Abstract.

This research paper describes the theoretical and methodological aspects of the preparation of consolidated financial statements in insurance companies in accordance with the requirements of international financial reporting standards and methods of calculating the investments of insurance companies. The methods of compiling the consolidated financial statements of insurance companies, their calculation and the stages of consolidation are described. The ways of solving the problems of consolidating financial results, assets and liabilities, cash flows and financial statements taking into account the specifics of the activities of insurance companies are considered.

**Key words:** consolidated financial statements (CFS), control, joint control, equity participation, non-controlling interest, significant influence, joint companies, elimination of intra-group transactions, proportional consolidation, joint venture, business combination, segment report, separate financial statements, equity, financial instruments, insurance contracts, assets and liabilities, income and expenses, financial statements of a group of companies.

INTRODUCTION

Good governance is one of the main directions of modernization of the republic's economy. The country has created a legal framework for systematic accounting and
strengthening payment discipline, that is, the Law "On Accounting" and "National Accounting Standards".

From the experience of other countries it is known that with effective management of enterprises it is more expedient to create them in large groups. In this case, two or more companies are combined financially and economically within one company or financial groups. In the event of a merger of a group of economic entities controlled by the parent company, a consolidated financial statement is prepared.

The main purpose of preparing consolidated financial statements is to fully disclose the results and financial position of the corporation. Unfortunately, the current methodology of the consolidated financial statements does not fully comply with the requirements of IFRS.

The main reasons for the formation of consolidated financial statements are:

- the acquisition or merger of assets and capital for the development of the holding's business, the division of various enterprises into legal units and the receipt of financial benefits from the process of economic consolidation;

- constant fluctuations in the exchange rates of different countries in the context of inflation are a controversial process in the distribution of corporate profits;

- Lack of uniform methods and procedures for accounting and reporting in different countries and countries with a federal government system [8].

These problems arose in the United States in the early twentieth century. For the first time in 1899, companies were created in New Jersey on the basis of economic mergers in the form of corporations (holdings), that is, 41 subsidiaries and one subsidiary of Standard Oil. financial groups consisting of a number of dependent business entities. As such, the United States views the “cradle” of consolidated financial statements. As of March 12, 1903, the United States had several foreign subsidiaries with a total market capitalization of over $ 1 billion and, for the first time in its history, consolidated financial statements as the largest company in the world. " [8] Consolidated financial statements became legally binding for the first time since the adoption of IAS No. 3 “Consolidated Financial Statements”, adopted in 1970. In 1979, IFRS 3 was amended to IFRS No. 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries", and in 1983 EU Directive No. 7 "Consolidated Statements" was adopted. received. [8]

Consolidated financial statements, in accordance with International Accounting Standards, refer to the preparation and presentation of consolidated financial statements for a group of entities controlled by a parent company. The consolidated financial statements have been prepared to meet the need for information about the financial position, results of operations and changes in the financial position of a group of companies.

Analysis of relevant literature

Changes in financial statements for insurance companies will be associated with the development of accounting harmonization. Since insurance companies operating in Turkey
compete in the global financial market, it is important for them to understand the latest developments in IFRS.

The preparation of consolidated financial statements has been studied by many economists. In particular, economists. The preparation of consolidated financial statements has been studied by many economists. In particular, economists:

Table 1. Definitions of Consolidated Financial Statements in Insurance Companies

<table>
<thead>
<tr>
<th>№</th>
<th>Authors</th>
<th>Definitions of Consolidated Financial Statements</th>
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<tbody>
<tr>
<td>1</td>
<td>Sokolova T.A., Borodin O.S.</td>
<td>Consolidated reports include reporting indicators of the parent organization (parent organization) and all branches of the parent company:</td>
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<tr>
<td></td>
<td></td>
<td>➢ owns more than 50% of the voting shares of the JSC or 50% of the authorized capital of the LLC;</td>
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<td></td>
<td>➢ Influences decisions made by a subsidiary in accordance with concluded bilateral agreements;</td>
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<td></td>
<td></td>
<td>➢ will have other ways of determining decisions made by the subsidiary.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The formation of consolidated financial statements in branches or subsidiaries has its own characteristics. If the parent company owns more than 20% of the voting shares of the joint stock company or more than 20% of the authorized capital of the LLC, information about the subsidiary is included in the consolidated financial statements.¹</td>
</tr>
<tr>
<td>2</td>
<td>Volkova E.Yu.</td>
<td>Consolidated financial statements are financial statements that allow the grouping of financial and non-financial information based on the principles, requirements and assumptions of international standards, disclosing information about financial and economic activities and presenting a consolidated group of enterprises as a whole.²</td>
</tr>
<tr>
<td>3</td>
<td>Davydova O.A.</td>
<td>Consolidated financial statements are a new type of financial statements in Russia, which reflects the property status and results of financial and economic activities of a group of related companies as a single economic entity.³</td>
</tr>
<tr>
<td>4</td>
<td>Dontsova L.V., Nikiforova</td>
<td>The consolidated financial statements have been prepared for the entire set of companies (enterprises) controlled by the parent company and reflect the</td>
</tr>
</tbody>
</table>

¹ Sokolova T.A., Borodin O.S. Formation of consolidated financial statements in IFRS format // Accounting No. 7 June 2014
² Volkova Elena Yurievna. Formation and analysis of the consolidated financial statements of the group of companies. ABSTRACT dissertation for scientific candidates of economic data science. Voronei-2010
³ Davydova O.A. Problems of analysis of the consolidated financial statements of organizations
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<th>Page</th>
<th>Author(s)</th>
<th>Title</th>
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<tr>
<td>5</td>
<td>E. V. Galkina</td>
<td>It is based on considering the consolidated reporting entity as an investment for other entities.</td>
</tr>
<tr>
<td>6</td>
<td>Trofimova L.V.</td>
<td>As a result of global consolidation, financial and industrial groups of various sectors of the economy have emerged, as well as a large holding structure. Consolidated financial statements can give a complete picture of the state of integrated companies and can become one of the most effective tools for managing a consolidated business.</td>
</tr>
<tr>
<td>7</td>
<td>M.V. Drutskaya, N.A. Karpova</td>
<td>Consolidated financial statements are statements prepared for the entire set of companies (enterprises) managed by the parent company, reflecting the financial position and financial performance of all companies involved in the merger as a single economic entity. The consolidated financial statements are not the statements of a legally independent commercial entity. It is not used to determine taxable income, it is used only for an overview of corporate performance and is a source of additional information. The consolidated report has a clear analytical focus. Its main feature is that during consolidation any internal corporate financial and economic transactions are excluded, therefore, to prepare a consolidated report, not only a mechanical set of reporting indicators is required, but also the use of special accounting and calculation methods. Consolidated financial statements are statements prepared for the entire set of companies (enterprises) managed by the parent company, reflecting the financial position and financial performance of all companies in the framework of the merger as a single economic entity. Consolidated financial statements are an essential source of information for all those who have or want to have an interest in this group of companies: investors, lenders, suppliers and customers, employees and trade unions, banks and other financial institutions, government agencies and local authorities.</td>
</tr>
</tbody>
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5 Galkina E. V. Economic content of methods of consolidation of financial statements in accordance with IFRS // ECONOMIC ANALYSIS: theory and practice 8 (173) -2010
performance of all companies involved in the merger as a single economic entity. The consolidated financial statements are not the statements of a legally independent commercial entity. It is not used to determine taxable income, it is used only for an overview of corporate performance and is a source of additional information. The consolidated report has a clear analytical focus. Its main feature is that during consolidation any internal corporate financial and economic transactions are excluded, therefore, to prepare a consolidated report, not only a mechanical set of reporting indicators is required, but also the use of special accounting and calculation methods.\(^7\)

<table>
<thead>
<tr>
<th>8</th>
<th>Janina Mühlnickel, Gregor N.F. Weiß</th>
<th>Contracting practice aimed at minimizing costs in companies plays an important role in the formation of consolidated financial statements. In this context, the likelihood of consolidation is related to the presence of mutual guarantees, the management share in the capital of the firm, and the number and type of insurance companies.(^8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>I.N. Kuziev, I.Avezov</td>
<td>“The consolidated report includes information from parent, subsidiary, jointly controlled and subsidiaries. In addition, the report must be prepared in such a way that the property and financial condition, as well as the results of activities, are presented to the group of parent companies and subsidiaries as a whole”.(^9)</td>
</tr>
<tr>
<td>10</td>
<td>A.Z. Avlokulov, According to D. Azlarov</td>
<td>“…He noted that in the experience of developed countries, effective management of enterprises, their association into large financial groups is widespread. provides general information about several groups of related companies and reflects the results and prospects of this group of companies.”(^10)</td>
</tr>
<tr>
<td>11</td>
<td>Tashnazarov S.N.</td>
<td>In the process of preparing and presenting consolidated financial statements &quot;... 5 packages are standard&quot; and the application of one of them requires the application of the other.(^11)</td>
</tr>
</tbody>
</table>

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\(^7\) М.В.Друцкая, Н.А. Карповой. Аналитические возможности консолидированной отчетности для характеристик финансовой устойчивости. Экономический анализ: теория и практика (400) -2015. http://1-fin.ru/?id=921&ht=6274&w=%D0%81

\(^8\) Janina Mühlnickel, Gregor N.F. Weiß, Consolidation and systemic risk in the international insurance industry, https://www.sciencedirect.com/science/article/pii/S1572308915000480

\(^9\) Kuziev IN, Avazov I. Theoretical foundations of consolidated financial statements. Scientific electronic journal "International Finance and Accounting”. No. 4-5, August-October 2018


expressed their attitude.

Research methodology

In order to study the methodological aspects of drawing up consolidated financial statements, the study used methods such as economic and statistical, monographic studies, comparison of research activities..

Analysis and results

A merger of enterprises is said to be the merger of one separate enterprise into another or the merger of one enterprise into one economic unit as a result of the acquisition of control over the net assets and production activities of another enterprise. This is basically with any activity is the result of attempts by the owners of the company involved to create several small, independent businesses within that company. This leads to certain savings in tax payments. In most cases, business expansion is a necessity. In this situation, multinational companies will expand their activities around the world. Consolidation of financial statements is necessary to monitor business expansion and joint ventures. "... Reports on mergers and business combinations: financial statements of mergers; Consolidated financial statements; financial report on participation in joint ventures ". [13]

The theoretical and methodological aspects of preparing consolidated financial statements are recognized in IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Venture Agreements”, IFRS 27 “Separate Financial Statements” or IAS. IFRS 28 Investments in Enterprises and Joint Ventures provides requirements for the practical application of consolidated financial statements.

In accordance with EU Directive 7 and IAS 27, the Anglo-Saxon method of initial consolidation or subsequent consolidation of capital is used for capital consolidation..

As a result of the consolidation, three calculations were performed (table 1):

1) investment deduction. elimination method used;
2) retention of business transactions. write-off of intragroup transactions;
3) retention of financial transactions. deduction of mutual debt relationships within the group. for example, a parent company has provided a loan to a subsidiary. the transaction must be deducted from the consolidated financial statements.

Table 2

Consolidation conditions in insurance companies [6]
<table>
<thead>
<tr>
<th>Ownership of an insurance company</th>
<th>Ownership share</th>
<th>Accounting methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no material impact, so there is no economic capital control</td>
<td>&lt;20 %</td>
<td>Investment account is based on the LCM principle</td>
</tr>
<tr>
<td>There is material impact, but no control</td>
<td>from 20% to 50%</td>
<td>The investment account is maintained in the form of the purchase price + share in the profit of the invested company - dividends received</td>
</tr>
<tr>
<td>Control</td>
<td>&gt; 50 %</td>
<td>The group must be consolidated</td>
</tr>
</tbody>
</table>

“Investments in subsidiaries and joint ventures “is described in the consolidated financial statements of IAS 28. In this standard” ... are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as belonging to one economic entity “. The content of the consolidated financial statements is disclosed. [10]

The concept of a person affiliated with a parent company is defined as “... an enterprise over which the investor has significant influence”. is considered to have an effect. If the insurance company, directly or indirectly (for example, through subsidiaries), has a voting right on less than 20% of the investee, it is considered that such an organization has no significant influence (Figure 1).
Picture-1. Mechanism for accounting, control and consolidation of investments in insurance companies in accordance with the requirements of IFRS\textsuperscript{12}

Having a significant influence on an insurance company usually manifests itself in one or more of the following cases\textsuperscript{13}:

(a) The insurance company has a representative on the investment object's board of directors or similar management body;

(b) Participate in the development of the accounting policy of the insurance company, including the discussion of dividends or other distributions;

(c) Significant transactions between an insurance company and an entity and its investment entity;

(d) Mutual exchange of management personnel

Joint control of insurance companies means "... an agreed distribution of control over the contract." In insurance companies, such a distribution exists only if decisions on the relevant transactions require the unanimous consent of the parties to which control applies (Figure 1).

In insurance companies, the equity method is an accounting method in which the

\textsuperscript{12}IFRS 28 "Investments in subsidiaries and joint ventures", IFRS

\textsuperscript{10}Developed by the author based on information in the "Consolidated Financial Statements" standard or IAS 27 "Separate Financial Statements".

\textsuperscript{13}IAS 28 "Investments in subsidiaries and joint ventures"
investment is initially recognized at cost and then adjusted for the post-purchase change in the investor's share of the investee's net assets. In this case, the investor's profit or loss includes its share of the investee's profit or loss, and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

A significant effect in insurance companies is the degree of participation in decisions on the financial and operating policies of an investment entity, but this is not considered to be control or joint control over these accounting policies.

Investors or joint ventures that have joint control or significant influence over an investee are presented in accordance with IFRS 10 Consolidated Financial Statements or IAS 27 Separate Financial Statements. Requires disclosure in the financial statements of related party relationships, transactions and balances of such transactions, including liabilities.

Consistency of application of IFRS used in the preparation of consolidated financial statements in insurance companies, depending on the purpose (Figure 2):

When preparing consolidated financial statements in insurance companies, IFRS 1 "Presentation of Financial Statements" establishes general requirements for the presentation of financial statements, recommendations for their structure and minimum requirements for their content; The same applies to entities that present consolidated financial statements in accordance with IAS 27 and IAS 27 Separate Financial Statements (Figure 2).
The objective of IFRS 17 Insurance Contracts is to provide an entity with relevant information that ensures a fair presentation of contracts. This information is used by users of financial statements to assess the impact of insurance contracts on the financial position, financial performance and cash flows of an entity.

In accordance with IFRS 4 (17) "On insurance contracts", it is necessary to develop IFRS "Consolidated financial statements in insurance companies" taking into account the characteristics of the insurance company, methods of accounting and control of investments, accounting for assets and liabilities (Figure 3). We propose the development and implementation of the IFRS of the Republic of Uzbekistan "Consolidated financial statements in insurance companies" and the stages of preparation and presentation of consolidated financial statements to insurance companies (Figure 3).

Compilation of consolidated statements in insurance companies of the Republic of Uzbekistan is regulated by the National Accounting Standard of the Republic of Uzbekistan No. 8 "Accounting for Consolidated Financial Statements and Investments in Subsidiaries", registered by the Ministry of Justice of the Republic of Uzbekistan on December 28, 1998 No. 580. completed. The following diagram shows the sequence and stages of preparation of consolidated financial statements in insurance companies (Figure 3):

Source: authoring based on IFRS data and research results.
Figure 3. Stages of preparation and submission of consolidated financial statements to insurance companies
In this case, control is understood as the right of economic entities to determine financial and economic policies in order to benefit from their activities, and an economic entity controlled by the parent company is called a subsidiary (subsidiary). That is, consolidated financial statements are prepared only in the parent company (parent company) in the presence of subsidiaries that are controlled regardless of the form of ownership and legal form of the parent company. At the same time, each legally independent enterprise must maintain accounting records of its operations and record their results in the form of separate financial statements.

In the process of preparing a consolidated statement in insurance companies, the consolidated balance sheet shows the tangible assets of both the parent and the subsidiary. Likewise, in the statement of financial performance, the item "Sales" includes the sales of both the parent and the subsidiary.

When compiling the consolidated balance sheet, separate items of the parent and subsidiary companies are combined. Some items can be split (written off) as transactions between the parent company and subsidiaries. For example, the debt of one company under the control of the parent company to another, transactions between them. In the reporting process, such transactions should not be reflected in the overall results of the accounts. Because sales operations, debt repayment and receipt operations lead to an increase in cash within the company.

Conclusions and offers

National Accounting Standard of the Republic of Uzbekistan No. 8 "Accounting for Consolidated Financial Statements and Investments in Subsidiaries", registered on December 28, 1998 No. 580 to apply a unified international accounting policy for consolidated financial statements, taking into account the characteristics of insurance companies. In accordance with the requirements of IFRS, it is required to introduce certain aspects of insurance activities, develop indicators of financial consolidation and specific indicators of financial analysis based on regulatory documents.

1) Ensuring the uniformity of credentials for various insurance companies in the insurance market in accordance with the requirements of international practice and a unified system of criteria for its analysis before the formation of consolidated financial statements of insurance companies in the practice of Uzbekistan;

2) When compiling consolidated financial statements of insurance companies, it is necessary to exclude balances in turnover and accounts of reinsurance transactions between members of an economic association and make adjustments to the corresponding accounting accounts;

3) In accordance with IFRS 4 "Insurance contracts" No. 17 (17) of the participants of the economic association of insurance companies, it is necessary to develop uniform rules and guidelines for the formation of consolidated financial statements of insurance companies and the comparison of reporting data;

4) Due to the lack of a unified methodology for the formation of consolidated financial statements of insurance companies, it is necessary to introduce guidelines for
accounting and identification of transactions within the group and the above sequences and stages of consolidation in order to eliminate them.

Thus, the IFRS reporting used by the insurance group is optimized to ensure the integrity of accounting policies and worksheets, and to consolidate the most appropriate accounting and financial reporting method in accordance with IFRS.

References:

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