

Features of the Preparation of Consolidated Financial Statements

Abduganiyev M. A.

Student of the TSUE, Faculty of Finance and Accounting

-----***-----

Abstract: In this article, the authors focus on the practical aspects of preparing consolidated financial statements based on international standards, which widely use induction and deduction, monographic observation, factor analysis, synthesis and other methods.

Keywords: Financial reporting, investors, creditors, companies, consolidation, induction and deduction, monographic observation, factor analysis, synthesis.

1. Introduction.

The main purpose of preparing financial statements is to increase the interest of investors, creditors and other users.

Based on the Decree of our Dear President No. 4611 dated February 14, 2020, it is established that financial statements must be prepared on the basis of international standards [1]. The financial statements of large taxpayers are determined for compilation by subsidiaries in the aggregate form of the data of the parent organization for the purpose of compiling forms of annual financial statements. As a result, the parent company collects the financial statements of its subsidiaries and prepares consolidated financial statements by compiling quarterly and annual reports.

2. Literature review.

Mostly foreign economists conducted scientific research on the preparation of consolidated financial statements. Among them, D. Alexander recognizes that financial reporting provides information about the organization of a business to people who do not occupy managerial functions [2]. R. H. Hermanson and others have determined that "Financial reporting is the last end product of the accounting process and provides internal - management - and external - creditors, founders and other interested parties - consistent and reliable information" [3]. The dissertation and scientific articles by S. Nasretidinov and N. Khodzhabeikov laid the foundation for the scientific substantiation of consolidated financial statements [4]. Khodzhabeikov N.B. Improving Consolidated Financial Statements in Business Integration: Abstract of a dissertation for the degree of Candidate of Economic Sciences [5]. In his dissertation, S.V.Moderov emphasized the connection between the emergence of consolidated financial statements and the beginning of the industrial revolution in the United States. This scientific search led to changes in the legislation regulating relations between corporations, which resulted in the creation of holding structures [6]. In accordance with International Financial Reporting Standards called "Consolidated Financial Statements", the group consists of a parent company and its subsidiaries. Secondly, the formation of a "group" is carried out according to the principle of "control", compliance with its criteria is also necessary for the inclusion of certain companies in the consolidated financial statements [7]. Professor Ya. V. Sokolov "International Financial Reporting Standards are a wonderful monument to the theoretical reflections of accountants at the end of the 20th century" [9]. V. V. Kovalev, Vit. V. Kovalev "In 1965, the approach to consolidation in accounting rules in Germany differed significantly from the English and American approaches" [11].

We paid attention to the practical aspects of preparing consolidated financial statements based on

international standards.

3. Research methodology.

The article widely uses induction and deduction, monographic observation, factor analysis, synthesis and other methods.

Analysis and result.

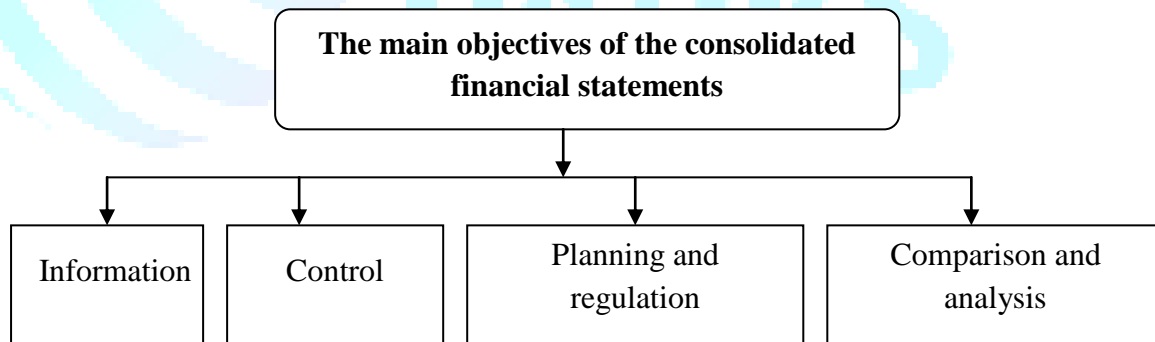
The main purpose of preparing financial statements is to increase the interest of investors, creditors and other users.

According to the Decree of the President of the Republic of Uzbekistan dated February 24, 2020 No. PP-4611 “On additional measures for the transition to international financial reporting standards”, it is determined that financial statements should be prepared on the basis of international standards. [10]

For the annual preparation of financial statements of large taxpayers and forms of financial statements of subsidiaries, the data of the parent company are determined to be compiled in an aggregated form. As a result, the parent company collects the financial statements of the subsidiaries and prepares consolidated financial statements by compiling quarterly and annual reports.

In this research work, the authors focus on the practical aspects of preparing consolidated financial statements based on international standards, which widely use induction and deduction, monographic observation, factor analysis, synthesis and other methods.

The Report is intended for internal and external consumers of such information, owners of enterprises, heads of a group of parent and subsidiaries and councils, employees of its member companies, investors and creditors, product suppliers, buyers, the state, as well as other interested users. That is, the main objectives of the consolidated financial statements can be described:



It is formed on this basis. If the accounting policies of any company in the group do not match those of the group, adjustments must be made for the purposes of consolidation.

Consolidated Financial Statement (CFS) of financial position. Before compiling the CFS on the financial position, the following stages of work are carried out:

Step 1. Calculate the net asset value of the subsidiary at the date of acquisition and at the balance sheet date.

Table 1. Calculation of the purchase price in a joint-stock company

Indicators	On the date of purchase	At the reporting date
Authorized capital	X	X
Share premium	X	X
Revaluation reserve (according to IFRS subsidiary)	X	X
retained earnings	X	X
+/- adjustment of the amount of retained earnings	-	(X)
+/- fair value adjustment	X/(X)	X/(X)
+/- deferred tax adjustment	X/(X)	X/(X)
+/- other adjustments (accounting policies, errors)	X/(X)	X/(X)
Total:	X	X

Source: prepared by the author

Step 2. Goodwill account.

1. On the date of purchase:

Goodwill at the acquisition date = investment in the parent company (PC) + non-controlling interest at the acquisition date (NCI) - net income (NI) at the acquisition date.

2. At the reporting date:

Goodwill at the balance sheet date = Goodwill at the date of purchase - Impairment of goodwill after the date of purchase.

Step 3. Calculation of non-controlling interest contribution (NCIC).

1. On the date of purchase:

There are two methods for calculating NCI at the date of purchase. In proportion to the Subsidiary's Net Assets at the Purchase Date:

- ✓ NCI at the date of purchase = % NCI at the date of purchase x Net Assets at the date of purchase.
- ✓ At fair value (full goodwill)

2. At the reporting date:

NCI at the balance sheet date = NCI at the date of purchase + %NCI x change in net assets at the date of purchase.

Step 4. Calculation of retained earnings of the group

Table 2. Calculation of retained earnings of the group

Retained earnings of the parent company	X
- Possible correction:	(X)
- Dividends declared by the parent company	X
+ Dividends received from a subsidiary	X
Total retained earnings of the parent company at the reporting date	X/(X)
+/- Share of profits of the Subsidiary received after the date of purchase	(X)

- Unrealized profit of the Group (if it is not taken into account when calculating the net assets of the subsidiary)	X
- Overdue tax on unrealized profits	(X)
- Impairment of goodwill from the date of purchase	X

Source: prepared by the author

Group retained earnings are included in the equity section of the consolidated statement of financial position.

Step 5. Group revaluation reserve (RR).

Group RR = Parent's RR + Subsidiary's contribution to the change in RR after the acquisition date.

After the calculations in the 5th step above, consolidated financial statements of financial position are prepared by summing up the assets and liabilities of the parent company and subsidiaries, taking into account line adjustments as a general rule (table 3).

Table 3. Consolidated financial statement of financial position

Items in the statement of financial position	Head company	Subsidiary	Group	Note
Non-current assets: Goodwill	-	-	G	Calculations made in step 2
Investments in subsidiaries	H	-	-	Deleted
Property, buildings, machinery and equipment	H	S	H+ S	+/- adjustments related to intra-group transfers, revaluation of the assets of the Subsidiary at fair value in a business combination
Intangible assets	H	S	H+ S	+/- adjustments related to intra-group transfers, revaluation of the assets of the Subsidiary at fair value in a business combination
Other noncurrent assets	H	S	H+ S	+/- possible adjustments
Current Assets: Reserves	H	S	H+ S	+/- possible adjustments
Accounts receivable	H	S	H + S	- debt on intra-group transactions
cash funds	H	S	H + S	+ funds on intragroup accounts
Other current assets	H	S	H + S	+/- possible adjustments
Private equity:				
Authorized capital	H	S	H	Only H
Equity capital	H	S	EC	Calculations at stage 5
Revaluation reserve	H	S	RR	Calculations at stage 4
retained earnings	-	-	NCI	Calculations at stage 3
Non-controlling interest contribution	H	S	H + S	Debt on settlements within - group

Source: prepared by the author

Up to 20 percent for ownership, in other words, passive investment. Considering a financial asset, an investor company expects to receive income in the form of dividends from an increase in the fair value of shares. Accounting is governed by IFRS No. 9.

Owning 20-50% means that the investor in this case can have a significant influence on the investment objects, which are considered to be his own or subsidiary company. In measuring and accounting for such investments, IAS 28 Investments in Organized Entities is based on the equity method.

Ownership of more than 50 percent leads to control of the parent company's (H) investee over a subsidiary (S). A group is formed and the parent company prepares a consolidated statement based on IFRS 10. Often, in addition to the consolidated report (mainly according to the requirements of national regulators), a separate financial report is prepared. In this case, IAS 27 must follow the standard known as separate financial statements.

When one company (head/parent) buys another (subsidiary), they remain legally independent and continue to produce separate financial statements. However, economically they represent a single economic entity (group). And in order to understand what this combined business is from an economic point of view, the consolidated financial statements of this group of companies are prepared on the basis of certain rules.

5. Conclusions and offers.

Finally, it is desirable to prepare a consolidated financial statement to make sure that it covers all the requirements for similar audit services at the time of its audit and meets the criteria set by international standards.

The more voting rights an investor has than other investors, the more likely it is that an investee has existing rights that allow it to direct significant activities.

The more “dispersed” the remaining voting rights, the more likely the investor has existing rights that allow it to control the material activities of the investee.

In cases where the decision on significant activities is taken by a majority vote and where the investor has significantly more voting rights than anyone else with the right to vote (or the group has the right to vote), and also in a situation where the rest of the shares are held by a large number of small shareholders, these factors may be sufficient to conclude that the investor has powers (and, in particular, control - in this case we are talking about effective control).

If an investor holding less than half of the voting and ownership rights clearly does not have control, all relevant factors must be taken into account in determining control.

References:

1. Ўзбекистон Республикаси Президентининг 2020 йил 24 февралдаги ПҚ– 4611-сон «Молиявий ҳисоботнинг халқаро стандартларига ўтишнинг кўшимча чора-тадбирлари тўғрисида»ги Қарори
2. International Financial Reporting and Analysis, 4- Edition. D. Alexander, A. Britton, A.Jorissen. 2009. 17-p
3. Hermanson, Roger H. Accounting: a business perspective /Roger H. Hermanson, James Don Edwards, Michael W. Maher. 6th ed., Irwin, Printed in the USA, 2009. 17 p
4. Насреддинов С.С. Консолидациялаштирилган молиявий ҳисобот тузишнинг назарий ва услубий масалалари (“Дори-дармон” давлат акционерлик уюшмаси мисолида) иқтисод фанлари номзоди илмий даражасини олиш учун диссертация автореферати, Тошкент: 2004. -22 б.;

5. Н.Б. Хўжабеков Бизнесни бирлаштиришда консолидациялашган молиявий ҳисоботларни такомиллаштириш: иқтисод фанлари номзоди илмий даражасини олиш учун диссертация автореферати, Тошкент: 2009. 22 б.
6. Модеров С.В. Совместимая финансовая отчетность: логика и техника построения: дис. на соиск. учен. степ. канд. экон. наук (08.00.12). – СПб, 2013 с.13
7. International Financial Reporting Standard 10 (IFRS 10) “Consolidated Financial Statements” / International Accounting Standards Board. - London, 2011. А-Б.банди
8. Молиявий ҳисоботнинг халқаро стандартлар тўплами. <http://www.accaglobal.com>
9. Соколов, Я.В. Судьба международных стандартов финансовой отчетности в России / Я.В. Соколов // Финансы и бизнес. – 2005. № 1. – с. 72.
10. Ўзбекистон Республикаси Президентининг “Молиявий ҳисоботнинг халқаро стандартларига ўтиш бўйича кўшимча чора-тадбирлар тўғрисида”ги ПҚ4611-сон Қарори. Халқ сўзи. 2020йил
11. Ковалев В. В., Ковалев Вит.В. Анализ баланса. – 3-е изд., перераб. и доп. –Москва: Проспект, 2016. –317 с.
12. Мамажонов, А. Т., Юлдашев, Б., & Фозилжонов, И. С. (2016). ВЗАИМОСВЯЗЬ БУХГАЛТЕРСКОГО УЧЕТА И ЭКОНОМИКИ ПРЕДПРИЯТИЯ. ИННОВАЦИОННАЯ ДЕЯТЕЛЬНОСТЬ: теория и практика, (6), 17-21.
13. Юлдашев, Б. Т., Мамажонов, А. Т., Фозилжонов, И. С., & Одилов, Ш. Х. (2016). ОРГАНИЗАЦИЯ АУДИТА НЕМАТЕРИАЛЬНЫХ АКТИВОВ. Экономика, социология и право, (6), 44-46.

