

Conceptual framework for the formation of consolidated financial statements in the agricultural holding

Daria Olegovna Zabaznova
Volgograd State Agrarian University
Faculty of Economics
Volgograd, Russia
darya820@mail.ru

Abstract - The reasons for the spread of holding structures in the Russian Federation are a reduction in the risk of property loss in a group of interconnected enterprises, the integration of successive stages of the technological process, the manifestation of scale effects and multiplicative effects of corporate property, and tax optimization.

IFRS define the basic principles of presentation and preparation of consolidated financial statements, and are mandatory for organizations named in the Law of the Russian Federation No. 208 FZ dated July 27, 2010. Clause 1, Article 2. "On Consolidated Financial Statements", the consolidation mechanism itself is determined by the parent and its subsidiaries.

We consider it necessary to provide the investor with not only consolidated financial statements, but also personalized (intercompany) information about the organization, a member of the consolidated group that discloses information, according to the concept.

We have presented the goal, the concept of the reporting organization and the application of qualitative characteristics (principles), the reporting elements applied to the consolidated financial statements.

At present, there are no developed methodologies for organizing consolidated accounting and compiling consolidated reports at agricultural holdings, which creates information deficiencies in management, prevents a reliable assessment of the financial condition of groups of interrelated enterprises, and makes it impossible for them to manage resources, expenses and incomes.

In this regard, the algorithm for the formation of consolidated statements in the agricultural holding, which takes into account all the necessary procedures, including internal supplementary document flow allowing elimination and the relationship between group members in the process of financial reporting, its consolidation, control and analysis.

Keywords - agricultural holdings, the concept of consolidated financial statements, the formation of consolidated financial statements

I. INTRODUCTION

For the timely stage of development of public business, the holding forms of its organization are characteristic. The consolidation of interconnected enterprises makes it necessary to develop a scientific methodology of consolidated accounting, its general principles, methods, rules for the formation of statements of the consolidated group, and private methods for individual sectors of the domestic economy, reflecting the specifics of each industry.

If the principles of consolidated financial statements are defined by international standards, Methodological recommendations of the Ministry of Finance of the Russian Federation on the preparation and submission of consolidated financial statements, then more frequent industry-specific methods of consolidating accounting and reporting have not yet been developed.

The development of methodological and methodological problems of organizing modern Russian accounting and establishing it as a system of scientific knowledge made a great contribution: A.F. Aksenenko, V.B. Ivashkevich, N.P. Kondrakov, E.A. Mizikovsky, V.F. Paly, A.D. Sheremet et al.; The development of the modern theory of qualitative characteristics of financial statements is reflected in the works of Russian and foreign authors: V.V. Kovalev, K. Nobs and K. Stadler, D.O. Petrichenko et al. The peculiarity of modern integrated structures that are the object of organizing consolidated accounting is described in the works: R. Akhmetova, E. Rumyantseva, A. Khitskova. The integration of the conceptual framework of financial reporting in IFRS and Russian accounting was investigated by E.S. Druzhilovskoy, I.V. Sokolov, O.V. Solovyova and others.

The purpose of this scientific article is the formation of a methodological basis and the proposal of a methodology for organizing a consolidated accounting of a group of interrelated organizations of the agro-industrial complex.

Achieving the goal is possible when solving the following tasks: presentation of the goal, the concept of the reporting organization and the application of qualitative characteristics (principles), reporting elements, as applied to consolidated

financial statements; develop an algorithm for the formation of consolidated statements in the agricultural holding, which takes into account all the necessary procedures.

II. MATERIALS AND METHODS (MODEL)

General scientific methods of deduction, induction, systems approach, as well as analysis and synthesis were used.

III. RESULTS AND DISCUSSION

Globalization, internationalization of business, active investment, requires constant updating of the regulatory framework in terms of the presentation and preparation of financial statements as an information base. For the modern stage of development of the domestic business, holding forms of its organization are characteristic. With the undoubted advantages of a business organization in the form of a group of interrelated enterprises, the owners do not have a reliable assessment of the state of assets, liabilities, income, expenses, profits and losses of a group of controlled enterprises. Obstructive assessment of business results as a whole and individual business processes is complicated.

The consolidation of interconnected enterprises makes it necessary to develop a scientific methodology of consolidated accounting, its general principles, methods, rules for the formation of statements of the consolidated group, and private methods for individual sectors of the domestic economy, reflecting the specifics of each industry.

According to paragraph 4 of Art. 20 of the Federal Law of 06.12.2011. N 402-ФЗ "On Accounting", provides for the use of international standards as the basis for the development of federal and industry standards in the preparation of consolidated financial statements.

Purpose, procedure for the recognition of International Financial Reporting Standards (IFRS) for use in our country. presented in an updated version of the Conceptual Framework for Financial Reporting, as amended on January 29, 2018. Solovyova O.V. notes that "not being a standard itself, the conceptual framework performs a triune function: they define uniform principles for the formation of financial statements; they are the basis for ensuring a uniform approach to solving problems of the content and formation of financial statements in the development of IFRS; they provide the basis for the development of professional judgment or accounting policies in the absence of specific requirements of IFRS, which also contributes to improving the uniformity of problem solving in the framework of financial reporting that meets the requirements of IFRS"[1]

The fundamental and improving qualitative characteristics set forth in the Concept are acceptable, relevant and significant in the preparation and consolidated financial statements. It should be noted that the consolidated financial statements are a kind of financial statements that perform the information function of providing users with accurate information about the financial position of a group of interconnected economic entities based on control relationships for making investment decisions. IFRS define

the basic principles of presentation and preparation of consolidated financial statements, and are mandatory for organizations named in the Law of the Russian Federation No. 208 FZ dated July 27, 2010. Clause 1, Article 2. "On Consolidated Financial Statements", the consolidation mechanism itself is determined by the parent and its subsidiaries. In the economic literature there are opinions that in the conditions of consolidation information about the resources of a single enterprise is also relevant for the investor. V. Plotnikov, notes that "consolidation reflects the financial structure of the group, but the activities of each enterprise within it have their own segments. If the consolidated financial statements are based on a legal basis, that is, it reveals the overall financial situation of a group of enterprises, in the case of a report by segment of the consolidated report, there are two groups of indicators: by types of products, services provided by the group, by geographical areas of sales of products or services. [2]. It is practically impossible for an investor to form an opinion on the basis of consolidated financial statements on liquidity, solvency of an organization, a member of a consolidated group and to predict future cash flows and their distribution.

From the author's point of view, it is necessary to provide the investor with personalized (intercompany) information about the organization, member of the consolidated group.

International standards and Conceptual frameworks can be the methodological basis on which a national system of consolidated accounting and reporting can be built.

Imagine the purpose, the concept of the reporting organization and the use of qualitative characteristics (principles), the reporting elements in relation to consolidated financial statements. 1) The purpose of the consolidated financial statements is to provide investors with financial information about the consolidated group, in which assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as a single entity of economic activity. 2) The concept of a reporting organization provides for the presentation of information about the economic resources of the group. Information in the first stage is needed by users when assessing the liquidity and solvency of the group to predict the future cash flows of the parent organization and their distribution among the participants. 3) Consolidated financial statements, as well as financial statements of a single organization, have qualitative characteristics that increase the level of information and truthfulness of financial information provided to investors: relevance and truthfulness, verifiability and timeliness, clarity. These qualitative characteristics in the light of the presentation of consolidated financial statements increase many times. 4) Consolidated statements reflect the financial impact of business operations in a group of organizations on the consolidated financial result through the principles of recognition, specific methods and techniques, and approaches to the assessment of elements. 5) The concept of capital and capital maintenance. Qualitative characteristics play a fundamental role for the consolidated financial statements, we present them in more detail. (Fig. 1) Relevant and significant information form the investor's real presentation of the solvency of an interdependent group of organizations, its

financial position and development prospects. For example, in the uniform accounting policy of the Agroholding, it is determined that the errors are of the following nature: incorrect application of accounting legislation; incorrect application of the accounting policies of the organization; inaccuracies in the calculations; incorrect classification or assessment of the facts of economic activity, etc. recognized as significant if the ratio of the amount of error to the amount of assets of the balance sheet for the reporting year is more than 5%.

Consequently, relevant and significant, in relation to a specific agricultural holding, is financial information with a possible error of up to 5% of the asset balance of the agricultural holding. The value of this qualitative characteristic plays a large role in the formation of relevant financial information in the consolidated financial statements of the agricultural holding, since the established amount of error in the currency of the consolidated balance of the agricultural holding is very high.

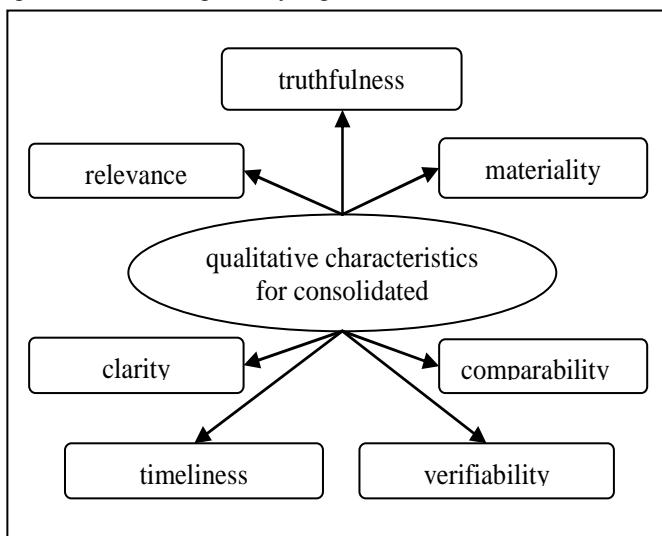


Fig.1 Qualitative characteristics for consolidated financial statements

To be useful, the information must be both relevant and truly presented, i.e. false, inappropriate information will not allow the investor to predict future cash flows and their distribution.

Since the main purpose of the consolidated financial statements is to ensure that its users receive information about resources, the financial situation and the activities of a group of organizations and could, on this basis, analyze and predict further decisions aimed at the formation and redistribution of income between the controlled organizations that provide financial and economic support. technological support in the case of the development or adoption of new areas of activity that will subsequently lead to an increase in future net revenues cash in the consolidated group, the role of such qualitative characteristics as a true representation of the financial information group of organizations is very important.

Methods of organizing consolidated accounting and compiling consolidated reports in agroholdings that unite commodity producers, enterprises for processing products,

trade, material and technical supply are not developed, which creates information deficiency in management, prevents a reliable assessment of the financial condition of groups of interrelated enterprises, and makes it impossible for them to manage resources , expenses and income.

In turn, agricultural holdings are characterized by the territorial remoteness of the holding's participants, their sectoral, economic, personnel, financial heterogeneity, which determines the special role of the consolidated financial statements. In the economic literature there are authoring in terms of the methodology and technology for the preparation of a consolidated balance sheet.

M.L. Pyatov and I.A. Smirnova notes that “during consolidation, investment items in subsidiary companies, capital items in subsidiary companies are eliminated, and goodwill and non-controlling interest articles are introduced.” [3]. However, during consolidation, the authors do not eliminate the obligations of subsidiaries, which, in our opinion, in a group can occupy a significant amount in the consolidated balance sheet.

V. Plotnikov notes that, in general, the current stage of development of the consolidated financial statements is characterized by presenting it as a report of a single economic entity, highlighting the interests of investors in it. " [4]. Using the recommendations of IFRS, the provisions of the Conceptual Framework for financial reporting and our own developments for presenting useful information to investors, for operational capital management, responding to changes in the structure of assets and liabilities of the group, we have developed an algorithm for generating consolidated financial statements in an agricultural holding that takes into account all the necessary procedures, including internal additional the document circulation allowing to carry out the elimination and the order of relations between the participants of the group in financial reporting, its consolidation, control and analysis.

In turn, agricultural holdings are characterized by the territorial remoteness of the holding's participants, their sectoral, economic, personnel, financial heterogeneity, which determines the special role of the consolidated financial statements. In the economic literature there are authoring in terms of the methodology and technology for the preparation of a consolidated balance sheet. The algorithm includes a sequence of actions through which the financial statements of individual organizations are converted into a consolidated financial report prepared in accordance with the requirements of IFRS and internal standards in the agricultural holding. The algorithm for forming consolidated financial statements at an agricultural holding includes the following procedures. (pic 2)1) Development of regulations for the formation of consolidated statements: a description of all members of the group and the identification of the principle of control, to determine whether the investor controls the object of investment; a description of all interactions and procedures required for consolidating financial statements; the development of regulations and procedures for interaction in the preparation of financial individual and consolidated financial statements; the formation and approval of intercompany reporting forms and workflow schedules; the

establishment of consolidation steps.2) Checking for uniformity of all accounting policies of organizations of the group, identifying differences from a single accounting policy and adjusting to a single standard: uniform methods for depreciation of fixed assets, intangible and other assets; common methods for assessing inventories, goods, work in progress, finished goods and financial investments; compliance with types of income and expenses, i.e. the qualification of income and expenses in relation to their attribution to income and expenses from ordinary activities or other income and expenses; recognition of current selling and administrative expenses as part of current expenses; a unified method of accrual and distribution of the income due and expenses incurred for loan obligations; applicable tax regime.

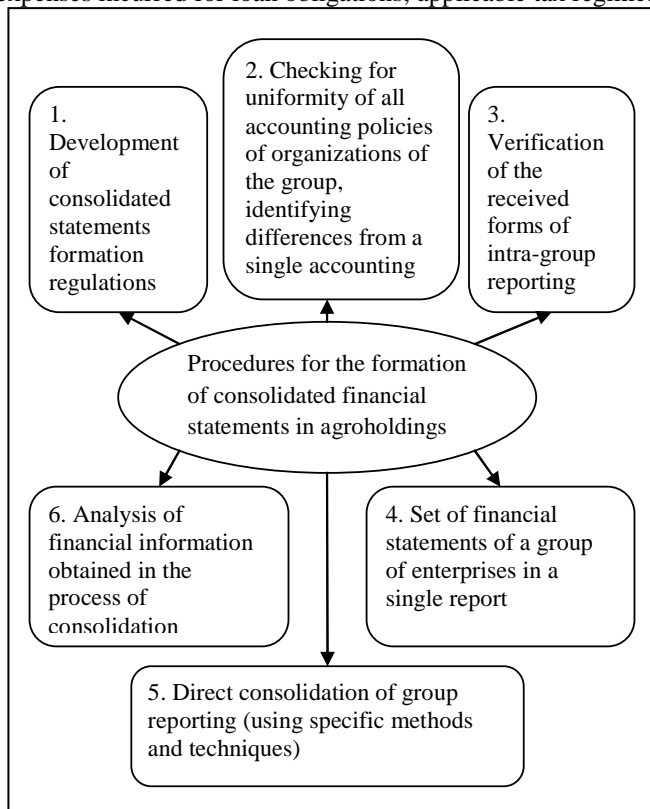


Figure 2 Procedures. the formation of consolidated financial statements in the agricultural holding

3) Verification of the intra-group reporting forms received: on the financial investments of the parent organization in the authorized capitals of subsidiaries; about receivables and payables for goods; on the amounts of VAT on advances received between the parent organization and the subsidiaries and subsidiaries among themselves; on sales between the parent organization and subsidiaries and affiliates, as well as between subsidiaries; the amount of profits and losses arising from intragroup transactions; on dividends paid by the agroholding organizations. 4) Consolidated financial statements of a group of enterprises in a single report: a compilation of the balance sheet (Form N 1); consolidated report on financial results (Form N 2); a summary of the statement of changes in equity (Form N 3); a summary of the cash flow statement (form N 4); a set of annexes to the balance sheet; the study of explanatory notes; the study of the audit report. 5) Directly consolidation of group reporting (use

of specific methods and techniques): elimination of intragroup calculations and operations; elimination of financial results from intragroup sales of products (works, services) and non-sales operations; determination of the value of business reputation; elimination of the amount of dividends of the parent organization and subsidiaries; eliminating intercompany cash flows; determination of fair value in terms of residues of finished products of own production; determination of fair value in terms of fixed assets held on the balance sheet of the company in the assessment of the residual value direct formation of a consolidated report; modeling an information image of a group as an economic unit. 6) Analysis of the financial information obtained in the process of consolidation, necessary for: providing investors with useful financial information for making decisions on the future financing of the agricultural holding; use in the preparation of segment reporting; use for budgeting; use for planning changes in the group; use for effective group management.

The reporting of a group of interrelated enterprises can be defined as a system of indicators characterizing the financial condition of the consolidated group at the reporting date and the results of its activities for the reporting period. The system of such indicators should be understood as systematic numerical data of the balance sheet and other forms and information in the explanatory note to the financial statements, revealing specific aspects of the activities of a group of interrelated enterprises.

In terms of its structure and composition, the consolidated statements of a group of interrelated enterprises do not practically differ from the financial statements of individual enterprises of this group, i.e. Consolidated financial statements are characterized by the same elements - assets, capital, liabilities, income, expenses; the same basic composition of the forms - the balance sheet, the profit and loss statement, the cash flow statement, the explanatory note. However, since the preparation of statements is carried out for a group of enterprises, the need for their subsequent consolidation affects the formation of financial accounting indicators for individual enterprises of the consolidated group. Therefore, the question of the technique of consolidating the elements of the financial statements of enterprises within the consolidated group is fundamental for organizing and maintaining consolidated accounting and reporting.

IV. CONCLUSION

Consolidated reporting is the main source of information for investors and management personnel on the economic activities of a group of interrelated enterprises.

It is important to be confident in the quality of the information provided in the consolidated group. It depends on how methodologically and methodically worked out the issues of compiling consolidated financial statements.

The following conclusions were made: 1) providing the investor with not only consolidated, but also personalized (intercompany) information about the organization, a member of the consolidated group will form an opinion about the liquidity, solvency of the organization, member of the consolidated group and predict future cash flows and their distribution, which would be impossible based on consolidated financial statements; 2) the presented concept of the reporting organization and the proposed qualitative characteristics (principles) applied to consolidated financial statements are fundamental to the consolidated financial statements; 3) the established frequency of compiling consolidated statements for agricultural holdings should not coincide with the calendar year, but with the agricultural one (from July 1 of the previous year to June 30 of the subsequent one); 4) it is proposed to eliminate the obligations of subsidiaries that may be significant in the group in the consolidated balance sheet ; 5)

the introduction of copyright methods of consolidated accounting and preparation of consolidated financial statements is fundamental for the organization and maintenance of consolidated accounting.

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