FORMATION OF CONSOLIDATED FINANCIAL STATEMENTS AT ENTERPRISES WAYS OF EVOLUTION

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***Abstract**: This article discusses the proposals and challenges of theoretical foundations of consolidated financial reporting in business entities.*

***Keywords:** IFRS, IAS, consolidation, report, subsidiaries.*

INTRODUCTION

On February 24, 2020, the Decree of the President of the Republic of Uzbekistan № 4611 "On additional measures to switch to International Financial Reporting Standards" was adopted. By accelerating the processes of transformation of financial statements into international standards, providing foreign investors with necessary information and expanding access to international financial markets, also, in order to improve the system of training specialists in the field of accounting and audit by international standards, Joint-Stock Companies, commercial banks, insurance organizations and legal entities included in the category of large taxpayers have established the conduct of financial statements on the basis of international standards (IAS) since 2021 and 2021 prepare their financial statements.

In current period, social and economic development of the countries of the world differs sharply from the previous stages in terms of its meaning. The most basic and important aspect is increasing integration and globalization of national economies. However, in its place it should be noted that along with the positive aspects of integration and globalization into the world economy, there are certain conflicting aspects. In particular, such situations as the fact that economic development in different countries does not go smoothly, there is a discrepancy between the countries of the world in terms of social and economic development, the intensification of environmental threats, sharp differentiation of population changes in different countries prevent the sustainable development of the world economy as an integrated system.

Another aspect of these processes is that social and economic shocks taking place in one country of the world will inevitably affect other countries as well.

As a result of the need for effective activity in business relations, financial statements of economic entities, ongoing competition in the market, in many respects the organization of large companies and ensuring the truthfulness and transparency of their financial statements compiled by them are one of the most important issues. One of the important issues in the development of economic relations is long-term continuous operation of companies and availability of competitive products.

Currently, from the point of view of the presence of control in preparation of consolidated reports reflecting the results of the group in international standards of financial reporting, practical application of the rules of international standard of financial reporting entitled № 10 “Consolidated financial reporting” is of great importance.

On the basis of IFRS № 10, called “Consolidated Financial Statements”, the company must develop the principles of preparation and compilation of consolidated financial statements when controlling one or more societies.

Financial accounting activity is a generally accepted standard of financial reporting on consolidation, which indicates strict standards, however, the issuance of standard reports is directly financed by consolidation.

List of IFRS and IAS associated with consolidation of financial statements.

STANDARD NUMBER	STANDARD NAME
3rd IFRS	“BUSINESS UNIFICATION”
9th IFRS	“FINANCIAL INSTRUMENTS”
10th IFRS	“CONSOLIDATED FINANCIAL STATEMENTS”
11th IFRS	“JOINT ACTIVITY”
12th IFRS	“DISCLOSURE OF INFORMATION ON PARTICIPATION CONTRIBUTIONS TO OTHER COMPANIES”;
1st IAS	“SUBMISSION OF FINANCIAL STATEMENTS”
24th IAS	“DISCLOSURE OF INFORMATION ABOUT INTERCONNECTED PARTIES”
27th IAS	“SEPARATE FINANCIAL STATEMENTS”
28th IAS	“INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES”
29th IAS	“FINANCIAL REPORTING IN HYPERINFLUENT ECONOMIES”
34th IAS	“INTERIM FINANCIAL STATEMENTS”
39th IAS	“FINANCIAL INSTRUMENTS: RECOGNITION AND EVALUATION”

Source: prepared by the author

Consolidated financial statements in accordance with IFRS № 10 – are financial statements of this group, in which the assets, liabilities, capital, income, expenses and cash flows of parent company and its subsidiaries are summarized according to these funds and their sources as the economic financial and economic activities of one society.

In this international standard, parent company – the one who controls one or more enterprises, and subsidiary – economic entity, in particular, is a non-corporate economic entity, for example, a partnership (general enterprise) that controls the activities of another entity. In this case, parent company prepares a consolidated financial report by adding and summarizing the information of subsidiaries.

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To add also the essence of the concept of "real" control, which is accepted today.

The specificity of interpretation of the term "control" describes the principle of control and is one of the important issues for the consolidation of control. Management concept (including: criteria for recognizing its existence or not) International Financial Reporting Standards (IFRS) № 3 "business unification" and (IFRS) №10 "consolidated financial statements" are related to each other.

IFRS № 10 "Consolidated Financial Statements" was published in May 2011, stating principles of preparation and compilation of consolidated financial statements when a company oversees one or more companies.

According to this standard, there is also the term "protection rights", which is the rights in which management consists of protecting the share of the parties to the rights as a participant without giving authority to the parties involved with the rights to the said party. At the same time, we must also cite the concept of "real value", in which the real value is the price that can be paid when transferring income or obligations from the sale of assets in typical operations between market participants on valuation date".

Preparation of Consolidated Financial Statements of a group of societies. The consolidation of the group's consolidated financial statements is carried out in accordance with the basic principles of preparation of Consolidated Financial Statements of the group, financial statements regulated by legislative acts with interrelated organizations that make up this group.

The requirements for the conceptual framework for consolidation of financial statements are explained as follows by the PEMPAL organization, which is considered the International Treasury Association, which implements it in the state and public sectors: "The idea of consolidating financial statements is very simple.

If two or more organizations are united under one general control, they will have to be considered as a "group" in one organization in order to have complete information about the financial condition of the group". In doing so, as the political will of governments, they argue that in mutual settlements it is necessary to "support the transition to the calculation method, as well as to implement four main steps (improvement of current legislation, application of international standards, personnel issue and Information Technology.

In our opinion, in order to prove and confirm the correctness of the structure of the consolidated report, it is necessary to use such generally accepted methods and methods as tracking, checking assets and liabilities, data validation, document analysis, recalculation, and analytical procedures. The ability to evaluate this information, as well as to be able to verify its reliability and compatibility, should be calculated from the prerequisites.

The creation of consolidated financial report by a group of general and subsidiary societies is carried out in stages.

In our opinion, The Economist scientist S.S. Nasretdinnov in scientific work of "in international practice, there are three main stages of creating consolidated financial statements".

In this case, each country has the opportunity to develop a consolidated financial statements structure based on its characteristics based on the requirements of the international standard of financial statements. Therefore, in almost most countries there is a financial reporting structure that is developed by the competent authorities or ministries", quotes the opinion.

The necessity of the first stage lies in the fact that in most cases, that is, despite the requirements that the group of head and subsidiary enterprises in the accounting policy is unique for all enterprises, their report can be drawn up with different deadlines and in different currencies, the procedure for assessing their structure and clauses may differ from each other. This does not correspond to the legal requirements for consolidation of financial statements without taking into account the existing differences.

In this situation, it is considered appropriate to prepare a consolidated financial statement by drawing up a consolidated (transition) report of the financial statements of certain enterprises of the group of head and subsidiary enterprises.

The purpose of unification (transition) report means that it is necessary to eliminate cases of deviations from the accounting policy of general and subsidiary groups and coordinate it with the unified requirements of accounting policy of the parent enterprise.

At the second stage, the financial statements of merged enterprises are summed up horizontally. The result is a generalized balance sheet, which expresses the amount of relevant articles of Consolidated Financial Statements of societies. At this stage, special control should be established over the procedure for compiling consolidated financial statements and compliance of all enterprises to which the group of head and subsidiary enterprises should be combined. For this reason, this stage is considered to belong only to subsidiaries and joint ventures. In this case, the data of subsidiary enterprise are fully concentrated, while the data of financial statements of joint ventures are concentrated only in proportion to the share of participation of parent enterprise.

The third stage represents a direct Unification, which involves creation of a consolidated report on the balance sheet and financial results. Its purpose is to provide information about the main and subsidiary group of enterprises as a single economic structure. To do this, it is necessary to develop a clear order of unification, aimed at excluding circulation within the group of head and subsidiary enterprises and their results.

In our opinion, we believe that the inclusion of the following procedures and stages of compiling consolidated financial statements in accounting policy will serve to build the report qualitatively and transparently:

The first stage: Reporting on financial condition, income and expenses of general and subsidiary societies, establishing a sequence of similar indicators of the assets and liabilities of the enterprise;

Second stage: Mutual exclusion of the share of investments of parent company and its subsidiaries in authorized capital. This does not take into account the fact that parent company has invested itself a share in the authorized capital of subsidiary and is not indicated in consolidated financial statements;

Third stage: Exclusion of balances and working capital for intergroup settlements between organizations entering the Economic Union. At this stage, the parent company will not be included in Consolidated Financial Statements of working capital between its subsidiaries and subsidiaries;

Fourth stage: Inclusion of its share in capital of parent company in changing the relevant charters of subsidiaries for the reporting period. In this case, the parent company must clearly indicate the amount of capital input when drawing up the Charter of its subsidiaries at the beginning of the year, and by the end of the year reporting it will control the introduction of capital;

fifth stage. The parent company recognizes as Goodville the difference between the value of net assets of another enterprise and market price at its acquisition and its actual value.

Sixth stage: Calculation and reflection of net operational results of the subsidiary and share of uncontrolled shareholders in capital structure, to which parent company belongs to a share that does not own directly or indirectly.

The actions described in the first, second and third stages are typical for subsidiaries that were previously members of the Economic Association, and subsidiaries purchased during the reporting period. It is proposed that the calculations made in the remaining stages will be applied to the Enterprises purchased during the reporting period.

At the same time, according to regulatory legal acts adopted to measure investments in acquired subsidiaries during the reporting period, it will be necessary to identify assets, capitals and liabilities and determine the real value of assets and liabilities by drawing up contracts by the company that purchased them.

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