Binary Stream

5 common questions answered about financial consolidation for multi-companies

Do you have questions about financial consolidation for multi-companies? You're not alone. This infographic tackles five of the key questions companies ask every day. From keeping track of performance to consolidated financial statements, we've got you covered.

1. What exactly is a multi-company or multi-entity?

Multi-companies are also known as multi-entities, which include a parent company (a holding company or conglomerate) with various subsidiaries and divisions. Some examples of the formation of a multi-company include:

- when companies acquire new entities through mergers
- when a parent company acquires another company
- when a company establishes independently structured international offices

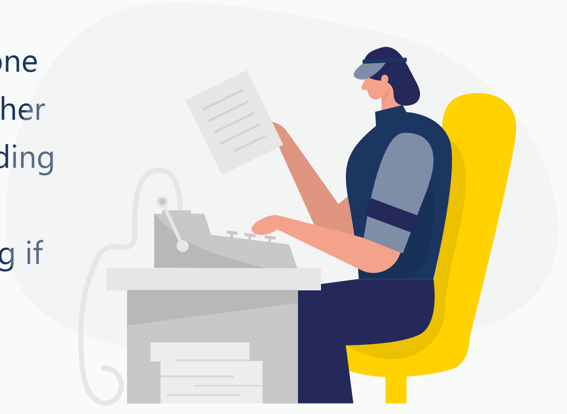
2. Why is financial consolidation necessary for multi-companies?

There are a few reasons why financial consolidation is necessary, here are four of the most compelling:

- Forecasting performance and mapping company goals accurately
- Aligning key performance metrics across all entities
- Complying with accounting standards ASC 810 and IFRS 10
- Investing strategically in the future development of entities

3. When should you consolidate financials?

A multi-company business must consolidate when one company has a majority of the voting power in another company, with over 50% of the subsidiary's outstanding common stock However, if the parent has minority ownership, it may still need consolidation accounting if the parent exerts significant influence over the subsidiary's business decisions.



4. Do intercompany transactions appear on the consolidated financial statement?

No. The consolidated financial statements only report income and expense activity from outside of the economic entity. All intercompany revenues and expenses are omitted to avoid overinflating revenues and expenses.

5. How can companies make financial consolidation easier?

Multi-companies that track consolidated financial data on spreadsheets often wait for data from their subsidiaries, adding to the delays inherent in manual accounting processes. With a **consolidated accounting solution**, organizations can consolidate financial statements, income statements, and balance sheets, and close the books quickly with improved accuracy while facilitating regulatory compliance.

If you've still got questions, check out our full blog—**financial consolidations for multi-companies (FAQs answered)**—where we cover more of the answers to common questions.

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