



PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF HOLDING COMPANIES IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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Annotation

It is difficult to overestimate the importance of subsidiaries of credit institutions for the group, especially in the context of active attraction of financial resources to the group's capital. Depending on the specifics of the group companies' activities and their needs, a subsidiary credit institution may change its functions. For example, a subsidiary credit institution may act as a financial promoter, technical contractor for transactions, investment adviser for IPO and M&A transactions, analyst, appraiser or asset manager. As a result of these processes, the consolidation of subsidiaries of credit institutions has become an integral part of the preparation of consolidated financial statements.

Keywords: financial statements, credit institutions, consistent procedures

As a result, the information presented in this way in the consolidated financial statements is no longer comparable and understandable to investors and other interested parties. The absence of an approved methodology for the consolidation of subsidiaries of credit institutions has a negative impact on the companies themselves that prepare consolidated financial statements, as this forces them to hire expensive consultants to develop their own consolidation methodology.

The relevance of the topic is due to the fact that earlier in the world practice, companies whose activities were significantly different from those of other companies in the group were excluded from the consolidation perimeter. At the same time, this exception mainly covered credit organizations.

The decision of the IASB was motivated by the fact that the financial statements (including consolidated financial statements) should meet the needs of a wide range of users for information about the financial position, financial performance and changes in the financial position of the company (group of companies), necessary for making informed economic decisions. In addition, if the financial performance of a company whose activities differ from those of other companies in the group is





significant, the exclusion of such a company from the consolidation perimeter may negatively affect the economic decisions made by users of the financial statements, that is, it may result in a violation of the purpose of the consolidated financial statements.

In this regard, the study of international experience can be invaluable for the development of the Uzbekistan regulatory framework in the field of consolidation of subsidiaries of credit institutions. Since, unlike accounting standards, International Financial Reporting Standards contain special provisions regulating the procedure for including indicators of subsidiaries of credit institutions in the consolidated financial statements.

Thus, the above facts indicate that the problems of forming consolidated financial statements of holdings with subsidiaries of credit institutions are not fully covered in the economic literature, and therefore require detailed study and development.

The purpose and objectives of the study: The purpose of the dissertation work is to substantiate and develop, based on the experience of applying International Financial Reporting Standards, a methodology for forming consolidated financial statements of holding companies with subsidiaries of credit organizations.

To achieve this goal, it was necessary to solve the following tasks: to carry out a study of the genesis of consolidated financial statements for all historical stages, types of economic activity, features of the organization and forms of management in various countries of the world; to determine the historical background, time limits and conditions for the emergence of consolidated financial statements; to formulate criteria that determine the perimeter of consolidation; to clarify the signs that allow you to determine the acquiring party in a business combination transaction; systematize existing approaches to the consolidation of subsidiaries; develop a methodology for the transformation and inclusion of the reporting indicators of subsidiaries of credit institutions in the consolidated financial statements of the holding;

The subject of the study is a set of theoretical, methodological and practical issues related to the formation of consolidated financial statements of holdings with subsidiaries of credit institutions.

The object of the study is the holdings and groups of companies based on control relationships and having subsidiaries of credit organizations.

For this purpose, the author analyzes the existing consolidation practices, and critically examines the purpose and basic characteristics of the financial information





disclosed in the consolidated financial statements, which allowed us to draw the following conclusions: subsidiaries whose activities are significantly different from those of other companies of the group should fall within the scope of consolidation (despite the fact that this approach is contrary to established global accounting practices). In support of his position, the author points out that the exclusion of such companies from the consolidation perimeter leads to a distortion of the group's final financial indicators, as well as to a distortion of the indicators disclosed in the note "Segment Information", which ultimately leads to a violation of the purpose of the consolidated financial statements (since the main qualitative characteristics of the financial information presented in the statements are violated: the requirement of reliability (reliability and completeness) and relevance (materiality)); subsidiaries operating under strict long-term restrictions that significantly reduce their ability to transfer funds to the parent organization should generally fall within the consolidation perimeter (the reason for their exclusion from the consolidation perimeter can only be a loss of control). Despite the fact that the presented approach does not correspond to the world accounting practice, the author recommends its use, since within this approach, priority is given to the concept of control when deciding whether a subsidiary operating under strict long-term restrictions should be included in the consolidation perimeter, which reduces the possibility of unjustified manipulation of the consolidation perimeter; a subsidiary may be excluded from the consolidation perimeter if the cost of providing the information necessary for the consolidation procedure is high or there is a high probability of a significant delay in providing this information. The author considers it appropriate to add them to the list of criteria used to determine the perimeter of consolidation. At the same time, the author relies on the requirement of timely provision of information and the requirement of a balance between the costs of obtaining information and the benefits of providing it, as set out in the Principles of Preparation and Presentation of Financial Information; a subsidiary may be excluded from the consolidation perimeter if its financial performance is not significant for the group. In recommending that the list of criteria used for the purposes of determining the consolidation perimeter be supplemented with this requirement, the author relies on the requirement of relevance of information set out in the Principles for the Preparation and Presentation of Financial Information; a subsidiary may be excluded from the consolidation perimeter if the information provided by the subsidiary contains significant errors or biased estimates





and/or the information provided necessary for the implementation of the consolidation procedure is so unreliable that its recognition may mislead users.

One of the key issues when using the purchase method is to determine the amount of goodwill arising from a business combination transaction and how it is subsequently reflected in the financial statements. Despite the fact that the concept of goodwill is actively used in economic literature, it has not yet received an official legal status. The current regulatory documents suggest considering the difference between the purchase price and the value of the acquired company in terms of business reputation. Taking into account the fact that business reputation and goodwill have the same roots of origin (business reputation and goodwill arise as a result of the discrepancy between the purchase price and the value of the acquired company), the dissertation research compares these concepts. As a result of this comparison, the author comes to the conclusion that the concepts of business reputation and goodwill cannot be considered as identical to each other. In this regard, the author recommends introducing the concept of goodwill into business and scientific turnover.

The financial analysis of the acquired credit institution, its past activities with the help of available information, serves as the basis for making forecasts and estimating future profits, cash flows and, ultimately, the entire acquired business. Such an analysis should be comprehensive, covering various aspects of the credit institution's activities. Its most important component is the analysis of the effectiveness of liability management, the analysis of the state and use of own funds and capital of the credit institution, the analysis of the effectiveness of the use of borrowed funds by the credit institution, the analysis of the quality of asset management of the credit institution, as well as the analysis of the formation of reserves for possible losses, including reserves for possible losses on loans, which are considered taking into account the characteristics of the acquired credit institution, the analysis of the structure and amount of cash flows before and after the merger. Along with the cash flows of the acquired credit institution, its liquidity, solvency, commercial activity and capital turnover are examined.

The result of the study was the development of a methodology for financial analysis of a credit institution at the stage of preparing a merger transaction. The methodology of financial analysis includes the calculation of liquidity ratios, the immobilization of own funds, internal capital formation, the turnover of receivables and payables, and the effectiveness of the use of borrowed funds by a credit institution. The analysis methods are disclosed from the standpoint of the possibility of forming sufficient cash





flows after the acquisition, reducing risks, and improving the efficiency of the banking business.

At the end of the author developed and used for the first time a method of consolidation of subsidiary credit institutions, called the "method of parallel transformation". This provides for the application of consistent procedures for calculating and including indicators of the financial statements of a subsidiary credit institution in the statements of the parent non-credit organization in order to bring them to a single form. At the same time, the author set out to develop a clear and visual methodology that can be easily applied in practice as an illustrative example when consolidating the financial statements of organizations of various types of activities.

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