

## NEED AND SIGNIFICANCE OF CONSOLIDATED FINANCIAL STATEMENTS

**K.B. Urazov – SamIES, professor**

**U.A. Shirinov - SamIES, PhD**

**Abstract:** The necessity and importance of the consolidated financial statement, the history of its creation and the procedures for its preparation are revealed in the article.

**Key words:** consolidated financial statements, accounting, financial statements, financial results.

In a short period of time after gaining independence in our republic, economic entities, their associations and groups of various ownership and organizational-legal forms were created. New concepts such as "main enterprise", "subsidiary enterprise", "subsidiary companies", "group" entered our practice and began to be used in our lexicon. The concept of "consolidated financial statement" was founded in the theory and practice of financial reporting directly related to these economic entities. Below we briefly touch on the essence of this concept, its formation and development history.

From the point of view of accounting, the term "consolidation" can be expressed in two ways. Firstly, consolidation can be viewed as a process, and secondly, it can be recognized as a means of aggregating accounting information.

The term consolidation entered the Uzbek language from the Russian language, and from the English language. This term means "consolidate" in English and translated into Russian as "obedinit", "zakreпит". Accordingly, these Russian words were translated into our language in the sense of "unite", "combine", "strengthen".

So, the term consolidation in accounting means combining, summarizing, consolidation of account data. It is in this sense that consolidation of financial statements refers to a process that is carried out in a certain sequence. The compiled consolidated financial report is the result of this process and is a form of report that includes indicators representing the financial and economic activity of enterprises belonging to a certain group. Such a report serves as a means of obtaining information and a management tool for the owners and managers of the enterprises that make up the whole group. It is in this sense that the consolidated financial report entered the international accounting theory and practice.

According to sources, the first consolidated financial statement appeared in the United States in 1866. For example, it was created for the first time by the Cotton Oil Trust Company. British accountant Arthur Dickinson, a representative

of the auditing firm Price Waterhouse in the USA, is recognized as the author of consolidation of financial statements. Together with the chief accountant of this company, V. Filbert, he developed the consolidation procedure based on the integrity of the cooperating companies.

In European countries, the foundations of consolidation developed later. In this regard, the Netherlands turned out to be quite advanced - the first information about the consolidated financial statements of the firm Mueller Co. was recorded in 1926.

In Germany, by 1965, consolidation in accounting was declared mandatory. However, it differed from the Anglo-American accounting practice, so in 1985, with the European Economic Community Directive No. 7, the principles of uniform generalization were also introduced in Germany.

The consolidated financial statement became legal for the first time after the adoption of the 3rd BHXS entitled "Consolidated financial statement" adopted in 1970. In 1979, IAS No. 3 "Consolidated Financial Statements and Accounts of Investments in Subsidiaries" was changed to IAS No. 27, together with the adoption of European Union (EU) Directive No. 7 "Consolidated Accounts" in 1983.

France did not have a specific law on consolidation until 1983, so consolidated financial statements were only prepared in some cases. However, due to economic processes, by 1983, 75% of all companies listed on the stock exchange voluntarily began to prepare consolidated financial statements.

In other European countries, the first attempts in this regard began in the 80s.

In Japan, the "Accounting Reporting Regulation" was developed by the Ministry of Finance in 1977, and its principles are based on the teachings of the Anglo-American school.

In practice, almost every country has its own national standards in the field of consolidation. For example, standards 11, 16, 18, 52 in the USA, 1, 14, 15, 20 in Great Britain are among them. At the same time, as the efforts of international accounting organizations are effective, the differences between these standards are decreasing and they are becoming uniform.

In the United States, consolidated financial statements are highly developed and have become the most important form of annual financial statements. In the USA, the consolidated financial report serves not only informational and advertising functions, but also forms the basis of the dividend policy of the concerns. In the United States, as in other countries, the reporting date of the parent company is used as a basis for preparing consolidated reports. This date may change when the account policy changes.

Consolidated financial statements in France. As noted, consolidated financial reporting has not been in force in France for a long time. The need to compile it has improved after the adoption of the Seventh Directive of the EIT (before that, companies that quoted their securities made such a report). Necessary components of consolidated financial statements: Balance sheet, statement of financial results and explanatory letter, and statements of equity and capital movements.

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