IMPROVING THE METHODOLOGY FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS IN CORPORATE GROUPS

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Abstract: The article examines methodological issues in the preparation of consolidated financial statements in corporate groups, with particular emphasis on the consolidation perimeter, the control concept, intragroup elimination procedures, goodwill, intangible assets, investments, non-controlling interests, foreign subsidiary translation, and digitalization of consolidation processes. The study is based on the dissertation materials devoted to the improvement of consolidated financial reporting methodology and uses systematic, comparative, economic-statistical, modelling and regulatory analysis methods. The article argues that consolidated financial reporting should not be treated as a mechanical aggregation of individual financial statements, but as a complex transformation process that converts separate entity-level data into information about the group as a single economic entity. The research proposes a multi-criteria model for determining the consolidation perimeter, a staged algorithm for eliminating intragroup transactions, a mapping register for harmonizing accounting policies, an improved model for recognizing and testing goodwill and intangible assets, and a risk-based digital mechanism for enhancing the transparency and reliability of consolidated reports. Practical results are illustrated using the context of Uzbekistan's joint-stock companies and the Uzavtosanoat-UzAuto Motors corporate group.

Keywords: consolidated financial statements, IFRS, corporate groups, control concept, consolidation perimeter, goodwill, intangible assets, intragroup eliminations, mapping register, digital transformation.

Introduction

The deepening of globalization, the expansion of transnational capital movement, the growth of mergers and acquisitions, and the increasing complexity of corporate groups have changed the informational role of financial reporting. Large companies often operate not as isolated legal entities but as integrated systems comprising a parent company, subsidiaries, associates, joint arrangements and other investment structures. In such circumstances, separate financial statements do not fully reveal the real financial position, financial performance, cash flows, risks and economic potential of the group.

Consolidated financial statements emerged as a response to this information gap. Their main purpose is to present the assets, liabilities, equity, income, expenses and cash flows of a parent and its controlled entities as if they were a single economic entity. This requires the elimination of intragroup receivables and payables, internal sales, dividends, interest, investments and unrealized profits. Therefore, consolidation is not a technical summation of figures but a methodological process based on the economic substance of control.

The relevance of this problem is increasing in Uzbekistan due to the transition to International Financial Reporting Standards (IFRS), the expansion of joint-stock companies, state-owned corporate structures and holdings, and the growing importance of transparent financial information for investors and creditors. The dissertation on which this article is based identifies several unresolved methodological and organizational problems: determining the consolidation perimeter, harmonizing accounting policies, eliminating intragroup operations, recognizing goodwill and intangible assets, translating foreign subsidiaries' financial statements, measuring non-controlling interests and improving disclosure quality.

The purpose of this article is to systematize the key scientific results of the dissertation and present them in an article format in English. The article focuses on the methodological improvement of consolidated financial reporting, with particular attention to control-based consolidation, transformation adjustments, elimination mechanisms, and the integration of digital tools into the reporting process.

Literature Review and Theoretical Framework

The theoretical basis of consolidated financial reporting is the concept of a corporate group as a single economic entity. Under this approach, legal independence of individual companies does not prevent the preparation of one consolidated report when a parent entity controls other entities. IFRS 10 “Consolidated Financial Statements” defines control through three interrelated elements: power over the investee, exposure or rights to variable returns, and the ability to use power to affect those returns. This means that consolidation is determined not only by the percentage of voting rights but also by the economic substance of control.

The dissertation emphasizes that the evolution of consolidated reporting may be interpreted through several stages: the initial development of group reporting due to corporate integration; the institutional strengthening of international standards and the control concept; the transformation of international requirements into national accounting practices; and the modern stage characterized by enhanced disclosure, automation and user-oriented information transparency.

The IFRS framework regulates different aspects of consolidation through several standards. IFRS 3 “Business Combinations” provides the basis for acquisition accounting and recognition of goodwill. IFRS 10 establishes the control-based consolidation model. IFRS 11 “Joint Arrangements” and IAS 28 “Investments in Associates and Joint Ventures” determine the treatment of joint ventures and associates. IFRS 12 “Disclosure of Interests in Other Entities” strengthens disclosure requirements, while IAS 36 “Impairment of Assets” and IAS 38 “Intangible Assets” are essential for the treatment of goodwill and intangible assets in consolidated financial statements.

In the Uzbek context, the transition to IFRS has strengthened the need to adapt national accounting practices to international requirements. The dissertation stresses that existing studies do not sufficiently address the multi-criteria determination of the consolidation perimeter, the algorithmic elimination of intragroup transactions, the use of mapping registers for harmonizing accounting policies, and the integration of risk-based internal control and digital information systems into the consolidation process.

Table 1. Key methodological areas for improving consolidated financial reporting

Methodological area	Core problem	Proposed improvement	Expected effect
Consolidation perimeter	Formal ownership is often confused with economic control	Introduce a multi-criteria control model based on voting rights, economic benefits, risk exposure, decision-making power and contractual rights	More accurate identification of subsidiaries, associates and joint arrangements
Intragroup eliminations	Receivables, payables, internal sales and unrealized profit may remain in consolidated data	Apply a staged elimination algorithm covering balances, sales, unrealized profit, dividends, interest, investments and capital links	Prevention of artificial inflation of assets, revenue and profit
Accounting policy harmonization	Subsidiaries may use different accounting policies, charts of accounts and measurement bases	Use a mapping register and transformation adjustment table aligned with IFRS and the parent company policy	Improved comparability and methodological consistency
Goodwill and intangibles	Goodwill may be overstated if	Apply purchase price allocation, fair value	More transparent presentation of group

	identifiable intangible assets are not separated	measurement, separate recognition of identifiable intangibles and annual impairment testing	assets and acquisition effects
Foreign subsidiaries	Functional currency, presentation currency and translation differences are not always consistently treated	Develop a structured translation procedure for exchange differences and reclassification mechanisms	Reliable presentation of foreign operations and currency risk
Digital consolidation	Manual consolidation increases errors and delays	Use ERP, BI and artificial intelligence tools with risk-based internal control	Faster reporting, lower error risk and stronger audit trail

The table shows that methodological improvement requires a comprehensive approach. Consolidation quality depends not on a single technical procedure but on the interaction of control assessment, transformation adjustments, elimination entries, valuation procedures, disclosure quality and digital control mechanisms.

Research Methodology

The study applies a systematic approach to the analysis of consolidated financial reporting. The methodological framework is based on comparative analysis, analysis and synthesis, economic-statistical analysis, modelling and regulatory analysis. The object of the dissertation research is the UzAuto Motors joint-stock company within the Uzavtosanoat corporate system, while the subject of research is the set of economic relations and mechanisms that arise in the formation and transformation of consolidated financial statements.

The systematic method is used to interpret consolidated financial reporting as an integrated process that combines accounting policy, transformation adjustments, intragroup eliminations, valuation of goodwill and intangible assets, and disclosure procedures. Comparative analysis is used to distinguish between international and national regulatory approaches. Economic-statistical analysis is applied to evaluate the dynamics of consolidated financial reporting disclosure in Uzbekistan. Modelling is used to develop methodological algorithms for the consolidation perimeter, eliminations, goodwill recognition and digital control mechanisms.

The dissertation results are also supported by practical implementation in the Uzavtosanoat system. These results include the proposal of a working account for brand-related costs in vehicle production cost accounting, the use of static and dynamic balance models for intellectual property valuation, a correlation-based efficiency index for intellectual property objects, and forecast parameters for intangible assets up to 2029.

Results and Discussion

1. Dynamics and practical need for consolidated reporting in Uzbekistan

The dissertation shows that the practical relevance of consolidated financial reporting is growing in Uzbekistan. The number of entities required to disclose consolidated financial statements and the number of entities actually publishing them have increased during 2021-2025. However, the gap between the obligation to disclose and actual disclosure indicates that methodological, organizational and information-system problems remain significant.

Table 2. Dynamics of consolidated financial statement disclosure in Uzbekistan, 2021-2025

Year	**Entities required to disclose CFS**	**Entities that disclosed CFS**	**Disclosure share, %**
2021	220	32	14.5

2022	230	86	37.7
2023	244	109	46.6
2024	247	134	52.2
2025	252	156	61.9

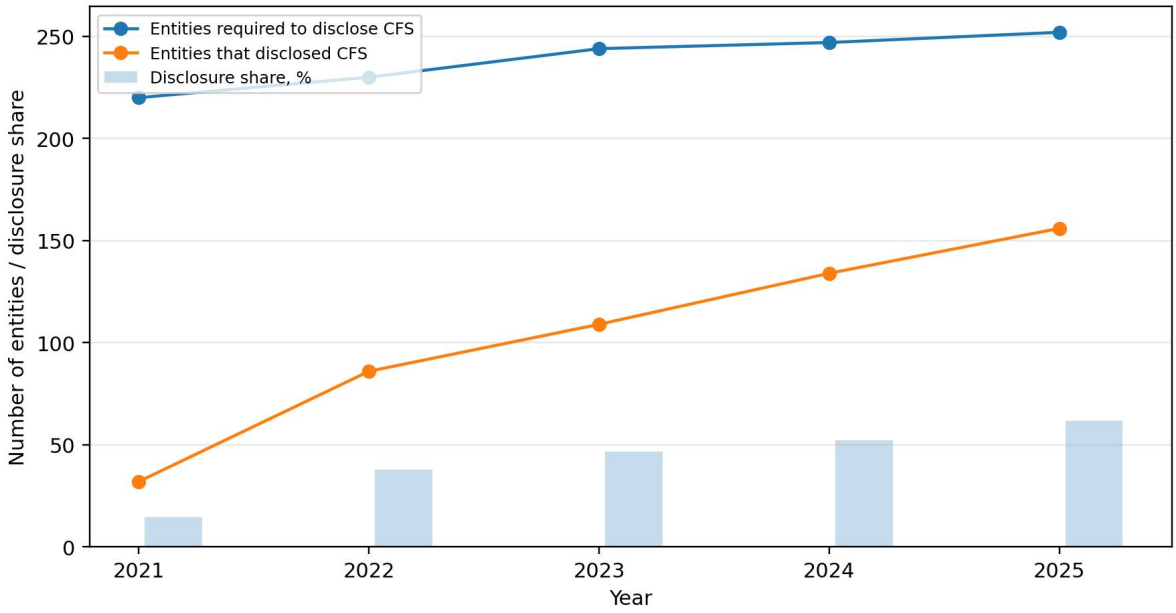


Figure 1. Dynamics of consolidated financial statement disclosure in Uzbekistan.

The data indicate that the share of entities publishing consolidated financial statements increased from 14.5 percent in 2021 to 61.9 percent in 2025. This positive trend confirms the expansion of IFRS-based reporting practice. At the same time, it also demonstrates the need for a standardized consolidation methodology, since a substantial part of entities still face difficulties in preparing and disclosing consolidated financial information on a consistent basis.

2. Multi-criteria model for determining the consolidation perimeter

One of the core scientific contributions of the dissertation is the development of a multi-criteria model for determining the consolidation perimeter. The model is based on the idea that control cannot be reduced to formal ownership or a simple majority of voting rights. In practice, an investor may control an investee through contractual rights, exposure to variable returns, practical ability to direct relevant activities, or other economic mechanisms.

The proposed model combines several criteria: voting rights, economic benefits, exposure to risks, the ability to influence management decisions, contractual powers, the existence of potential voting rights, and the degree of dependence of the investee on the parent company. This approach allows corporate groups to classify investees into subsidiaries, associates, joint ventures or financial assets in a more accurate way.

Table 3. Multi-criteria control assessment model

Criterion	Analytical question	Consolidation implication
Voting rights	Does the investor have majority voting power or substantive potential voting rights?	May indicate control if linked to decision-making power
Power over relevant activities	Can the investor direct activities that significantly affect returns?	Core element of control under IFRS 10
Variable returns	Is the investor exposed to dividends, synergies, residual interests or other variable	Confirms economic substance of control

	returns?	
Ability to use power	Can the investor use its power to affect the amount of returns?	Connects power and returns
Contractual rights	Do contracts provide management or operational decision rights?	May establish control even without majority ownership
Risk exposure	Does the investor bear significant risks of the investee's activities?	Supports broader economic analysis of control

3. Algorithm for eliminating intragroup transactions

The elimination of intragroup transactions is a fundamental requirement of consolidation. If internal receivables and payables, sales, dividends, interest or unrealized profit remain in the consolidated report, the group's assets, liabilities, income and profit are artificially inflated. The dissertation therefore proposes a staged elimination algorithm that ensures methodological consistency.

The algorithm begins with reconciliation of intragroup balances and transactions. Then mutual receivables and payables are eliminated, internal sales and cost of sales are removed, unrealized profit in inventories and non-current assets is adjusted, dividends and interest are eliminated, investments in subsidiaries are offset against the corresponding equity of subsidiaries, and the non-controlling interest is calculated.

Table 4. Staged algorithm for consolidation eliminations

1. Reconcile intragroup balances and transactions
2. Eliminate mutual receivables and payables
3. Eliminate intragroup sales and related cost of sales
4. Eliminate unrealized profit in inventories and non-current assets
5. Eliminate intragroup dividends and interest income/expense
6. Eliminate parent investment against subsidiary equity
7. Calculate and present non-controlling interest
8. Review disclosure, audit trail and consistency with IFRS

This algorithm is useful because it converts consolidation from an intuitive manual procedure into a documented sequence. It also provides an audit trail for internal control and external audit, reducing the risk that intragroup effects will remain in the consolidated report.

4. Goodwill, intangible assets and investments

Goodwill, intangible assets and investments represent the most complex valuation area of consolidated financial reporting. The dissertation identifies the main risks in this area: incorrect allocation of purchase price, failure to separate identifiable intangible assets from goodwill, weak impairment testing, incorrect classification of investments, and insufficient disclosure of assumptions and sensitivities.

The improved model proposed in the dissertation includes: identifying the acquisition date; measuring transferred consideration; recognizing identifiable assets and liabilities at fair value; determining non-controlling interest; separating identifiable intangible assets such as brands, patents, licences, software, customer relationships and contractual rights; recognizing goodwill; allocating goodwill to cash-generating units; and performing annual impairment testing under IAS 36.

The treatment of investments depends on the degree of influence. Subsidiaries are consolidated line by line; associates and joint ventures are accounted for using the equity method; other investments are classified according to the relevant financial instruments standard. Thus, the classification of investments must be linked directly to control, significant influence or joint control.

Table 5. Improved treatment of goodwill, intangible assets and investments

Object	Recognition basis	Measurement procedure	Methodological improvement
Goodwill	Business combination and excess of consideration over identifiable net assets	Purchase price allocation and annual impairment test	Link goodwill to cash-generating units and disclose key assumptions
Identifiable intangible assets	Separability or contractual/legal rights	Fair value at acquisition date and subsequent accounting under IAS 38	Separate brands, licences, patents, software and customer relationships from goodwill
Subsidiary investments	Control over investee	Full consolidation and elimination of investment against subsidiary equity	Apply multi-criteria control assessment
Associate and joint venture investments	Significant influence or joint control	Equity method under IAS 28	Reconcile share of profit/loss and changes in equity
Non-controlling interest	Equity in subsidiary not attributable to parent	Measure and present separately in consolidated equity and profit	Improve transparency of ownership structure

5. Mapping register and transformation adjustments

Another practical contribution of the dissertation is the proposal to introduce a mapping register and transformation adjustment table. A mapping register connects the accounts, accounting policies and measurement bases of subsidiaries with the parent company's accounting policy and IFRS requirements. This instrument is particularly important in corporate groups where subsidiaries use different charts of accounts, valuation approaches or reporting formats.

Transformation adjustments should be prepared before consolidation entries. Their purpose is to convert individual financial statements into a uniform methodological basis. The register should include the subsidiary account, parent account, IFRS adjustment, reason for adjustment, debit and credit entries, responsible person and supporting document. Such documentation improves comparability, reduces manual errors and supports audit evidence.

Table 6. Recommended structure of a consolidation mapping register

Subsidiary account	Parent/IFRS account	Adjustment type	Debit	Credit	Supporting document
Local intangible asset account	Intangible assets under IAS 38	Reclassification and valuation	Intangible assets	Other assets / retained earnings	Valuation report, contract, register
Brand-related production cost account	Cost of production / intangible asset depending on criteria	Analytical separation	Production cost / intangible asset	Cash / payables	Cost calculation, brand cost register
Intercompany receivables	Elimination account	Balance elimination	Intercompany payables	Intercompany receivables	Reconciliation statement

Internal sales revenue	Elimination account	Transaction elimination	Revenue	Cost of sales / inventory	Sales reconciliation
Foreign exchange differences	Translation reserve / profit or loss	Currency translation	OCI / profit or loss	Exchange difference account	Currency translation schedule

6. Foreign subsidiaries and currency translation

Foreign subsidiary reporting adds an additional layer of complexity to consolidation. The dissertation highlights several risk points: determining the functional currency, choosing exchange rates for assets, liabilities, income and expenses, recording translation differences in other comprehensive income or profit and loss, and reclassifying accumulated translation differences upon disposal of the foreign operation.

The proposed improvement is to develop a structured translation procedure that distinguishes functional currency from presentation currency, documents the rate applied to each statement element, accumulates translation differences in equity where appropriate, and links currency translation with goodwill allocation when goodwill relates to a foreign operation.

7. Digitalization, internal control and risk-based approach

Manual consolidation increases the probability of errors, delays and undocumented professional judgements. The dissertation therefore proposes the use of ERP, business intelligence and artificial intelligence tools in the consolidation process. Digital systems can standardize data flows, automatically reconcile intragroup balances, identify inconsistencies, generate transformation entries and provide audit trails.

However, digitalization also introduces implementation costs, staff training needs, system integration problems and cybersecurity risks. Therefore, digital transformation should be combined with a risk-based internal control system. Such a system should identify high-risk consolidation areas, including goodwill impairment, intercompany eliminations, foreign currency translation, non-controlling interests and disclosure completeness.

Recommendations

1. Corporate groups should maintain a formal consolidation perimeter register that documents each investee, ownership percentage, voting rights, contractual rights, exposure to variable returns and the final classification decision.
2. A single group accounting policy should be approved and supported by a mapping register that connects subsidiary accounting data with IFRS-based parent company reporting requirements.
3. Intragroup elimination procedures should be standardized through a staged algorithm and supported by reconciliation schedules for balances, transactions, dividends, interest, investments and unrealized profit.
4. Goodwill and intangible assets should be supported by purchase price allocation schedules, fair value documentation, impairment testing files and sensitivity analyses.
5. Foreign subsidiary translation should be documented through a currency translation schedule that separates functional currency, presentation currency, applicable exchange rates and accumulated translation differences.
6. ERP, BI and artificial intelligence tools should be introduced gradually, beginning with data standardization, intercompany reconciliation and automated error detection.
7. Disclosure quality should be evaluated using a transparency indicator system that covers group structure, consolidation methods, accounting policy harmonization, goodwill assumptions, non-controlling interests, currency risks and digital audit trail.

Conclusion

The article demonstrates that the methodology of consolidated financial statement preparation should be developed as an integrated system combining control assessment, transformation adjustments, intragroup eliminations, fair value measurement, goodwill impairment testing, currency translation,

disclosure and digital internal control. The dissertation-based analysis confirms that the key weakness of practice is not the absence of formal reporting requirements but the insufficient development of methodological instruments that guide the preparation process.

The proposed multi-criteria consolidation perimeter model improves the classification of subsidiaries, associates and joint arrangements. The staged elimination algorithm prevents artificial inflation of assets, revenue and profit. The mapping register and transformation adjustment table harmonize subsidiary accounting data with IFRS and parent company policy. The improved model for goodwill, intangible assets and investments enhances transparency in business combinations and strengthens impairment testing. The foreign subsidiary translation procedure reduces currency-related misstatements. Finally, the use of ERP, BI and artificial intelligence tools supports automation, reliability and risk-based control.

For Uzbekistan's corporate reporting environment, these proposals are particularly important because joint-stock companies, holdings and state-participated enterprises are increasingly required to prepare IFRS-based consolidated financial statements. The practical results from the Uzavtosanoat-UzAuto Motors context show that methodological improvements in intangible asset accounting and consolidation processes can contribute to better asset monitoring, cost optimization, profitability improvement and more reliable financial decision-making.

Overall, the improvement of consolidated financial reporting methodology is a necessary condition for enhancing corporate transparency, investor confidence, audit quality and integration with international capital markets.

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