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CURRENT PROBLEMS OF THE AUDIT OF CONSOLIDATED FINANCIAL REPORTING

Abstract. Modernization of the economy of Kazakhstan, which is based on competitiveness, dictates further improvement of accounting methods and techniques. That will allow organizations to more realistically see their financial condition and show greater autonomy in solving problems and drawing up IFRS statements. As practice has shown, the transition to IFRS is a complex, ambiguous process. Under IFRS, there are very high requirements for ensuring transparency of information.

Despite the fact that many countries use international standards as the basis for national accounting legislation, in each of them the application of IFRS has its own specifics due to differences in terminology, scope, classification and deadlines for their entry into force. However, there are a number of problems, for example, based on the consolidated financial statements, it is impossible to determine the contribution of an individual subsidiary to the financial position and financial performance of the group. The authors presented not only the problems of organizing an audit of the consolidated financial statements, but also suggested ways to solve them.

Keywords: consolidated financial statements, parent company, subsidiary, non-controlling share of shareholders, goodwill.

INTRODUCTION

Given the complexity of the economic relations of the parent and subsidiary organizations, the preparation of consolidated financial statements is a complex process that requires prior training, the availability of qualified personnel. Actual problems of drawing up consolidated financial statements are primarily related to problems of accounting support of consolidation processes and the results of activities of groups of interrelated organizations. When compiling consolidated financial statements, an organization should use a uniform accounting policy for similar transactions and events or make appropriate adjustments to achieve compliance. Many works of domestic and foreign experts are devoted to the problems of consolidating financial statements, but there is no uniform methodology for maintaining consolidated accounting and reporting. In this regard, a study of the content, order of preparation and use of consolidated financial statements in financial management is relevant. The article provides a comparative analysis of IFRS (IAS) 27 and IFRS 10 on the criterion "definition of control", accounting requirements and procedures for consolidating financial statements. Also considered a practical example for the preparation of a consolidated balance sheet.

MAIN PART

The introduction of IFRS into the national accounting system will enable companies to increase the confidence of foreign investors by increasing the transparency and reliability of financial reports and their comparability with those used in Western companies.

In the monograph Isakova S.A. investigates problems that are highly relevant against the background of the need for a sharp increase in the efficiency of the economy and its modernization; the problems of accounting and auditing in the conditions of economic integration are revealed; modern methods of forming financial statements, normative legal problems of conducting, regulating accounting, drawing up financial statements and auditing in organizations are proposed.

The material of the monograph will allow its readers to form an idea of the current problems of accounting and auditing and ways to solve them, as well as to find approaches to optimizing accounting...
and auditing, organizing information support for the decision-making process in the organization of any activity.

In Germany, in contrast to the UK, the preparation of consolidated financial statements until the 30s of the twentieth century, not practiced at all. Only in 1965 was consolidation officially declared a mandatory accounting procedure, although with quite significant differences from the Anglo-American practice, eliminated in 1985 [7].

Despite the fact that in the accounting process in Germany in recent years there have been certain changes, the organization of accounting and reporting, in general, has not suffered, and remains national. A feature of the accounting cycle can be called the fact that in Germany two types of reporting are used: commercial and tax. The accounting process is governed by the Commercial Code.

Companies submit consolidated financial statements (of both national and foreign subsidiaries), if any:

- more than 20% of shares of other companies and actual control over them;
- the presence of the majority of voting shares;
- dominant position due to an agreement or the right to appoint or recall members of the board of directors [7].

However, under the pretext that adherence to the principles of "true and unbiased presentation", or materiality, or because the existing shares are intended solely for resale, German companies have the right to exclude individual affiliates from consolidation.

Here it is necessary to fulfill the following requirements: the constancy of the consolidation methods used, the significance of the data included in the reporting.

In Germany, the so-called step-wise concept of the composition of consolidated enterprises is adopted:

- The first stage consists of fully consolidated enterprises, which includes the main and all subsidiaries;
- the second stage is formed by joint ventures that are subject to share consolidation, while they can also be consolidated only in part of their own capital (at the option of the concern’s management);
- associated (dependent) enterprises constitute the third step of consolidated enterprises, they are subject to consolidation only in terms of their own capital;
- The fourth (external) level is formed by enterprises that, as part of the group, although they have a share of capital, but have only a minor impact on the activities of the first. These shares should be estimated at initial costs [5].

There are basic methods for converting currency balances of subsidiaries abroad:

- conversion at the exchange rate at the reporting date (for any assets and liabilities);
- translation at the rate as of the date of the actual acquisition of the property (for assets other than cash and any liabilities).

The whole process of compiling consolidated statements can not be limited only to direct consolidation, and like most accounting procedures it can also include powerful preparatory work, which is necessary to obtain common (typical) input data (consolidated statements) [8].

The compilation and presentation of the group's balance sheet is carried out without taking into account dividends from the profit of the reporting year, the payment of which will affect the balance of the next year. Dividends reflected in the consolidated statements are paid by the main company and, accordingly, in the same amount are reflected in its statements [8].

Since dividend payments are reflected in the balance sheet of the following year, the preparation and presentation of the balance sheet in the consolidated financial statements is carried out without taking into account these dividends in the profit of the reporting year.

In France, the accounting cycle is very strictly regulated by the state. Despite all the changes that are happening recently in the accounting process of the country, the accounting methodology remains national, as in Germany.

Since 1982, in France, a common chart of accounts has been used, which conforms to the requirements of the 4th European Union directive. Consolidated financial statements are governed by international standards and are compiled by large companies, while their share in the capital of another company must be at least 40%.
In the financial statements of this country include:
• balance;
• income statement;
• report on the use of profits; statement of changes in equity;
• manager's report and explanations.

In 1986, the leadership of France adopted a decree on the preparation of consolidated financial reports. It stated that all enterprises that are under the control of the parent company are consolidated. Namely: the parent company directly or indirectly has the majority of votes; 40% of voting shares; actually runs another company by entering into an agreement with it.

Companies that are engaged in activities that differ from those of groups of companies may be excluded from consolidation. In this case, they are consolidated using the capital method.

Kazakhstan corporate structures have been compiling consolidated financial statements for more than ten years. The relationship between the subsidiary and the parent organization is determined based on the provisions of civil law, IFRS. From the point of view of the civil legislation of the Republic of Kazakhstan, the parent organization and its subsidiaries are independent legal entities. A subsidiary is not responsible for the debts of its main organization. In turn, the parent organization can influence the activities of the subsidiary by participating in its management, without interfering in specific transactions. For transactions that the subsidiary has concluded independently, the parent organization is not liable [1].

In accordance with the standards for consolidating financial statements, the main definitions are designated [3]: - consolidated financial statements are financial statements of a group in which assets, liabilities, capital, income, expenses and cash flows of the parent organization and all its subsidiaries are presented as elements of a single entity - economic entity; - the group is the parent organization and all its subsidiaries; - parent organization - an organization that controls one or more of the other organizations; - A subsidiary is an organization under the control of another organization; the main feature of a subsidiary is control; - the share of non-controlling shareholders (minority interest) is the part of the capital of a subsidiary organization that the parent does not own directly or indirectly.

The accounting requirements for consolidating financial statements are as follows:

1. Consolidation begins with the acquisition by the investor of control over the investee and ceases when the investor loses control of the investee.

2. When preparing consolidated financial statements, an organization should use a uniform accounting policy for similar transactions and events or make appropriate adjustments to achieve compliance. Thus, the consolidated reporting gives the most complete picture of the financial position and results of the parent organization and all organizations controlled by it, considering them as a single economic entity. However, at the same time, the consolidated financial statements, as well as other forms of financial statements, have inherent shortcomings. Based on the consolidated financial statements, it is impossible to determine the contribution of an individual subsidiary to the financial position and financial performance of the group. Preparation of consolidated financial statements is a complex process that requires preliminary preparation, the availability of qualified personnel, the development and use of software for consolidating the financial statements of the group, taking into account the needs of the business. In this regard, the author considers it expedient to carry out the development by the competent authority of a unified methodology for the implementation of the consolidation process. Fulfillment of these conditions will ensure high quality and reliable presentation of the consolidated financial statements.

REFERENCES

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Аннотация. Модернизация экономики Казахстана, в основу чего легла конкурентоспособность, диктует дальнейшее совершенствование методов и приемов бухгалтерского учета. Что позволит организациям более реально видеть финансовое состояние и проявлять большую самостоятельность в решении проблем и составлении отчетности МСФО. Как показала практика переход на МСФО - это сложный, неоднозначный процесс. Консолидированная финансовая отчетность позволяет учитывать активы и пассивы нескольких организаций в рамках одной формы отчета. Необходимо провести грамотную подготовку к переводу на международные стандарты отчетности.

Ключевые слова: консолидированная финансовая отчетность, материалная организация, документация, классификация, активы, пассивы, взаимосвязь, языки, методы, стандартизация, подготовка, переподготовка.

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