Chapter 7.

MANAGEMENT OF A GROUP OF COMPANIES IN THE FIELDS OF: ACCOUNTING, REPORTING AND CONTROL

Volodymyr **Panteleiev**, Kostiantyn **Bezverkhyi**, Abbas **Mardani**, Maryna **Ponomarova**

Introduction

Changes in the market environment require corresponding changes in the control and maintenance of your business. Globalization is accompanied by a wide field of public information on the activities of economic entities but also attempts of respondents to strongly restrict access to internal (often hidden) information that comes to their own security of companies from the effects of internal and external environment.

Accounting and control components of consolidation of companies and consolidated financial statements are the subject of research experts, interesting monograph are known, development; it is seen at scientific conferences. The basic practical and theoretical aspects of the consolidation of financial statements of companies (Golov & Kostyuchenko, 2004; Bezverkhyi, 2013; Panteleiev & Bezverkhyi, 2014), systematic information needs of internal and external users reporting of Ukrainian companies, singled level of standardization, the main stages of the consolidated of financial statements of Ukraine are highlighted, disclosed purpose, information sources and how to fill all forms consolidated financial statements (Panteleiev & Bezverkhyi, 2016).

It is believed that there are two options for consolidation: companies that form a single financial Group, the structure – the principle of continuity when the Group is the only family of single entity; and the share, by the autonomy of enterprises, the problem of control of a subsidiary. In the presence of significant assumptions consolidated financial statements are the result of conventional procedures over conventional numbers (Sokolov, 2005). Researchers consider the nature of the formation of corporate Groups, information about the Group in the absence and presence of corporate reporting, the combination methods, algorithms of consolidated reporting, conducting comparison between the options “uniting of interests” and “control purchase” (Kovalev & Kovalev, 2014). The national legal framework provides for some of the consolidated financial statements and the factors that necessitated its drafting, the general procedure of preparation and presentation of consolidated financial statements, the order of combining indicators of financial statements of the parent company and its subsidiaries in the consolidated financial statements, the rules of calculating and displaying share and minority inclusion in the consolidated accounts indicators affiliated companies, preparation of explanations to the consolidated balance sheet and income statement (Dombrovskaya, 2008). International practice of granting and the consolidated financial statements takes on material impact, the use of estimates investments at fair value method of proportional share data summary of a Group member, the method of acquisition (purchase), and taking into account exchange rate changes (Parushina et al., 2010; Bondina et al., 2017).

In academic journals there are summaries of financial (consolidated) statements (Astakhov, 2010) although their content is different. In Ukraine manuals and textbooks on training of accountants, financiers, economists singled out the preparation of consolidated and summary financial statements (Panteleiev, 2004; Suk & Suk, 2012; Bondar, Veriga & Orishchenko, 2015).

Need for further investigation and disclosure of theoretical and applied principles of consolidated financial statements in achieving enterprise managing a group in the industries.

For more than 100 years of preparing consolidated financial statements (the first time such statements have been presented in 1903 and an approval of the bidders on the stock exchange) the information needs of users, particularly regarding disclosure of performance with a view to achieving the objectives of the Group and the safety of its operation were satisfied.

In order to understand the history and causes of the Institute of consolidated financial statements, consider the genesis of its inception in the *Table 1*.

Table 1. **The genesis of the consolidated financial statements and the impact of large private business and the financial market on its development**

No	Country	Time of origin consolidated financial statements	The period of the practice of consolidated financial statements	Distribution of large private businesses	The presence of a developed financial market
1	USA	The end of the XIX century	1920	high	Yes
2	United Kingdom	1920	1940	high	Yes
3	Netherlands	1920	1940	high	Yes
4	Germany	1930	1960	high	No
5	France	1940	1970	Low	No
6	Japan	1970	1980	high	No

Source: Aliev, 2011.

As shown in the *Table 1*, the presence of two factors: a large private business and developed financial markets – was the main factor for the emergence of the institute of consolidated financial statements.

The need for the preparation of consolidated financial statements is caused by internal and external objectives of its users. Internal users of the consolidated financial statements are the top managers and the members of the financial and economic departments of the holding. External users of the consolidated financial statements are owners, business partners (contractors, investors, banks that provide loans, etc.) and public authorities. Load of information forms of consolidated financial statements for external and internal users are shown in *Table 2*.

Table 2. Organizing information requests of internal and external users of the consolidated financial statements of Ukrainian companies

Number	Users	The consolidated balance sheet and the income statement	Consolidated cash flow statement	Explanation of domestic and foreign receivables and payables
1	Internal users	Information about property and financial position of the consolidated Group for demand management purposes	The information needed for forecasting and analysis of cash flows for the centralized financing of holding	The information required for the implementation and ongoing management of accounts payable and holding coordination internal holding payments
2	External users:	X	X	X
2A	Owners	Information about the consolidated financial income and its use	X	X
2Б	Business partners	The information required to analyze the liquidity, financial stability and solvency	The information needed to monitor the implementation of the forecast cash flow on bank accounts	X

Source: Bezverkhyi & Bochulia, 2014.

1. Theory of consolidation

Integration processes in the economy, activation of secondary market securities, intention of improving the situation of companies in this market contribute to the formation of entities within the parent (holding) company (PC) and subsidiaries (SC). Economic foundation for companies' association is the image of the Group as a single entity. The volume and content of the information entities on their activities determined by the needs of users. The specificity of the formation of the Group is that some companies are not combined into one enlarged company and business is conducted through several legally independent companies. The purpose of formation of Group is to increase equity capital and market value of the company through management of Group companies to attract investment. Theory is based on the consolidation of legal, organizational, administrative and other important principles. When companies consolidate – stronger economic links between entities are forged.

The main provisions of the consolidation of the financial statements provided by Accounting standard of Ukraine include the following. The key point of consolidation is to control the activities of the member; can be direct or indirect control; given the right to control the parent (holding) company. It is the subject of PC CFS presentation. Control software acts as the initiator of formation of property, protect the interests of investors.

For the purposes of consolidation reporting at Group level in the accounting of implementing the same for the whole Group accounting procedures. In forming a single Group preferably accounting policies adhere to a uniform methodology of accounting for such transactions. Conduction of separate consolidated accounting is considered inappropriate.

Drawing CFS on the basis of the existing separate financial statements of PC and all SC envisages special procedures: application of the fair value calculation of goodwill elimination of intercompany transactions (eliminating double counting), the accumulated capital is established, uncontrolled share is determined, transformational tables are used, and etc.

The process of consolidation of financial statements involves implementation of time consolidation; passing some consolidation steps, such steps are more than 10. The result is the consolidation procedures set assembly Group report that includes consolidated report on the Group CFS completed forms and application forms for reporting explanation. We use "standard" forms of CFS, annexed accounting standard of Ukraine 1 "General Requirements for Financial Reporting" and methodical provisions referred as Accounting standard of Ukraine 2 "Consolidated Financial Statements" (The Ministry of Finance of Ukraine, 2013) and other standards. The forms of such statements include: Consolidated balance sheet (statement of financial position), form number 1-c; Consolidated income statement (statement of comprehensive income), form number 2-c; Consolidated cash flow statement, form number 3 c and number for 3-cn; Consolidated statement of changes in equity, form number 4-c (National Accounting Standard 1, 2013), and other forms, applications for forms and notes to the statements. In some ways CFS open additional lines made appropriate explanation.

2. The main phases of the operation

The following are basic phases of operation (life) of the Group.

Previous most important phase. The initiator of the Group generates the idea of the Group, expresses the idea of implementing a business project consolidation, creates a draft business plan project, generates a business model of the new Group, identifies important (significant) activities, defines parameters (scale) of the Group, estimates future profits and losses of the Group, evaluates the company's economic compatibility and control capabilities, sets changes in the accounting for the preparation CFS, etc. The initiator of the decision on the project – to create a Group of companies.

Phase 1. Identification of the new Group as a part of the PC and its controlled companies; the investor acquires the company that receives SC status, receives the right to control, recognizes goodwill, the financial system for the Group is formed, a strategy that controls the schedule is introduced; the procedure for allocation of resources intra Group is established, CFS of the first year of the first Group is being made.

Phase 2 continues the activities of PC and SC as a Group, estimated assets, liabilities, equity, income and expenses, cash flows of the Group regularly formed and fed CFS.

Phase 3. An investor lost control of the Group, often in the market it will sell a subsidiary under the rules of restructuring. From the date of loss of control PC over its SC terminated recognition of all assets, liabilities and uncontrolled particle Group. Due to loss of control established by the financial results of the Group at book value, the results are recognized in profit (loss) of the parent company, the latest CFS of the date of loss of control is produced.

Final Phase. Setting actual financial results (profit or loss) from the sale of the business plan of the Group, by CFS, according to the years of operation. With the loss of power and subordination relations between the SC and PC between former members, associations, enterprises, joint ventures, etc, are possible.

3. The place and role of the consolidated financial statements in achieving the objectives of marketing and management

While highlighting the role of an information-providing marketing and management of companies by CFS, it is appropriate to bear in mind that reporting is a "classic" element of the method of accounting. Many company with subsidiaries and affiliates are faced with the need to consolidate reporting under International Financial Reporting Standards (IFRS). Unlike individual legal entity reporting, CFS gives the most complete picture of the use of the investor or shareholder in the Group, as a management company manages the resources given to it. CFS is important for investors and shareholders, as it shows financial position and results of operations of the parent company and its controlled enterprises (Groups), treating them as a single entity. It should be noted that there is an increase in importance of consolidation procedures, as of 2013 in Ukraine there are special forms of the consolidated financial statements.

However, widely known are facts of distortion, fabrication of financial statements. To return the public confidence in the activities of companies and their statements can create new initiatives and reporting requirements.

Over the reporting requirements of the Global Reporting Initiative (GRI) (Sustainability Reporting Manual, n.d.), which formed at the beginning of XXI century, some important principles to ensure the quality of the report were indicated, for example, balance, comparability, accuracy, timeliness, clarity and reliability. The quality of information enables stakeholders to make informed and intelligent evaluation of and take appropriate action. It is believed that the following principles will create the right conditions for reporting, but these are hardly enough to meet the requirements to ensure quality.

It is believed that consolidated financial statements should not be mandatory, because the society and the state are accountable only to legal entities, and it often has a voluntary or an advertising character (Sokolov, 2005). The Economic Community's opinion on consolidation, as a whole, is positive. There is a certain level of consolidation (aggregation) from the information provided. Extra efforts to provide detailed information are possible as a result of this provision. At the same time, it is important to carefully treat the reservation of the organization, consolidation could lead to significant loss of meaning, it may not give particularly high or low results of activities in specific areas.

Information reporting is objective, it reflects the transactions of the company on real activity of the subjects which it serves, it reveals their real life. It is worth noting the sensitivity of financial markets to the content of the information contained in the financial statements. Data posted in the financial statements, along with information for statistical bodies used when performing operations on the stock exchange, the acquisition of controlling stakes in others.

4. Providing management team means business accounting, reporting and control

For economic management, owners, the employees of the Group, society, the business community are interested – what is the effect of the new economic union that is a Group of PC and SC; were the association goals met, whether a formation is perspective, whether to deal with businesses of the group, etc. From business practices it is known that there is a real danger that the administration's failed SC causes a significant risk of functioning and can lead to "eating away" a capital of PC.

Key moments in accounting procedures for the consolidation of the Group are: mapping contributions as investments from PC to SC, presence of strict control by the activities of PC SC and PC in the reporting of uncontrolled share. The main source of answers to the requests of stakeholders on the level of economic security is CFS, based on accounting data, composed by well-known principles and methods. It should be noted that it is meeting the needs of market agents (concerned stakeholders), to have accurate information about the activities of the Group by known economic forms of individual statements, but reformatted in CFS Group subject to relevant assumptions of its time, that were laid in the foundation of formation of first consolidated financial statements and successfully passed check for a century.

The crucial principle of full consolidation is the consolidation of the management Group of companies as an entity concept; business combination and the formation of Groups is the method of acquisition; circumstances of the acquisition of control of the PC under control now and the last entry status of subsidiary (SC) and others are established. The legislator provided different availability status of integration processes, each of which has its own part of the property (about power). Therefore, a share of uncontrolled minority interest, minority stake, is calculated; before it was called minority interests. An alternative to the uncontrolled share is the share majority, majority shareholder.

An important component of total consolidated report is CFS corporate Group which is a means of presenting the results of business processes within the Group, to highlight the real financial status, information support, decision-making and more efficient investment.

Great importance in the Group is given to accounting and formation of CFS. The role of the accounting parent and subsidiaries in the preparation of CFS, i.e. the absolute value given to accounting as to the basis of consolidation of CFS. Consolidation serves as a control of the PC side of the group businesses. CFS form a reporting for the date of PC. CFS – is not a legally independent enterprise reporting. By analogy with the separate financial statements of the Group, methods of intra management accounting and inter corporative controls are developed.

5. A parent (holding) company – CFS nominator

According to the normative legal acts of Ukraine, consolidated financial statements are submitted by companies, corporations (The Cabinet of Ministers of Ukraine, 2000), companies holding (Verkhovna Rada of Ukraine, 2006) associates with the critical dependence (Verkhovna Rada of Ukraine, 2003) of industrial and financial Groups and so on. The agricultural sector accounts provide such agricultural holdings. The functions of the holding company are to acquire a controlling stake in various companies in order to establish control over the activities and generate income from dividends.

The initiator of creation of companies (real owner, Group leader) the parent (holding) company (PC) as Voni patres familias – Latin. good fathers of families, controls one or more entities, takes the initiative in business administration, is entitled to variable results or variable returns from investment facility, deliberately makes certain risks for himself and for subsidiaries (SC), must influence these results thanks to its powers. PC disposes of controlled Ownership, is equity PC and SC-controlled share of participation. PC, in the process of consolidation6 acts as an investor, who controls the investee. Typically, the MP, not only inhibits the growth of independence SC, but also strongly supports their development. PC prepares and presents individual financial statements about their activities.

For the purpose of consolidated financial statements of Group PC, based on the understanding of the requirements of a single economic entity, said subsidiaries of timely and fully getting them appropriate information for the preparation of consolidated financial statements of the PC Group. The composition of such information is mandatory that all the members of a single accounting policies of the Group; PC's requirements may become an alternative for preparation (reformatting) of the financial statements of SC according with the same accounting policies of PC for the preparation of consolidated financial statements. The information disclosed in the financial statements by PC filling in forms of consolidated financial statements of the Group for the reporting period and the notes to the consolidated financial statements.

PC, expecting to obtain economic benefits from the activities of enterprises and intending to strengthen the reputation of their Group, generates an idea (ideology, philosophy) of the Group within its powers of drafting and implementing of the idea adopted by the business community of the potential of all the activities of the Group. His intention PC realizes in the reform for the sole intent of assets, liabilities, equity, income and expenses, cash flow and more.

Proponent conducts the necessary organizational, administrative, legal and other measures for the development and operation of the Group. To manage a Group of companies, authority of management is established; it determines individuals who make decisions, powers of persons are established, rights of exclusion, rights of protection of the interests of investors, control of the investee and others is established.

This authority is subordinate to the parent as a subject of the CFS presentation (reporting unit), it follows the common rules of corporate governance.

Authority management team ensures that all the members of a single policy in various areas, such as unified marketing (commercial) policy, common industrial, economic, scientific, technical and technological policy, unified pricing policy within the intra-Group transactions, unified policy management (control policy), monitoring the activities of all divisions of the Group unified information policy, a common security policy, a unified financial and investment policy specifies the applicable financial reporting framework, uniform accounting policies, including the procedure for drawing up internal (management) reporting, defines the format of the consolidated annual report the activities of others.

6. Responsibilities of the SC to PC in a Group

Subsidiary (SC), which is controlled by the parent (holding) company (PC) consciously participates in the Group. In pursuit of its interests in the Group, SC does only PC controlled activities, with priority to meaningful (significant) activities to all SCs under the control of PC, but reserves the uncontrolled stake. SC may do operations that are foreign to the Group. SC prepares and presents individual financial statements about their activities. However, SC must provide to PC appropriate information for the preparation of the consolidated financial statements of PC Group.

Due to the fact that relations between members of the Group assumes the character of investment subject and object management, investments within the Group are recorded based on the reporting of financial results and net assets of an investment. That is, the Group appears as efforts to implement corporate economic interests of particular companies; close links system is getting extensive development between different companies of the Group, that is to form and strengthened intra-Group relations.

7. Control of the Group

The concept of **control** is crucial in answering the question, can we consider the two companies as a parent and subsidiary. Definition is controlled under IFRS 10 "Consolidated Financial Statements" (International Financial Reporting Standard 10, 2013) and the provisions of Accounting standard of Ukraine 19 "Business Combinations" (The Ministry of Finance of Ukraine, 1999). Under IFRS 10, **control of an investee** – investor controls the investee if the investor has the right variables on the performance of the investee or is related to risks and able to influence these results through its own power to the investee. For Accounting standard of Ukraine 19, "Business Combinations" **control** – a decisive impact on the financial, economic and commercial policy of the company or business to obtain benefits from its activities. More important, to influence the activities of the Group, should be regarded as the definition of control under the Law of Ukraine "On Joint Stock Companies" (Verkhovna Rada of Ukraine, 2008): **control** – a decisive influence or the possibility of decisive influence on the economic activity of the entity is carried out, in particular, through the implementation of the ownership or use of all assets or a significant part of, the right of decisive influence on the composition, voting results and the decision by the management entity, and also any transactions that provide the opportunity to determine the conditions of economic activity, to give binding instructions or perform the functions of management entity.

A parent company (PC) controlling SC, is interested in high results of its activity in the Group. Therefore, it reformates financial statements of the Group to learn about the achievements of the intended effect of economic Group.

Typically, control (authority) implies a property that is a direct or indirect ownership of more than 50% of the voting potential (voting shares) of the subsidiary. Thus, the PC, which has even 100% participation in the share capital is not doing SC's consolidated financial statements, if it in fact does not monitor the activities of SC. In this case, the principle of accounting and financial reporting – substance over form, investment of PC in SC is displayed by the equity method. In substance, control standards are dominant, it is imperative basis of consolidation. In IFRS 10 content (subject, object) of control is investee (International Financial Reporting Standard 10, 2013). Standards establish exclusive control requirements, which are subject to authority, results and accounting requirements. Consequently, an **investor controls the investee if and only if the investor actually has all three conditions listed below**: powers on the investee; risks to be exposed or has rights on variable performance of the investee; ability to use its powers regarding the investee to affect the results of the investor. In addition, standards consider the loss of control and the effects of such events on the accounting and reporting.

The standard also provides for permanent (even continuous) assessment control. To determine whether an investor controls (PC) investee, the investor assesses whether it has everything listed below: a) authority on the investee; b) is subject to risks associated with variable results of the investee or has the rights on them; and c) the ability to use their discretionary powers regarding the investee to affect the amount of income of investors.

Consideration of these factors can help to further determine the fact of the presence of control: a) the purpose and structure of the organization and management of the investee; b) that there are significant activities and decisions on how these activities; c) do the rights that the investor has guarantee his ability to manage important activities; d) whether the investor suffers the risks associated with variable results of the investee or whether it has the rights on them; or investor is able to use their discretionary powers regarding the investee to affect the results of the investor. In assessing whether control over the investee, the investor takes into account the nature of its relations with other parties. With the loss of control is no longer relevant and CFS is no longer needed. Restrictions of environmental control over the investee are due to the fact that the real instruments of influence on the object are in the form of investments, in addition, legal and accounting framework of investment activity is currently available.

Accounting standards directly set priority on control of the consolidation: the presence of protection of the interests of investors is not a sign of control, n. 7 accounting standard of Ukraine 2 "Consolidated financial statements" (The Ministry of Finance of Ukraine, 2013) investor that has only rights of protection of the interests of investors, has no powers regarding property investment and, therefore, does not control the investee, IFRS 10 "Consolidated financial statements" (International Financial Reporting Standard 10, 2013). So we should distinguish control as part of the accounting and formation of CFS, control over investee as the basis for the formation of the Group and strict control measures on security of the Group companies. The importance of smooth control is reflected in the language of business, as a holding company in Spanish is **sociedad de control**.

In general, the goals of investors is to invest in securities that are usually limited to the desire to achieve security, reliability and sustained profitability of investments, while ensuring the liquidity of the purchased securities. That is vital for investors to guarantee the protection of investment resources, their ability to generate income.

Responses to threats and challenges of the business environment is of particular security policy Group; in this case financial security is a form of security investments. Increased safety is reflected in actions, events, activities all of the protection that help to reduce the threats, risks and more. There identifying threats (internal and external), their assessment, prevention and neutralization of negative impact on the Group companies.

Important component of a secure information system is to protect official documents, that information internal appearance of closed internal management reporting, implementation of internal quality standards for reporting information, including the preparation of consolidated reporting, developed management accounting / controlling, budgeting, intra standards, uniform accounting policies holding company, control and efficiency of accounting, economic analysis, expert services, intra control and audit, continuous monitoring of threats and responses, and etc. Of great importance is data protection.

The decisive step is improving the safety system of ERP. ERP (***Enterprise Resource Planning System***) – an integrated system based on information technology to manage internal and external resources of the company. Implemented in the ERP is a system of access to information, intended (in combination with other measures of information security company) to counter both external industrial espionage and internal (e.g., theft).

Progressive investment focus is financial innovation – new schemes of financial transactions or new financial instruments in implementing the financial management practice to reduce financial risks, reduce costs and increase revenue.

8. Internal control and risk of operation

Other than CFS standardized forms, it contains significant information notes to the statements. Due to the fact that under IFRS 10 "Consolidated Financial Statements", essential for controlling investor property investment is that the investor (PC) has the authority on facility investment in the notes to CFS revealed: initiator of creation; authority, the nature of governance, PC Group controls, reporting controls, corporate governance code of the Group, time of formation of the group and moment (date) of loss of control, SC acquisition date, control bodies of others.

Whereas by IFRS 10 "Consolidated Financial Statements", essential for controlling investor property investment is that the investor (PC) has the ability to use its powers regarding the investee to affect the results of the investor, notes to the consolidated financial statements disclosed the contents of internal controls.

Table 3. The main provisions of internal control, the Principles of Corporate Governance of Ukraine

Elements of internal controls	Content of elements
The purpose of control	Ensuring the management of financial and economic activity of Group, detect and correct deficiencies of the control system to detect and prevent unwanted variation, reducing the risk of internal control
Subjects of control	The Supervisory Board of Group and companies, the executive body of the company, the subjects of internal control, external (independent) audit
Subjects of internal control	The Supervisory Board, the Audit Committee of the Supervisory Board, Audit Committee, internal audit (internal auditor) Commission inventory, accounting, department of standard control, technical control department etc.
Objects of control	Financial and economic activities, the results of financial and economic activities, the effectiveness of management, proper documentation providing investment stake, real elimination, tabulation consolidation, the balance of mutual debts, acts of reconciliation, adherence to uniform pricing policy within the internal Group operations, organization and the system of accounting, compliance of accounting the actual availability of assets, their proper preservation, the liabilities, the reliability of information, accuracy of financial statements
Control methods	Inspection, examination, review, monitoring and evaluation activities, analysis, testing
Elements of the monitoring mechanism	Availability and policy compliance monitoring, reporting on the activities and the goal of the Group and company, to develop recommendations to improve performance, test performance, test implementation of control policy, the establishment of criteria of internal control, establishing criteria for competence of persons who exercise control, Requiring candidates for the internal control of ethics, competence and professional skills, control deficiencies identified internal control subjects

Source: Principles of corporate governance of Ukraine, 2008.

Table 3 using the requirements of Corporate Governance Principles of Ukraine approved the State Commission on Securities and Stock Market of Ukraine of 24 January 2008 No 52 (Principles of corporate governance of Ukraine, 2008) the foundations of internal control that are reflected in the Notes to the consolidated financial statements were determined. The main elements of internal control are considered to be: objective control subjects, objects of control methods and control mechanism. The report on the state control bodies and PC reveals the organization control Group; control authorities and organizing PC, authorities and organization of control, etc. SC. In compliance / non-compliance of the enterprises of the general provisions on internal control can evaluate the control system in the company.

As per IFRS 10 "Consolidated Financial Statements", essential for controlling investor property investment is that the investor (PC) undergoes risks or entitled variables on the performance of the investee (SC) in the notes to the consolidated financial statements the contents of the risks are disclosed. This object management Group singled out three categories: risk Groups; parent risks, risks associated companies. *Table 4* requirements using Corporate Governance Principles of Ukraine approved the State Commission on Securities and Stock Market of Ukraine of 24 January 2008 No 52 (Principles of corporate governance of Ukraine, 2008) brings up the basics of risk management businesses that are reflected in the Notes to the consolidated financial statements. The main elements of risk management are considered accepted objectives of management, subject and object management, management mechanism. In compliance / non-compliance in enterprises of such general regulations on risk management can assess the risk management system in the company.

Table 4. **The main provisions of company risk management, on the principles of corporate governance of Ukraine**

Elements of Risk Management Company	Content of elements
The purpose of Management	Managing risk, reducing intra / internal risk, reducing the destructive impact of internal conflicts in the Group, removing the causes that hinder the further existence of Group
Entities of Risk Management	Supervisory board, Auditing committee of the supervisory board.
Objects of Risk Management	The internal and external environment, the results of financial and economic activities, the system of internal control, efficiency management, reliability of information misstatement of the financial statements, internal conflicts in the Group
Elements of risk management mechanism	Classification of risk profiling risks, availability and compliance with risk management policies, reporting on the activities of Groups and companies and risk assessment, risk reduction internal controls, develop recommendations for risk management, check the efficiency of the Group and the companies of the implementation of risk management policies, monitoring deficiencies identified subjects of risk management

Source: Principles of corporate governance of Ukraine, 2008.

9. Example of use of practical business model for the consolidation of conditions of formation of a new SC

The experience of renowned companies on successful innovation in new markets, product promotion in the higher sectors at the beginning of XXI century, is known. The study was conducted in Example of 5 sectors: aviation, education, semiconductor manufacturing, public health and telecommunications.

This experience has allowed researchers to establish the role of SC, which a leader creates (initiator) Group (PC). The leader of the Group conducts its own trade policy, gives new subdivision freedom in the required areas gives new competences, the necessary resources and procedures, gives plenty of space to maneuver, allows to produce their own values, using their own independently chosen mode of preparation, successfully solves the inevitable internal conflicts and others. Improving the Group's financial system, before the issue of shares to the public, the company ExpressJet (its flights are operated under the name Express) was a subsidiary of Continental Express, which owned all the shares of ExpressJet. Now the property of Continental is 55% of all shares of ExpressJet.

Under competitive conditions, new beginner company units (but without the bright image) without the burdensome debt create an effective push to capture new market segments. At the same time, the available points of risk: the possibility of conversion of SC to a copy of PC, SC can be limited in innovation support, rather than productive, but also more aggressive innovations, ultimatum compliance to "Group" structure costs, project approvals by known criteria, mandatory requirements for immediate rapid growth can lead to failure, how to keep a new division within, without undermining the core business.

The important role goes to **control (monitoring)** of the implementation of the project consolidation. Leader – recognized company that begins to capture new market segment and provides **direct control** over the activities. With a **full control** of the corporation got more room for experimentation. Introduce **a strategy that is monitored**, that is – a strategy that is imposed from above, the project is developed and implemented **under the supervision** of senior management [Group]. Under integration, company **controls** the stages of value creation that are associated with the architecture of the product / service. Full integration – a whole chain cover education costs, including the production and sale of the product. Partial integration and operational integration are also possible (Christensen, Anthony & Roth, 2016). Allocation of resources inside the group is a procedure by which the company distributes its resources between projects. The process of allocating resources should diffuse structure, it is difficult to **control** – because it includes the location of such decisions many employees conduct themselves. Top management directly **controls** only a few decisions on the allocation of funding. But other resources are allocated according to certain priorities: some projects get resources from other (Christensen, Anthony & Roth, 2016).

Accounting balance, [and more – CFS] refers to researcher's material resources which the company has access to (Christensen, Anthony & Roth, 2016). Evaluation of the project is carried out according to statements of all activities including CFS. It should be noted that the examples presented by Groups not only US but also European Groups.

In order to obtain reasonable response to the business environment and economic management required analysis of financial statements as certain forms of consolidated accounts, and so the entire set of reporting for different periods and in different stages of Group life.

10. Unfixed issues

You can set the main unfixed issues of theory and practice of consolidated financial statements: real separation of investors powers and rights of protection of the investors interests, it is important not only in the formation of the Group, but especially important during Group activities; in the reporting of the original aspects of the corporate Group; issues of control over policy investor (control actions, objects control test execution control measures, measures of policy implementation, setting the date of loss of control that is the date when the group ceases to exist and the parent (holding) company has not submitted the consolidated financial statements) under control through the issue of shares to overcome disregard the principle of priority of substance over form, ignoring the real form controls that do not receive formal confirmation through shares (Sokolov, 2005); introduction of internal corporate controls in the Group, setting standards that are used for comparison, the establishment of similar / dissimilar operations, effective management of corporations / associations, determine the applicable financial reporting framework (accounting basis) adopted by management, which is appropriate given the nature of entity and purpose of financial statements or required by law or regulations based on accounting policies, accounting assessment procedures, including the procedure for drawing up internal (management) consolidated reporting of the Group, coordination in the calculation of the various activities of the Group, especially when they are far different, approval of the inventory and display of the results in accounting and reporting, transfer reporting members by national standards into a single consolidated accounts according to international rules, definition of format of a consolidated annual report on the activities of the Group, disclosure of the level of risk and internal control of others. The lack of uniform accounting policies or ignoring in practice the differences in accounting policies, forming the analytical section display operations in the Group. Search for alternative methodological approaches to consolidation, in addition to valuation differences (Golov & Kostyuchenko, 2004).

For effective consolidation, terminological gaps should be overcome, for example, to determine control. If by IFRS 10 investor controls the investee, if he is entitled to a variable performance of the investee or is related to risks and able to influence these results through its own power to the investee that has a combination of accounting and management issues related to investment activities of the investor, then P (S) 19 control is considered a decisive influence on the financial, economic and commercial policy of the company or business to obtain benefits from its activities. Also, important concepts require the disclosure of the content: the consolidation procedures (technology) consolidation, consolidation methods, content control intra-organization, consolidated financial statements (CFS), content consolidation parameters (the book value of investments, goodwill, uncontrolled share, etc.) consolidation schedule, the single business unit, entity concept. It is appropriate to further establish in the reporting of social (environmental) investment options and reporting on corporate social responsibility of Group of companies.

Conclusions

In Ukraine, as in other emerging free market economies, it is acknowledged that consolidation in the broad sense is needed when creating associations, holdings in the taxation of business entities in accounting budgetary institutions and others. The most dynamic concepts associated with consolidation, developed to consolidate the financial statements of a Group of companies.

Business development, the emergence of large private business and developed financial markets, satisfaction of information requests of internal and external users of the consolidated financial statements requires the use of new trajectories of governance, including the consolidation of companies. Procedures of consolidation, in practice, are based on the principles of the theory of consolidation. Reporting on the activities of companies provides the necessary information to achieve the goal of companies. In Ukraine, the state requires mandatory compilation and publication of consolidated financial statements (The Cabinet of Ministers of Ukraine, 1999; 2000). Fundamentals of consolidated financial statements of Ukrainian companies are based on its own regulatory framework, and so on the basis of experience of international business, including new initiatives and reporting requirements.

The effect of the union is manifested in the capture of new market segments, development of new products and values, expansion of a spectrum of activities (milit. – Springboard) of companies of the industry and other industries in which the company of the Group is operating, meeting the needs of new Groups of users of products, promotion of new innovative products, increasing equity, the possibility of attracting new investments, use of domestic prices and the effect of delivery and reliability payments for raw materials and components, increased safety of Groups and others. Subsidiaries included in the Group may be the current actors of the market, as well as new, that have the status of SC when creating Groups.

Imperative factor in the consolidation as a business project is the parent control that protects the interests of investors. Control differs as part of the accounting and formation of CFS, control of the investee as a basis for the formation of the Group and strict control measures security of the Group companies, a strategy is introduced, that is controlled, there are facilities that are under the direct control of the PC. Control may be direct, intra full control and audit, and others.

Based on the information of Consolidated Financial Statements competent body of the Group management decisions are taken for the implementation of the strategy, the contribution of individual SC in the case of the Group, resource allocation within the Group, forming a unified structure of expenditure, implementation of uniform pricing policy within the Group operations.

The consolidated financial statements have further information which removes the limitations of the individual financial statements of the Group, is an independent information resource because it contains original performance, reliable information about the Group as a whole. The preparation of the consolidated financial statements using accounting data of all companies that have been aggregated by the parent (holding) company. Operations of formation of consolidated financial statements is the confirmation of the importance of reporting as part of a method of accounting, they are in the nature of investments, expanding the concept of accountability, enhanced accounting principles substance over form, the role of a single accounting policy is the construction of performance reporting, some indicators, but also the use of special accounting and settlement operations, instructional techniques, it is an example of harmonization of national normative legal acts of Ukraine with international accounting standards and financial reporting, creation of a new accounting object – transactions between Group members and third parties, new accounting tools are developed.

The consolidated financial statements show assets, liabilities, equity of the parent (holding) company, uncontrolled share participation, income, expenses, cash flows from transactions with third parties. Reporting is regarded as a category in which the Group has access to. Such reporting functions as an important part of the report of Group.

Consolidation procedures are reflected in the practice of auditing, monitoring, accounting, analysis; they are the subject of research and a training discipline in the specialty "Accounting and Taxation".

References:

Aliev, Z.M. (2011). *Formation of consolidated financial statements of holdings in accordance with international financial reporting standards*. Dissertation for obtaining a scientific degree of candidate econ. sciences: special 08.00.12 "Accounting, statistics". Moscow, Russia.

Astakhov, V.P. (2010). *The theory of accounting*. Moscow, Russia: University textbook, INFRA-M.

Bezverkhyi, K. (2013). Consolidated Financial Statements – new National Accounting Standard. *Accounting and Audit*, *20*(10), 3–6.

Bezverkhyi, K.V. & Bochulia, T.V. (2014). *Information system of the accounting system and reporting in Ukraine*. Kyiv, Ukraine: Center for Educational Literature.

Bondar, M.I., Veriga, Yu.A. & Orishchenko, M.M. (2015). *Enterprise Reporting*. Kyiv, Ukraine: Center for Educational Literature.

Bondina, N.M., Bondin, I.A., Zubkova, T.V. & Pavlova, I.V. (2017). *Accounting (financial) reporting.* Moscow, Russia: INFRA-M.

Christensen, C., Anthony, S. & Roth, E. (2016). *What's next? The theory of innovation as a tool for predicting sectoral changes (*translation from english*).* Moscow, Russia: Alpina Publisher.

Dombrovskaya, V.D. (2008). *Accounting (financial) reporting*. Moscow, Russia: INFRA-M.

Golov, S.F. & Kostyuchenko, V.M. (2004). *Accounting and financial reporting according to international standards.* Practical guide. Kyiv, Ukraine: Libra.

International Financial Reporting Standard 10 „Consolidated Financial Statements". (2013). (n.d.). Retrieved from http://eifrs.ifrs.org/eifrs/bnstandards/en/2013/ifrs10.pdf

Kovalev, V.V. & Kovalev, Vit.V. (2014). *Balance Analysis, or How to Understand the Balance.* Moscow, Russia: Prospect.

Panteleiev, V.P. & Bezverkhyi, K.V. (2016). *Consolidation of financial statements.* Kyiv: State Enterprise "Information and Analytical Agency".

Panteleiev, V.P. (2004). *Financial statements.* Kyiv, Ukraine: State academy of statistics, accounting and auditing.

Panteleiev, V.P. & Bezverkhyi, K.V. (2014). Consolidation of financial reporting of a group of enterprises: theoretical and practical aspects. *Scientific bulletin NASAA*, *12*(3), 28–46.

Parushina, N.V., Butenko, I.V., Gubin, V.Ye., Gubina, O.V., Deminova, S.V., Suchkova, N.A. & Timofeeva, T.A. (2010). *Theory and practice of analyzing the financial statements of the organization.* Moscow, Russia: PH «FORUM», INFRA-M.

Sokolov, Ya.V. (2005). *Fundamentals of accounting theory*. Moscow, Russia: Finance and Statistics.

Suk, L.K. & Suk, P.L. (2012). *Financial Accounting*. Kyiv, Ukraine: Knowledge.

Sustainability Reporting Manual. (n.d.). Retrieved from https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx

The Cabinet of Ministers of Ukraine. (2000*). Procedure for submission of financial statements.* Dated 02/28, No. 419. Retrieved from http://zakon5.rada.gov.ua/laws/show/419-2000-%D0%BF/print1445341158086425

The Ministry of Finance of Ukraine. (1999). *Accounting Standard 19 „Association of Enterprises“.* Order of dated July 30, No. 176. Retrieved from http://zakon5.rada.gov.ua/laws/ show/z0499-99/print1445341158086425

The Ministry of Finance of Ukraine. (2013). *National Accounting Standard 1 „General Requirements for Financial Statements“.* Dated February 7, No. 73. Retrieved from http://zakon5.rada.gov.ua/laws/show/z0336-13/print1445341158086425

The Ministry of Finance of Ukraine. (2013). *On Approval of the National Accounting Standards (Standard) 2 "Consolidated Financial Statements".* Dated June 27. Retrieved from http://zakon2.rada.gov.ua/laws/show/z1223-13/print1362304905316381

The State Commission for Securities and Stock Market of Ukraine (2008). *Principles of corporate governance of Ukraine.* Approved by the decision of dated January 24, No. 52. Retrieved from www.nssmc.gov.ua/user_files/ content/805/1315570913.doc

Verkhovna Rada of Ukraine. (1999). *The Law of Ukraine „On Accounting and Financial Reporting in Ukraine“.* Dated 16.07.99, No. 996–XI. Retrieved from ttp://zakon4.rada.gov.ua/laws/show/996-14

Verkhovna Rada of Ukraine. (2003). *Commercial code of Ukraine.* Dated January 16, No. 436–IV. Retrieved from http://zakon3.rada.gov.ua/laws/show/436-15/print1444738519196463

Verkhovna Rada of Ukraine. (2006). *Law of Ukraine „On Holding Companies in Ukraine“.* Dated March 15, No. 3528–IV. Retrieved from http://zakon3.rada.gov.ua/laws/show/3528-15/print1444738519196463

Verkhovna Rada of Ukraine. (2008). *Law of Ukraine „On Joint Stock Companies“.* Dated September 17, 2008, No. 514–VI. Retrieved from http://zakon3. rada.gov.ua/laws/show/514-17/print1444738519196463.