

S.V. Kucher, PhD in Economics, Associate Professor
Zhytomyr State Technological University

CONSOLIDATED FINANCIAL STATEMENTS IN UKRAINE: NORMATIVE AND LEGAL REGULATION STATE

The development of big business in Ukraine has led to the need to release a number of domestic companies and their groups and associations to the international financial market which was the prerequisite of the needs of users of financial statements to obtain reliable information about the activities of such companies. In accordance with the national legislation associations of enterprises and companies have to provide the consolidated financial statements which contain the pooled indices about the activities of these entities. The article analyzes the current state of normative and legal regulation of financial reporting consolidation process in Ukraine. In particular, the paper determines the basic legal acts of regulations of national and international governing process of preparation of consolidated financial statements; it also determines the circle of business entities required to draw up the consolidated financial statements solely in accordance with international financial reporting standards.

Keywords: *financial statements; consolidated financial statements; enterprises' association; group of companies; separate financial statements.*

Settlement of the problem in general and its connection with main practical tasks. Dynamic development of economic relations, expansion of domestic and foreign markets, diversification of production cause the formation of new businesses of various forms of ownership and organizational and legal forms of management. Such forms of management like associations, holdings, concerns, corporations are not new today but constantly change, thus their organizational structures and the conditions of running businesses are becoming complicated. This, in its turn, results into complication in formation of accounting information about economic activities of such entities. Nowadays there are such organizational and legal forms in Ukraine which are included in the biggest business structures of Ukraine and are the main representatives of priority branches of national economy among which are the following concerns (PJSC «Concern Stirol», Concern «Ukrprominvest», LLS «Nufarm of Ukraine», PJSC «Concern Hlibprom», PJSC «Concern Halnaftogas», CJSC «Ukrainian industrial and financial concern «Slavutich», CJSC «Ukravtoprom», LLS «Concern AVK»), consortiums (Consortium «Astek», PJSC «Western Ukrainian Consortium», PJSC «Trade and industrial consortium «YUNICOM»), corporations (Corporation «TASCO», Corporation DTEC, PJSC «Agroindustrial joint-stock corporation «Oranta», Corporation «Hortytsya»), associations (Association of assistance of telecommunication development «ASTEL», Association «IT of Ukraine», Association «GS1 Ukraine»), holdings (LLS «Interpipe Ukraine», Holding «Bayadera Group», Holding «Global Spirits», PJSC «Ukrainian auto corporation», SE «Coal of Ukraine», Se «Ukrspirit», LLS «LVN-Trading» (trade mark Nemiroff) and others. The dynamics of the amount of entities in Ukraine for the last 10 years is shown in table 1.

According to the table, last 3 years show the negative tendency in the shortening of a number of entities caused by difficult economic surrounding of the country and enterprises' stay on the temporarily occupied territories. The same tendency is observed about the enterprises that belong to the groups or associations which have to follow other requirements on the disclosure and publication of accounting information about their financial and economic activities, in particular as consolidated or pooled financial reporting. The necessity of such reporting is determined by both national and international legislations which sometimes bring forward different requirements to accounting and financial reporting performing.

Analysis of the latest researches and publications. The issue of financial statement consolidation was examined by O.S.Gerasymenko, S.F.Golov, Ya.F.Golubka, O.M.Gurska, L.V.Ivchenko, V.M.Kostjuchenko, Ya.D.Krupka, M.R.Luchko, O.V.Nebyltchova, O.M.Otkalenko, N.M.Pyretch, O.V.Stanislaw and others. The scientists have researched methodical approaches to the consolidation of accounting indices according to the national and international financial reporting standards. In spite of great contribution of above mentioned scientists' works, taking into account the requirements of the present time the researches in the field of financial statement consolidation need deeper studying.

Table 1

Dynamics of amount of entities for 2006-2016 (thousand. hryvna)

Organizational and legal form of economy	Years										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Subsidiary enterprise	23,1	22,5	21,6	21,0	20,4	19,9	19,1	18,6	18,2	17,0	12,3
Joint-stock company	34,0	33,0	32,0	31,1	30,2	28,7	26,6	25,5	24,8	23,1	15,6
Association	2,8	2,8	3,0	3,1	3,2	3,2	3,2	3,2	3,2	3,1	2,3
Corporation	0,8	0,8	0,8	0,9	0,9	0,9	0,9	0,9	0,8	0,8	0,6
Consortium	0,08	0,08	0,08	0,09	0,09	0,09	0,09	0,09	0,09	0,09	0,06
Concern	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,3	0,3	0,2
Cooperative society	5,8	5,5	5,4	5,3	5,3	5,2	5,1	5,0	5,2	0,3	4,3
Other associations	2,0	1,9	1,8	1,7	1,6	1,6	1,5	1,4	1,4	1,3	0,8
Other organizational and legal forms of economy	1001,7	1066,2	1121,9	1165,3	1196,1	1236,7	1266,9	1286,7	1317,1	1285,2	1085,1
total	1070,7	1133,2	1187,0	1228,9	1258,5	1294,6	1323,8	1341,8	1372,2	1331,2	1121,3

The source: summarized on the base of: [15, c. 100], [17, c. 74], [16, c. 81]

The purpose of the article is to analyze the current state of normative and legal ensuring of financial reporting consolidation process in Ukraine.

Statement of the research. The regulation of consolidated financial statement preparing order and the consolidation of their separate indices in Ukraine are controlled by a set of normative and legal acts, the main of which are displayed in table 2. Such amount of legal documents cause difficulties in the financial reporting consolidation process because it's necessary to ensure the performance of standards in every normative document mentioned below.

Table 2

Normative and legal acts which regulate peculiarities of consolidated financial statement preparing

<i>National standard</i>	<i>International standard</i>
1	2
Financial statement providing order № 419 of 28.02.2000 with changes and supplements [14]	International financial statement standard 1 «The first use of International standards in financial statements» [4]

Continuation of table 2

1	2
The order of ministry of finances of Ukraine «Issue of financial statement preparing» № 37 of 24.02.2000 with changes and supplements [9]	International accounting standard 1 «Financial statement providing» [1]
National accounting regulation (standard) 1 «General requirements to financial statements» [10]	International financial statement standard 10 «Consolidated financial statements» [5]
National accounting regulation (standard) 2 «Consolidated financial statements» [11]	International financial statement standard 13 «Business association» [8]
Accounting regulation (standard) 19 «Enterprises' association» [12]	International financial statement standard 12 «Information disclosure about the shares in other entities» [7]
Accounting regulation (standard) 23 «Information disclosure about the sides involved» [13]	International financial statement standard 11 «Joint activities» [6]
	International accounting standard 27 «Consolidated and separate financial statements» [2]
	International accounting standard 28 «Investments in Associates» [3]

As table 2 indicates, the consolidation accounting indices order, consolidated financial statement preparing and their providing order are regulated by 6 national and 8 international normative and legal acts. The names of the mentioned above documents show that separate legal acts both national and international have the similar regulation fields: financial statement providing order, consolidated financial statements, business or enterprises' association, the sides involved.

The analysis of the acts referred has showed the first discrepancy between them: determination of kinds of financial statements which the groups of enterprises prepare: consolidated, pooled, and separate (figure 1).

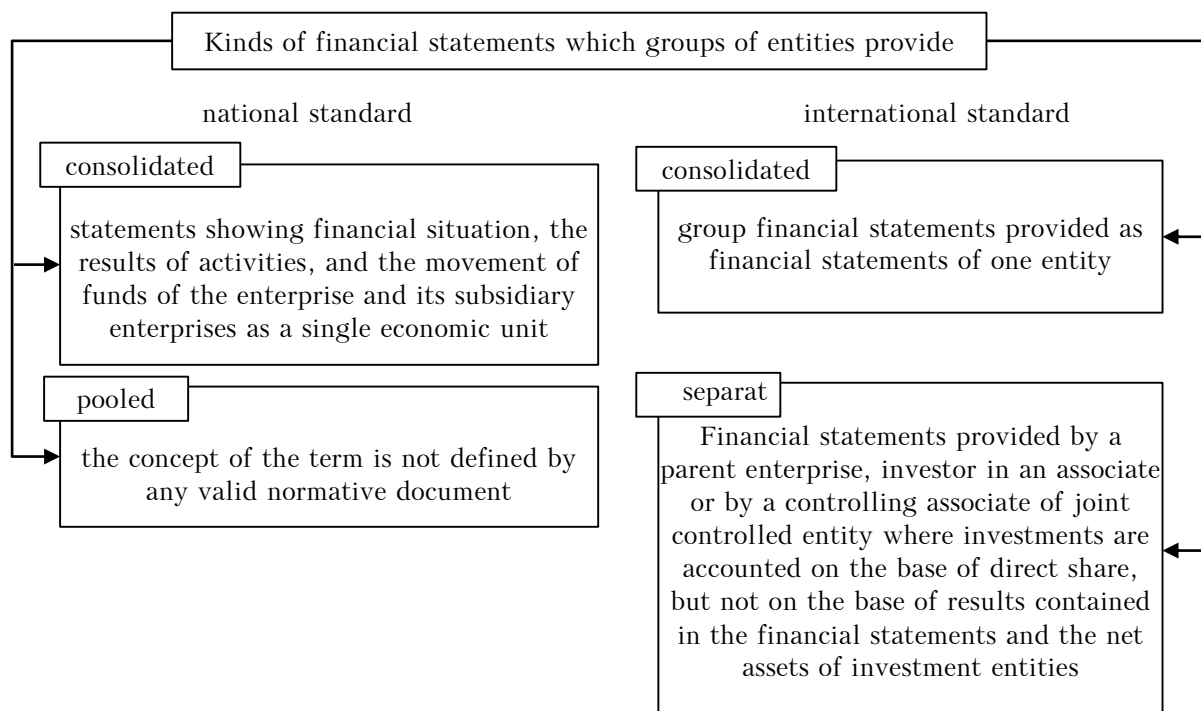


Fig. 1. Kinds of financial statements which groups of entities provide

As for the definition of consolidated financial statements, the international and national standards follow the same approach which says that it is the financial statements of the group of enterprises as the single economic unit.

The difference is that the national standards single out the pooled statements while the international standards single out the separate ones which definition is indicated and regulated in figure 1 by International accounting standard 27 “Consolidated and separate financial statements” [2]. As for the pooled financial statements, the normative acts don’t define its concept, instead they indicate the entities which have to provide them. The analysis of Financial statement providing order [14] helped define the pooled financial statements as the statements preparing by ministries, central executive authorities managing the enterprises established on public ownership and authorities managing the enterprises which are under such management.

Nowadays The Financial statement providing order determines those entities which have to provide the financial statements including the consolidated ones, solely according to the international financial reporting standards (table 3). Such enterprises include public joint-stock companies, banks, insurers (since 01.01.2012), credit societies (since 01.01.2015), and other entities performing the economic activities shown in the comments of table 3.

If the above-mentioned entities are not included, a small part of enterprises has to provide consolidated financial statements according to the national accounting standards.

Table 3

Allocation of entities according to peculiarities of consolidated financial statement preparing

Peculiarity of consolidated financial statement preparing	Entities	Commentary
1	2	3
Consolidated financial statements according to international financial reporting standards	Public joint-stock companies, banks, insurers, credit societies	If they perform their activities within a group (association, combined activities), are parent companies and are not subsidiary enterprises toward another group
	Enterprises that perform economic activities providing financial services	Here belong the following kinds of economic activities: the activity of the central bank, the activities of banks, savings banks and credit unions (including the services of post pay systems for municipal services and services of post savings banks; crediting for buying houses by specialized credit agencies; the activity in the sphere of post money transfers); the activities of holding companies; financial leasing; other kinds of crediting; other financial services; private retirement insurance
	Enterprises that perform subsidiary activities in the fields of financial services and insurance	Here belong the following kinds of economic activities: the management of financial markets; intermediary to the agreements about securities or goods; other subsidiary activities in the sphere of financial services but insurance and provision of pensions; evaluation of risks and harm caused; insurance agencies’ and brokers’ activities; other subsidiary activities in the fields of insurance and provision of pensions; the management of funds; the activities in assets management

Continuation of table 2

1	2	3
Consolidated financial statements according to national accounting regulations (standards)	Groups of juridical people that consist of a parent (holding) company and subsidiary enterprises (including different kinds of enterprises' associations and the sides involved)	Except the group of enterprises which according to the legislation prepares financial statements in accordance with international financial reporting standards, or the group of enterprises where parent (holding) company prepares financial statements in accordance with international financial reporting standards

The source: the source formed on the base of [14]

Having analyzed the national regulations of accounting standard 23 «Information disclosure about the sides involved» [13], the entities which perform the economic activities connected with financial operations, providing and receiving guarantees and mortgages, have to provide financial statements in accordance with international financial reporting standards while these kinds of activities are included in the present national regulation. This situation indicates the contradiction between the standards of Accounting regulation (standard) 23 «Information disclosure about the sides involved» [13] and Financial statement providing order [14].

Conclusions and perspectives of further researches. During the current research, we have analyzed the dynamics of domestic entities for the last 10 years and found out the recent negative tendency toward shortening of general amount of business entities.

We have determined that the normative and legal regulation order of consolidated financial statement preparing and providing is controlled by a set of both national and international legal acts. The analysis of the regulations of domestic normative acts in the field of financial statement preparing and providing helped determine the list of entities which have to prepare financial statements in accordance with international financial reporting standards.

Besides, we have revealed the drawback of domestic normative documents as for the definition of kinds of financial statements which have to be provided by domestic entities. We have also found out the discrepancy between the standards of Accounting regulation (standard) 23 «Information disclosure about the sides involved» [13] and Financial statement providing order [14] in the part of definition of kinds of economic activities about which an enterprise will provide its financial statements following the international financial reporting standards.

Список використаної літератури:

1. Міжнародний стандарт бухгалтерського обліку 1 «Подання фінансової звітності» [Електронний ресурс]. – Режим доступу : http://zakon4.rada.gov.ua/laws/show/ru/929_013.
2. Міжнародний стандарт бухгалтерського обліку 27 «Консолідована та окрема звітність» [Електронний ресурс]. – Режим доступу : http://zakon4.rada.gov.ua/laws/show/ru/929_045.
3. Міжнародний стандарт бухгалтерського обліку 28 «Інвестиції в асоційовані підприємства» [Електронний ресурс]. – Режим доступу : http://zakon4.rada.gov.ua/laws/show/ru/929_046.
4. Міжнародний стандарт фінансової звітності 1 «Перше застосування Міжнародних стандартів фінансової звітності» [Електронний ресурс]. – Режим доступу : http://zakon4.rada.gov.ua/laws/show/ru/929_004.
5. Міжнародний стандарт фінансової звітності 10 «Консолідована фінансова звітність» [Електронний ресурс]. – Режим доступу : http://zakon4.rada.gov.ua/laws/show/ru/929_065/para2#n2.
6. Міжнародний стандарт фінансової звітності 11 «Спільна діяльність» [Електронний ресурс]. – Режим доступу : http://zakon4.rada.gov.ua/laws/show/ru/929_066/para2#n2.

7. Міжнародний стандарт фінансової звітності 12 «Розкриття інформації про частки участі в інших суб'єктах господарювання» [Електронний ресурс]. – Режим доступу : http://zakon4.rada.gov.ua/laws/show/ru/929_067/para2#n2.
8. Міжнародний стандарт фінансової звітності 3 «Об'єднання бізнесу» [Електронний ресурс]. – Режим доступу : http://zakon4.rada.gov.ua/laws/show/ru/929_006.
9. Наказ Міністерства фінансів України «Питання складання фінансової звітності» від 24.02.2000 р. № 37 зі змінами та доповненнями [Електронний ресурс]. – Режим доступу : <http://zakon3.rada.gov.ua/laws/show/z0162-00>.
10. Національне положення (стандарт) бухгалтерського обліку 1 «Загальні вимоги до фінансової звітності» [Електронний ресурс]. – Режим доступу : <http://zakon5.rada.gov.ua/laws/show/z0336-13>.
11. Національне положення (стандарт) бухгалтерського обліку 2 «Консолідована фінансова звітність» [Електронний ресурс]. – Режим доступу : <http://zakon2.rada.gov.ua/laws/show/z1223-13>.
12. Положення (стандарт) бухгалтерського обліку 19 «Об'єднання підприємств» [Електронний ресурс]. – Режим доступу : <http://zakon0.rada.gov.ua/laws/show/z0499-99>.
13. Положення (стандарт) бухгалтерського обліку 23 «Розкриття інформації щодо пов'язаних сторін» [Електронний ресурс]. – Режим доступу : <http://zakon5.rada.gov.ua/laws/show/z0539-01>.
14. Порядок подання фінансової звітності, затверджений Постановою Кабінету міністрів України від 28.02.2000 р. № 419 зі змінами та доповненнями [Електронний ресурс]. – Режим доступу : <http://zakon4.rada.gov.ua/laws/show/419-2000-%D0%BF/ed20150624>.
15. Статистичний бюлетень за 2014 рік // Державна служба статистики України. – К. – 2015. – 86 с.
16. Статистичний бюлетень за 2015 рік // Державна служба статистики України. – К. – 2016. – 101 с.
17. Статистичний щорічник України за 2013 рік // Державна служба статистики України. – К. – 2014. – 534 с.

References:

1. *Mizhnarodnyj standart buhgalters'kogo obliku 1 «Podannja finansovoi' zvitnosti»* (2012), available at: http://zakon4.rada.gov.ua/laws/show/ru/929_013
2. *Mizhnarodnyj standart buhgalters'kogo obliku 27 «Konsolidovana ta okrema zvitnist»* (2012), available at: http://zakon4.rada.gov.ua/laws/show/ru/929_045
3. *Mizhnarodnyj standart buhgalters'kogo obliku 28 «Investyci' v asocijovani pidpryjemstva»* (2012), available at: http://zakon4.rada.gov.ua/laws/show/ru/929_046
4. *Mizhnarodnyj standart finansovoi' zvitnosti 1 «Pershe zastosuvannja Mizhnarodnyh standartiv finansovoi' zvitnosti»* (2012), available at: http://zakon4.rada.gov.ua/laws/show/ru/929_004
5. *Mizhnarodnyj standart finansovoi' zvitnosti 10 «Konsolidovana finansova zvitnist»* (2013), available at: http://zakon4.rada.gov.ua/laws/show/ru/929_065/para2#n2
6. *Mizhnarodnyj standart finansovoi' zvitnosti 11 «Spil'na dijəl'nist»* (2013), available at: http://zakon4.rada.gov.ua/laws/show/ru/929_066/para2#n2
7. *Mizhnarodnyj standart finansovoi' zvitnosti 12 «Rozkryttja informacii' pro chastky uchasti v inshyh sub'jektivah gospodarjuvannja»* (2013), available at: http://zakon4.rada.gov.ua/laws/show/ru/929_067/para2#n2
8. *Mizhnarodnyj standart finansovoi' zvitnosti 3 «Ob'jednannja biznesu»* (2012), available at: http://zakon4.rada.gov.ua/laws/show/ru/929_006
9. The Ministry of Finance of Ukraine (2000), *Pytannja skladannja finansovoi' zvitnosti*, available at: <http://zakon3.rada.gov.ua/laws/show/z0162-00>

10. The Ministry of Finance of Ukraine (2013), *Nacional'ne polozhennja (standart) buhgalters'kogo obliku 1 «Zagal'ni vymogy do finansovoi' zvitnosti»*, available at: <http://zakon5.rada.gov.ua/laws/show/z0336-13>
11. The Ministry of Finance of Ukraine (2013), *Nacional'ne polozhennja (standart) buhgalters'kogo obliku 2 «Konsolidovana finansova zvitnist»*, available at: <http://zakon2.rada.gov.ua/laws/show/z1223-13>
12. The Ministry of Finance of Ukraine (2013), *Polozhennja (standart) buhgalters'kogo obliku 19 «Ob'jednannja pidpryjemstv»*, available at: <http://zakon0.rada.gov.ua/laws/show/z0499-99>
13. The Ministry of Finance of Ukraine (2013), *Polozhennja (standart) buhgalters'kogo obliku 23 «Rozkryttja informacii' shhodo pov'jazanyh storin»*, available at: <http://zakon5.rada.gov.ua/laws/show/z0539-01>
14. The Cabinet of Ministers of Ukraine (2000), *Porjadok podannja finansovoi' zvitnosti*, available at: <http://zakon4.rada.gov.ua/laws/show/419-2000-%D0%BF/ed20150624>
15. Derzhavna sluzhba statystyky Ukrai'ny (2015), *Statystychnyj bjuleten' za 2014 rik*, Kyiv, 86 p.
16. Derzhavna sluzhba statystyky Ukrai'ny (2016), *Statystychnyj bjuleten' za 2015 rik*, Kyiv, 101 p.
17. Derzhavna sluzhba statystyky Ukrai'ny (2014), *Statystychnyj shhorichnyk Ukrai'ny za 2013 rik*, Kyiv, 534 p.

KUCHER Svitlana Victorivna – PhD in Economics, Associate Professor, Associate Professor of the audit and accounting department at Zhytomyr State Technological University.

Scientific interests:

- problems of theory and practice in accounting and taxation.

The article was sent to the publishing department on 23.07.2016.