SOME APECTS REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS

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The study is divided into four parts: in the introduction are presented the theoretical aspects of the consolidated financial statements and the consolidation methods. During the second part are shown the structure rates calculated prior and after the consolidation, and in the third are calculated the financial rates of return and the effective tax rates of fixed assets. The conclusion of this study presents that although the consolidated entity is not a tax, it presents the group effort without the internal flows between entities within the group.
In terms of the world scientific research typology used by the authors, it refers to descriptive research, explanatory research and applied research.
In terms of the novelties, brought by this study, it is specifically determined, based on the actual database, the evolution of structure indicators, indicators of balance, the financial profitability indicators of corporate companies prior to and after consolidation.
Key words: Consolidation, financial statements, rates structure, working capital, Return on equity.

1. Introduction

International Accounting Standard Board in paragraph 6 of the Framework for the preparation and presentation of financial statements reads: "The framework refers to general purpose financial statements, including consolidated financial statements."
Standards governing the consolidated financial statements are: IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates", IAS 31 "Interests in Joint Ventures" and IFRS 3 "Business Combinations".
In terms of performance the need to prepare the financial statements is given by "the opportunity to evaluate better the management performance of parent company because in the case of the consolidated accounts, the group's total earnings could be compared with its total assets, thus being estimated the return on capital employed by the group over the period". Also the consolidated financial statements avoid the increase of turnover by intra-group sales and thus determine actual profit at the level of parent company.
The basis for preparing consolidated financial statements is the individual financial statements of Group companies where will take place reclassifications, homogenization and restatements of financial statements subjected to the group.
The Consolidation itself is made by one of the three well established methods: global integration, proportional integration and equivalent commissioning.
As follows:
"-Global integration, where the control of the group on the consolidation company is exclusive;
- Proportional Integration, when control of a company included in scope of consolidation is shared with other shareholders / associates outside the group;
- The equivalence, if and only if there is a significant influence from the part of the group over the company to be consolidated".
Because in the case study which we present, the consolidation has been made through the global integration method, we herein point out the stages to be followed:
"-The accrual of the balance sheet and the receivable and payable accounts of the subsidiary with those of the parent company;

- Elimination of mutual transactions and internal results;
-Elimination of the shares held by the parent company in the subsidiary's equity, operation which determines the separation of its equity into the share for shareholders / minority shareholders and the share for the group, found in the form of consolidated reserves and consolidated result;
- Preparing and presenting consolidated financial statements".

2. Calculation of structure indicators

In the study presented below we used real data from a company, the consolidation being performed by a specialized company.

Table 1: Balance sheet structure after consolidation

Indicator	N	N+1
Fixed assets	81,113,507	75,843,914
Current assets	96,985,468	111,889,181
Advance payments	0	0
Total assets	178,098,975	187,733,095
Home Equity	46,703,390	82,457,692
Current liabilities	68,990,595	55,638,727
Long-term liabilities	57,247,355	45,459,658
Revenue	5,157,635	4,177,018
Total liabilities	178,098,975	187,733,095

Source: processing by author

2.1. Rates of the asset balance sheet structure

Table 2: Calculation of the structure of balance sheet assets prior to consolidation

Indicator	Parent company		Beta company		Gamma company	
	Year N	Year N+1	Year N	Year N+1	Year N	Year N+1
1. The rate of fixed assets $\left(\frac{Active\ imobilizate}{Total\ activ} \times 100\right)$	42.17	34.77	25.70	35.21	71.85	60.54
2. Rate of current assets $\left(\frac{Active\ circulante}{Total\ activ} \times 100\right)$	57.83	65.23	74.30	64.79	28.15	39.46
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: processing by author

Table 3: Calculation of structure rates of balance sheet assets following consolidation

Indicator	N	N+1
1. The rate of fixed assets	45.54	40.40
2. Rate of current assets	54.46	59.60
TOTAL	100.0	100.0

Source: processing by author

Following the consolidation during the period N+1, the rate of fixed assets decreased compared to N period to the detriment of current assets.

2.2. Rates of liabilities prior to consolidation

Table 4: Calculation of structure rates of liabilities prior to consolidation

Indicator	Parent company		Beta company		Gamma company	
	Year N	Year N+1	Year N	Year N+1	Year N	Year N+1
1. Overall borrowing rate $\left(\frac{Datorii\ totale}{Total\ Pasiv} \times 100\right)$	68.38	51.11	74.34	76.67	129.16	125.19
2. Current debt rate $\left(\frac{Datorii\ curente}{Total\ pasiv} \times 100\right)$	3262	23.19	74.34	76.67	93.42	119.43
Term debt rate $\left(\frac{Datorii\ pe\ termen\ lung}{Capital\ permanent} \times 100\right)$	53.07	36.34	0	0	542.95	-29.68
Rate of global financial autonomy $\left(\frac{Capital\ propriu}{Total\ pasiv} \times 100\right)$	31.62	48.89	25.66	23.33	-29.16	-25.19
Rate of term financial autonomy $\left(\frac{Capital\ propriu}{Capital\ permanent} \times 100\right)$	46.93	63.66	100.0	100.0	-442.95	129.68
Rate of financial stability $\left(\frac{Capitaluri\ permanente}{Total\ pasiv} \times 100\right)$	67.38	76.81	25.66	23.33	6.58	-19.43

Source: processing by author

Table 5: Calculation of structure rates of liabilities following consolidation

Indicators	N	N+1
1 Overall borrowing rate	73.78	56.08
1.1. Current debt rate	38.74	29.64
1.2. Term debt rate	57.20	37.58
2.1. Rate of financial autonomy	26.22	43.92
2.2. Rate of term financial autonomy	42.80	62.42
3 Rate of financial stability	61.26	70.36

Source: processing by author

In terms of liabilities the rates following the consolidation dropped during N+1 to: global borrowing rate, the rate of current debt, term debt rate at the expense of the financial autonomy, financial autonomy term rate and the rate of financial return which saw increases.

2.3. Balance indicators: Working capital and net assets

Table 6: Balance indicators: Working capital and net assets prior to consolidation

Indicators	N			N+1		
	Parent Company	Beta Company	Gamma Company	Parent Company	Beta Company	Gamma Company
Permanent capital	105,671,213	2,352,945	1,164,423	133,495,768	2,458,169	-3,779,368
Fixed assets	66,128,734	2,356,454	12,708,533	60,436,835	3,710,215	11,777,064
Net working	39,542,479	-3,509	-11,544,110	73,058,933	-1,252,046	-15,556,432

capital						
Current assets	90,688,497	6,814,345	4,979,297	113,371,309	6,826,304	7,676,097
Current liabilities	51,146,018	6,817,854	16,523,407	40,312,376	8,078,350	23,232,529
Net working capital	39,542,479	-3,509	-11,544,110	73,058,933	-1,252,046	15,556,432

Source: processing by author

Table 7: Balance indicators: Working capital and net assets following consolidation

Indicators	***N***	***N+1***
Permanent capital	109,108,380	132,094,368
Fixed assets	81,113,507	75,843,914
Net working capital	27,994,873	56,250,454
Current assets	96,985,468	111,889,181
Current liabilities	68,990,595	55,638,727
Net working capital	27,994,873	56,250,454

Source: processing by author

Working capital in year N +1 following consolidation has doubled compared to the N.

Table 8: Net situation prior to consolidation

Indicators	N			N+1		
	Parent Company	Beta Company	Gamma Company	Parent Company	Beta Company	Gamma Company
Total Assets	156,817,231	9,170,799	17,687,830	173,808,144	10,536,519	19,453,161
Liabilities	107,228,766	6,817,854	22,845,649	88,827,343	8,078,350	24,354,238
Net situation (financial position)	49,588,465	2,352,945	-5,157,819	849,808,801	2,458,169	4,901,077
Equity	49,588,465	2,352,945	-5,157,819	849,808,801	2,458,169	-4,901,077

Source: processing by author

Table 9: Net situation following consolidation

Indicators	N	N+1
Total Assets	178,098,975	187,733,095
Liabilities	131,395,585	105,275,403
Net situation (financial position)	46,703,390	82,457,692

Source: processing by author

Net situation following consolidation (financial position has almost doubled in year N +1 compared to the base period)

Table 10: Receivable and Payable Accounts following consolidation

Indicators	N	N+1
Net turnover	366,107,501	363,695,408
Operating revenues	385,914,586	404,557,070
Operating expenses	347,155,675	363,759,384
Profit/ Operating loss	38,758,911	40,797,686
Revenue	4,806,625	4,456,583
Financial Expenses	13,260,372	9,108,971
Profit/Current loss	-8,453,747	-4,652,388
Extraordinary income	0	0
Extraordinary expenses	0	0
Profit/ Loss from extraordinary activity	0	0
Total revenues	390,721,211	409,013,653
Total expenses	360,416,047	372,868,355
Profit/Gross loss	30,305,164	36,145,298
Other taxes not included above	766,346	910,205
Tax profit	24,979,246	2,655,356
Profit/ Net loss	27,041,572	32,579,737
Profit or Loss for the fiscal year related to entities	477,767	-2,022859
Profit or Loss for the fiscal year related to parent company	27,593,378	35,582,812
Profit or Loss for the fiscal year related to interest	-1,031,573	-980,216

Source: processing by author

Net profit increased following consolidation during the period N +1 compared to N with 20.48%. From the above data results that the consolidated profit is determined by the relationship: profit or loss for the financial year related to the parent company plus the profit or loss for the financial year related to integrated entity plus the profit or loss for the financial year related to minority interests. Thus, we have for year N: 27,593.378 + 479,767 – 1,031,573 = 27,041,572 and for N+1: 35,582,812 – 980,216 – 2,022,859 = 32,579,737 that is, in both cases the consolidated net profit is smaller than that of the parent company for both the previous and current year.
We will determine, in this situation, the indicators of financial performance as follows:

3. Financial Rates of Return

Table 11: Financial Rates of Return

Indicators	N	N+1
	Parent Company	Parent Company
Financial return after consolidation $Rf = \frac{\text{Profit net}}{Capitaluri\ proprii} \times 100$	$\frac{27.041.572}{46.703.390} \times 100 = 57{,}90\%$	$\frac{32.579.737}{82.457.692} \times 100 = 39{,}51\%$
Return on fixed assets after consolidation $Rai = \frac{\text{Profit net}}{Active\ imobilizate\ totale} \times 100$	$\frac{27.041.572}{81.113.501} \times 100 = 33{,}34\%$	$\frac{35.582.812}{75.843.914} \times 100 = 46{,}92\%$

Source: processing by author

Financial return after consolidation during the period N+1 was lower against the same period N due to the increase of equity compared to the base period. Return on fixed assets after consolidation increased during the period N+1 compared to period N due to a decrease of fixed assets value during the period N+1 compared to period N.

4. Conclusions

From the above we conclude that although the consolidated financial statements are not an entity tax they are mandatory and useful for certain category of companies by eliminating internal flows at the group level.

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