

Streamlining financial statements for multinational corporations with financial consolidation software under US GAAP

Simplifying finance and business analytics, financial consolidation under US GAAP ensures compliance, streamlines processes & delivers actionable insights.

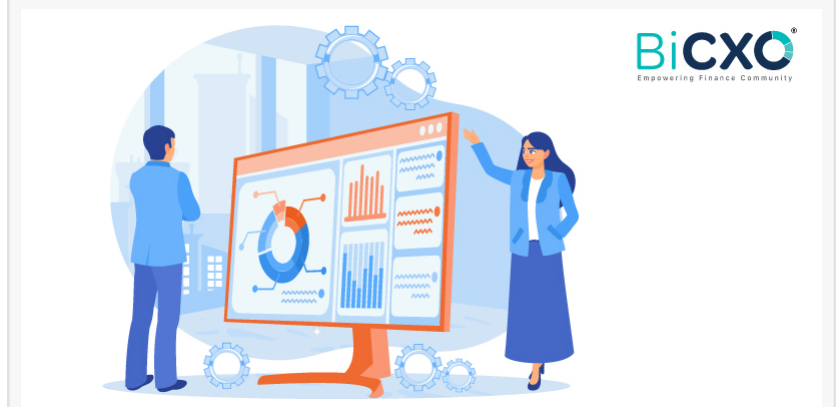
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EINPresswire.com/ -- Consolidating financial statements for multinational corporations under US GAAP Consolidating financial statements for multinational companies can be a very complex process, especially while dealing with cross-border counterparts. To get the flow in place, let us assume, for example, a group company having subsidiaries in five different countries across continents. By default, factors like inter-company eliminations (sales between companies within the group), currency translations (the international exchange rates as applied), and differing local standards pertaining to the country of existence can add layers of intricacy. To reach a stage of compliance on financial consolidation under US GAAP, companies need a stepwise process and an understanding of key [finance and business analytics](#) metrics that are required for consolidation.

Understanding the basics of financial



finance and business analytics



financial consolidation software



financial consolidation software

consolidation with finance and business analytics

Finance and business analytics in consolidation is a way or step wise process of combining financial statements of parent company and subsidiary companies into a single set of financials that exhibit the financial position, performance, and cash flows of the entire group company. For multinational corporations, these type of companies often includes entities with different currencies and accounting practices based on local governing body.

The aim to achieve consolidation under US GAAP is to present consolidated financials of the company in compliance with the Financial Accounting Standards Board (FASB), enabling investors and key stakeholders to assess the financial health and performance of the company at the group level or independent businesses.

Key steps in the financial consolidation process:

a. Assess ownership structure & financial dependencies

Governance The companies have to consolidate in accordance with one of the types of control being the governance provision. Sometimes parent company does operate, twelve times percent of more control, consolidation of financials of entities owned more than fifty percent ownership is required for the parents. In some cases, if it owns more than fifty percent voting rights, companies may need 100 percent consolidation of investments owned more than fifty percent.

b. Foreign currency translation

One of the tougher issues related to consolidating multinational entities is the principal management of the different currencies. As stated within the FASB Master Glossary, "functional currency is the currency of the primary economic environment in which the entity operates." US GAAP actually does dictate that each foreign entity's local currency is translated into the reporting currency, which is usually the US dollar, for the purposes of consolidation.

Adjustments in foreign currency translation

1. Functional currency translation: Assets and liabilities are translated using the balance sheet date's exchange rate, while revenue and expenses may use average rates for the period.

2. Translation gain or loss: US GAAP requires these to be reported in Other Comprehensive Income (OCI) instead of the income statement, minimizing earnings volatility.

Eliminating inter-company transactions

Transactions between group entities, such as sales, loans, dividends, and payables, must be excluded to avoid double-counting. For example, only external customer revenue is reflected in consolidated financials.

Steps:

- Identify inter-company amounts in accounts, loans, and equity.
- Remove revenue/expenses from internal transactions.
- Exclude unrealized gains on inventory or fixed asset transactions.

Adjusting for minority interest

For entities with less than 100% ownership, US GAAP mandates reflecting non-controlling shareholders' share of net income and equity separately in financial statements.

Key reports for financial consolidation:

1. Trial balance report: Ensures reconciliations, inter-company eliminations, and currency adjustments are accurate.
2. Inter-company reconciliation report: Identifies discrepancies in transactions and balances for accurate adjustments.
3. Foreign currency translation adjustment report: Tracks currency adjustments for subsidiaries to ensure gains/losses are reported in OCI, offering transparency on currency impacts.
4. Income statement & balance sheet report: Reflects consolidated group performance, including inter-company eliminations, currency adjustments, and minority interests, for stakeholder insight into profitability and operational metrics.
5. Minority interest report: Separates non-controlling shareholders' equity and earnings to ensure accurate disclosures.
6. Cash flow statement report: Eliminates inter-company cash flows to prevent inflated cash positions, providing a clear view of group liquidity and trends.

Streamlining with [financial consolidation software](#)

Consolidation software minimizes manual errors, enhances efficiency, and accelerates reporting cycles. It automates processes like inter-company eliminations, currency translations, and minority interest calculations.

Key features:

- Multi-currency support.
- Automation of eliminations.
- Accurate reporting with audit trails and customization.

Best practices for effective financial consolidation:

1. Clear policies & procedures: Establishing structured policies ensures consistency and compliance with US GAAP.
2. Centralized chart of accounts: Standardized formats simplify consolidation, elimination, and reporting.
3. Regular reconciliation: Monthly or quarterly reconciliations minimize errors in inter-company accounts.

4. Training finance teams: Periodic updates ensure teams understand evolving standards, practices, and software capabilities.

Consolidation of finance and business analytic for a multinational corporation having entities across the globe under US GAAP is challenging, but the right approach can streamline the process and yield accurate, compliant financial statements. By following a structured process that includes currency translation, inter-company eliminations and having good financial consolidation software for finance and business analytic reporting, companies can effectively present a unified financial picture. Leveraging technology and adhering to best practices further ensures that the consolidation process not only meets regulatory requirements but also provides meaningful insights into the group's performance and financial health

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