

The Current Consolidated Financial Statements Need to be Revised

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Abstract

This article covers aspects related to increasing investment attractiveness and reporting transparency in the preparation of consolidated financial statements in joint-stock companies based on international standards of financial statements. The organizational and methodological aspects of the preparation of consolidated financial statements in accordance with the international standards of financial statements are revealed, paying attention to the elements of the report on the statement of financial position, profit and loss and cash flow.

Keywords: Investment attractiveness, Financial reporting, IAS, IFRS, consolidation, consolidated financial report, consolidated report, combined report.

Introduction

The investment environment in our country, analyzing the effect of the rational location of productive forces, determining the factors that create natural-demographic, administrative-economic, socio-political differences that arise between regions, forming a balanced regional investment policy, ensuring the competitiveness of the national economy by ensuring investment activity improvement of the scientific and methodical bases of raising is gaining importance. Today, it is a priority to ensure a favorable investment climate in Uzbekistan. The main task of the state is to create a favorable investment environment for attracting capital and increase its attractiveness. Interest in attracting foreign investments to the national economy requires any country to develop its own investment policy. This policy defines the specific direction of attracting foreign investments, as well as the system of promoting their attraction, and defines the legal order of investment activities.

In our country, management, control and analysis of entities with different forms of ownership, as well as quick management by the administration, provide the necessary information, which is the basis for decision-making, mainly through financial accounts and reports.

Joint-stock companies record transactions in the course of economic activity in a generalized way in the financial report and prepare reports as information for external users. The main purpose of preparing financial reports is to enable external users, investors, creditors and other economic entities to obtain the necessary information.

In this regard, Resolution No. 4611 of the head of our country was adopted on February 14, 2020, regarding the preparation of financial statements of business entities and the preparation of financial statements in accordance with international standards. On its basis, it was determined that financial reporting should be prepared on the basis of international standards. It is planned to harmonize the

financial reporting of business entities with national accounting standards in accordance with IFRS [1].

Since the joint-stock company has several branches or subsidiaries, large joint-stock companies prepare and present consolidated financial statements. Subjects carrying out economic relations with such economic entities receive the necessary information about them from consolidated financial statements. Therefore, the process of applying the international standards of financial reporting by economic entities in their activities is not easy, which means that the improvement of the theoretical-methodological foundations and normative rights of the Financial Accounting Standards is a condition and a requirement of the time.

2. Literature review.

Foreign and domestic economists expressed their scientific approaches and opinions regarding the preparation of consolidated financial statements. In particular, according to A. Abdullaev and others, in order to ensure that accounting is carried out in an understandable and universal way, it is necessary to entrust accounting work to the hands of highly qualified, active and creative initiative employees [2].

According to M. Bakhrushina, based on the fact that the accounting system of the State belongs to one or another classification group, we can see not only similar aspects of accounting practice, but also certain differences. In any case, we can distinguish a group of countries with similar cultural and economic processes and similar accounting and reporting systems [3].

According to A. Gribanovsky, Consolidated Financial Statement - summarizes information on several subsidiaries as a single business entity for users. "Consolidated financial statement - summarizes information on several subsidiaries as a single economic entity for users" [4].

A. Ibragimov and others believe that the main purpose of compiling a consolidated financial report is to fully disclose the results and financial status of the corporation and to show the activities of the main and subsidiary campaigns as if they were a single economic organization [5].

According to D. Norbekov and others, the comparison of the International Concept and the provisions of National Accounting Standards 22 (NAS) entitled "Conceptual Framework for Preparation and Presentation of Financial Statements" showed that approaches to the formation and presentation of financial statement indicators in our country and in international practice are the same. are not significantly different from each other[9].

According to Professor Ya. Sokolov, "the international standards of financial reporting are a wonderful monument to the theoretical thoughts of accountants at the end of the 20th century"[10].

According to S. Tashnazarov, there is an increasing need to transform financial statements, especially consolidated financial statements, according to International Standards of Financial Reporting [11].

N. Khojabekov Improvement of consolidated financial statements in the case of business consolidation: thesis abstract for obtaining the degree of candidate of economic sciences [12].

3. Research methodology.

Aspects related to the preparation of financial statements of economic entities based on national standards of financial reporting, ensuring investment attractiveness in the preparation of consolidated financial statements, and analysis of reporting data are covered. Definitions and opinions given by economists on the preparation of consolidated financial statements are studied and summarized. In the preparation of the article, the methods of literature review, data comparison and comparison were used.

4. Analysis and discussion of results.

Correctness and objectivity of information about them is important in economic relations

between economic entities in the conditions of rapid economic development. Business entities receive information about the entities with which they have economic relations from the financial report. Business entities with several branches or subsidiaries prepare and present consolidated financial statements. Entities that have economic relations with such entities receive information about them from the consolidated financial statements. In addition, various unions, concerns, associations and ministries prepare and present consolidated financial statements. Therefore, the reliability of the consolidated financial statements is determined by auditing.

In this regard, based on the Decree of the President of February 14, 2020 No. 4611, it is established that financial reports must be prepared on the basis of international standards ¹. Financial reports of large tax-paying organizations are determined to be compiled by subsidiaries in the aggregated form of the parent company's data in order to prepare annual financial report forms. As a result, the parent company collects the financial statements of its subsidiaries, compiles quarterly and annual reports, and prepares consolidated financial statements.

Currently, international standards of financial reporting are increasingly used by economic entities in the preparation of accounting information aimed at meeting the needs of external users. The system of incentives and financial incentives for foreign investors is considered an important factor of investment attractiveness, and as a result of the work carried out on the development of international economic cooperation, we can see that the number of enterprises with foreign investments is increasing significantly. (Figure 1)

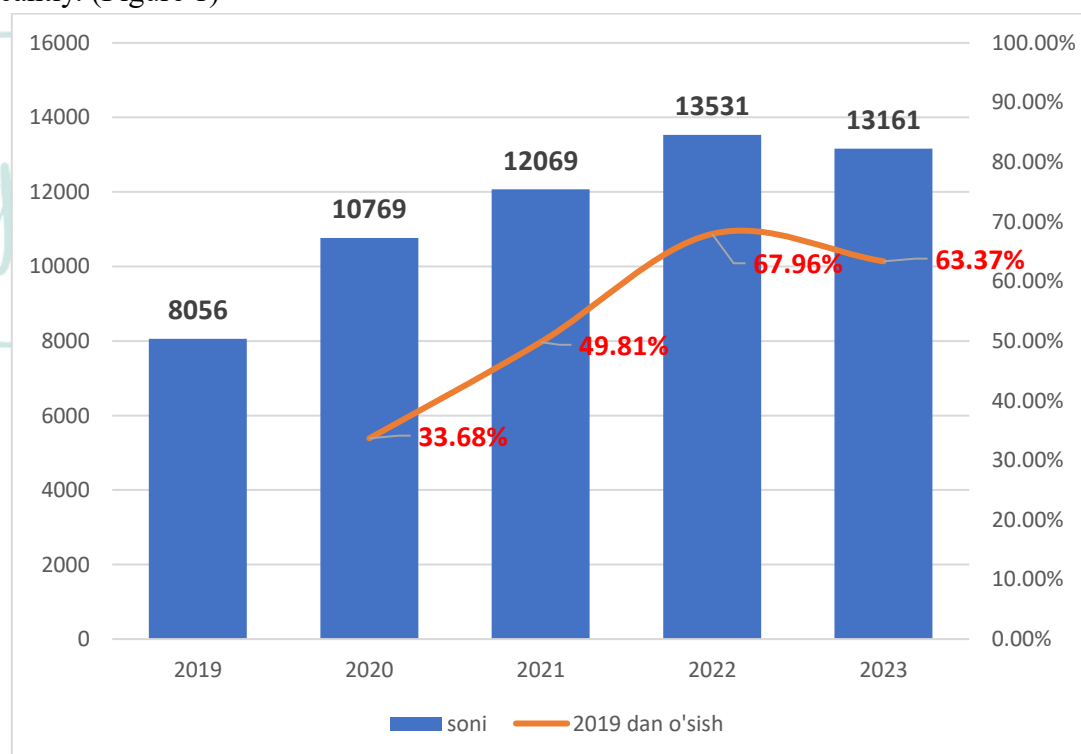


Figure 1. Information about enterprises and organizations with foreign capital participation²

In the next five years, the number of enterprises operating with the participation of foreign capital increased by 1.6 times.

¹Decree of the President of the Republic of Uzbekistan dated February 24, 2020 No. PQ-4611 "On additional measures for the transition to international standards of financial reporting"

²The photo of the Statistical Committee of the Republic of Uzbekistan was prepared by the author based on the information on the website . [https:// www . stat . uz](https://www.stat.uz) .

Comprehensive economic and social reforms are being carried out in Uzbekistan to accelerate economic growth, expand international relations and create a favorable legal environment for foreign direct investment. The country's strategic geographic location, rich and diverse natural resources, and a huge domestic market of 36.2 million people present enormous opportunities for investment and growth. In order to improve the well-being of its citizens, the government of Uzbekistan gives priority to increasing foreign investments in order to encourage the development of business and the introduction of modern technologies.

IFRS 10 Consolidated Financial Statements is mandatory for annual periods beginning on or after January 1, 2013. The standard supersedes the provisions of IAS 27 Consolidated and Separate Financial Statements (SFS) on consolidation matters. Thus, from January 1, 2013, the preparation of separate financial statements is regulated by the newly revised IAS 27, and the instructions for the preparation of consolidated financial statements are contained in IFRS 10.

A financial report should explain information about the assets, liabilities, capital, income, expenses and financial results of the reporting entity. This information can be made available to interested users by printing a complete set of accounting reports. The reports prepared according to IFRS are more or less similar to the financial reporting forms based on our national standards. At the same time, there are some differences between IFRS and NAS regarding the composition of financial statements and their content, and these differences are presented in Table 1.

Table 1

Differences in the composition of financial statements according to IFRS and NAS

Composition of financial statements according to IFRS	Composition of financial statements according to NAS	Explanation
Statement of financial position	Accounting balance	The name does not match, the content partially matches
Profit and loss statement	Statement of financial results	Name and content do not match
Statement of changes in capital	Statement of Equity	Name and content do not match
Statement of cash flows	Statement of cash flows	The name fits, the content doesn't match
Notes to financial statements	Notes, calculations and explanations	

Currently, there are many models of financial accounting and reporting at the international level in different countries. Studying them and showing that each of them has certain characteristics. A comprehensive in-depth study of these aspects of the issue shows that the existing accounting system in each country does not meet international standards. It creates accounting information that is useful to users through harmonization and standardization . In accordance with this principle, we will have to systematically adapt to international standards.

IFRS is intended for the preparation of financial statements, and users look to it as the main source of financial information about the company. These are considered as a framework for national standards: they are not bound by the legislation of individual countries and are intended for the preparation of reports of a voluntary economic entity, regardless of the type of activity, affiliation to the sector, scale and organizational-legal form . It is important to prepare the financial statements of the consolidated business entities of the group and the reports of the separate business entities .

A consolidated financial statement provides general information about a group of several economically and financially related companies and reflects the results and prospects of this group of companies. There are also several different theories regarding the preparation of consolidated statements. The goals and objectives, style and scope of the report of individual organizations to be included in the consolidated report will be their subject. All theories of generalization try to take into account the uniqueness of a group of parent and subsidiary enterprises as a group of interrelated organizations.

In this case, the tasks solved in the preparation of the report for a group of parent and subsidiary enterprises and for some society are similar: it means collecting, documenting, analyzing and grouping information. However, the goals and objectives of some company reports and consolidated reports do not fully match each other. And for the consolidated report, these goals and tasks are expanded due to the features related to the need to summarize the reports of several other companies.

However, there are some specific and extended procedures and rules for preparing a consolidated report.

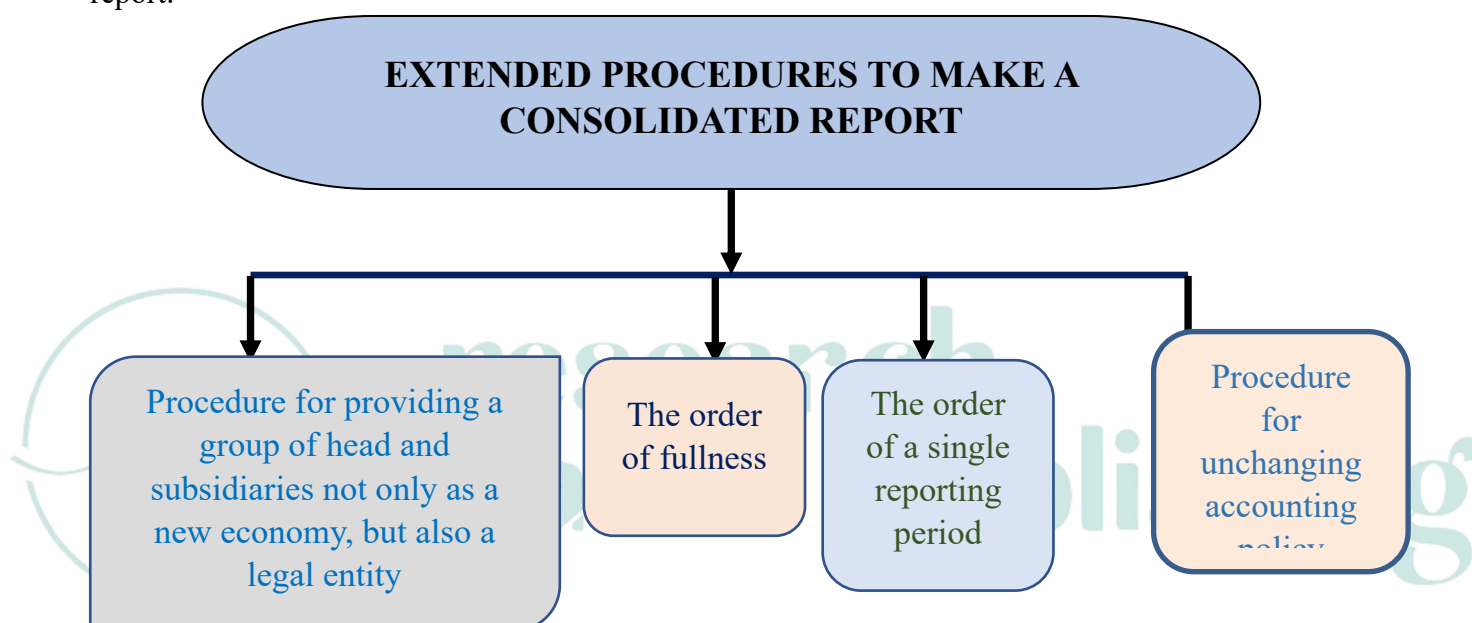


Figure 2. Advanced procedures for compiling a consolidated report.

1. The procedure for presenting a group of parent and subsidiary enterprises not only as a new economic, but also as a legal entity. This procedure is based on the conditions for considering a group of parent and subsidiary enterprises as an independent economic structure. A group of parent and subsidiary enterprises of organizations is falsely granted the status of some society and legal entity, and subsidiary societies lose this status falsely. It is in accordance with this regulation that the accounting report of the group of parent and subsidiary enterprises:

- should be consistent with normal society reporting ;
- transactions between parent and subsidiary group companies and their results should be identified and excluded.

2. Order of completeness. This procedure means that all organizations, regardless of where they are located and the type of activity, or rather, their assets, liabilities, income and expenses, are taken into account in the process of summarization. In this way, the property and financial situation of the group of parent and subsidiary enterprises, as well as the results of its activities, are fully and accurately reflected.

3. Single reporting period procedure. This procedure is derived from the theory of unity and means that a single reporting period and a single reporting period should be determined for all groups of

parent and subsidiary enterprises. Thus, partial balance sheets of all companies of the group of parent and subsidiary enterprises should be drawn up and summarized for one specific period, that is, during the reporting period of the parent enterprise.

4. Invariance of the accounting policy. This procedure plays a major role in ensuring the uniformity and comparability of the parent and subsidiary group reporting information. accounting policy should be applied consistently over several reporting periods, and changes in it should be based on specifics. In this case, the calculation policy includes the summarization of capital and liabilities, the exclusion of internal working capital and intermediate results, the summarization of jointly controlled companies, the determination of the scope of merging companies, as well as the methods of reflecting one or another rejections that occur during the generalization.

5. Conclusion and suggestions.

Thus, the consolidated report solves the issue of filling in relation to the report of some companies. This means that the consolidated report is considered and based on the same basis as individual company reports. That is why the consolidated report does not replace the report of individual companies, but rather complements it. As mentioned above, this type of report expresses information about the property and financial situation for the reporting period, as well as financial results for the reporting period of the activities of the group of parent and subsidiary enterprises, which serves to increase the investment attractiveness and competitiveness of the report.

We believe that it is necessary to pay the main attention to the open summary report, which expresses information about the economic situation and development of the group of parent and subsidiary enterprises. In this case, the information is not sufficient for the management of the group of parent and subsidiary enterprises due to its specific, somewhat limited and informal nature. In addition, the "Consolidated accounting report" should have the ability to present information on the state of affairs in the group of parent and subsidiary enterprises, that is, an official report, not only at the end of the year, but also quickly - monthly, quarterly. Such an "internal consolidated report" differs from the annual financial report in its type and content due to its internal management capability. The consolidated report is particularly important due to its importance, the economic processes of all entities within the economic entity are recorded in the consolidated financial report.

In conclusion, it should be noted that the need to compile the report using the same procedures and rules is the similarity of one or another form of the report. The method of compiling them for the purpose of data comparison should be used consecutively for several reporting periods. However, despite the obvious differences, these and other types form a single system, their information can be brought closer to each other.

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