

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFAS AND BELARUSIAN LEGISLATION

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The article deals with the study of consolidated financial statements and provides a comparative analysis of the international standards and the Belarusian legislation concerning the preparation of the statements.

IFAS 34 defines consolidated financial statements in the following way:

Consolidated financial statements are financial statements that present the assets, liabilities, equity, income, expenses and cash flows of a parent and its subsidiaries as those of a single economic entity. [1].

In the law of the Republic of Belarus №57-3 this concept is disclosed as follows:

Consolidated financial statements are financial statements of a group of entities (business group, holding company, business entity and its unitary enterprises, subsidiaries and affiliated companies, unitary enterprise and its subsidiary unitary enterprises) that are presented as financial statements of a single economic entity.

However, in our opinion, the most complete and identifying is the following definition:

Consolidated financial statements are financial statements of a group of entities that are in a certain relationship and / or in a certain way interconnected, which are presented in the form of a single entity financial statements.

International standards require an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated financial statements [3].

The Law of the Republic of Belarus [2, item 7, article 14] establishes that the consolidated statements are prepared for the following groups of entities: holding; business entity and its unitary enterprises, subsidiaries and affiliated companies; unitary enterprise and its subsidiary unitary enterprises.

However, the management company of a holding has the right not to prepare annual consolidated financial statements, unless otherwise provided by law [4, n. 13].

Table 1 compares the composition of accounting (financial) statements according to international standards and that one according to the Belarusian legislation.

Table 1 – Composition of Accounting (Financial) Statements

	According to the Belarusian legislation							According to international standards	
	Commercial Organizations			Non-profit Organizations				Commercial Organizations	
	Annual Reporting	Quarterly Reporting	Monthly Reporting	Annual Reporting	Quarterly Reporting	Monthly Reporting		Annual Reporting	Interim Reporting
Balance Sheet	+	+	+	+	+	+	Financial Position Statement	+	+
Profit or Loss Statement	+	+	-	+	+	-	Statement of Profit or Loss and Other Comprehensive Income	+	+
Changes in Equity Statement	+	+	-	-	-	-	Changes in Equity Statement	+	+
Cash Flows Statement	+	+	-	-	-	-	Cash Flows Statement	+	+
Reporting Notes	+	+	-	+	+	-	Notes	+	+
Report on the Use of Targeted Financing	-	-	-	+	+	-			
							Statement of financial position at the beginning of the preceding comparative period	+	-

Source: the study and analysis of legal acts [1, 3, 5].

In accordance with IFAS 1 [5], annual financial statements may also include a statement of financial position at the beginning of the preceding comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Financial statements may also include an audit report if, in accordance with the legislation, the entity is subject to mandatory audit.

Table 2 below compares the principles of accounting and financial statements according to the Belarusian and the fundamental requirements of IFRS.

Table 2 –Principles of Accounting and Financial Statements

Law of the Republic of Belarus No. 57-3	IFAS 1
1	2
The principle of business continuity means that information about assets, liabilities, equity, income, expenses of an entity is formed in accounting and financial statements, depending on the intention of the entity to continue or terminate its business in the future	Business Continuity. "An entity must prepare financial statements on the basis of the assumption of continuity of business, unless the management either intends to liquidate this entity or cease its commercial activities, or has no real alternative but to do so."
Isolation Principle	–
The principle of accrual means that business transactions are reflected in the accounting and financial statements in the reporting period in which they are committed, regardless of the date of settlement	Accounting by accrual method. An entity must prepare its financial statements based on accrual accounting, with the exception of information on cash flows
Principle of conformity of incomes and expenses means that expenses are reflected in accounting and statements in the accounting period in which the incomes connected with them (if any) are recognized	"In the normal course of business, an entity carries out transactions that do not generate revenue, but they are associated with the main revenue generating activity of the entity. The entity presents in the net amount of revenues the results both of such transactions and related costs arising from one and the same transaction..."
Note: Thus, we can judge that there is a requirement in IFRS that is similar to the principle of incomes and expenses conformity.	
Principle of truthfulness means that the assets, liabilities, equity, income, expenses of an entity are reflected in accounting and statements under the conditions of recognizing them as such ...	Reliability. "Financial statements must veraciously represent the financial position, financial results and cash flows of an entity. The credible presentation requires a truthful reflection of the consequences of carried out transactions, other actions and conditions in accordance with definitions and criteria for recognizing assets, liabilities, income and expenses."
Principle of the predominance of economic content	–
Principle of prudence	–
Principle of neutrality	–
Note: in international standards there is no indication that entities should avoid overstating their assets and income as well as underreporting liabilities and expenses. It is not stated directly that there is no orientation of the information contained in the reporting to certain users, although this may be stipulated by the requirements of materiality and truthfulness	
Principle of completeness means that an entity reports all information that can influence users' decisions regarding the financial situation of the entity	Materiality: "omissions or distortions of items are considered essential if they are alone or in the aggregate affect the economic decisions taken by users on the basis of the financial statements.

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1	2
Note: i.e. the demand for "completeness of information" by the Belarusian legislation and the requirements of IAS to avoid significant omissions and distortions of items are identical	
Principle of clarity	In order to meet the requirement of reliability of the information reported in the IFRS, it is required to present relevant, reliable, comparable and understandable information [4, p. 17]
Principle of comparability	
Principle of appropriateness	
Note: since the Belarusian legislation establishes that accounting reporting should be based on the principles of intelligibility, relevance and comparability, and international standards require relevant, comparable and understandable information, in the final result, we can talk about the identity of these principles and requirements (in the Belarusian legislation and IFRS, respectively). Also, the requirement of information reliability is adequate to the principle of truthfulness described in Law No. 57-3.	

Source: the study and analysis of legal acts [2, 5].

To begin, it is necessary to determine the structure of the group and for this, the analysis of the data of the parent company and its subsidiaries should be carried out on account 06 "Financial Investments".

Depending on the size and type of investment, the method of consolidation is determined, as shown in the Figure 1 below.

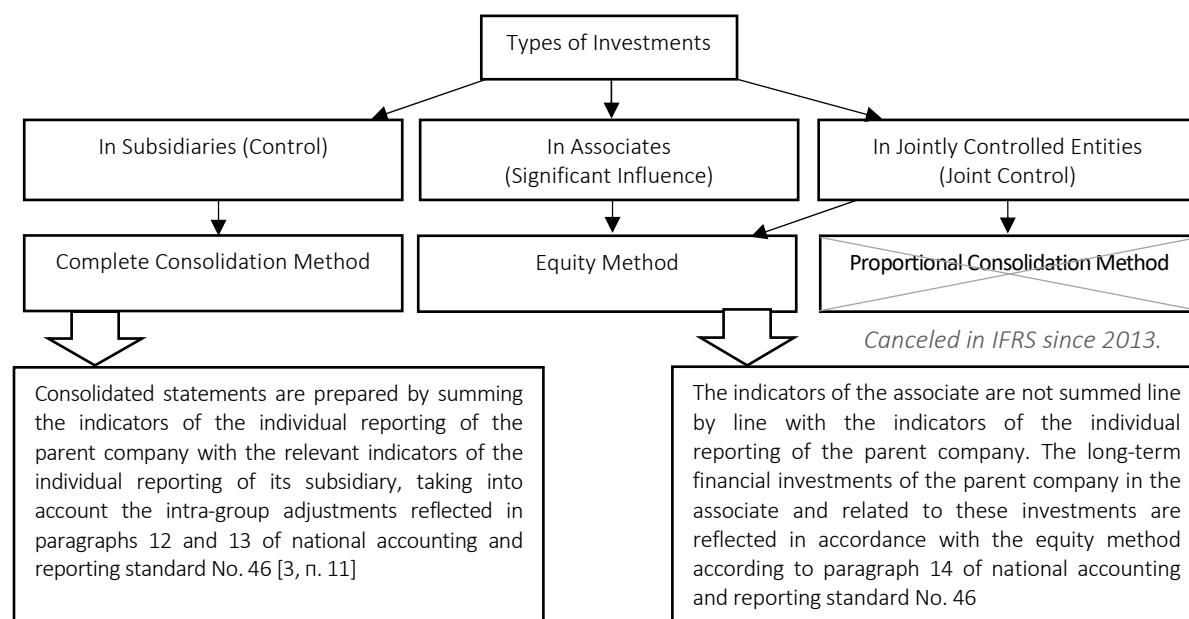


Fig. 1. Determination of Consolidation Method

Source: the study and analysis of legal acts [2–4, 6, 7].

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