

CURRENT PROBLEMS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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Abstract:

Globalization of the world economy contributes large-scale development of transnational corporations and other entities who conduct their activities in different jurisdictions. Strategic management of such entities is mainly based on consolidated financial statements, which generalizes the integrated summary and systematization of financial indicators of activity results and of economic potential of all corporation participants (subsidiaries and associates) or group of companies.

Consolidated financial statements' compilation in Ukraine can be carried out with application of national principles (standards) of accounting or by international financial reporting standards. Simultaneous application of these normative acts by current legislation is not provided.

Users of financial statements are individuals and legal entities, who need information about the activity of enterprise to make decisions. In particular, it is submitted to the authorities, who perform management of the enterprise, labor groups at their request, owners, bodies of government statistics, government's fiscal service and so on.

The Law of Ukraine "On Accounting and Financial Reporting in Ukraine" determines that enterprises with subsidiaries in addition to financial statements on their own business operations are required to prepare and present consolidated financial statements. In accordance with to the Order of presentation of financial statements, consolidated financial statements are submitted only to owners (founders) within terms defined by them. To bodies of government statistics such statements are not submitted, only a letter with notification has to be sent if it is prepared in accordance with International Financial Reporting Standards. Thus, consolidated financial statements can be attributed to the internal reporting, information of which is available only to owners of the enterprise, with the exception of those enterprises which in accordance with legislative requirements must disclose the annual financial statements and annual consolidated financial statements along with the audit report by posting on their own web page with publication in periodic or non-periodic editions.

The consolidated financial statements are prepared in accordance with National Principle (Standard) of accounting 2 and contains the same forms of reporting as financial statements of the ordinary enterprise but supplemented by indicators characterizing processes of consolidation (goodwill on consolidation, uncontrolled share, etc.). An important task of accounting is determination of the status of the control object (associate, joint, subsidiary), because it affects the application of method of consolidation in accounting (equity method, proportional consolidation, full consolidation, at prime cost, at fair value). Consolidation of financial statements is carried out sequentially, starting with the preparation of financial statements of individual enterprises from the group, the consolidation of goodwill and accumulated capital, identifying and defining the minority interest in net assets and net profit of

subsidiaries and ends with direct line-item summation of indicators of financial statements of the parent enterprise and its subsidiaries.

Special attention should be given to the formation of accounting policy of a group of enterprises, which should be implemented at two levels: the parent enterprise and subsidiaries. A clear and comprehensive accounting policy should ensure good governance of the group and provide control after subsidiaries by the parent enterprise.

Processes of accounting and reporting information consolidation of corporations are complicated by many factors, including: the difference of traditional models of accounting organization and systems of their standardization in different countries; the complexity of the structure of corporate ownership; variety of equity instruments, that cause difficulties in methods of minority shares' defining; the use of transfer pricing in order to optimize tax payments and so on. These and other factors determine necessity of methodological approaches improvement and methodical approaches of accounting information consolidation for the objective and transparent information support of top managers of corporations as well as of a broad group of their stakeholders.

Keywords: consolidated financial statements, users of consolidated financial statements, methods of consolidation, goodwill on consolidation