

METHODS FOR CONDUCTING AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

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The article discusses the methods for conducting audit of consolidated financial statements. Features of auditing of such forms of the reporting as the consolidated statement of financial position, the consolidated statement of profit and loss, the consolidated statement of changes in equity, the consolidated statement of cash flows, notes to the consolidated statements are reflected.

In the current trends in the development of the world economy and the emergence of Belarusian organizations on the international market, new groups of organizations are emerging or be integrated, forming holdings with subsidiaries and dependent business companies. The result of this process was the preparation of consolidated financial statements.

The purpose of the audit of the consolidated financial statements is the expression of the auditor's opinion whether the consolidated financial statements have been prepared in all material respects in accordance with the National Accounting and Reporting Standard №46.

Despite the variety of scientific works on the audit of consolidated reporting by such authors as R.A. Alborov, Yu.A. Danilevsky, V.I. Podolsky, L.V. Sotnikov, A.D. Sheremet and many others, the issue of methodology for auditing consolidated financial statements remains poorly understood.

Consolidated financial statements understood to be financial statements compiled by a group of organizations as accounting records of a single entity. Such statements present the group's profit and loss, assets and liabilities as a whole, without taking into account any transfers of income or debts between them.

The parent company, on the basis of the individual reporting provided to it by each of its subsidiaries, prepares consolidated financial statements and submits them to its chief, owners, shareholders, creditors, investors and other persons. Consolidated statements prepared by the parent company in the forms established by it independently.

For example, in the Republic of Belarus, the obligation to prepare consolidated statements is established by the law of 12.07.2013 № 57-Z "On accounting and reporting", Resolution of the Ministry of Finance of the Republic of Belarus of 0.06.2014 № 46 "On approval of the national standard of accounting and reporting "Consolidated financial statements". This applies to such organizations as holding; economic society and its unitary enterprises, subsidiaries and dependent economic companies; unitary enterprise and its subsidiaries unitary enterprises [1].

One of the most important forms of reporting of the company is its consolidated statement of financial position. Organizations united in a group of organizations should apply the same methods of accounting in those reporting periods for which consolidated financial statements are prepared. If the acquisition date does not fall within the reporting period or coincides with the beginning of the reporting period, the consolidated statements are made by summing the indicators of individual reporting of the parent with the corresponding indicators of individual reporting of its subsidiary, except for indicators arising in connection with the commission of intra-group transactions between these enterprises, which are shown in the consolidated statements in order. If the acquisition date falls in the accounting period does not coincide with the beginning of the reporting period, consolidated accounts drawn up by adding up the scores of individual statements of the parent company with the corresponding indices of the individual statements of its subsidiaries formed for the period from the acquisition date to the end of the reporting period, except those arising in connection with the commission of intra-group transactions between these companies, which are shown in the consolidated statements [1].

If a group, member uses accounting policies other than those used in the consolidated financial statements to account for similar transactions and events in similar circumstances, the group member's financial statements should being adjusted accordingly to ensure that the group member's accounting policies are consistent with those of the group.

In the notes to the consolidated statements, information on the existence of related parties is to be disclosed regardless of the transactions in the reporting period between these related parties.

The composition and correctness of filling in forms of the consolidated statements, their interrelationship, timeliness of its representation, ensuring comparability of indicators for the accounting period with indicators for the corresponding period of the previous year are checked. In addition, the auditor pays special attention to checking the timeliness and correctness of error correction in the reporting.

When checking the consolidated statement of profit or loss, it should be remembered that the elements of information generated in the accounting information on the financial results of the company are income and expenses of the company.

During the audit and analysis of the indicators of the consolidated income statement, the auditor checks:

- completeness and reliability of incomes and expenses of the enterprise for the accounting period;
- correctness of determination of size of indicators of profit (loss) of the enterprise.

When checking and analyzing the data of the consolidated statement of changes in equity, which contains information on the balances at the beginning and end of the year of funds and reserves created in accordance with the legislation of the Republic of Belarus and the constituent documents, their changes during the year, as well as the amounts of profit and its use.

Checking the data of the consolidated statement of cash flows, which are formed on the basis of flows of cash and cash equivalents received in group and out group, that is, consolidated cash flows are presented as cash flows of one entity at the beginning and end of the reporting period in the context of the operating, investing and financing activities.

An obligatory element of the composition of the consolidated statement of financial position is the notes to the consolidated financial statements, which provide data on indicators that, are not reflecting in the forms of the consolidated report.

By checking and assessing the notes to the consolidated financial statements, the auditor must ensure that its content meets the requirements of the law, namely, availability in the notes:

- description of structure of group of the organizations with indication of the list of the organizations united in group of the organizations, dates of acquisition by the parent enterprise of the subsidiaries and associated enterprises expressed as a percentage of participation of the parent enterprise in authorized capital of subsidiaries and associated enterprises;
- description of the main activities of a group of organizations, the main indicators of its activities;
- methods of accounting adopted by a group of organizations;
- additional information on the articles of assets, liabilities, equity, income, expenses, presented in the order in which these items are shown in the forms of consolidated financial statements;
- additional information that is not contained in the consolidated reporting forms, but is relevant for understanding the consolidated reporting by its users;
- other information disclosed in the notes to the consolidated statements is prescribed by law [2].

The necessary check is the correspondence of the data of the final balance to the turnover and balances on the accounts of the General Ledger. In this case, the auditor may fill in the audit statements.

Also the correlation of indicators of all forms of consolidated reporting is evaluating. However, in some cases, there may be differences that must be justified.

The auditor can also check the compliance of the applicable accounting reporting forms with the requirements of the legislation.

The work during the control of the consolidated statements can be dividing into two stages. During the first stage of the audit, it is necessary to identify the composition and content of forms of consolidated reporting. The second stage of the audit involves the audit of each form of consolidated financial statements, as well as the interconnection of their indicators.

Based on the above methodology, the following consecutive audit of consolidated financial statements can be proposing (fig. 1).

Based on the results of the study, the methods for conducting audit of consolidated financial statements reviewed. A consistent of auditing the consolidated financial statements was proposed. The complexity of the methodology will improve the quality of the consolidated financial statements.

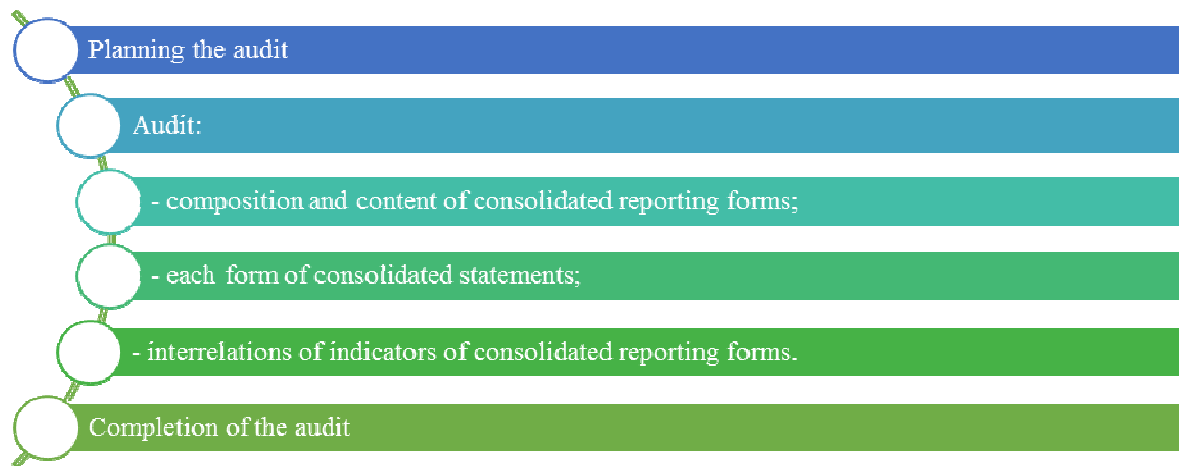


Fig. 1. The sequence of auditing the consolidated financial statements

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