

**SYNOPSIS: THE CONSOLIDATION OF ACCOUNTS AND THE ELABORATION OF ANNUAL
FINANCIAL STATEMENTS AT THE LEVEL OF THE GROUP OF ENTITYS**

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THE SYNOPSIS OF THE DOCTORAL THESIS

**„ THE CONSOLIDATION OF ACCOUNTS AND THE ELABORATION OF
ANNUAL FINANCIAL STATEMENTS AT THE LEVEL OF THE
GROUP OF ENTITYS”**

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The more and more varied information that aims to the dynamic of the economic phenomenon whose effects must be known and adjusted constituted and still constitute a center of major interest for the financial-accountancy management of any entity; especially if we take into consideration the entities with special status, such as the group ones and, even if this opinion refers to the information in general, we consider that it characterizes to the same extent also the accountancy information.

If we transpose this informational necessity to the level of some complex and heterogeneous economic structures of the international economy and implicitly the national one, as it is the case of the groups of entities, than the complexity of the situation increases, and the decisions that must be adopted and the conclusions that can be deduced from it claim a rigorous analysis.

From these considerations, appreciated as sufficient, we proposed that through the research entitled ‘**The consolidation of accounts and the elaboration of annual financial situations at the level of the group of societies**’, to bring a plus of clarity of the evolutional and complex phenomenology that aims to the groups of entities, impelled also by the intensity of the debates that it generated within the literature of specialty from Romania and from abroad, but also by the desire to find compatible answers for the

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economic relations within our country.

The general framework of the hereby thesis was elaborated in order to comprise successively and in detail the main aspects that aim to the theoretical basis regarding the entities of group, the critical analysis of the most complex phenomenon that affects these entities, respectively the consolidation of accounts, the concrete way in which the quality accountancy information is obtained, as well as the evaluation of this information through the **annual financial consolidated situations**.

Chapter I of the study, entitled “**The evolution and perspectives of the group of entities**” starts with the observation of the significant aspects regarding the definition and the national and international economic-financial context about the constitution of the structures of social group, as well as the presentation of the characteristics of the group of entities and their influence upon the informational system.

At present, a group of entities reflects most accurately the interdependence of systemic nature that exists between the corporation (multinational or national group), the competitive environment and the totality of affiliated entities, in the context of regional and global integration of the Romanian economic area.

The essence of the politics regarding the foreign investments of capital consists in the promotion of the Romanian economic potential of the entities of group, in integrated competitive areas, that are in process of globalization, as expression of the rallying of the autochthonous investment environment to the requests and exigencies of an international economy in expansion.

Accordingly, the international experience succeeds in demonstrating again the fact that the economic development and growth, of each potential host state, is not favored through a restrictive taxation, but on the contrary, it presupposes the promotion and stimulation of the investments in the constitution of the groups of entities or eventually the implantation of some subsidiaries of certain successful multinational groups.

But, if we look to the group of entities from the structural point of view, we must remember the fact that the opportunity of its structure is given by its special adaptability, its management being continuously solicited in order to find solutions that are meant to allow the correlation of human actions and resources, material and financial to the permanent fluctuations of the global economic-social climate. From this perspective, the necessity of legislative and operational support of some global organizations of multinational corporation type (as it is the particular case of Romania) is justified through the fact that they fulfill certain objectives characteristic for the human society. In this sense, the group in general, the multinational corporation, especially, as organizational entity with emergent character, serves the entire society and contributes simultaneously to the improvement of the conditions to all the levels of the economic activity.

As well, if the Romanian groups will not understand that without the structure and clear definition of the directive lines of a general accountancy management, these objectives will fail and as consequence no entity will be able to bring Romania a plus of value and image, especially if we talk about groups that started, timorous, to overstep the national frontiers.

From the accountancy point of view, the actual sphere of interest claims the emphasis of the aspects of conceptual nature and of the methodological ones connected to

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the entities of group, in the conditions in which the approach of this matter has had a continuous evolution, on the basis of sustained attempts to find real solutions for the improvement of the accountancy treatments in the spirit of the Directive VII of the European Economic Communities and the International Standards of Financial Report.

Chapter II, entitled suggestively **“Critical study regarding the general accountancy management at the level of the group of entitys”**, is justified in the structure of the elaborated thesis through its new character and importance of the direct connection that exists between the management and accountancy information at the level of any entity, irrespective of the nature and dimension of the activity. The critical approach of the accountancy information at the level of the social group was realized starting from the qualitative information supplied by the accountancy and the correlation of these with the necessities of the users. It was focused on the speed of reaction of the directive system according the dysfunctional factors: the circulation of information, the time of response, the communication of the decision and the final equation in the process of adjustment, the main objective of the informational system being the insurance of a dynamic connection of the led system with the leading one through the realization of all direct and reverse links between them, in conditions of permanent evolution. Guided by the idea that the investors prefer to associate with some entities with efficient management, I described and interpreted the known accountancy models on the international framework from the point of view of the information supplied by the annual financial situations, emphasizing their valences in the optic of investors. The complexity of the activity of a structure of group requires wide information whose sources exceed the management and functional framework, this making necessary the detailing of the sources of information at the level of the entities of social group. The economic information at this level has a more superior sphere of comprise than the framework of simple economic evidence, by the reunion of some quantitative aspects as well as the qualitative ones of the developed heterogeneous activity, placed temporarily at the level of some passed periods, such as the present and foreseeable ones.

But, this desiderate can only be materialized in the conditions of a better understanding of the way in which an entity of group ensures the efficient administration of its informational resources, in general, and the accountancy information, especially, in the conditions in which the relationships of any company with the environment in which it develops its activity generates the need for relevant and objective information, but also honest.

The realized study allows us to appreciate that the production of accountancy information at the group level must be ensured through a rigorous organized process, within an informational accountancy system well structured, well articulated and adapted to the needs of foundation of the decisions that are made at the managerial level.

In our opinion, the information supplied by the informational accountancy system at the group level has a special important role, because, by its content, the accountancy information is accurate, complete and continuous.

The study continued with Romanian accountancy approaches, from the last years, of the complex matter that aims to the group of entities, which, although it has gaps and is tributary to an accountancy system adapted to the evolution of a highly inflationist

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economy, has the credit of trying to diminish the discrepancies towards the International Standards of Financial Report, at the same time with the progressive assimilation at the level of national accountancy regulations of the international accountancy referential and the adoption of the IFRS norms by the big autochthonous companies.

In this context, we consider that it is a must to emphasize the fact that the information supplied through the **consolidated annual financial statements** are of great importance. On the other hand, the perception of the consolidated accounts through the role it has in the external information allows us to remark the superiority of these on line of significance towards the individual accounts, as well as the obvious necessity from the point of view of ensuring a sincere presentation, when one of the entities from the group has a financial interest, direct or indirect, which allows the control of other entities.

Once brought for discussion **the term “consolidation”**, extremely complex by its content, we considered well-timed the clearing of some misunderstandings that govern it, from the point of view of its definition and necessity, existent in the foreign literature of specialty as well as in the Romanian one, in the conditions of permanent reporting to the international norms regarding the general management afferent to the consolidation of accounts.

Staying in the Romanian regulating sphere that aims to the consolidation of accounts, we consider that the recent **Order of the ministry of economy and finances no. 2.374/2007**, published in the Official Monitor of Romania, part I, no. 25/14.01.2008, which modifies and completes various articles of OMFP 1752/2005 for the approval of Accountancy regulations in conformity with the European directives.

The arguments that we invoke in favor of the role that this order will have are based upon new aspects that it brings in which regards some elements connected especially to the consolidation of accounts and the way of realization and presentation of the annual consolidated financial situations. Its provisions are applied starting with the financial situations of the financial exercise of 2007.

Viewing in comparison the provisions of the analyzed order with the accountancy regulations in conformity with the Directive VII of the European Economic Communities, foreseen in the annex of the Order of the ministry of public finances no. 1.752/2005, we surprised some significant aspects, which in our opinion have marking effects on the definition of the sphere of comprise of the consolidated financial situations.

The necessity of elaborating the consolidated accounts results from the fact that in order to obtain a loyal image of the patrimonial situation of the economic entity that it is constituted by a group, is not sufficient and relevant only to lecture the annual individual accounts of the component entities of the group, because these do not allow a correct appreciation of the economic-financial situation of the ensemble. The realization of consolidated accounts justifies its necessity from the point of view of eliminating these difficulties of appreciation by third parties of the financial situation and the profitability of the companies of a group. Viewed from this perspective, the consolidated accounts, realized by the leader entity, present information that make possible the analysis of the financial structure and the profitability of the group, complementary for the individual accounts, considering the connections of capital that the leader has with the other entities within the group.

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In the context of these aspects we considered that a natural continuation of the research realized is constituted by the presentation and analysis of the methods and proper techniques of consolidation of accounts, within **chapter III**, permanently observed from the point of view of pursuing the insurance of a continuous convergence between the theory and practice from our country with the international referential. The presentation of the three methods known in the literature of specialty in a personal, attractive manner, using an elevated scientific language and appealing to the figures, schemes, graphics and tables in order to emphasize as suggestive as possible the stages that must be followed within each method, are defining aspects of this stage of the realized research.

We thus observed that, in the Romanian accountancy, the approaches connected to the process of consolidation of accounts have almost a decade of age, in the conditions in which the orientation towards the processes of modernization and globalization accelerated the need for constituting groups and, implicitly of knowing the norms, methods and techniques of consolidation of accounts.

These problems also constituted the object of our analysis, trying to catch them in an analytical and comparative manner, especially through the possibilities of their implementation by the Romanian groups (especially the method of global integration), whose informational necessities prove to be in a continuous process of expansion and diversification.

The operations of preparing the drawing up of consolidated financial situations are examined starting with those specific for the pre-consolidation of accounts, within which we considered that a problem of real interest is that of the analysis of the way in which are perceived the differences of conversion and, especially, the way in which a Romanian group must act when it proposes to establish the method of the course of closing or the method of the historical course.

But, the centre of gravity of the work is represented by **chapter IV**, entitled “**The communication of information through the consolidated financial statements**” which, as it is understood from its title, aims the observation of the way in which the groups of entities from Romania succeed, more or less, to ensure a sincere and loyal communication of accountancy information through the annual consolidated financial situations.

The research started from the accountancy referential specific to the annual financial situations, respectively IAS 1 ‘Presentation of financial situations’ whose presentation of detail aimed to the essential aspects, as well as the objective of the standard and the area of application, the scope of financial situations and their components, the loyal presentation of information, the accountancy politics, the continuity of the activity, the consistency of communication, the threshold of significance and aggregation, compensation, the comparative information, the identification of the financial situations, the period of reporting and the opportunity of these annual reports. The essential attributes that determine the utility of information offered by the annual financial situations have been displayed in a distinct paragraph, within which we presented, suggestively, the particularities of these for the consolidated financial situations. Also, the scientific approach had as objective also the analysis of the international accountancy treatments specific to the recognition of the elements that are presented in the consolidated financial situations, as well as the afferent conditions of

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regulation and quality. The final of this study, gives us the possibility of manifestation of the critical spirit, realizing a comparison between the consolidated financial Romanian situations and the international ones.

In the vision of IASB, the entities from around the world draw up financial situations in order to be presented to the external users, , who, although, apparently, are similar from one country to another, are different from the point of view of the content, due to a variety of factors, from which we mention the social, economic, juridical and cultural, that generate the usage of some different definitions of the component elements of eth financial situations, as well as different bases of evaluation.

Due to these reasons we appreciated as necessary the presentation and comparison of the different sets of annuals consolidated financial situations as they are regulated in accordance with the accountancy referential that we report to, but all having the as main scope the supply of a structured financial representation, regarding the financial position and the transfers realized by the entity of group.

The insurance of a balance point, of an informational convergence between the concision and the intelligibility should constitute a desiderate for all the groups from Romania that claim to participate to the European and international economic circuit and who, by the consolidated financial situations, want to be known and to attract the financial resources necessary for a profitable evolution and constantly efficient.

Our approach regarding the annual consolidated financial situations continued with the emphasis of the aspects that regard the way in which is realized the auditing.

From the category of these services, of attestation of the financial situations, there were approached the essential matters that regard: the audit of the financial situations, the revision of the financial situations and the other services of attestation.

The financial audit afferent to the consolidated accounts consists in collecting and evaluating the samples regarding the information that these offer in order to determine and report the degree of conformity of the respective information with a series of pre-established criteria, realized by a competent and independent person. The realization of this activity presupposes the existence of a verifiable informational base and of the accountancy and audit norms that guide the auditor in the process of evaluating the information.

Thus, we think that, although the evaluation of the information is realized in conformity with the accountancy principles generally accepted that will have to have an objective character in his/her activity the auditor uses also information with subjective character, for example, financial information supplied by the informational systems that the entity uses, reason for which we vote for the implementation of a regulating system capable of ensuring a significant reduction of this degree of unpredictability, in essence of subjectivity.

On the other hand, the informational valences of the annual consolidated financial situations have been valued approaching the problems that concern their evaluation in order to increase the performance of the group of entities, within **chapter V**, entitled suggestively **“The accountancy information and the financial performance at the level of the group of entitys”**. We appreciated as useful the presentation and analysis of the performance of the groups of entities through the results as well as from the point of

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view of the portrait of treasury fluxes. Also, the comparative analysis of the main economic-financial indicators determined according the information from the consolidated financial situations constitutes another point of reference of the elaborated paper.

Starting from the main objective of the financial situations and that is the presentation of the information about the financial position, the performances and the evolution of the financial position of the entity, we ask ourselves if the global result succeeds to express the true performance of the entity. The answer, in our opinion, is that the appreciation of the performance according the global result must be done with certain restraints, because the incomes and losses that appear directly at the proper capitals express a performance that is not directly connected to the activity of the entity. In consequence, the indicators used for the appreciation of the performance, most of the time, are not the same. Moreover, the appreciation of the performances depends on whom and for whom the analysis of the performances is realized.

Concluding, we appreciate that being well grounded the information according to which the adoption in Romania of a system of consolidated financial reporting, uniform and recognized at the international level (IFRS), represents for the Romanian groups the only way of guarantee that the consolidated financial situations are trustable, and on this basis, the users can make the best decisions.

Finally, we mention that it was not possible an exhaustive approach of the integral matter afferent to this theme, but realizing an rigorous examination of the opinions of the different specialists from the country and from abroad, correlated with the legislative provisions, but also with some critics, proposals and personal opinions, we appreciate that we have realized a thesis through which we bring a plus of clarity regarding to numerous aspects subjected to debates and that is the insurance that through the annual consolidated financial situations capable ‘to honor’ a term promoted at the international scale: fidelity.

We can state that the thesis answers to some concrete questions, regarding the need for information that is manifested within the group. There are formulated suggestions rigorously validated as consequence of the analysis of the two marking entities of group for the Romanian business environment, suggestions designated, first of all, to the decisional factors that can influence the politic of the group. Through its content, the methodology used and the final formulated conclusions, the realized analysis can constitute a point of interest for the academic environment as well as for the business environment.