

Lowest price as rental evaluation criteria for rentals property

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Abstract: Purpose of the article is based on the economic theory of price, value - application of the price as an economic tool for its fuller application in the criteria for evaluation of tenders in public procurement and not the application of these criteria only the lowest price category and its application to other criteria to evaluate offers. The methodology of the paper processing is based on the goal of the paper, its main reason, economic theory, valid legislation, public procurement. The contribution structure is created in accordance with the requirements for scientific requirements (introduction, goal, results, discussion and conclusion). As part of the processing of this paper we used commonly available scientific methods, e.g. analysis, synthesis, comparison as well as standard statistical methods. The scientific contribution of the paper is based on the economic theory of the price category, the value of applying the price as an economic tool for its fuller application in the criteria for the evaluation of tenders in public procurement. Point out the inseparable relationship between price and value as well as criteria for evaluating bids. Based on an analysis of the lowest price category by sources documenting the issue in question - the lowest price does not meet the required requirements of those documents, it does not provide competition and therefore we do not recommend using / applying the lowest price category as criteria for awarding public procurement bids. Based on the above-mentioned arguments in the paper, we are of the opinion that in public tenders that use the criterion of the most economically advantageous tender.

Keywords: Price, Value, Procurement, Supply, Evaluation, Life Cycle

Abstrakt: Cieľom príspevku je na základe ekonomickej teórie poukázať na vzájomný vzťah ceny a hodnoty a uplatnenie ceny ako ekonomického nástroja pre lepšie vyhodnocovanie ponúk vo verejnom obstarávaní. Zameriavame sa na vysvetlenie princípu neuplatnenia najnižšej ceny ako najdôležitejšieho kritéria pri vyhodnocovaní ponúk. Metodika spracovania príspevku je postavená na ekonomickej teórii, platnej legislatívy, verejného obstarávania. Vedeckosť príspevku je na báze ekonomickej teórie kategórie ceny, hodnota uplatnenie ceny ako ekonomického nástroja pre jej plnohodnotnejšie použitie v kritériách na vyhodnocovanie ponúk vo verejnom obstarávaní. Poukážeme na neoddeliteľný vzťah ceny a hodnoty aj ako kritéria na vyhodnotenie ponúk. Ponuky je potrebné hodnotiť tak, aby obstarávatelia získali potrebnú kvalitu za primeranú cenu. Najnižšia cena ako kritérium na hodnotenie ponúk vo verejnom obstarávaní nenapĺňa požadovaný vzťah ceny a hodnoty podľa ekonomickej teórie. V súlade so stanoveným cieľom sme sa zamerali na zdroje, ktoré dokumentujú predmetnú problematiku. Analyzovali sme vplyv rozdielov používania kategórie najnižšej ceny ako jediného kritéria pri hodnotení ponúk ako aj ďalších kritérií na vyhodnotenie ponúk. V rámci spracovania uvedeného príspevku sme využili bežne dostupné vedecké metódy.

1. Introduction

The Public Procurement Act provides for the award of supply contracts, works contracts, service contracts, design contests, the award of works concessions, the award of service concessions and public procurement. Contracts, concessions and design contests are awarded taking into account the financial limits, the estimated value of the contract, the award criteria.

Bid evaluation criteria: Tenders shall be evaluated on the basis of

- (a) best value for money,
- (b) the cost, in particular the cost-of-life cost-effectiveness approach;
- (c) the lowest price.

Based on the results of public procurement practice, the cheapest bid is still winning. At the same time, the new Public Procurement Act, as well as the award criteria, say that first of all, it is necessary to evaluate the contracting authorities to obtain the necessary quality at a reasonable price. In the second place, the life cycle cost of the contract should be assessed. The lowest price should be on the line afterwards [1].

Plans to give preference to other criteria for evaluating bids than the lowest price criterion have so far failed to be realized. One of the motives why it is so that the lowest price criterion is preferred is that when the most economically advantageous bid is used and used in a combination of price and other parameters, it is often accompanied by a rather demanding administration, including defining bid evaluation [2].

2. Objective and methodology

It is generally known that the criterion - the lowest price - does not ultimately mean the greatest savings. It is that there is an absence of economic theory, namely the economic category price, value, the effect of economic instruments price, tax, customs. Similarly, we see the absence of legislative activity in the price area - the Act on Prices, the Decree on the Determination of General Value of Property in Expert Activities. Their absence then records the criterion - the lowest price to evaluate the submitted bids.

The aim of the paper is to point out, on the basis of economic theory, the relationship between price and value and the application of the price as an economic tool for its more fully applied criteria in the evaluation of tenders in public procurement and not the application of these criteria only the lowest price category and its application to other criteria. bid evaluation.

The methodology of the paper processing is based on the goal of the paper, its main reason, economic theory, applicable legislation, public procurement. The contribution structure is created in accordance with the requirements for scientific requirements (introduction, goal, results, discussion and conclusion).

In line with the stated goal, we have focused on the resources that document the issue. We analysed the impact of differences in the use of the lowest price category as the sole criterion when evaluating bids as well as other award criteria.

As part of the processing of this paper we used commonly available scientific methods, e.g. analysis, synthesis, comparison as well as standard statistical methods.

3. Science

The scientific contribution of the paper is based on the economic theory of the price category, the value of applying the price as an economic tool for its fuller application in the criteria for the evaluation of tenders in public procurement. Point out the inseparable relationship between price and value as well as criteria for evaluating bids. Tenders shall be evaluated in such a way that the contracting authorities obtain the necessary quality at a reasonable price.

The lowest price as a criterion for evaluating bids in public procurement does not meet the desired price-value relationship according to economic theory

4. Results and discussion

Economic theory

The price as a value measure has its foundation among the basic economic instruments of the state's economic policy (not only at the company level but also at the state level, especially when it comes to building and developing a social market economy [3].

Price Features:

The price (price, preis, prix) is, in the most general sense, a monetary expression of the value of goods and services. The price of each individual item (activity, service) does not need to match the value. It can deviate from the value down and up, depending on the demand and supply of the goods (or activity and service).

The price as an economic instrument is considered to be the value of performance (eg goods, product, service, activity, etc.), which consists of the value transferred by the wear and tear of tangible fixed assets (HIM), consumed current assets and labor.

On the part of producers, the market price is based on value, t. j. prices of inputs, ie costs incurred as cash, resulting in specific products, works, services,

The price affects production and consumption, so it is their regulator. A certain amount of price always corresponds to a certain range of production and consumption.

We can meet different kinds of prices on the market, e.g. :

Offer market price, market price, recommended prices, "even", "odd" prices - (up to € 3.30, Bata prices 59, - € 99), prizes awarded, prestigious prizes, price classes.

Value-added tax / VAT / and inflation is often associated with price characteristics

VAT is included in the sales price. This is an excise duty that ultimately affects every final consumption without exception.

Inflation is considered to be a steady rise in prices, expressed as a percentage increase in the general price level per unit of time, which is measured by so-called inflation. consumer basket. Deflation (negative inflation) in the economy is a decline in the general price level of goods and services (the opposite of inflation).

Disinflation is a slowdown in inflation (when inflation falls to the lowest level).

Application Act no. 18/1995 Coll. as amended

Basic terms

The price is the amount of money agreed upon when buying and selling goods. A tariff is also considered a price under this Act. The price must be proven by economically justifiable costs and a reasonable profit.

(a) economically justifiable costs shall mean the costs of acquiring the corresponding amount of direct material, wage and other personnel costs and, in the case of a valid wage regulation system, only those corresponding to that system, other technically necessary direct and indirect costs and costs of circulation; In assessing the economically justifiable costs, it is based on the development of the usual level of these costs in comparable economic conditions, taking into account the specificities of the goods [4].

(b) reasonable profit means profit based on the development of the normal share of the profit of domestic goods on economically justified costs, taking into account the quality of the goods, the normal risk of production or circulation and the development of demand on the domestic market.

The pricing law also includes price conciliation - a disproportionate price, measures to avoid undesirable price developments, price records and pricing information, price control and pricing authority.

The operation of expert activity, valuation of the company, decree to determine the general value of the property.

Value and cost in terms of valuation

Price - is the term used for the requested, offered or paid amount for a good or service. The price paid for goods or services may or may not be related to the value attributed to the goods or services by others. It is a general indication of relative value attributed to goods or services by individual buyers or sellers in individual situations. Value - is identified with market value. It is an economic term indicating the price most likely to be agreed between buyers and sellers [3].

Value - is not a reality, but an estimate of the likely price that should be paid at a given time for goods or services. The economic concept of value reflects the market's view of the benefits that a person who owns a given item or obtains the service at the valuation date

Value: Sometimes, the price at which the thing was bought, sometimes the benefit that it provides is understood [4].

Value can also express an objective scarcity of the thing (the degree of availability in relation to the degree of necessity of the thing).

Cost value - the amount of own costs a buyer is willing to spend on an item or service

Environmental value - the degree of compliance with the need to preserve nature,

Aesthetic value - a measure of satisfaction of the need of something nice Feeling value - the buyer's emotional relationship to a product or service, i. prestige, memory of the gift.

The utility value is the sum of the product characteristics needed to fulfil the function (purpose) by which a need is met. A feature is a property based on which an item can be sold or used. The cost of a business is a fact. It is the result of a particular transaction made by comparing supply and demand [5].

The result of the work on the valuation of the company is the determination of its value, while this price is the basis for the price negotiation of the individual purchase. The price is then confirmed by the buyer and seller when buying and selling

Determination of the General Value of Assets / IHM / in accordance with Decree No. 492/2004 Coll. When carrying out a project - construction work, the contract price includes the contracting authority's reserve for the work requested by the contracting authority. This reserve should not exceed 15% of the contract price and its use is decided by the contracting entity and not by the contractor. The effective cost of a project - construction work is the contract price without the contracting entity's reserve.

The Act on Public Procurement

A contract for the purposes of this Act is a contract concluded between one or more contracting authorities or contracting entities on the one hand and one or more successful tenderers on the other, the object of which is the supply of goods, the execution of works or the provision of a service. Similarly, the content of the concession is defined.

The Public Procurement Act also sets financial limits according to which the contract is above-the-limit, below-the-limit or with a low value depending on its expected value.

In line with the stated goal, we have focused on the resources that document the issue. We analyzed the impact of differences in the use of the lowest price category as the sole criterion in bid evaluation and express the following opinion in the lowest price discussion as the bid evaluation criterion:

Economic theory

- The lowest price is not, in the most general sense, a complete monetary expression of the value of goods and services. The price of each individual item (activity, service) does not need to match the value. The lowest price cannot contain all kinds of values defined in the value value. Above all, it is the utility value - the benefit that the thing provides.
- The lowest price does not express a value by which we can also express the objective rarity of a thing (the degree of availability in relation to the degree of necessity of the thing).
- The problem is also to consider the lowest price as an economic instrument to be the value of performance (eg goods, product, service, activity, etc.), which consists of the value transferred by the depreciation of tangible fixed assets (HIM), consumed capital and labor (live)
- The price affects production and consumption, so it is their regulator. A certain amount of price always corresponds to a certain range of production and consumption. How to evaluate the lowest price and its role as regulator in this regard.
- We can meet different kinds of prices on the market, but we do not meet the price types - the lowest price.
- Value-added tax / VAT / and inflation are often associated with price characteristics, and this is also true for the lowest price, where we see much less room for their projection into prices than with a full price.
- The lowest price cannot be taken as a full value and therefore is not justified among the basic economic instruments of the state's economic policy (not only at the company level but also at the state level).
- The lowest price did not indicate an inseparable relationship between price and value. The lowest price as a criterion for evaluating bids in public procurement does not meet the desired price-value relationship according to economic theory. Tenders shall be evaluated in such a way that the contracting authorities obtain the necessary quality at a reasonable price [6].

Application Act no. 18/1995 Coll. as amended

The price is the amount of money agreed upon when buying and selling goods. A tariff is also considered a price under this Act. According to the law on prices, this also applies to the lowest

price. For the purposes of this law, problematic and possibly unprovable and non-measurable is for the lowest price to determine [7].

- (a) economically justifiable contract costs
- (b) a reasonable contract profit
- (c) checking inadequate prices

A disproportionate price to the seller is considered to be the agreed price, which significantly exceeds the economically justifiable costs or a reasonable profit.

An ineligible price at the buyer is considered to be an agreed price that does not significantly reach the economically justifiable cost.

(d) The pricing law also includes pricing, pricing and pricing, pricing control and pricing authority.

Based on an analysis of the law on prices and its practical application in practice, the lowest price does not guarantee its full and legal compliance. Therefore, we believe that it does not meet the necessary legislative requirements as a criterion for the evaluation of tenders in public procurement [8].

Effect of expert activity, valuation of company, decree for determination of general value of property.

- Price from the perspective of valuation is the term used for the requested, offered or paid amount for the goods or service. From this definition of price, the lowest price is only the price offered by the tenderer but is not the required price by the contracting authority - it does not meet the content of the term price in terms of valuation. However, the lowest price may not be related to the value attributed to the goods or service by others.

- Valuation in terms of valuation - equals market value. Value is not a reality, but an estimate of the likely price that should be paid at a given time for goods or services. The economic concept of value reflects the market's view of the benefits that the person who owns the goods or receives the services at the valuation date. The lowest price than the award criterion does not meet the market view - the impossibility of operating the elements of the market mechanism - supply, demand, price, competition and their influencing or acting as market elements at the lowest price. Exploited lowest price does not meet the economic concept of value in terms of valuation when there is only one and is the only criterion for awarding a contract. –

- The use of the lowest price for the determination of the general value of property under Decree No. 492/2004 Coll [9].

- For construction work, applying the lowest price as a contract price has an impact on the creation of reserves, which changes the lowest price by 15% - how to evaluate it then [10].

5. Conclusion

According to the analysis of the sources that document the issue in question and the criteria for the evaluation of offers, we have reached the following conclusions:

Bid evaluation criterion (c) the lowest price. Based on the analysis of the lowest price category according to the sources that document the issue in question - economic theory, application of the law on prices as well as the operation of expert activity, valuation of the company, decree to determine the general value of property, we conclude that the lowest price does not meet the required requirements specified competition, and therefore we do not recommend the use / application of the lowest price category as criteria for the award of tenders in public procurement.

In line with the stated goal, we have focused on the resources that document the issue. We analysed the impact of differences in the use of the lowest price category as the sole and unambiguous criterion when evaluating bids as well as other award criteria. Our output is as follows:

In public tenders that use the criterion of the most economically advantageous tender.

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