CALCULATION OF "MINORITY SHARE" AND METHODS OF ITS REFLECTION IN THE COMPREHENSIVE STATEMENT

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Annotation: The essence, significance, recognition of the concept of "Minority share" and their correct reflection in the accounts are covered in the article.

Key words: minority interest, accounting, subsidiaries, consolidated statement, financial statements.

The transition to an economy based on market relations led to the emergence of new types of economic entities such as the main enterprise, subsidiary and subsidiary companies, as well as to the formation of their joint associations, the so-called "group". This, in turn, formed the basis for the preparation and presentation of consolidated reports for a group of economic entities. In our republic, a special national accounting standard No. 8 "Consolidated financial statements and accounting of investments in subsidiary companies" was adopted for the regulation of preparation and presentation of consolidated reports.

One of the new concepts underlying this BHMS is the "minority share". So, what is the concept of "minority share", who has it and how is it taken into account? How is "minority interest" reflected in the consolidated financial statements?

The answers to these questions are not sufficiently reflected in the published literature on accounting in our republic. Therefore, below we will focus on the issues of calculation of the minority share and its reflection in the consolidated (consolidated) financial statement.

The essence of the concept of "Minority's share" originates from the content and essence of concepts such as "group", "main enterprise", "subsidiary enterprise", "control", "contribution of group members", which are the basis of compiling a consolidated financial report.

A group is a combined system of the main enterprise and all its subsidiaries.

A parent enterprise is an enterprise that has one or more subsidiaries and controls their activities.

A subsidiary is a business entity controlled by the parent company.

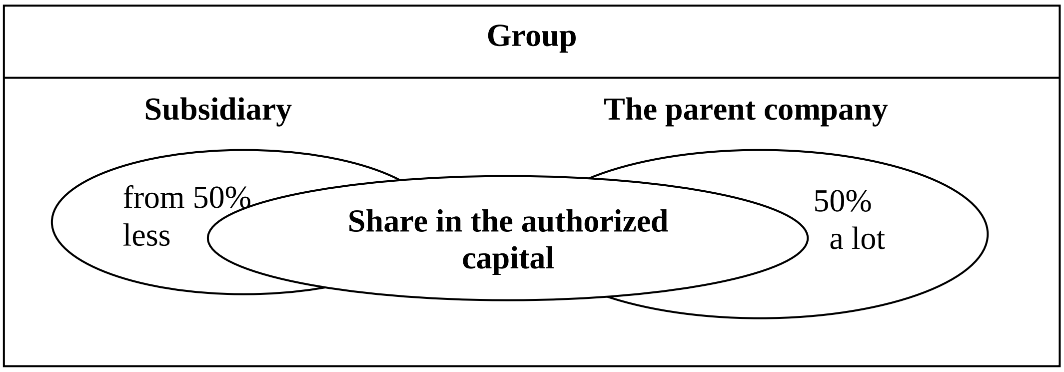
Control is the right to determine the financial and economic policy of economic entities in order to benefit.

Contribution of members of the group is the sum of net profit (loss) and net assets that are not owned by the parent company and are shown in the consolidated financial statements of the group as a separate contribution of its members.

As can be seen from the above definitions, the concept of "minority share" arises directly in the practice of subsidiaries, and it means the contribution of other participants in the net profit and net assets of this subsidiary company, not directly and indirectly of its parent company.

Minority share is usually understood as the share of participants other than the parent company that owns less than 50 percent of the authorized capital of subsidiary companies. A parent company with more than 50 percent share will have the right to establish formal control over the subsidiary.

Thus, the share of the parent company and other participants in the authorized capital of this company, which are the owners of the subsidiary, can be divided into "majority share" (Ku) and "minority share" (Ou), respectively, and it can be expressed by group as follows:



In international practice, two methods of accounting for the share of minorities and its reporting are widely used:
Method 1 is the farm unit method;
Method 2 is the interest method.

In accordance with the business unit method, a consolidated report is drawn up on a group consisting of the main enterprise and its subsidiaries. This report is based on the following principles:

First, the parent company and subsidiaries belonging to the group are independent economic units that prepare and file separate financial statements. The parent company and its subsidiaries are separate taxpayers and their total results are not subject to re-taxation.

Second, the parent company prepares consolidated financial statements for the group for strategic and tactical management purposes by summing up the sums of the line items based on simple arithmetic operations. Only internal calculations between group members, that is, receivables and payables, are mutually compensated, and income and expenses arising from mutual transactions are also offset (compensated) in this case.

Thirdly, the share of the minority in the authorized capital does not belong to the group, therefore this amount is reflected in the consolidated financial statements of the group as "creditors".

Fourth, the distribution of profits according to the minority share is carried out by the subsidiary. In this case, the parent company controls whether the net profit (dividend or interest) attributable to its share and the minority share is correctly calculated.

Fifth, the net profit of the subsidiary belonging to the parent company is added to the retained earnings of the parent company and is taken into account only when it is distributed among its members.

If the authorized capital of the subsidiary belongs to the parent company in full, i.e. 100 percent, the net profit will belong to the parent company. Therefore, it is added to the retained earnings of the group. This total undistributed profit is distributed among its members only in accordance with the decision of the parent company.

The basis of the interest method is mainly the interest of the parent company. For this reason, the compiled (consolidated) report reflects only the information on assets, liabilities, profits and losses directly related to the parent company. In this method, minority interest is recognized as debt to external participants. Therefore, the difference between the method of interest and the method of the economic unit is that it does not allow to show a complete summary of information on the parent company and its subsidiaries that make up the whole group.

As can be seen from the above, the summary (consolidated) report prepared by the business unit method is convenient in many respects. For example, this method is based on the above-mentioned BHMS, the name of our republic. In our opinion, it is appropriate to widely implement this method of compiling a consolidated (consolidated) financial report, which allows to reflect information from the point of view of both independence and mutual benefit for entities operating by pooling funds.

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