difficulty may be associated with the subjectivity associated with the valuation of companies.

The difficulties are not only restricted to valuing intangibles, inventory and goodwill. It was also evident herein that one of the difficulties posed to a forensic accountant relates to valuing equity items, when liquidating assets, under circumstances which hinder the work from being done, such as: deficient or non-existent accounting records, absence of supporting documents for accounting events, absence of a special balance sheet drawn up at the time of company dissolution and omission of data and/or information from the parties to the dispute.

It is worth mentioning the fact of the population being geographically located in the city of São Paulo, thereby limiting the generalization of the results obtained from the research.

The findings of this study do not exhaust the topic. It may be suggested for future research, when bringing to discussion the major difficulties posed to a forensic accountant when liquidating assets in judicial processes, studying the difficulties posed to a forensic accounting when particularly valuing intangibles, since these are an equity item which involves considerable subjectivity and complexity when measuring its value.

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