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FEATURES OF CONSOLIDATED FINANCIAL STATEMENTS: FOREIGN EXPERIENCE

The article researches the features of preparation and submission of the consolidated financial statements of the world countries of different systems of accounting standardization in order to identify the areas of accounting improvement for the process of consolidation of financial reporting indicators. The main problems of consolidated financial statements preparation by business entities in Ukraine are determined. The author determines the theoretical and practical problems of consolidation of financial statements of organizational and methodical character. The comparative analysis of the features of standardization process of financial statements consolidation in the world countries is carried out. The main differences in the requirements for the formation of consolidated financial statements indicators of such countries as the French Republic, the Federal Republic of Germany, the Republic of Belarus and the People's Republic of China are outlined. The main directions of scientific researches on the improvement of accounting and analytical support for the preparation of consolidated financial statements are formed.

Keywords: *standardization; consolidated financial statements; structure of statements; level of control; group of enterprises; accounting information.*

Settlement of the problem. The constant development of accounting as a science and as a practice is accompanied by a great deal of unexamined problems which require solving. One of them is the development of consolidated accounting system and preparation of consolidated financial statements. The problem of accounting consolidation is rather new for Ukraine and almost unexamined. While consolidated financial statements preparing one should take into account the international experience of the countries that constantly use the consolidation system.

Analysis of the latest researches and publications. The problems of forming of financial statements consolidated indicators were researched by the following domestic and foreign scientists:

Aliev Z.M., Burlakova L.V., Volkova O.Yu., Herasymenko O.S., Holov S.F., Kozlova T.V., Kostjuchenko V.M., Luchko M.R., Onyshchenko V.P., Svirko S.V., Semchuk I.V. and others. The scientists studied mainly the history of consolidated financial statements development, the methods of their preparation and also the features of the analysis of such statements indicators.

The purpose of the article is to research the features of preparation and submission of consolidated financial statements of world countries of different systems of accounting standardization in order to identify the areas of accounting improvement for the process of consolidation of financial reporting indicators of an entity.

Statement of the research. The study of scientific professional literature about the issues of preparation and submission of consolidated financial statements allowed to single out a number of theoretical and practical problems of organizational (the complexity of normative regulation; the labor intensity of the accounting organization process for the necessities of financial statements consolidation; the use of various software products and the complexity of their implementation; the lack of specialists) and methodical (the complexity of accounting data gathering and structuring in order to compare them; multicurrency; inability to identify contribution of a separate company concerning the group indicators; the complexity to identify the size of undistributed profit and shares in capital; high labor intensity and the duration of consolidated financial statements preparation and/or its transformation; the lack of methodology for conducting analysis of consolidated reporting) character.

The legislative regulation of the order of consolidated financial statements preparation and submission in Ukraine is determined by international and national levels. Each entity is allowed to choose which legislation to follow for its accounting and consolidated financial statements preparation taking into account corresponding legislative restrictions concerning this.

National accounting standards have drawbacks and need improvement, mainly, in the part of detailing regulations about defining specific accounting objects in consolidated financial statements such as goodwill, reduction in price of non-negotiable

and negotiable assets and their amortization, undistributed profits and etc. The improvement of accounting of any object is impossible without learning international experience in accounting. Most world countries do accounting according to the international standards of financial statements, but a number of countries follow both international and national level of regulation.

We have researched the features of standardization for the process of consolidation of financial reporting in the world countries that is shown in table 1.

The national level of accounting regulation of the French Republic is represented by the Economic code. One of the features of the code is that the legislation allows to submit consolidated financial statements on the date which differs from the date of financial reporting of a parent company if it is chosen by the majority of subsidiary companies which are included in the group.

In this case, it is necessary to put down the important events that influenced upon the assets and liabilities of companies included in the consolidated financial statements which were established between the date of balance finishing by a parent company and date of the consolidated financial statements. If the diversity between the dates is more than three months, then the consolidated financial statements are liable to audit inspection.

Table 1

*Standardization features
for consolidation process of financial reporting in world countries*

Indicators for comparison	Normative and legal acts of world countries			
	The French Republic	The Federal Republic of Germany	The Republic of Belarus	The People's Republic of China
1	2	3	4	5
Main normative document	Economic code with changes from 29.07.2016 p. [1]	Commercial code with changes from 31.03.2016 p. [2]	National accounting and reporting standard called «Consolidated account reporting» [8]	Accounting standard called «Consolidated financial reporting» [3]

Continuation of table 1

1	2	3	4	5
Level of control	Not less than 1/5 votes	It is not clearly pointed	More than 50 %	More than a half of votes, additional conditions
Kinds of reporting	Consolidated financial statements, group management reporting	Consolidated financial statements, group management reporting	Individual consolidated financial statements	Consolidated financial statements
Structure of reporting	Balance, consolidated statements about income and appendixes to them	Balance, consolidated statements about income and losses, statements about money flow and own capital. Can be extended due to reporting on segments	Forms are chosen on one's own	Consolidated balance, consolidated statements about income and losses, consolidated statements about money flow, consolidated statements about share capital; remarks
Causes of consolidated financial statements failure	Not determined	Determined	Not determined	Determined
Other information	Complete consolidation, proportional consolidation and consolidation according to share in capital	Privileged conditions for release from consolidation	List of items which are not included in consolidated reporting and which are included with corrections	List of items which are not included in consolidated reporting and which are included with corrections
Additional information for reporting disclosure	Are not singled out separately	Determination of information which is reflected in group and which is reflected only in parent company's reporting	Information about use of professional judgement	

The Federal Republic of Germany legislation determines two conditions when a group doesn't have to submit consolidated financial statements, the first condition is about annual financial statements of a parent company and its subsidiary enterprises, while the other one concerns to consolidated financial statements themselves.

According to the first condition, a parent company is released from the submission of consolidated financial statements and group management reporting if on the date of annual financial statements preparation or on the date which precedes the latter one, at least two out of three following conditions are fulfilled [2]:

1) the total value of assets in the balance of a parent company and subsidiary enterprises which will be included in consolidated financial statements exceeds 24 billion euro;

2) the income of a parent company and subsidiary enterprises which will be included in consolidated financial statements don't exceed during twelve months which precede the date of annual financial statements make totally 49 billion euro;

3) a parent company and subsidiary enterprises which will be included in consolidated financial statements must have no more than 250 hired workers per year in average during last twelve months.

In accordance with the second condition, a parent company is released from the submission of consolidated financial statements and group management reporting if on the date of annual financial statements preparation or on the date which precedes the latter one, at least, two out of three following conditions are fulfilled:

1) the total balance doesn't exceeds 20 billion euro;

2) the income for the last twelve months which precede the date of statements don't exceed 40 billion euro;

3) a parent company and subsidiary enterprises which are included in consolidated financial statements had more than 250 hired workers per year in average [2].

To prepare consolidated financial statements subsidiary enterprises have to submit a parent company on time annual financial statements, management reports, consolidated financial statements, and also the audit conclusion that confirms the authenticity of the submitted statements.

The next feature of financial statements consolidation system in the Federal Republic of Germany is that the group submits not only consolidated financial statements, but also group management reporting. The latter report discloses the information about the business efficiency including business results. The report has to have the substantial business analysis of financial indicators of the group and competitive situation of the group. The analysis of the most significant indicators for the business has to contain the explanations and references to the amounts included in consolidated financial statements and notes to the statements. The statements hold the additional information about nonfinancial indicators such as the information concerning ecological issues and employees who contribute in the business a lot. Besides, the statements expose the information about the expected development of the business with the reference to the evaluation of material possibilities and risks which are on the basis of calculation prospective results.

The group management report holds the information concerning: a) the goal of risk management and group policy taking into account the hedging policy of every main kind of; b) prices, credit risks, the risk of liquidity, and the risks connected with the change of money flows; c) the scientific researches and developments of the group; d) the description of significant branches of economy for right understanding of the position of the group; e) the principles of compensation system and rewards as a parent company is a public corporation; f) the main features of management and inner control systems.

The Republic of Belarus regulates the order of consolidation of financial statements indicators in accordance to the National accounting and reporting standard called «Consolidated account reporting» [8], national standard that regulates the order of auditing [9] and International standards of financial statements. The consolidated statements are prepared by a parent company in accordance to the forms set by it itself.

If the data for the previous year, which is equal to the report period, can not be compared with the data of the report period, then the former data have to be corrected according to the legislation.

The People's Republic of China regulates the order of consolidation of financial statements indicators in accordance to the accounting standard № 33 called «Consolidated account reporting» [3], and accounting standard № 40 called «Mechanism of joint venture» [5], accounting standard № 41 called «Disclosure of information about shares in other organizations» [6], and accounting standard № 36 called «Disclosure of information about parties bound» [4].

Unlike the above supplied features of control level determination (table 1), the People's Republic of China offers the following additional conditions regarding the determination of such a control:

1) investors may be appointed or approved by higher management;

2) an investor may make a decision in their private interests or have the right to veto while making their decisions as to economic activity of an entity;

3) an investor may control the process of appointment of members to the board of directors, investment, and other similar authorities, or control the vote rights of other participants;

4) an investor together with the majority of the members of the board of directors and other higher management authorities or other similar authority have relations with the parties bound.

The disagreed accounting policies of subsidiary enterprises with a parent company have to follow the accounting policy of the parent company's financial statements by performing necessary corrections, otherwise the parent company according to its accounting policy may require the financial statements prepared separately by the subsidiary enterprise.

During the consolidated financial statements preparation, the parent company has to disclose the information about: 1) the accounting policy which differs from the parent company's policy, and also the effect of such a difference; 2) the description of differences in the report period of the parent and subsidiary companies; 3) all the internal agreements between the parent and subsidiary companies, and also between subsidiary companies separately; 4) the changes of its own capital, and etc. [3].

The accounting standard № 33 called «Consolidated financial account reporting» precisely regulates the order of consolidation of balance items, the order of the consolidated statements about incomes and losses, and the consolidated statements about the money movement.

Conslusions. The current study has allowed to determine the theoretical and practical problems of consolidation of financial statements of organizational and methodical character. The comparative analysis of the features of standardization process of financial statements consolidation in the world countries is carried out according to the following criteria: reporting types, reporting structure, the causes of failure in consolidated reporting preparation, other and additional information for disclosure in consolidated reporting. The main differences in the requirements for the formation of consolidated financial statements indicators of such countries as the French Republic, the Federal Republic of Germany, the Republic of Belarus and the People’s Republic of China are outlined.

The main directions of scientific researches on the improvement of accounting and analytical support for the preparation of consolidated financial statements are formed.

The above-determined features of formation of indicators for the consolidated financial statements of the world countries and above-outlined problems during statements indicators formation are necessary as the basis for the further researches concerning the improvement of organizational and methodical principles of the process of accounting data collecting and structuring to compare the indicators of financial statements of all participants of the group for the consolidated financial statements formation.

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Scientific interests:

- general problems of theory and practice in accounting and taxation;
 - theory and methodology of consolidated financial statements formation and accounting;
 - theory and practice of accounting of small business entities
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The article was sent to the publishing department on 19.08.2016.