Necessary to Adjust Consolidated Financial Statements and their Influence on Decisions of Managers of Listed Companies in Tehran Stock Exchange

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Abstract

Decision is a subjective process. One of the most important decisions of managers of business units is making value-added. This value-added is fulfilled through the acquisition of other businesses. The performance results of the business units are represented in reports entitled consolidated financial statements. This study aims to investigate the effects of consolidated financial statements on managers’ decision. In order to conduct this research, the researcher selects listed companies in Tehran Stock Exchange whose stock had been studied in 1392 and were subject to the consolidated financial statements. Four hundred purposefully designed questionnaires were sent to CEO, board members and financial managers; research results have been reported of the 300 returned questionnaires. The study shows that managers are to some extent familiar with consolidated financial statements; they consider this factor more important than other factors. In addition, for managers, simplicity of related techniques for preparation of financial statements and reliance on the information in the consolidated financial statements in payment of dividends are less important.

Keywords: Financial statements, decisions, stocks;

Introduction

Decision-making is a mental process that all human beings have to deal with throughout their lives. Decision-making process is formed in light of culture, perceptions, beliefs, values, attitudes, personality, knowledge and insight; these factors interact and influence each other. In modern management, decision-making is defined as the process of solving a problem and often decision-making is called problem solving. One can say that all the activities and measures conducted in all fields by human subjects are the results of decision-making process. In today world, one of the decisions of managers of business units is combining business units in order to add their values. The combination of units seeks to meet boosting as the result of increased value of a unit in comparison with the total value of its components. It is generally obtained as the consequence of combination of business units. Combination of business units results in an increase in the scope of management decision making so that it is necessary for managers of the units to consider a combined units as a single unit. The act of decision-making in the administration of large organizations is so important that an organization and management have been defined respectively as the network of decisions and the act of decision-making. Nowadays, the administration of such organizations cannot rely solely on the intelligence and judgment of individuals, rather, decisions should be based on scientific studies, statistics, and specific information according to certain principles and procedures.

When combining two or more companies form a single economic unit, preparation of financial information in the form of a separate set of financial statements is needed, it is assumed that consolidated financial statements are more meaningful than separate financial statements. If in a group of companies, a company controls the others, the consolidated financial statements present financial information in a better way. However, the expectation is that if the market value of parent company is not affected only by the assets and liabilities of parent company, the control of parent company over subsidiaries plays an essential role in determining the company’s future earnings and consequently on its dividends. Therefore, presented information about the structure of assets and consolidated liabilities can provide valuable data for decision makers. According to Iranian standards of accounting, preparation of consolidated financial statements along with the financial statements of each basic unit is required. Independent and dependent variables in this study are consolidated financial statements and management decision making. The main research question investigates the effects of decisions of managers on consolidated financial statements of listed companies in the Stock Exchange.
The theoretical background

Decision-making process

To make a favorable decision, one should predict the value of each possible outcomes of decision, compare implicitly the values with a quantitative scale, and evaluate the probability of success, that it is not always easy. Decision-making is an integral component of management and is manifested in all management tasks. Decision-making is a major essential component of organizational policy-making, formulation of objectives, organizational designs, selection and evaluation, and all actions of management (Tehrani, R. & Sadeqi Sharif, 2004: 44).

Decision-making and managers

There are two basic factors in all decision:
A - The results of decision-making and its implementation, or in other words, the expected value
B - The possible chance of implementation for achieving the optimal outcomes.
According to Herbert Simon, the essence of management is decision-making and management could even be considered as synonymous with decision-making. He released his decision theory as “manager as decision maker”. In his opinion, decision maker is a ready individual for decision-making in critical moments. If management is synonymous with the decision-making, decision-making is not merely selection of one ways among other ways, but it is referred to the whole process. In many organizations, especially in general and administrative organizations, the made decisions include both administrative and policy decisions with different proportions.

Decision-making and problem solving

As mentioned in the introduction, decision-making is a process related to resolving an issue or problem, and often called “problem solving”. In many cases, the problem or issue is very complex and only may be understood and controlled partially. Therefore, decisions are usually not designed to provide the ideal or perfect answers, but they are designed to improve the situation. In some cases, the problems may be manifested so that managers are only able to reduce the severity of problems rather than to find a systematic answer for all problems.
Russell Ackoff differentiates solving, resolving, dissolving, and absolving. He defines them in the following way:

\textit{Solution}: Finding optimal or the best choice, or the best alternative. Rational decision-making is efforts to find such answer.

\textit{Resolution}: Finding satisfactory answer, it may not necessarily be the best available answer, but the selection is due to conditions such as time constraints and lack of true understanding the issue.

\textit{Dissolution}: It is carried out when the goals have been changed in such a way that the problem seems new in current situation through the implementation of determined measures. Feelings about what was bound to happen has changed, adjusted and placed in a way that the new decisions will be accepted as current realities.

\textit{Absolved}: it means to ignore problems with the hope that potential problems will not appear (Davani, 2002:11).

Theoretical Basis of Consolidated Financial Statements

The purpose of preparing consolidated financial statements is to provide information about the entity’s financial position and financial performance of the sub-units for users. Consolidated financial statements pass legal
boundaries between major business units and subsidiary business units and consider them as a single economic unit. When a business unit controls one or more subsidiary units, it provides valuable information about the performance and financial condition for the group through the combination of financial information and the preparation of consolidated financial statements. There are two important theories in theoretical principles related to reporting of financial statements: ownership and individual economic personality. Ownership theory concentrates on the ownership of owners on financial unit. In this theory, the controller is the owner group included of some legal personality, or shareholder group; they are typically the major shareholders. According to ownership theory, interests of the minority shareholders are excluded from consolidated financial statements and consolidated financial statements are presented for parent company shareholders. In other words, according to this theory, the shares of the minorities in assets, liabilities, and goodwill should not be presented in consolidated balance sheet (Khosh Tinat, 2008: 43). In the theory of individual economic personality, emphasis is placed on assets and liabilities of the entire economic collection, the group is regarded as an individual economic unit, and the interests of minority shareholders is seen as part of equity. This theory is based on the following equation:

\[
\text{Assets} = \text{Liabilities} + \text{Equity}
\]

In the consolidated financial statements based on the theory of economic individual personality, all stakeholders are included in economic unit and share of minority shareholders is represented in the consolidated balance sheet within equity sector. According to this theory, the difference between majority and minority should not be ignored. Nowadays, ownership and individual economic personality are combined to form new consolidated financial statements. Iranian Accounting Standard No. 18 is primarily based on individual economic personality theory; it is used the concepts of ownership in a few cases (ibid, 56).

**Consolidated Terms**

For preparing consolidated financial statements, similar items of financial statements of main business units and subsidiary business units subject to consolidation are added together after adjustments. Adjustments required for transactions and balances within the consolidated group and unrealized profits from intra group transactions is administered to show financial information of group as a single economic personality through consolidated financial statements. Minority share should be calculated separately (Hasan Hemati, 2007: 40).

**Purposes of Preparing Consolidated Financial Statements**

Consolidated financial statements are the financial statements of the group (the main business units and all its sub-entities) prepared using rules of combination. The purpose of the consolidation is the process of adjustment and combination of information available in individual financial statements of a parent business unit and its ancillary units to prepare the consolidated financial statements. The purpose of preparing consolidated financial statements, provide information about the financial situation and financial performance of a parent business unit and its ancillary units for users because when sub-business units are placed under the control of the main entity, the main entity’s financial statements alone do not represent a complete picture of its economic activity and financial condition. Users of the main entity’s financial statements need information about the financial position, financial performance and cash flows to make economic decisions. This need is met through the consolidated financial statements that present financial information relating to the group as a single economic personality regardless of the legal boundaries of the individual legal entities. Investors of the main entity are usually the major users of financial statements because they have some shares in the group through their interests in the main entity. However, consolidated financial statements provide useful information for other users beyond investors (Shabahang, 2001:41). In consolidated financial statements, the results of operations, financial condition, and changes in financial condition of major and minor entity as a single accounting are combined and reported. In other words, consolidated financial statements are prepared for investors to report the main unit and sub-unit as a single economic entity; the main unit and sub-unit are legally separated and both of them has a independent legal entity (Akbari, 2008: 35).

**The Necessity of Preparing Consolidated Financial Statements (For a Company)**
1) Reporting
2) Evaluation of results (shareholders, creditors, investors)
3) Assessing the financial condition
4) Accounting standards and legal requirements
5) Long-term investments in other companies (ibid, 45).

**History of Research**

Partoe (1999) examines the obstacles and difficulties of preparing consolidated financial statements in the automotive industry. The results show that they do not reflect all companies included in consolidation in preparing consolidated financial statements in automotive industry and unrealized profits in the ending inventory is not properly extracted. Nevertheless, the rest of the adjustments are implemented and considered partially in the preparation of consolidated statements. In addition, the statements are devoid of the qualitative features, but they have the features of reliability, comparability and understanding. Chalqae (2008) studies the influence of consolidated financial statements on judgments of professional investors in Iran in comparison with the main company's financial statements. The outcomes of his research show that the manner of presenting main and consolidated financial statements have no influence, individually or together, on judgments of professional investors.

Khosh Tinat (2003) investigates the reasons for failure to use consolidated financial statements in management decision making. He uncovers that in spite of managers' awareness of consolidated financial statements, they do not use consolidated financial statements in their decisions due to the complexity of techniques involved in the preparation of their statements and their insignificance in law enforcement.

She’ri and Sabz Ali Pour (2005) examine the usefulness of information in the consolidated financial statements by comparing the information in company’s financial statements. They show that the details of consolidated financial statements are not helpful as compared with the parent company financial statements.

A research by Glover Steven M., Douglas F. Prawitt, Jonathan T. Liljegre and William F. (2008) proves that the manner of presenting main and consolidated financial statements, individually or together, have no effect on the decisions of professional investors.

In their research titled “Responses of the Stock Market to Macroeconomic Announcements across Economic States”, Lili and Zvliv f.Hv. (1998) represent that unanticipated increase in the money supply leads to an immediate rise in interest rates. Increase in interest rates reduces the present value of future cash flows and it will eventually decrease stock price.

In his research in Singapore stock market, Leigh (1997) realizes that Singapore stock index relates positively to the decisions made by the managers due to financial statements.

In 2004, Achsani and Strohe examined mall regional markets such as Norway and Indonesia market. They concluded that there is a positive relationship between stock efficiencies and changes in manegers’ decision due to financial statements. Their investigation shows that there is a negative relationship between stock prices and the decisions of managers. However, the relationship between stock prices and managers’ decisions is ambiguous. In addition, the researchers were unable to recognize a strong and effective relationship between stock price and the results of consolidated financial statements. However, they were able to achieve a positive relationship between stock prices with managers’ decisions and unsystematic risk.

**Research Methods**

This research is practical in terms of objectives and it is descriptive (survey) in terms of the method of data collection. The aim of this correlation research is determining the degree of changes in two variables; it uses regression equation for data analysis.

**Statistical Population and Sample**

Statistical population includes the managers of of listed companies in Tehran Stock Exchange. The study uses stratified sampling formula to choose the number of samples. In this method, the researchers do not encounter a homogeneous population; the society includes a group of board members, senior managers and financial
managers. In this regards, the statistical society is classified into different groups according to homogeneous characteristics within each group. The samples were selected according to the following procedure:

\[ n_k = n/N * N_k \]

- \( N_k \): All members of each class = 40
- \( N \): population size = 1400
- \( n \): sample size = 300
- \( n_k \): samples in each category

**Methods of Data Collection**

This research uses experimental data and library methods to collect the required data for hypotheses as well as theoretical bases of the research. The research tools are questionnaires and reports by experts of surveyed companies. These data are from basic data type and is characterized by reliability and validity. To increase the validity and reliability of questionnaires, first, some questionnaires were distributed among a group of managers and all ambiguities in relation to the questions were removed. Thus, the some questions were finally eliminated and some of other alternative questions were replaced. At last, the ultimate questionnaire was was developed and distributed.

**Methods of Data Analysis**

The researcher uses descriptive characteristics (mean and standard deviation) for data analysis and Kolmogorov-Smirnov test to verify the normality of the variables, Pearson correlation coefficient, and regression through SPSS software.

**Findings**

Table 1 shows descriptive characteristics (mean, standard deviation) and the Kolmogorov-Smirnov test to check the normality of the variables. The highest mean score is 4.5 and relates to managers’ decision making; the lowest mean value is 3.02 relating to trust and reliance on the consolidated financial statements in the distribution of profits paying taxes. It shows that respondents use largely the consolidated financial statements in their decision-making. The results of the mean responses of the dependent variables indicate that managers’ knowledge and awareness of the the consolidated financial statements is the most important reason for using this form of decision-making by administrators. The next ranks are allocated to accuracy and the complexity of the techniques involved in the preparation of the consolidated financial statements and to the degree of trust and reliance on the financial statements, distribution of profits, paying taxes. Standard deviation and coefficient of variation show the accuracy of the obtained results. The more is standard deviation and the less is coefficient of variation, the more will be the accuracy of the measured results. The coefficient of variation obtained for each of these variables indicates that managers’ decision-making has the highest accuracy and lack of complexities in the preparation of consolidated financial statements has the lowest accuracy. Kolmogorov-Smirnov test results show that the distribution of all variables is normal. Since the distribution of all variables is normal, Pearson correlation and regression models are used in analyzing the hypotheses.
Table 1: Descriptive statistics and normality test for variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Statistics</th>
<th>Managers’ knowledge and awareness</th>
<th>Accuracy and lack of complexities in the preparation of consolidated financial statements</th>
<th>Trust in and reliance on the financial statements, distribution of profits, paying taxes</th>
<th>Managers’ decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.25</td>
<td>4.01</td>
<td>3.02</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Standard deviation</td>
<td>0.3</td>
<td>0.88</td>
<td>0.36</td>
<td>0.24</td>
<td></td>
</tr>
<tr>
<td>K-S statistics</td>
<td>0.744</td>
<td>1.301</td>
<td>0.948</td>
<td>0.864</td>
<td></td>
</tr>
<tr>
<td>Chance of K-S statistics</td>
<td>0.638</td>
<td>0.069</td>
<td>0.330</td>
<td>0.445</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 shows Pearson correlation coefficient for studying the relationship between knowledge and awareness of managers of listed companies in Tehran Stock Exchange about consolidated financial statements with their decision-making. The results of correlation coefficient show that there is a positive correlation (0.881) between their knowledge and awareness of consolidated financial statements with their decisions.

Table 2: Correlation coefficient between managers’ knowledge and awareness with their decision-making

<table>
<thead>
<tr>
<th>Number of respondents</th>
<th>Pearson correlation coefficient</th>
<th>Significant level</th>
<th>Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>300</td>
<td>0.881</td>
<td>0.000</td>
<td>Rejection of the hypothesis H₀</td>
</tr>
</tbody>
</table>

The regression model of impact of manegers’ knowledge and awareness of consolidated financial statements on managers’ decisions is stated in Table 3. The results in Table 3 show that manegers’ knowledge and awareness of consolidated financial statements have a positive effect on their decisions. It means that an increase in manegers’ knowledge and awareness increases their decisions based on consolidated financial statements. It should be noted that according to the regression coefficient for the variable of knowledge and awareness of consolidated financial statements (0.581) is strong and it is statistically significant based on the chance of T-statistics (0.003). Results of F-statistics (0.000) indicate that the model is generally meaningful and it does not have the problem of autocorrelation according to Durbin-Watson statistics (1.760). In addition, the results of the adjusted coefficient of determination indicate that about 0.635 of all changes in managers’ decisions is under the influence of their knowledge and awareness of consolidated financial statements.

Table 3: Regression model of the impact of managers’ Knowledge and awareness of consolidated financial statements on managers’ decisions

<table>
<thead>
<tr>
<th>Statistics variables</th>
<th>Regression coefficient</th>
<th>Standard error</th>
<th>T-statistics</th>
<th>Chance of t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant value</td>
<td>6.860</td>
<td>0.567</td>
<td>11.909</td>
<td>0.000</td>
</tr>
<tr>
<td>managers’ Knowledge and awareness</td>
<td>0.581</td>
<td>0.245</td>
<td>2.371</td>
<td>0.003</td>
</tr>
</tbody>
</table>

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Table 4 shows correlation coefficient for studying the relationship between accuracy and lack of complexities in the preparation of consolidated financial statements with their decision-making. The results of correlation coefficient show that there is a positive correlation (0.790) between their knowledge and awareness of consolidated financial statements with their decisions.

Table 4: Correlation coefficient between Accuracy and lack of complexities of techniques with their decision-making

<table>
<thead>
<tr>
<th>Number of respondents</th>
<th>Pearson correlation coefficient</th>
<th>Significant level</th>
<th>Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>300</td>
<td>0.790</td>
<td>0.000</td>
<td>Rejection of the hypothesis $H_0$</td>
</tr>
</tbody>
</table>

The regression model of impact of accuracy and lack of complexities in the preparation of consolidated financial statements on their decisions is stated in Table 4. The results show that accuracy and lack of complexities in the preparation of consolidated financial statements have a positive effect on managers’ decisions. In other words, an increase in accuracy and lack of complexities in the preparation of consolidated financial statements increases managers’ decisions based on consolidated financial statements. One should remind that according to the regression coefficient for the variable of accuracy and lack of complexities in the preparation of consolidated financial statements (0.221) is strong, and it is statistically significant based on the chance of T-statistics (0.001). Results of F-statistics (0.000) indicate that the model is generally meaningful and it does not have the problem of autocorrelation according to Durbin-Waston statistics (1.986). Moreover, the results of the adjusted coefficient of determination indicate that about 0.546 of all changes in managers’ decisions is under the influence of their accuracy and lack of complexities in the preparation of consolidated financial statements.

Table 5: Regression model of the impact Accuracy and lack of complexities in the preparation of consolidated financial statements on managers’ decisions

<table>
<thead>
<tr>
<th>Statistics variables</th>
<th>Regression coefficient</th>
<th>Standard error</th>
<th>T-statistics</th>
<th>Chance of t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant value</td>
<td>8.774</td>
<td>0.921</td>
<td>9.527</td>
<td>0.000</td>
</tr>
<tr>
<td>Accuracy and lack of complexities in the preparation of consolidated financial statements</td>
<td>0.221</td>
<td>0.085</td>
<td>2.601</td>
<td>0.001</td>
</tr>
<tr>
<td>The coefficient of determination</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted coefficient of determination</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 6 shows correlation coefficient for studying the relationship between trust and reliance on financial statements, distribution of profits, and paying taxes with managers’ decision-making. The results of correlation coefficient show that there is a positive correlation (0.777) between the two variables.

**Table 6: Correlation coefficient between trust and reliance on financial statements, distribution of profits, and paying taxes with their decision-making**

<table>
<thead>
<tr>
<th>Number of respondents</th>
<th>Pearson correlation coefficient</th>
<th>Significant level</th>
<th>Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>300</td>
<td>0.777</td>
<td>0.000</td>
<td>Rejection of the hypothesis H₀</td>
</tr>
</tbody>
</table>

The regression model of impact of trust and reliance on financial statements, distribution of profits, and paying taxes on managers’ decisions is stated in Table 7. The results show that trust and reliance on financial statements, distribution of profits, and paying taxes have a positive effect on managers’ decisions. In other words, an increase in trust and reliance on financial statements, distribution of profits, and paying taxes increases managers’ decisions based on consolidated financial statements. It should be reminded that according to the regression coefficient for the variable of trust and reliance on financial statements, distribution of profits and paying taxes (0.109) is strong, and it is statistically significant based on the chance of T-statistics (0.006). Results of F-statistics (0.000) indicate that the model is generally meaningful and it does not have the problem of autocorrelation according to Durbin-Watson statistics (1.654). Moreover, the results of the adjusted coefficient of determination indicate that about 0.512 of all changes in managers’ decisions is under the influence of their trust and reliance on financial statements, distribution of profits, and paying taxes.

**Table 7: Regression model of the impact of between trust and reliance on financial statements, distribution of profits, and paying taxes on managers’ decisions**

<table>
<thead>
<tr>
<th>Statistics variables</th>
<th>Regression coefficient</th>
<th>Standard error</th>
<th>T-statistics</th>
<th>Chance of t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant value</td>
<td>10.347</td>
<td>0.867</td>
<td>11.812</td>
<td>0.000</td>
</tr>
<tr>
<td>Trust and reliance on financial statements, distribution of profits, and paying taxes</td>
<td>0.109</td>
<td>0.034</td>
<td>3.206</td>
<td>0.000</td>
</tr>
<tr>
<td>The coefficient of determination</td>
<td>Adjusted coefficient of determination</td>
<td>F statistics</td>
<td>Chance of F statistics</td>
<td>Durbin-Watson</td>
</tr>
<tr>
<td>0.603</td>
<td>0.512</td>
<td>36.112</td>
<td>0.000</td>
<td>1.654</td>
</tr>
</tbody>
</table>

**Discussion and Conclusions**

This article investigates the necessity of adjusting consolidated financial statement and its effect on decisions of managers of listed companies in Tehran stock exchange and management decision making. Results show that
there is a relationship between managers’ knowledge and awareness with their decision-making. That is to say, improvement in the independent variable of managers’ knowledge and awareness of consolidated financial statements improves managers’ decisions. Given previous research findings, it can be said that this factor is an important factor. In terms of managers’ decisions, having more knowledge of the methods used in the consolidated financial statements, better understanding of the accuracy of financial statements, and awareness about the compliance of their plans with the results of the consolidated financial statements lead a manager to better performance of managers’ tasks in organizational decisions. Management system can employ this capability to develop better decision-making in an organization. Trevor’s article in 208 does not suggest ‘allocating materiality and aggregating results’ for managers in their decisions based on consolidated financial statements. The results of this paper is in line with Sh’ri and Sabz Ali Pour’s study in 2008 that examines examine the usefulness of information in the consolidated financial statements by comparing the information in company’s financial statements.

Another finding of this study is that there is a relationship between lack of complexities in the preparation of consolidated financial statements with managers’ decisions. Thus, it is possible to argue that removing lacks of complexities in the preparation of consolidated financial statements results in improvement of the dependent variable of managers’ decision. . Given previous research findings, it can be said that this factor plays an important role. Different techniques used in preparing consolidated financial statements, certain technical calculations, and the use of modern techniques and softwares are helpful in promotion of better decision-making by managers. In this regard, analysis of techniques used by competing firms in preparing the consolidated financial statements can lead to promotion of managers’ decisions and it results in the improvement of better decision-making in an organization. This finding is related and consistent with the results of researches conducted by Leigh (2009) and Fung and Lie (1990) about Singapore stock market and the complexity of the techniques of management decisions relating to the preparation of financial statements.

Results indicate that there is a relationship between reliance on financial statements, distribution of profits, and paying taxes with managers’ decision. Therefore, increasing reliance on financial statements, distribution of profits, and paying taxes results in an improvement in managers’ decisions. Due to previous research findings, it can be said that this factor is important. In the recent survey, it is clear that reliance on the basic principles of preparing consolidated financial statements (details of subsidiary companies) and interest payments based on information contained in the consolidated financial statements lead to better decision-making by managers. In addition, using the results of consolidated financial statements results in better decision-making in shareholders assembly; it helps them to make internal decisions (unsystematic risk) based on the results of consolidated financial statements. The result of this paper is consistent with finding of Achsani and Strohe (2003); they have concluded that there is a positive relationship between managers’ decisions and unsystematic risk.

In this investigation, researcher aims to prioritize the indicators of consolidated financial statements in managers’ decision-making. Towards this goal, the obtained details were tested by the regression correlation coefficient, and prioritizing was implemented. The results of prioritizing are as follows: managers’ knowledge of consolidated financial statements has a high priority in managers’ decision-making and it has the greatest impact. The second priority belongs to lack of complexities in the preparation of consolidated financial statements. Then, the third priority is allocated to reliance on financial statements, distribution of profits, and paying taxes by respondents.

**Practical-Management Suggestions**

According to the research results, researcher expresses the following recommendations:

1. Accuracy of the information in consolidated financial statements should be considered in the institutional and organizational structures.
2. Techniques of consolidated financial statements should be centralized to facilitate the availability of information in consolidated financial statements for managers.
3. Planning should take place in order to raise managers’ awareness and knowledge of certain technical calculations and using modern softwares, techniques, and their benefits in the consolidated financial statements.
4. Designers should firmly try to prepare proper area for creation of opportunities to interact with rivals in the market. It helps the organization to analyze unknown techniques in preparing consolidated financial statements by competing firms.
5. Continuous monitoring should be conducted on implementation and enforcement of laws and regulations on the basic principles of preparing consolidated financial statements (Information of subsidiaries) and the information contained in the consolidated financial statements.

6. Managers should use the primary sources of financial statements in their decision-making based on the results of consolidated financial statements.

References


