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**Has the ownership interest of multinational groups increased the accounting difficulties faced by local companies in Navarra? An empirical study**

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## **SUMMARY**

In this paper I have studied the extent to which the difficulties faced by local companies in Navarra have increased as a consequence of becoming subsidiaries of multinational groups. Namely, I have focused on the information required by the parent company with the purpose of preparing the consolidated financial statements for the whole group. Additionally, I have wanted to know the degree of implication of subsidiaries in this process and if they have independence in the process of reporting to their parent company. In order to provide empirical evidence, I have designed a survey and I have sent it to different companies. Since foreign investment has considerably increased during the last decade, I have sent the survey to companies which are located in Navarra and that are part of a multinational group with the parent company domiciled in a foreign country. I have also studied the main differences between three different accounting models: IFRS, U.S. GAAP and PGCE.

## **KEY WORDS**

- Parent company
- Subsidiary company
- Consolidation
- Fair value
- Reciprocal accounts

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## 1. INTRODUCTION

In the last years, the importance of multinational groups in the economy has increased considerably, mainly favored by the enlargement and development of financial markets, the need of reducing risks and the search of strategic alliances by companies.

This has resulted in a situation where one multinational group can be present in many countries all over the world through their parent company or their subsidiaries.

The presence of multinational groups has not only affected the Spanish economy, but also the economy of Navarra. This has taken place because Navarra has suffered an increasing flow of foreign investment over the years. Traditionally, there were many local businesses which focus their activities only in Navarra, but many of them have turned into subsidiaries of these multinationals due to the power they have in these local market.

This has some important consequences and has led to the appearance of situations which were not previously existent. Obviously, their decisions will be based on those of their parent company and they will receive guidance in the way they operate in the market.

From an accounting point of view, these subsidiaries face a double difficulty. Firstly, when preparing their yearly individual financial statements. Secondly, when dealing with the preparation of their accounts to make the consolidation of financial statements by the multinational group.

This difficulty becomes even more important when subsidiary and parent companies prepare their annual accounts (individual and consolidated, respectively) under different accounting models (set of standards) because both are domiciled in different countries.

The main objective of this work is to focus on the process of accounting reporting for consolidation. I will mainly focus on companies domiciled in Navarra that are part of a multinational group led by a foreign parent company.

I have decided to focus my work on Navarra because, as I have already said, during the last decade, many companies have experienced a huge internationalization in their capital

structures and the number of local companies owned by a multinational has sharply increased. This creates the necessity of reporting additional accounting information which was previously inexistent for the company.

All companies domiciled in Spain must prepare their individual financial statements following the Spanish local standards, (PGCE and its extensions, issued by the ICAC through RD 1514/2007). However, since in this paper we are going to concentrate on business combinations led by a foreign parent company, we can assure that the consolidation will be prepared under different accounting standards than the PGCE.

U.S. GAAP and IFRS (issued by FASB and IASB, respectively) are the more relevant accounting models in the world. Because of this, there are high probabilities that these subsidiaries will have to prepare their individual financial statements under PGCE and that the consolidated financial statements under one of these two accounting standards. In fact, in the EU, if there is any company of a multinational group (either the parent or any of its subsidiaries) which are listed at the stock market, they will compulsory have to prepare their consolidated financial statements under IFRS.

However, there could be the situation where the parent company is not listed at the stock market. In such case, in Spain, the parent company could choose to prepare their consolidated accounts under their local model or under IFRS (which I am not aware to where this possibility exists in other countries).

I assume that the most common situation will be that those groups which have a big dimension will probably be listed at the stock market. If not, I also think that even if they are not listed at the stock market, they will opt for IFRS.

Later in this paper, we dedicate a section to explain what the main differences under these three accounting models (U.S. GAAP, IFRS and PGCE) are and explain why these differences could lead to some difficulties to companies when preparing consolidated financial statements.

As I have just said, companies will face some difficulties when they are involved in the process of preparing the information required by the parent company in order to elaborate

consolidated accounting statements. However, I'm not sure about what specific activities each subsidiary is in charge of.

Henceforth, what is more important for me is to check what these difficulties are. I wanted to know how far subsidiaries go in this process, what additional tasks they fulfilled in order to modify their individual accounts and send them to the parent company and to, what degree their involvement in the process greatly increases their accounting difficulties.

In order to provide empirical support to my study, I have decided to elaborate a survey and sent it to different companies. This will better help me to carry out my objective.

My results show that, despite the intricacy involved in the consolidation techniques and in the application of accounting standards other than the local ones, companies In Navarra do not seem to be facing extreme difficulties, turning the process into a much simple one than initially expected. Aside from the necessary eliminations of reciprocal items, neither the fair value updating nor the adjustments to different accounting models seem to be applied very carefully by the companies in the study.

## **2. CONSOLIDATION TECHNIQUES AND PROCEDURES**

Before describing the main differences that may appear because of the different accounting principles, we will have a look at the process of consolidation, and why it is so important for many companies.

During last year's, internationalization has been one of the major objectives or goals of many entities. This major aim of companies has favored the increase of business combinations.

Business combination can be defined as "a uniting of previously separate business entities through acquisitions by one entity of another entity's net assets or a majority of its outstanding voting common stock, or through an exchange of common stock." (Beams, 2012).

Usually we understand there exist control when one company owns more than 50% of shares of another company, but there are also other reasons. Under the Spanish regulation is understood as: the ability to influence over the financial and operating policies, with the

main aim of obtaining economic benefits from their activities. (Plan General de Contabilidad y de PYMES, 2008)

There are several reasons of why companies are willing to be involved in business combinations:

- **Synergy.** By combining two different businesses, each teamwork would obtain better results than each separately.
- **Cost advantage.** For a company is cheaper to obtain some needed facilities by combining with another different firm than by developing internally themselves.
- **Lower risk.** If a company is willing to enter a new market, is less risky for them to combine with another company with experience in that market than developing the needed products to enter that market.
- **Acquisition of intangible assets.** With business combinations, intangible assets appear. Companies will be willing to acquire patents, customer databases... which suppose a significant value for them.

There are several types of business combinations, such as merger or spin off of different companies or acquisition of the majority of outstanding voting stock of a company. For the purposes of this paper, we will focus on this last situation. But what is important to know is that not all types of business combinations leads to the requirement of preparing consolidated financial statements (for instance mergers)

One corporation becomes a subsidiary when another company acquires a majority (more than 50%) of its outstanding voting stock. There is no need to acquire 100 of outstanding voting stock in order to talk about a business combination.

When a business combination occurs, both companies become one entity for financial reporting purposes, but they both continue to exist as separate legal entities. But, even that

the shares of the parent company are the ones which are listed on the stock market, consolidated financial statements and therefore the evolution of their subsidiaries are what have more influence on the evolution of the price of those shares in the stock market.

There are two main methods for accounting of equity investments. To know which of both methods using, it depends on the level of influence the investor has on its subsidiary.

Situations where investor can't exercise significant influence on the activities of the investee (generally when the equity investments is less than 20% of outstanding voting stock) its accounting will be based on the fair value (cost) method.

However, when the investor can control the activities of the subsidiary (operating, investing and financing) we will use the equity method.

In this work, we will focus on those investments where the investor can exercise significant influence over the investee.

## **2.1 Acquisition method**

Even there exists coexistence of several methods; nowadays the main regulatory institutions have unified their positions in relation with the acquisition method as the general accepted one in order to deal with the process of consolidation.

This method consists on recording business combinations using the fair value principle.

When using this method, the acquiring company will have to follow a five step process:

- 1) Identifying the purchaser company
- 2) Determine the date of acquisition
- 3) Quantify the cost of the business combination.
- 4) Determine fair value of acquired assets and liabilities assumed.
- 5) Determine the goodwill amount.



The first 3 steps will not have too many difficulties, but the fourth step will not be an easy one. The acquiring company will have to determine the fair values of all identifiable tangible and intangible assets acquired as well as all liabilities assumed.

We will illustrate this process with a practical example.

Suppose Company A acquires 80% of outstanding voting stock of Company B, with an acquisition cost of 2.000 monetary units. It is also known the existence of a land which has a book value of 1.200 but some experts give it a fair value of 1.500. The balance sheet of B in the moment of acquisition was the following:

<b><u>ASSETS</u></b>	<b>A</b>	<b>B</b>	<b><u>EQUITY and LIABILITIES</u></b>	<b>A</b>	<b>B</b>
Non current assets	2000	600	Equity	3000	1000
Plant assets	3000	1200	Retained earnings	2800	500
Investment in B	2000		Accounts receivable	3000	1500
Current assets	1800	1200			
<b>TOTAL</b>	<b>8800</b>	<b>3000</b>	<b>TOTAL</b>	<b>8800</b>	<b>3000</b>

Exhibit 1. Individual balance sheet of company B

In order to calculate goodwill we have to compare the acquisition cost with the fair value of all assets acquired and liabilities assumed.

The calculation will be the following:

$$\begin{array}{r}
 2.000 \\
 80\% * (1.500 + 300) = \\
 \underline{- 1440} \\
 560
 \end{array}$$

We also need to calculate the amount of non-controlling interest, which is calculated as the proportional amount of the fair value of net assets:

$$20\% * (1500 + 300) = 360$$

In order to prepare the balance sheet, we also have to eliminate both the amount of the investment (2.000), as well as capital and retained earnings of company B. Finally, the amount of plant assets will be increased by 300, in order to appear in the consolidated balance sheet at its fair value.

The adjustments, eliminations and the consolidated balance sheet will be the following:

<b>ASSETS</b>	<b>A</b>	<b>B</b>	<b>Adjustments</b>		<b>Consolidated sheet</b>	<b>Balance</b>
			<b>Debit</b>	<b>Credit</b>		
Non current assets	2000	600			2600	
Plant assets	3000	1200	300		4500	
Investment in B	2000			2000	0	
Current assets	1800	1200			3000	
Goodwill			560		560	
<b>TOTAL</b>					<b>10660</b>	
Equity	3000	1000	1000		3000	
Retained earnings	2800	500	500		2800	
Accounts receivable	3000	1500			4500	
Non controlling interest				360	360	
<b>TOTAL</b>					<b>10660</b>	

#### Exhibit 2. Consolidated balance sheet

At this point is where we find a situation of interest for one of the objectives of this paper. The task of determining fair values of assets is not an easy one, but we think it will be easier for the subsidiary company to do it, mainly because they have a better knowledge on them and in our opinion they could make better estimations.

The process of determining fair values is an easy task if there exists a market for a particular asset where looking for its market value. But, there are many situations where there is not a market or is not an easy way to look for its fair value. There are three levels of reliability in order to estimate fair values. As I have just said, Level 1 consists on estimating fair values based on market prices. In the absence of a market, they will need to

resort to Level 2, which “uses the present value of estimated future cash flows, discounted based on observable measure such as the prime interest rate” (Beams, 2012). The third level includes determining fair values based on estimations.

And here is where the parent company has to choose who will be in charge of making such estimations, whether the subsidiary, any specialist or themselves.

But since we are not sure about that and is interesting to know it, this is something we have asked in our survey, in order to have some empirical evidence if there exists delegation into the subsidiary in these kind of activities or if by contrast, is the foreign parent company in charge of performing all these tasks.

After that, we have to compare the investment cost of the acquisition with the fair value of all identifiable assets. If cost is higher than those fair values, the difference will be assigned to the fair values and the excess will be recognized as goodwill.

Although goodwill is a matter of the group, rarely the subsidiary will recognize goodwill on their reporting. In my opinion the subsidiary will be more able to make such estimations to recognize fair value and consequently determine the amount of goodwill. However, since the Spanish regulation do not allow to application of fair value on individual accounts, assets are recognized at historical cost (except some really specific financial assets which are held for sale), which will make more complicated the process.

There is a big controversy under the topic of goodwill. Later on this work we will explain how different accounting principles deal with this topic and what the main differences between them are.

Goodwill as well as other intangible assets with an indefinite useful life is not amortized, but companies should make each year an impairment test on them. Later on this paper differences between accounting principles on how to make an impairment test will be discussed.

Also, some results will be given in relation to which company is responsible of making this annual impairment test.

The elaboration of consolidated financial statements is needed because individual financial statements don't have enough information to show the global image of the group.

The main aim of elaborating consolidated financial statements is to eliminate those accounts which are reciprocal and combine only nonreciprocal accounts. The first step when preparing the consolidated balance sheet is to eliminate the investment on the subsidiary as well as its stockholder's equity, because they are both reciprocal.

There are some specific accounts that only appear when making consolidated financial statements: goodwill or minority interest (non controlling interest)

Minority interest is the portion of net assets that don't correspond to the majority. There has been a long debate in relation with this account. Non controlling interest was previously classified as a liability in the consolidated balance sheet. But nowadays is included as a separate account in the equity section.

### **3. DIFFERENCES AMONG PGC, US GAAP AND IFRS.**

Since 2002, the International Accounting Standard Board (IASB) and the US Financial Accounting Standard Board (FASB) have been working together in order to achieve a convergence between their accounting principles: International Financial Reporting Standards (IFRS) and U.S generally accepted accounting principles (US GAAP).

Both the FASB and IASB are working together on a project in order to establish common standards for presenting information in the financial statements. This standard will have a dramatic impact on the format of financial statements, specifically in balance sheet (or statement of financial position), income statement and statement of cash flows. (David Spiceland, 2011)

As already said before, the amount of business combinations between companies located in different countries has increased a lot. Capital markets require financial statements of listed companies to be prepared following some global standards required in each market.

In order to be able to make comparisons between companies is necessary to start from data which is comparable. Analysts and investors find difficulties in order to compare the results from one company located in a particular country and another in a different country and under a different accounting principle.

Because of this, there is a necessity to look for a homogenization between these accounting principle and reporting information under similar standards.

We can't also forget talking about the situation in Spain. Companies situated in Spain formulate their financial statements under 'Plan General Contable Español'. But listed companies are forced to prepare their financial statements under IFRS rules. In order to make consolidated financial statements, companies can choose either to prepare them under IFRS or PGC (only if they are not listed companies).

Due to this, since 2007 there has been a harmonization between these two accounting principles. Furthermore, they have more similarities than those existing between IFRS and U.S. GAAP. Nevertheless, there still exist some differences between them and they make companies to make adjustments when adapt their individual financial statements.

There are several differences between these three different accounting principles that may severely affect the financial statements of a company such as Balance Sheet, Income Statement or Cash Flow Statement.

Many companies will have to face these differences when they have to make the consolidation of financial statements of a parent company and their subsidiaries, mainly because the financial statements of the parent company are regulated by different principles than those of the subsidiary. But there will appear as well some differences just because the consolidation process requires making some eliminations and modifications to avoid reciprocal accounts. All these differences will create difficulties for subsidiaries when they have to adapt or modify their individual financial statements in order to send them to the parent company.

These differences are going to be analyzed on the following sections and I will try to highlight those ones which will suppose a trouble for subsidiaries when dealing with this process.

### 3.1 Presentation of Financial Statements

There are more similarities than differences in balance sheets and income statements presentation according to IFRS, U.S. GAAP and PGCE.

Most of the differences are just with respect to how different accounting models establish the presentation of their financial statements. Furthermore, these accounting models have their own format for each financial statement in order to facilitate its elaboration (for instance under PGCE there exist a concrete format for the Balance Sheet or the Income Statement).

These differences may probably not have an influence on the interpretation of financial statements, but may occur that a subsidiary is preparing their individual accounts under PGCE (which already has been said has their own format), and has to modify them in order to adopt it to a different format of for example to IFRS.

#### 3.1.1 *Balance Sheet*

According to the balance sheet presentation, we can find the following differences:

International standards changed the title of the balance sheet to statement of financial position. However, companies are not forced to use that title. Some U.S. companies use the statement of financial position title as well.

IFRS requires a minimum list of items that must be presented in the balance sheet, but U.S. GAAP doesn't have such requirements.

One of the differences is just a matter of classification of the balance sheet, because under U.S. GAAP current assets and liabilities are presented before noncurrent assets and liabilities. IAS No. 1 doesn't prescribe the format of the balance sheet.

In Spain, noncurrent assets and liabilities are usually presented before current assets and liabilities.

As we can see, these differences will not have a significant influence on the interpretation and analysis of financial statements; they will just require making some modifications.

### 3.1.2 *Income Statement*

With respect to the income statement presentation, we also find some differences between these 3 accounting principles.

As with the balance sheet, international standards require certain minimum information to be reported on the income statement, whether U.S. GAAP has no requirements.

One of the biggest differences we find is that under IFRS expenses can be classified either by function (cost of goods sold, general and administrative...) or by natural description (salaries, rent...).

With respect to the previous different ways of classifying expenses, U.S. GAAP requires classifying them by function.

Under PGCE, expenses are required to be classified by natural description.

Some differences appear as well when talking about revenue recognition. The 3 methods have in common some conditions that must be satisfied in order recognize revenues (Plan General de Contabilidad y de PYMES, 2008):

- The revenue amount can be measured reliably.
- It is probable that the company will receive the benefits or the economic returns associated with the transaction.
- The seller has transferred to the buyer the risks and rewards of ownership.

But there are some exceptions and some differences arise with respect to multiple-deliverable contracts, more concretely with the timing of revenue recognition.

Suppose an example of a software vendor. In this case, the recognition of revenues had been a very controversial topic. Under U.S. GAAP, the revenue from the arrangement should be allocated to the multiple elements based on 'vendor-specific objective evidence' ('VSOE') of fair values of the individual elements. The VSOE of fair values are the sales prices of the different elements when they are sold separately.

However, IFRS doesn't contain too much guidance about multiple-deliverable arrangements. They simply state that the allocation of total revenue to the different individual components are based on fair value, without paying too much attention on VSOE.

### *3.1.3 Extraordinary Items*

Extraordinary items are those events and transactions which are unusual in nature and infrequent in occurrence (David Spiceland, 2011). Sometimes an unusual event occurs and may significantly affect the income of the current year. In this case, under U.S. GAAP, extraordinary items should be reported separately in an income statement.

But, both IFRS and PGC require not including any extraordinary item neither in the income statement nor in their notes.

## **3.2 Classification of liabilities to be refinanced**

Suppose a company may be able to choose to classify their obligations as a noncurrent obligation or as a current obligation. Obviously, most of them will choose to classify them as a noncurrent liability. This situation is even more important nowadays within the worldwide economic crisis and the difficulties that most companies face when asking for more financial resources.

This implies that the more debt to be paid currently is seen as more risky than debt to be paid in a longer period of time. Because of this, companies are trying to refinance their obligations in order to classify them as noncurrent liabilities. But, depending which accounting principle they apply, there will be differences whether they can classify it as a current or noncurrent liability.

According to IFRS, refinancing must be completed before the balance sheet date.

Under U.S. GAAP, liabilities which are payable within a year can be classified as long-term liabilities if refinancing is completed before the date of issuance of the financial statements.

It is important to know that several weeks usually pass between the end of the company's fiscal year and the date when they issue their financial statements for that year.



In relation with the process I am trying to analyze in this paper, this aspect may have significant influence on consolidated balance sheet. It is important also to know if is the parent company the one which decides to include a particular amount of liabilities as current or noncurrent (depending under which accounting model balance sheet is elaborated), or by contrast, if it delegates such responsibility to its subsidiary.

Both companies will not have to forget what will be the consequences of either classifying them as short or long term liabilities. It will have as well a significant influence on some ratios and in the opinion investor will have on the company by having a look to their consolidated balance sheet.

### **3.3 Impairments**

#### *3.3.1 Accounts and notes receivables*

U.S. GAAP, IFRS and PGC have similar requirements of impairments of accounts and notes receivable. The main point is that the three accounting principles states that at the end of each accounting period a company should make an impairment test of their receivables.

For a company this means to think if it is probable that they won't receive the cash flows associated with the receivable, due to one or more events occurred after the initial valuation. These events would cause a reduction or a delay in the estimated future cash flows, which could be triggered by the insolvency of the debtor.

This situation in which the company has some receivables which there exists high probabilities of not being paid are now even more common with the worldwide economic crisis and something that more and more companies have to face. In my opinion, it will be the subsidiary the one who will determine if there exists any possibility to receive the money than the parent company.

They also allow a reversal of the impairment when the amount of such impairment has decreased due to different reasons of a subsequent event.

Under U.S. GAAP and IFRS, the amount of reversal is limited to the amount of the original impairment. However, under PGC the limit of the reversal is the book value of the

receivable, which would be recognized on the date of the reversal if impairment value would not be registered.

### *3.3.2 Property, plant and equipment*

One of the first differences arises on when to make an impairment of value of property plant and equipment. Under IFRS and PGC, at the end of each reporting period, a company will have to assess if there is evidence if any element of property plant and equipment could be impaired.

But, under U.S.GAAP a company will only make a test on their PPE when some events indicate that the recoverable amount is below the book value of the element.

Under the three methods, the company will recognize an impairment loss when an asset's book value exceeds its recoverability amount. But differences arise in how to consider or calculate that recoverability amount.

Under U.S. GAAP the recoverable amount will be the undiscounted sum of the asset's estimated future cash flows. Under both IFRS and PGC, the recoverable amount will be the higher of its fair value less costs to sell and its value in use. Its value in use can be calculated as the present value of all estimated future cash flows.

Finally, the company will be allowed to carry out a reversal of loss when the circumstances that caused the impairment are resolved, but only under IFRS and PGC. U.S. GAAP prohibits making a loss reversal.

### *3.3.3 Goodwill*

U.S. GAAP requires making an impairment test of goodwill if an event occurs or circumstances change that would make to reduce the fair value below its carrying amount. They require making an impairment test over a reporting unit, while IFRS requires testing a cash-generating unit (CGU), which is the smallest identifiable group of assets which generates cash flows that are largely independent. (David Spiceland, 2011)

Additionally, under U.S. GAAP there is a two step process. Firstly, they have to compare the fair value of the reporting unit with its book value. If fair value is less than book value, a loss is indicated and will be the difference between book value over fair value. However,

IFRS requires only one step process: compare the recoverable amount of CGU to book value. If recoverable amount is less, you firstly have to reduce goodwill, the rest to other assets.

#### *3.3.4 Intangible assets.*

Intangible assets have three main characteristics (Donald E. Kieso, 2011):

- They are identifiable
- They lack physical existence
- They are not monetary assets

The three accounting principles require making an impairment test at least annually to those intangible assets which have an indefinite-life. IFRS requires testing for goodwill if indicators exist. (Young, 2011)

But, as well as with property, plant and equipment, some differences arise when measuring the impairment loss. Under U.S. GAAP, the impairment loss can be measured as the difference between book value and fair value. However, under IFRS the impairment loss is the difference between book value and the recoverable amount. The recoverable amount will be calculated the same way as in the case of property plant and equipment (higher of fair value less costs to sale and value in use).

### **3.4 Lease Classification**

When dealing with lease accounting, some differences also arise between the 3 accounting principles we have been covering.

U.S. GAAP provides more clear and precise guidance when dealing with this topic, and it is often described as rules-based accounting. Under U.S. GAAP, there are four different classifications or criteria used to determine whether a lease is a capital lease or not.

In contrast, IFRS requires greater professional judgment and it is described as principles-based accounting. Furthermore, under IFRS there are no such bright-line rules as with U.S. GAAP. IFRS states that a lease will be consider as a finance lease (or capital lease) if all risks and rewards of ownership have been transferred.

There are some situations that would lead to a classification of a finance lease that are the same under IFRS, PGCE and U.S. GAAP:

- The lease transfers ownership of the property to the lessee.
- The lease contains a bargain purchase option.

In a leasing where exists a bargain purchase option, under PGC we will assume that all risks and rewards are transferred when there is no doubt that such purchase option will be exercised.

But there are also some situations in which differences between the different accounting principles appear. These situations highlight the fact that U.S. GAAP provides more clear guidance for these situations than IFRS does.

- Under IFRS, the lease term is for a major portion of the expected economic life of the asset. Under U.S. GAAP, the major portion is consider as the 75% or more of the economic life of the asset.
- The present value of the minimum lease payments is equal to or greater than substantially all of the fair value of the asset. Under U.S. GAAP substantially all is concretely defined as 90%.

### **3.5 Contingencies**

Treatment for contingencies is treated more or less on the same way under these accounting principles. The main difference arises as a matter of how probable is to consider or recognize a loss contingency.

Under U.S. GAAP a company will accrue a loss contingency if it's probable but also if it can be reasonably estimated. However, under IFRS, it just specifies to recognize a loss contingency if it is probable.

There exists a similar situation to some previously mentioned such as what occurs when making impairment of accounts receivable. The subsidiary will have more concrete information in order to determine if it is necessary to give raise a contingency. But, the parent company will be thinking what will be the consequences for the company and they will decide not to give such responsibility to their subsidiary.

### **3.6 Research and development expenditures.**

Research and development costs are expenditures that may lead to patents, copyrights, new processes and new products (Jerry Weygandt, 2011).

U.S. GAAP requires including all expenditures related to research and development in the period incurred, except software development costs incurred after technological feasibility has been established.

But, IFRS makes a distinction between research expenditures and development activities. Firstly, research expenditures are expensed in the period incurred and development expenditures are capitalized as an intangible asset if previously met some specific criteria.

PGC follows the same path than IFRS. Investigation and development expenditures will be expenses in the period incurred. But, they could be capitalized if met these requirements:

- Be specifically identified by projects and its cost be clearly specified to be distributed over the time.
- Have solid reasons of the success and profitability of the project that they are dealing.

### **3.7 Depreciation**

IFRS (IAS No. 16) requires component depreciation for plant assets. Component depreciation requires that any significant parts of a plant asset that have different estimated useful lives should be separately depreciated. Or, if an item of property, plant and equipment must be depreciated separately if its cost is significant in relation to the total cost of the item.

In the United States under the U.S. GAAP, component depreciation is also allowed. However, it is not often used in practice.

In Spain, under the PGC each element of property plant and equipment will be separately depreciated if: has a significant cost in relation with the total cost of the element and a useful life different than the rest of the element.

### **3.8 Debt issue costs**

When a company needs cash, one option they could select is issuing bonds. They can choose to sell bonds either directly to the public (which is not the option that companies prefer), to an underwriter who afterwards will sell to the public or also to a single investor (pension fund or insurance company).

Regardless of which option they select, the issuing company will incur in some debt issue costs, which could be legal, accounting, broker, registration and underwriting fees.

Under U.S.GAAP, these costs are recorded as an asset and amortized in the same term as the related debt. In every amortization of the asset the company would reduce the proportional amount of debt issue costs and allocate it to debt issue expense.

The way IFRS and PGC treat debt issue costs is different as the one selected by U.S. GAAP. They both require making an adjustment on the amount of the debt, more concretely by reducing such debt amount by the debt issue costs (under these two accounting principles they are called transaction costs).

### **3.9 Valuation of property, plant and equipment.**

Under the three different accounting principles, companies can choose to record their elements of property, plant and equipment as cost less accumulated depreciation (which is also called book value).

But, IFRS also allows companies to record property, plant and equipment at its fair value. Fair value will be determined by a revaluation. If a company chooses to value PP&E in such way, revaluation must be made on a regular basis, in order to try to be the carrying amount of the particular asset the same as its fair value at the balance sheet date.

If in a company the revaluation model is chosen, the way they treat the difference between fair value and book value is also different (depending if fair value is higher or lower than book value).

If fair value is higher than book value (resulting in an increase in the value of the asset) the difference should be reported as other comprehensive income, and accumulated in equity under the account 'revaluation surplus'.

However, if fair value is lower than book value, the difference should be recognized as an expense in the income statement.

An exception occurs when there is a revaluation surplus from a previous increase of such asset in fair value. In such situation, that balance is eliminated before debiting revaluation expense.

It has already been said that the process of determining fair values is not an easy task and that in many cases fair values are determined based on estimations. There are also other situations where companies have such specific assets that are only valid for them that there is no market for such assets and is so difficult to determine fair values for them that they are just classified at historical cost. This particular aspect is something I found interesting and I decided to get some information in the survey.

#### **4. EMPIRICAL STUDY**

As already mentioned on a previous section of this work, we wanted to know how far subsidiaries go in this process of reporting the information and which activities they are asked to do. In other words, we wanted to have some empirical evidence if there is delegation of responsibility to the subsidiary in order to carry on some of these activities or if by contrast, the parent company is the one in charge of the whole process of consolidation.

We also have mentioned the huge process of internationalization companies have suffered during the last decade and the big impact it has had in the economy. So, we are only interested in those companies domiciled in Navarra which are subsidiaries of a foreign multinational group. A further reason for looking for these companies is to see the difficulties these companies face when dealing with different accounting standards than those governing in their local country.

We also wanted companies which have been audited during last year, (whether the auditors opinion is unqualified, qualified, disclaimer or adverse).

Finally, we found 53 companies (see Illustration 1 Appendix) which met our objectives and we sent them all a letter explaining which my objectives were in order to write this paper and why I had selected their company, as well as the survey (see Illustration 2 Appendix). I also asked them if there could be any possibility to have a brief interview in order to know with more details how they deal with the process of preparing their accounts to send them to the parent company to prepare consolidated accounts.

After some weeks, I have been receiving the answer of a total of 11 companies, which is a really important percentage (20, 75%), taking into account that the normal response rate for this kind of papers is around 10%. Those 11 companies which answered the survey were: Arcelor Mittal, Liebherr, Papertech, Planasa, Polyone, Rockwool, SFK, Trelleborg Inepsa, Valco Melton, Volkswagen and Agrozumos.

In addition, three companies (concretely PolyOne, Volkswagen and Agrozumos), gave me the possibility to visit them and go into more detail with the survey.

In the visit to Volkswagen I had the possibility to talk with three different people working in their Administration department. Later on I will explain some peculiarities they explained me in relation with the survey.

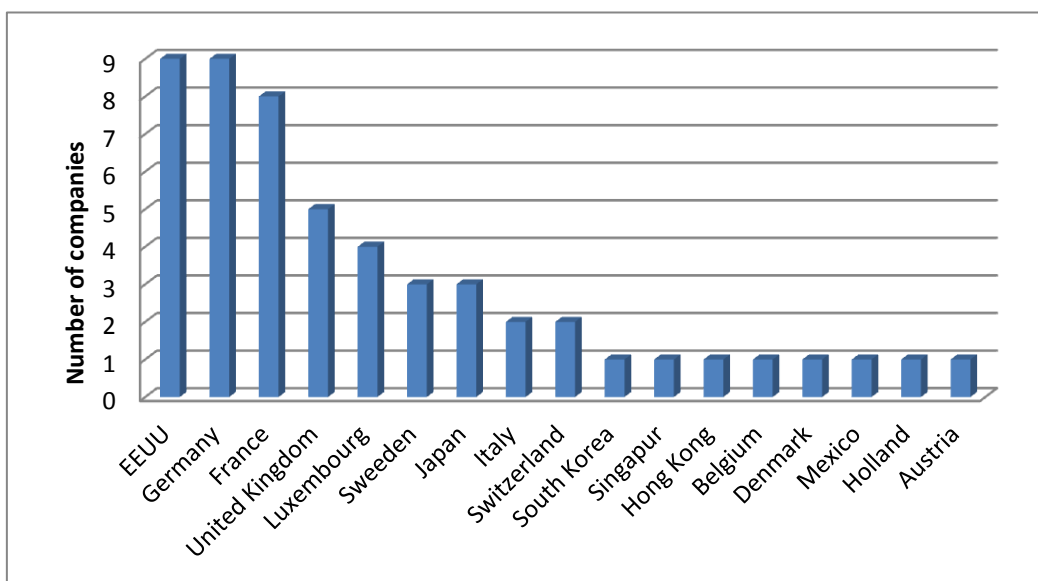
I will divide this section into different parts, corresponding to the different kind of questions we included in our survey. In the first part, we wanted to have some general information about the companies. Later on, we asked some questions in relation to the preparation of their accounts to the process of consolidation. A third section I included is related to the different software each company use, their particular configuration and how it helps the company in adapting their accounts to different accounting models. On each part, I will try to analyze the main results of those surveys answered by the subsidiaries and I will also try to compare what the results are with what we previously thought could be.

#### **4.1 General information**

I have referred several times during the paper to the increasing presence of foreign capital in Navarra since the last decade. In order to highlight this fact, I first ask about the country where the parent company is domiciled. We can see that there is a high diversity in the country of origin because the 53 companies analyzed belong to groups from 16 different



countries and 3 different continents. The following chart shows the distribution of these countries.



**Graph 1. Number of parent companies per country.**

The first overview continues with some general information about the own subsidiary. Some questions focused on why they are involved in the preparation of consolidated financial statements. Obviously, most of them are involved because they have a direct dependence on the parent company. The 7 companies which have a direct relationship, also answered that they are owned at a 100% by their parent company (see Table 1 Appendix). This means that on the balance sheet of these companies we will not find the item of minority interest (or non controlling interest), which as explained in another section, has had an historical debate about its presentation in the consolidated balance sheet.

Only 18% have to deal with the consolidation process because of an indirect relationship with the parent company. Nine per cent of the subsidiaries answered that they are involved in the process because other reasons, which could be the existence of joint ventures, joint-controlled entity... These last companies are not too much concern for me too much because they are not required to prepare consolidated financial statements as in the case of a parent-subsiidiary relation.

Since parent and subsidiary are located in different countries and maybe they are engaged in different lines of businesses, their accounting year end may differ considerably. I hence

wanted to know whether some difficulties arise when the accounting year ends of parent and subsidiary differing substantially. In none of the cases, however was there such a coincidence. In addition, Spanish accounting regulation allows companies not to make any modification on their accounts if the end of the accounting year of both the parent and the subsidiary do not differ in more than three months.

In the previous section we have sufficiently commented that IFRS and U.S. GAAP are the two most important accounting models in the world and that most of the companies I selected for my analysis will have to deal with different accounting models. Out of the 11 companies which answered the survey, 8 of them answered that consolidated financial statement are prepared under IFRS (which represents 73% of the total) and 3 of them under U.S. GAAP (see table 2 Appendix). It is obvious that more and more companies are preparing their financial statements under IFRS, and not using their local standards, even more if they are publicly listed.

I was as well interested in knowing if both the parent and the subsidiary are audited by the same accounting firm, which was to be expected. Exactly 8 subsidiaries have the same audit firm as the group, which in our opinion makes the auditing process of their consolidated financial statements easier.

Most of the companies included in our survey told to us that they send their individual financial statements at the beginning of each year (some of them even the first week of January), so we asked them if those individual accounts have been audited before they are sent to the parent company in order to prepare consolidated financial statements. 9 companies answered that there is no need to audit those accounts before they are sent, which is a little bit surprising for us.

One of the main motivations of this study was to analyze to what extent our subsidiaries of multinational groups would get involved in the process of consolidation, that is on activities not familiar with the ones they do on a daily basis, on which they would have to invest lot of time (see Table 3 Appendix). Additionally, they would need employees with specific knowledge in consolidation techniques and obviously with some training in international accounting models (IFRS and U.S. GAAP mainly).

Because of all this I decided to include some questions in our survey to get some evidence in relation with the degree of involvement subsidiaries have and how far the company and its employees go on the process of consolidation.

#### *4.1.1 Employees*

I wanted to start knowing the distribution of the staff of each of the companies and more exactly how many employees are involved in accounting activities on a daily basis.

I asked them for different categories of employees, from the basic bookkeeper function to a highly-level chief financial officer.

Before continuing analyzing the survey results, I want to comment a little bit the particular cases of Volkswagen and Agrozumos and how their companies are structured. When I visited the Volkswagen factory, they told me that they don't have such specific workers as the ones I asked them on the survey (for instance bookkeeper). What they have in particular is that every person working in their Administration department is responsible and in charge of all kind of activities: from making journal entries to the modification of accounts for the consolidation, which makes every person working for that department to be involved in the whole process and not just in a few activities.

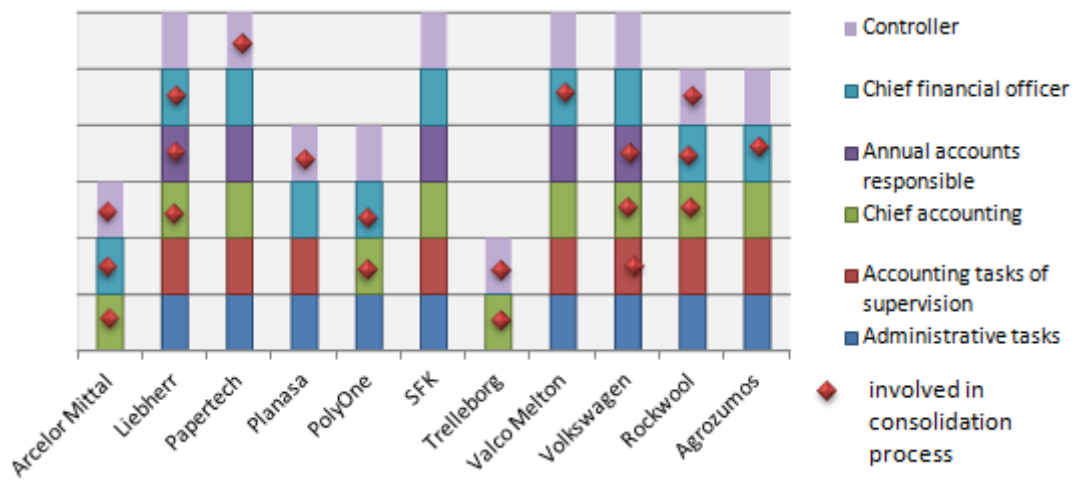
By contrast, on the visit to Agrozumos, when they were answering our survey, they told me they have some of the workers asked on the survey on their staff, exactly a bookkeeper, chief accounting, chief financial officer and a controller. But what they have on particular is a chief Administration, who at the same time is the controller of the company as well as being in charge of some aspects in relation with human resources.

Obviously, the information in relation with which kind of employees they have on staff was not enough for me, and I wanted to go a little bit further. As already said, one of the main purposes of this paper is to get some evidence if the company and its employees are involved in activities related to the preparation of financial statements for the consolidation of the group. So, I asked them, how many of these employees are effectively involved in the real process of reporting for the purpose of group consolidation.

I thought that the process of consolidation would be a difficult task for each subsidiary and that more people would have to be involved on those tasks in order to successfully do them.

Surprisingly only an average of only 2 people in each company is involved on activities in relation with the consolidation of financial statements. Furthermore, one particular company answered us in the survey that no member of their staff works in the preparation of the consolidation. The reason they gave us is that all aspects related with the consolidated are done by the foreign parent company. But, what I think is that they don't really understand this question and they were thinking on the real task of preparing consolidated financial statements (which is obvious that the parent company is the one in charge of this process) and not the process of reporting the information needed.

In the following graph we can see the answer to what different employees companies have on their staff and more particularly, which ones are involved on the process of elaborating consolidated financial statements.



Graph 2. Employees working for each company and involved in reporting for consolidation

Those employees which participate more in this process are chief accounting and chief financial officer (participating in 6 companies), and controller (participating in 4 companies). The rest of employees have a lower degree of participation in the process, in particular those employees in charge of administrative tasks (bookkeeper), which are not

involved in the process of consolidation in any of the companies which answered our survey. One reason could be that they have not enough preparation to be involved in this process and companies don't give them such responsibilities.

In order to successfully perform all the tasks required for the subsequent consolidation, I previously thought that both parent and subsidiary will be in ongoing contact in order to exchange needed information for those activities.

The, evidence says that parent and subsidiaries are not in touch on a regular basis. Results show that 64% of the companies keep in contact with the parent company only once a month, which at first glance seems not to be too much for us. Moreover, 27% of them keep in contact only once a year for consolidated purposes.

Not only is important with what frequency they are in contact, but also how they do it (via e-mail, physical meetings, virtual meetings, phone conversations...). And here is something that also surprised us, because the most common and regular way they are in contact is via e-mail (11 companies use it for consolidation purposes) and through phone conversations (8 companies out of 11). One company has physical meetings with the parent company in order to prepare the consolidation accounts of the group, which I thought would be the most frequent way they will communicate among themselves.

Agrozumos company told me they have one physical meeting with their parent company each year in order to verify that all the process have been done correctly.

## **4.2 Software**

With the advance of the technology in the last years, the performance of accounting activities remains easier, because many companies have sophisticated software's which facilitate these activities. Among all companies which answered our survey, 5 of them used SAP, which is one of the most well known and more used ERP packages all over the of the world. The rest of the companies use alternative software each of them, such as Navision, Oracle, and Spyro. (see Table 4 Appendix)

Of course, the consolidation process will become less intricate if both the parent and its subsidiaries use the same software. However, only 3 multinational groups enjoy the same software for all their group companies, and 8 companies have different ones (see Table 5

Appendix). Nevertheless, many parent companies have an easy access to the individual accounts of the subsidiary (even if they use a different software), and take them for the preparation of the consolidated accounts of the group. Exactly 8 of them can do it easily, 2 of them have more difficulties (I suppose it is because they use different software and they are not configured on such a way to do it) and 1 company didn't answer to this question.

Something that surprises also me is that there are subsidiaries using SAP, but by contrast, their parent company is using a different ERP package. It is something that I did not expect because if both use the same software, it will be easier sharing needed information. But, another reason is that in order to use SAP, the company needs to make a big investment of money because it is not a cheap ERP, and that investment will be made for both subsidiary and parent, or only the parent, but not just its subsidiary. Because of this, I previously was sure that if a subsidiary uses SAP, the parent company of the group will use it as well. I suppose there will be other important reasons in order to take such decision.

I wanted to know whether that software's are set up on such a way that they make even easier all the tasks in relation with the consolidation. I asked them if such software's packages are ready to easily alternate to different accounting standards, which will make companies to save so much time and money as well. But, surprisingly, only 5 companies use software which can perform that task.

This means that the other 4 companies will need employees who know the differences between some accounting standards in order to perform the needed modifications. I also asked companies about that, more concretely if their employees receive some specific training in relation to different accounting standards. The results were that 4 companies give their employees such training, 4 don't give it and 3 of them didn't answer our question. Furthermore, companies give their employees specific training on techniques in relation with the process of consolidation.

With the particular case of Agrozumos, they use a different kind of ERP which is called TREND-PORTOLAN. They told us that the parent company uses the same software and that is easy to adapt their financial statements from one accounting standard into the one under which are prepared consolidated financial statements (in their case IFRS). They also told us that the parent company has access to any modification they introduce on the

software, which they told us makes easier for them preparing consolidated financial statements and correcting mistakes if necessary.

### **4.3 Reporting for consolidation.**

Consolidation requires that subsidiaries modify their individual financial statements for different reasons. On the one hand, the process of consolidation requires recognizing net assets at fair value. On the other hand both parent and subsidiary should homogenize their financial statements into similar accounting standards. The subsidiary then will need to introduce the necessary extra-adjustments in order to adapt their accounts into the same accounting standards than the parent company.

The process of consolidation requires recognizing assets at fair value, not at book value. Additionally, I thought that the subsidiaries will have to identify those accounts which will have to be eliminated because they are reciprocal. This task will be mainly done in order to make easier for the parent company to know which accounts they need to eliminate and not wasting too much time.

#### *4.3.1 Identification of reciprocal accounts*

In relation to those reciprocal accounts to be eliminated, Volkswagen explained me on the meeting I have with them the way they do it. They showed me their balance sheet under PGCE, and in the same paper they have the balance sheet under with IFRS. Between both columns, they include those modifications in order to prepare the new balance sheet. Besides, they indicate those reciprocal accounts with some specific codes. When receives the parent company this balance sheet, they know this codes in advance (which are use for the whole group) and can identify and eliminate those accounts much easier.

With respect to the results of this question, I can say that there are two companies (concretely Volkswagen and Agrozumos) which make this activity and facilitate the process to its parent company. One of the reasons of why only two companies do this is because most of the groups use different ERP packages. By contrast, Volkswagen group uses for all its subsidiaries the same software than for its parent company (in this case). Thus, as they told me in the meeting, by using SAP the task of identifying these accounts with some common codes is much easier than if using different software's.

Continuing with the topic of reciprocal accounts, I asked them which accounts are more often eliminated because the transaction has been made between companies within the group.

It is understandable that those appearing more are customers, suppliers, sales and purchases. The reason is because it is very regular that companies continuously buy and sell between them (for instance raw materials), and those are the accounts that represent such transactions.

I also wanted to know which financial statements are modified (in case they make modifications): balance sheet, income statement, cash flow statement...

The results were that all companies which make any type of modification (which were 7 different companies), they make only modifications on balance sheet and income statement. None of the companies modify their cash flow statement, which means that the consolidated cash flow statement is not prepared by the parent though an aggregation of the different cash flow statements of their subsidiaries but indirectly from the balance sheet and income statement once have been consolidated.

#### *4.3.2 Recognition of assets acquired and liabilities assumed at fair value*

Since the process of consolidation requires reflecting assets acquired and liabilities assumed at fair values, I asked companies which type of accounts are more subject to modifications to include them in balance sheet at fair value.

Results were more or less as I expected, because non-current assets are the ones which require more frequently adjustment to post them at fair values. Obviously, only 1 company thinks that they would have to modify their current assets, because they are almost always presented at cost and 5 companies think it will be needed to present non-current assets at fair value. Few companies see any reason of why to present their liabilities (either current or non-current) at fair value .

In another part of the survey, I explicitly asked them what their degree of implication is in the process of revaluation of assets. I specifically wanted to know if the parent company totally delegates responsibility to the subsidiary or if the parent company is the one who determines such fair values. There could be an intermediate position, where both parent



and subsidiary discuss on such valuations. What we can see is that in some of the cases the parent company is the one in charge of this task and they do not delegate such responsibility to its subsidiary (exactly in 4 multinational groups). Another 4 companies do not answered to this question, but I may think that they are also not involved in this process. The 3 remaining companies answered that they have total freedom to modify their accounts

Something different is if in reality they make such adjustments and reflect their assets and liabilities at fair value. So, I included some questions in the survey in relation with this topic. Surprisingly, only 2 companies make such modifications because they have to recognize their assets at fair value.

In connection with this aspect, is also essential to know why many subsidiaries don't carry on this process of estimating fair values. Obviously, is something I asked in both of the meetings I have with three of the subsidiaries. One of the reasons they gave me is that the assets they have are so specific (for instance machinery), that they are very company-specific (rarely usefull outside the company). In that situation, finding a precisely market value could not be an easy task because nobody will be willing to buy it. Another one is that sometimes there are too many small elements to be studied that it takes too much time to accurately estimate it. Moreover, in some cases it is needed to hire some specialists to better make such estimations, which is really costly for the company.

#### *4.3.3 Standardization due to different accounting models.*

If both sets of accounts are prepared under different accounting principles, it is probable that individual balance sheets and income statements of the subsidiary will be prepared under a specific format (in the case of PGCE). Further, in Spain under the PGCE, income statements elements are classified by natural description, whether under U.S. GAAP, they are classified by function. Regarding this aspect, 6 companies answered that they modify their individual accounts in order to standardize their account into the same model of their parent company.

I can conclude that what causes more difficulties for companies is the fact of adapting their individual accounts (for example made under PGCE in Spain) into different accounting principles. The reason why I can affirm this is because 6 companies modify their accounts in order to standardize them into different accounting standards. Furthermore, 4 of them

modify them because they are them under different format (either balance sheet or income statement).

5 companies out of 9 don't make any modifications on their individual accounts, which mean that the parent company is in charge of the whole process of consolidation.

#### *4.3.4 Disclosure notes*

A further important aspect to know is whether companies prepare disclosure notes different from those prepared for individual financial statements purposes or as specifically include them in the consolidated financial statements. This is something that companies are used to do because 8 companies prepare them and only 3 not.

They also answered what kind of disclosure notes they usually include and some examples where in relation with: grants, personnel costs, elimination of profits between companies of the group, details about provisions...

When preparing consolidated financial statements, new tax driven amounts could emerge as a consequence of valuation and elimination adjustments. The two reasons of the appearance of this account have already been said: due to different criteria of valuation because of using different accounting principles and the mere fact of consolidation. The most common ones affect deferred tax assets (5 companies) and deferred tax liabilities (4)

It is obvious that for any company their individual financial statements have a great importance in their decision making and their strategy may be based on them. But for a subsidiary not really involved on the process of consolidation, I were not sure if consolidated financial statements will have an influence on their process of decision making or not. 5 companies out of 11 will base their decision making on the information provided by the consolidated financial statements, whether 6 of them will only take into account their individual financial statements and not the ones of the group.

## 5. CONCLUSION

Before receiving and analyzing all the results of the survey sent to each company, I thought that the process subsidiaries face in order to modify and adapt their accounts to report them to the parent company the needed information could cause a real difficult for them. Furthermore, I thought they will have to invest too much time and they will be greatly involved on it.

Such difficulties could come from the fact that the individual financial statements of the subsidiary are made under a different accounting model than the one which is used by the parent company. Some of these differences have been studied and compared along this paper. There are lots of differences between accounting models, but few of them are the ones which really cause difficulties to companies.

Moreover, the process of consolidation requires making some adjustments and eliminations of those accounts which are reciprocal in order to not appear twice.

I can conclude that subsidiaries have considerable independence when preparing the information required by the parent company to prepare consolidated financial statements. Most of the subsidiaries are responsible for adapting their individual financial statements to the different accounting standards they are required by the group.

However, few of them actually need to deep into the problems of a real process of consolidation. For example, in the case of recording fair value it is not done because is not an easy task to obtain a well known fair value. Another reason is because in most of the multinational groups studied, parent companies don't delegates such responsibility into their subsidiary as proven in the survey or it is a an expensive process for them.

Finally, one aspect in relation with the consolidation that few companies do it is identifying those reciprocal accounts for their subsequent elimination. This is something many subsidiaries do because in most of the cases is required by their parent company. The main reason is because it is much easier for them having previously identified those accounts they need to be eliminated than looking for themselves those reciprocal accounts.

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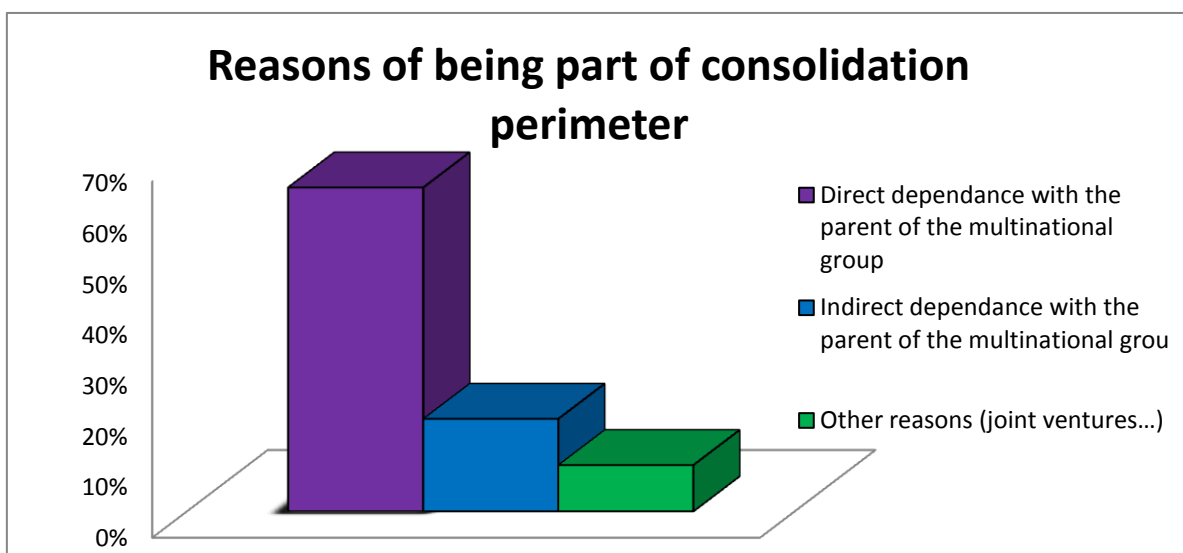
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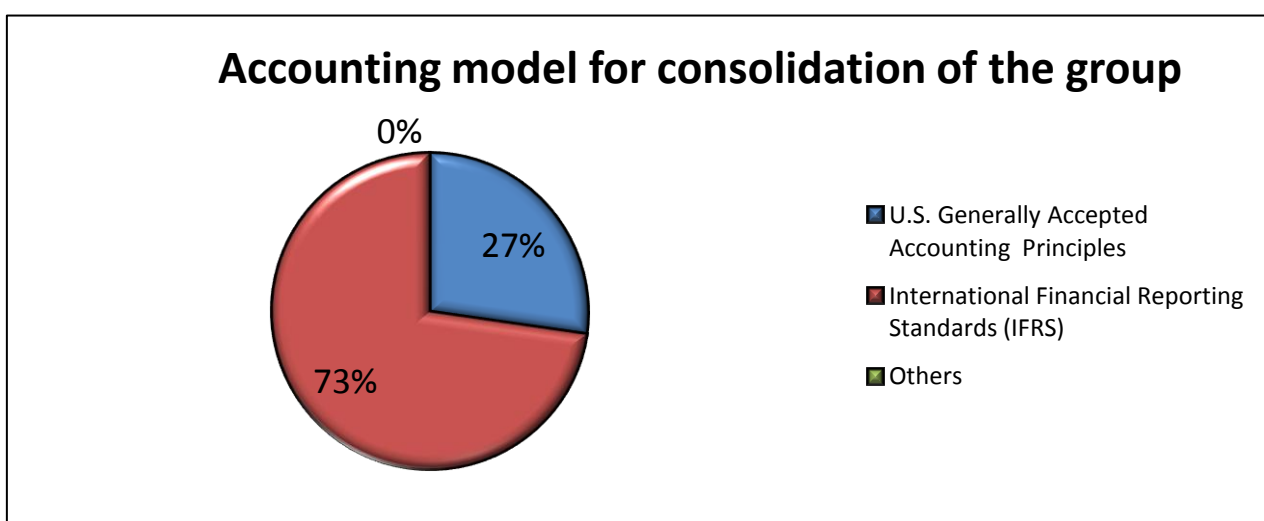
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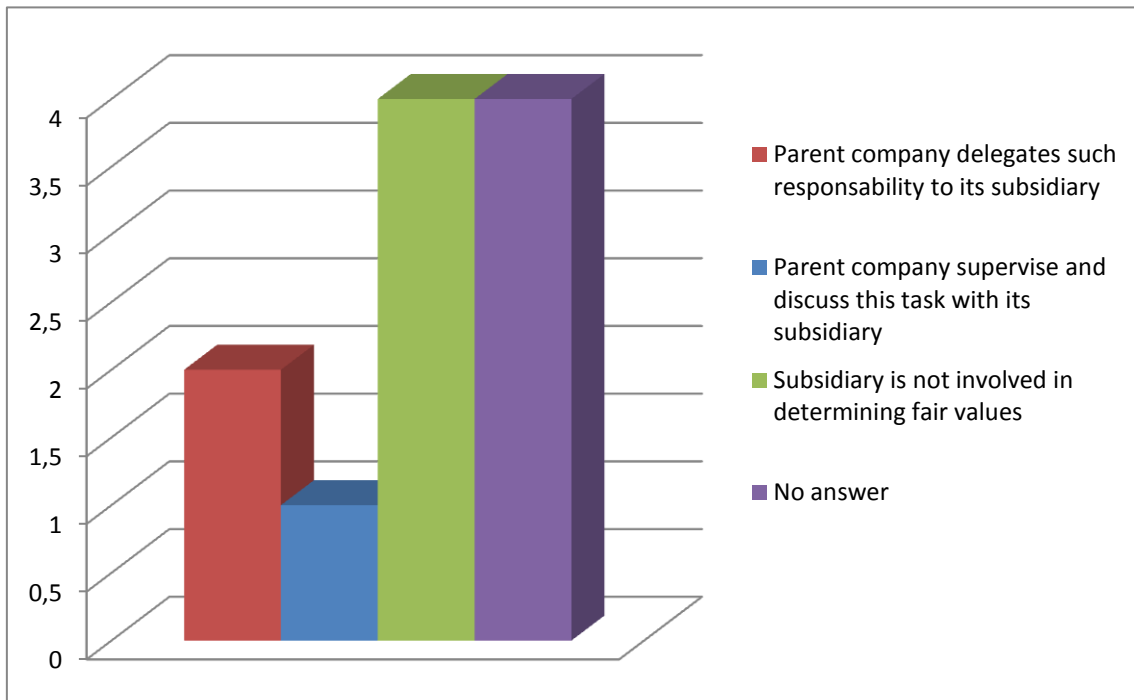
**Table 1. Reasons of being part of the consolidation perimeter**



**Table 2. Accounting model for consolidation of the group.**



**Table 3. Degree of delegation to subsidiaries**



**Table 4. Software used by each subsidiary**

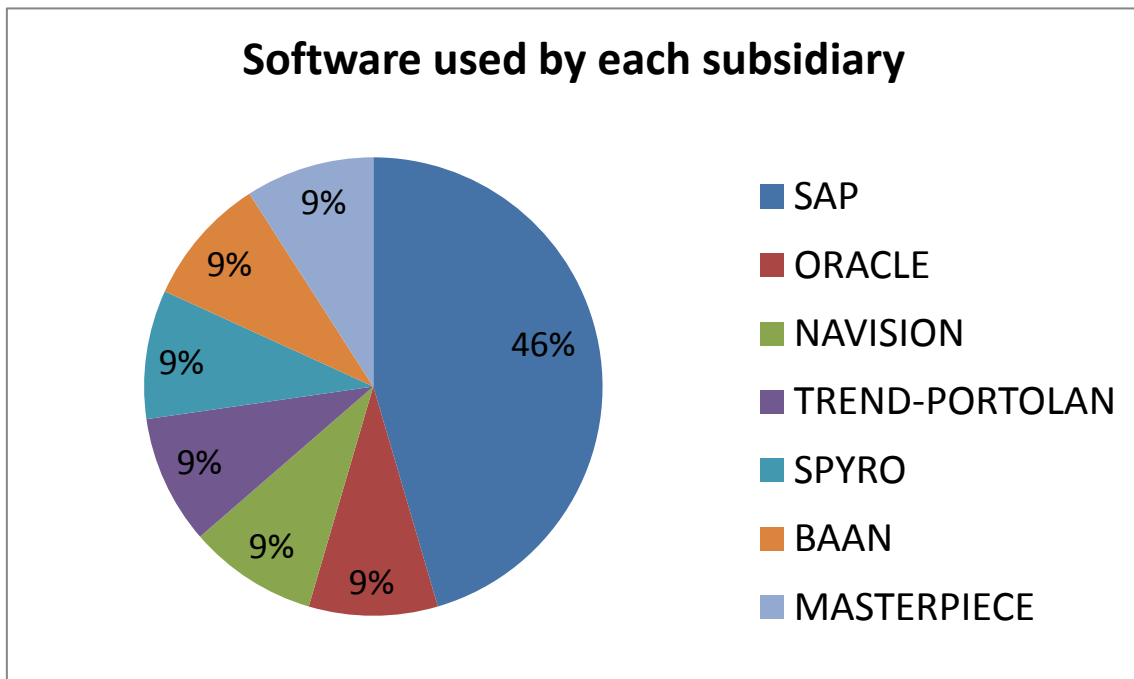


Table 5. Percentage of multinational groups using the same software for both parent and subsidiary

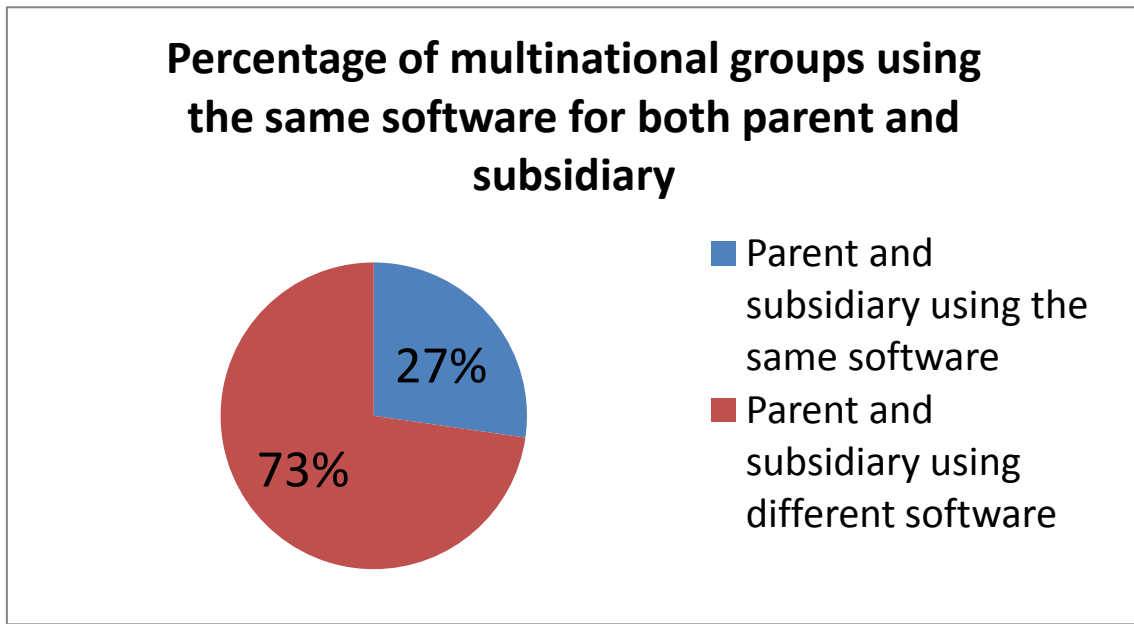


Illustration 1. Companies sent the survey

1	<b>VOLKSWAGEN NAVARRA SA</b>	31	<b>KYB SUSPENSIONS EUROPE SA</b>
2	<b>TRW AUTOMOTIVE ESPAÑA SL</b>	32	<b>DANA AUTOMOCION SA</b>
3	<b>SAS AUTOSYSTEMTECHNIK SA</b>	33	<b>CARREFOUR NAVARRA SL</b>
4	<b>SKF ESPAÑOLA SA</b>	34	<b>SCHMIDT-CLEMENS SPAIN SA</b>
5	<b>EUROFREN SYSTEMS S.L.</b>	35	<b>ARCELORMITTAL AMDS PROCESSING SL</b>
6	<b>DELPHI PACKARD ESPAÑA SL</b>	36	<b>MAGNESITAS NAVARRAS SA</b>
7	<b>FAURECIA EMISSIONS CONTROL TECHNOLOGIES PAMPLONA SL</b>	37	<b>GUARDIAN INDUSTRIES NAVARRA SL</b>
8	<b>POLYONE S.L</b>	38	<b>AGROZUMOS SA</b>
9	<b>SARRIOPAPEL Y CELULOSA SA</b>	39	<b>ROCKWOOL PENINSULAR SA</b>
10	<b>GEODIS BOURGEY MONTREUIL IBERICA SA.</b>	40	<b>GELAGRI IBERICA SL</b>
11	<b>GRAFTECH IBERICA SL</b>	41	<b>D'AUCY IBERICA SA</b>
12	<b>LIEBHERR INDUSTRIAS METALICAS SA</b>	42	<b>SAINT GOBAIN ABRASIVOS SA</b>
13	<b>TI AUTOMOTIVE PAMPLONA SL</b>	43	<b>INDUSTRIAS COUSIN FRERES SL</b>
14	<b>BENTELER JIT PAMPLONA SLU</b>	44	<b>LIMAGRAIN IBERICA SA</b>
15	<b>PLANASA</b>	45	<b>RENOLIT-HISPANIA SA</b>
16	<b>PLANTAS DE NAVARRA SA</b>	46	<b>SERVI-CHAP 99 SL</b>
17	<b>RPC SUPERFOS PAMPLONA SA</b>	47	<b>MEDIA MARKT CORDOVILLA-PAMPLONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO SA</b>
18	<b>GENERAL MILLS SAN ADRIAN SL</b>	48	<b>PIHER SENSORS &amp; CONTROLS SA</b>
19	<b>KAROSSEWERKE DRESDEN ESPAÑA SAU</b>	49	<b>KYB ADVANCED MANUFACTURING SPAIN SA</b>
20	<b>SFK</b>	50	<b>COMPUESTOS Y GRANZAS SA</b>
21	<b>INDUSTRIAS DEL RECAMBIO DISTRIBUCION SA</b>	51	<b>EXTRU SA</b>
22	<b>FLEXNGATE NAVARRA SL</b>	52	<b>VALCO MELTON SL</b>
23	<b>BERTAKO SL</b>	53	<b>KOXKA</b>
24	<b>PAPERTECH SL</b>		
25	<b>TRELLEBORG INEPSA SA</b>		
26	<b>LODISNA SL</b>		
27	<b>GORVI SA</b>		
28	<b>ARCELORMITTAL CONSTRUCCION ESPAÑA SL</b>		
29	<b>ZERTAN SA</b>		
30	<b>KOREA PARTS &amp; FASTENERS ESPAÑOLA SL</b>		



Illustration 2. Survey

**ENCUESTA SOBRE LABORES DE PREPARACIÓN PARA LA CONSOLIDACIÓN EN FILIALES NAVARRAS DE GRUPOS MULTINACIONALES**

- La presente encuesta tiene como objetivo el acercamiento a la realidad práctica de las labores llevadas a cabo desde filiales domiciliadas en Navarra para facilitar la inclusión de su información contable en las cuentas anuales consolidadas del grupo multinacional al que pertenecen.

- La encuesta consta de 43 preguntas. Puede dejar de contestar aquellas que no considere oportunas. Con independencia del número de respuestas obtenidas, la información resultará en todo caso útil para nuestro trabajo. Antes de comenzar, consulte por favor el anexo que aparece en la última página.

**1. El motivo por el cuál su empresa forma parte del perímetro de consolidación del grupo multinacional es:**

- a) Dependencia directa de la matriz del grupo multinacional.
- b) Dependencia indirecta de la matriz del grupo multinacional.
- c) Otras razones (ej. sociedad multigrupo, joint ventures...).

**2. En caso de contestar dependencia directa, ¿Cuál es el porcentaje de dependencia?**

- a) Filial al 100%.
- b) Entre el 70 y el 100%.
- c) Entre el 50 y el 70%.

**3. ¿En qué fecha se realiza el cierre del ejercicio fiscal en su empresa?**

- a) El 31 de diciembre y coincide con la fecha de cierre del grupo multinacional.
- b) En fecha distinta del 31 de diciembre y coincide con la fecha de cierre del grupo multinacional.
- c) La fecha de cierre del ejercicio no coincide con la del grupo multinacional.

**4. Suponiendo que el cierre se produzca 31/12, ¿Cuál sería el período de máxima carga de trabajo en las labores de preparación de la consolidación para el grupo? (indique duración en días/semanas y momento concreto del año).**

**5. ¿En qué país tiene su domicilio fiscal la matriz del grupo multinacional?**

**6. ¿Qué normativa se utiliza en la consolidación del grupo multinacional?**

- a) Normativa contable estadounidense (US GAAP).
- b) Normativa contable internacional (IFRS).
- c) Otras (indíquese).

**7. En el supuesto de que la dependencia de la matriz cabecera del grupo multinacional se produzca a través de una participación indirecta, su empresa...**

- a) Lleva a cabo dos labores de preparación diferentes, una para la consolidación del grupo intermedio y otra para la consolidación del grupo multinacional.
- b) Sólo se encarga de preparar la consolidación para el grupo intermedio, siendo éste último quien reporta al grupo multinacional.

**8. En el caso de elegir la respuesta a), ¿dichas dos labores se llevan a cabo bajo normativas contables diferentes?**

- a) Sí
- b) No

**9. En el caso de que el grupo intermedio quede exento de la obligación de consolidar por motivos legales (ej. grupo multinacional pertenece a la Unión Europea), ¿prepara su empresa directamente la consolidación para la cabecera del grupo?**

- a) Sí
- b) No

**10. ¿Cuál o cuáles de las siguientes categorías de personal relacionadas con la contabilidad financiera figuran en la plantilla de su empresa?**

- a) Labores administrativas (bookkeeper).
- b) Labores contables de supervisión (ajustes de cierre, estimaciones....).
- c) Jefe de contabilidad.
- d) Responsable de cuentas anuales.
- e) Director financiero.
- f) Controller.
- g) Otras (indíquese).

**11. ¿Cuál/es de las categorías previamente seleccionadas tiene una implicación directa en las tareas de preparación de la consolidación del grupo multinacional?**

**12. ¿Con qué frecuencia mantienen contacto con la matriz del grupo con la finalidad de preparar la consolidación?**

- a) Una vez al mes.
- b) Una vez al año.
- c) Otras (indíquese).

**13. ¿A través de qué medios se produce el contacto con la matriz?**

- a) Envíos electrónicos.

- b) Reuniones presenciales.
- c) Reuniones virtuales.
- d) Conversaciones telefónicas.
- e) Otros (indíquese).

**14. ¿Qué software utiliza su empresa para las labores de gestión contable?**

- a) SAP
- b) SICO
- c) SAASU
- d) Otros (indíquese)

**15. ¿El software utilizado está preparado para alternar fácilmente diferentes normativas contables?**

- a) Sí
- b) No

**16. ¿Se usa para la presentación de cuentas consolidadas del grupo multinacional el mismo software?**

- a) Sí
- b) No

**17. ¿Reelaboran sus estados contables individuales como parte de la labor de preparación de la consolidación?**

- a) Sí, por la necesidad de homogeneizar criterios de valoración derivados de normativas contables diferentes.
- b) Sí, por la necesidad de llevar a cabo actualización de valores contables en la incorporación de sus activos y pasivos al balance consolidado.
- c) Sí, para facilitar la identificación de las partidas a eliminar en la posterior consolidación.
- d) Sí, por la necesidad de adaptarse a formatos diferentes (ejemplo: cuenta de resultados por naturaleza/función).
- e) Sí, por otras razones (indíquese).
- f) No se reelabora ningún estado contable.

**18. En caso de contestar afirmativamente a la pregunta anterior, ¿qué estados contables son modificados en las labores de preparación para la consolidación?**

- a) Balance de situación
- b) Cuenta de resultados
- c) Estado de flujos de efectivo
- d) Estado de cambios de patrimonio neto

**19. ¿Cómo se elabora el estado de flujos de efectivo consolidado del grupo multinacional?**

- a) Agregando los estados de flujos de efectivo de las distintas empresas que forman el perímetro de la consolidación.
- b) A partir del balance de situación y cuenta de resultados previamente consolidados.

**20. ¿Se preparan notas informativas distintas de las desarrolladas en cuentas individuales para su incorporación en las cuentas consolidadas?**

- a) Sí
- b) No

**21. En el caso de prepararse notas informativas específicas para la consolidación, ¿puede citar alguno de los casos más significativos a los que van referidas?**

**22. ¿Tiene la matriz acceso directo a las modificaciones efectuadas en el software?**

- a) Sí, en cualquier momento.
- b) Sí, en determinados momentos habilitados para ello.
- c) No. El trabajo realizado se envía por otros medios.

**23. ¿Cuál/es de los siguientes métodos de consolidación se emplean en la consolidación del grupo multinacional?**

- a) Método de la adquisición
- b) Unión de intereses
- c) Otros
- d) Integración global
- e) Integración proporcional
- f) Puesta en equivalencia
- g) Otros...

**24. Hay ciertas partidas de balance y cuenta de resultados que requieren eliminaciones por provenir de transacciones entre empresas del grupo. ¿Cuáles de las siguientes son habitualmente eliminadas en su empresa?**

- a) Existencias
- b) Clientes
- c) Proveedores
- d) Acreedores por prestación de servicios
- e) Inmovilizados técnicos
- f) Inversiones financieras diferentes de la participación de control (incluye préstamos)
- g) Ventas
- h) Compras
- i) Otros gastos de explotación
- j) Gastos financieros
- k) Ingresos financieros
- l) Beneficios/pérdidas por enajenación
- m) Otras (indíquese)

**25. La aplicación del método de la adquisición requiere que la integración de los activos y pasivos de su empresa en las cuentas consolidadas del grupo multinacional se lleve a cabo a valores razonables. ¿Se realizan ajustes al valor razonable relativos a la fecha de toma de control?**

- a) Sí, sobre activos no corrientes.

- b) Sí, sobre activos corrientes.
- c) Sí, sobre pasivos no corrientes.
- d) Sí, sobre pasivos corrientes.
- e) No, no se realiza ningún ajuste a valor razonable.

**26. ¿Cómo se determinan las anteriores valoraciones de activos y pasivos?**

- a) La cabecera de grupo delega totalmente en nuestra empresa para determinar las valoraciones.
- b) La cabecera de grupo supervisa cuidadosamente y discute con la empresa sobre dichas valoraciones.
- c) La empresa filial no interviene de ningún modo en la determinación de las valoraciones.

**27. ¿Se vería condicionada la respuesta a la pregunta 26 si como consecuencia de dichas valoraciones se reconociese un fondo de comercio de consolidación?**

- a) Sí
- b) No

**28. Continuando con el método de la adquisición (pregunta 25), ¿Se produce la afloración de intangibles no reconocidos en cuentas individuales previo reconocimiento de un posible fondo de comercio de consolidación?**

- a) Sí
- b) No

**29. La normativa contable introduce el concepto de unidad generadora de efectivo (UGE) tanto para la determinación inicial del fondo de comercio de consolidación como para su posible corrección por deterioro posterior. ¿Determina su empresa diferentes unidades generadoras de efectivo en la elaboración de cuentas individuales?**

- a) Sí
- b) No

**30. En caso de contestar afirmativamente a la pregunta 29, ¿se mantienen las mismas UGEs en la labor de preparación de las cuentas consolidadas?**

- a) Sí
- b) No, se reducen o eliminan.

**31. En caso de contestar afirmativamente, ¿qué parámetros dan lugar a dichas UGEs?**

- a) Segmentos geográficos de producción.
- b) Segmentos geográficos de venta.
- c) Segmentos geográficos de distribución.
- d) Segmentos o líneas de negocio.
- e) Otras (indíquese).

**32. En caso de reconocerse un fondo de comercio relacionado con su empresa, ¿interviene su empresa en la realización del test de deterioro de dicho fondo de comercio?**

- a) Sí
- b) No

**33. En caso de contestar afirmativamente a la pregunta 31, ¿qué parámetros se toman como referencia para su comparación con el valor inicialmente reconocido en libros?**

- a) Cotizaciones bursátiles.
- b) Métodos tradicionales de valoración (ej. descuento flujos efectivo) estimados por personal propio de la empresa.
- c) Métodos tradicionales de valoración (ej. descuento flujos efectivo) estimados por personal propio de la cabecera del grupo.
- d) Se contrata a una empresa de tasación/consultoría externa.
- e) Otros (indíquese).

**34. ¿Existen diferencias entre la moneda funcional de las cuentas individuales y la moneda en que se preparan las cuentas consolidadas?**

- a) Sí
- b) No

**35. ¿En caso de que se presenten en monedas diferentes, se realiza desde su empresa el proceso de conversión a la divisa de consolidación?**

- a) Sí
- b) No

**36. ¿Se produce la modificación o inclusión de nuevas partidas fiscales no recogidas en cuentas individuales en la labor de preparación de consolidación del grupo multinacional?**

- a) Sí, de Activos por impuestos diferidos.
- b) Sí, de Pasivos por impuestos diferidos.
- c) Sí, del gasto devengado por impuesto de sociedades.
- d) Sí, de otras (indíquese).
- e) No.

**37. En caso de contestar afirmativamente a la pregunta anterior, ¿a qué se deben principalmente dichas modificaciones/adiciones?**

- a) A la aplicación de normativas contables distintas entre la filial y el grupo.
- b) A la aplicación del valor razonable a activos y pasivos por la aplicación el método de adquisición.
- c) Al proceso de eliminación de partidas vinculadas.
- d) A otras razones (indíquese).

**38. ¿Audita la misma compañía las cuentas individuales de su empresa y las cuentas consolidadas del grupo multinacional al que pertenece?**

- a) Sí
- b) No

**39. ¿Se requiere que las cuentas individuales estén ya auditadas para proceder a las labores de preparación de la consolidación?**

- a) Sí
- b) No

**40. Los empleados que se encargan de realizar el proceso de consolidación, ¿tienen formación específica en procedimientos de consolidación?**

- a) Sí
- b) No      Nosotros enviamos la información contable a la empresa matriz en un formato determinado e igual para todas las empresas consolidadas, pero no sabemos realmente como se trata esa información a la hora de realizar la consolidación.

**41. ¿Reciben dichos empleados formación en normativa contable diferente de la local española?**

- a) Sí
- b) No

**42. ¿Se utilizan las cuentas consolidadas del grupo multinacional como referencia en la toma de decisiones de su empresa filial?**

- a) Sí
- b) No

**43. Para finalizar, y como profesional implicado directamente en la labor de preparación de la consolidación del grupo multinacional...**

**¿Hubiera incluido alguna pregunta adicional que considera pudiera haber sido de utilidad para un mejor cumplimiento del objetivo de nuestro estudio?**

**¿Eliminaría alguna de las anteriores preguntas por carecer de interés para el objetivo de nuestro estudio?**

**Anexo: Diferentes formas de dependencia**

