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Improvement proposals for the preparation process of individual and consolidated financial statements of the Impacting Group

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Internship Report

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Supervised by

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To all of my friends.

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Abstract

This report gives a thorough rundown of the Impacting Group internship, with a particular emphasis on managing the consolidation procedures and financial statement preparation. Creating management reports for specific businesses, maintaining financial demonstrations, and creating consolidated financial statements for the holding company were all part of the internship. The significance of precise financial reporting and the implementation of International Financial Reporting Standards (IFRS) in a global setting were brought to light by these assignments.

In order to guarantee a true and equitable picture of the group's financial situation, the internship activities included evaluating industry trends, updating financial data, and removing intercompany transactions. The report emphasizes the need for cutting-edge information technologies, standardized accounting rules, and strong internal controls while integrating these real-world experiences with pertinent research on financial statements and consolidation.

Investing in unified accounting platforms and standardizing accounting procedures are some of the key suggestions made for improving financial reporting and consolidation processes. These recommendations seek to enhance financial reporting's general transparency, adherence to international standards, and data accuracy. This internship has provided insightful knowledge about the intricacies of applying accounting standards in a fast-paced business setting and financial consolidation.

Resumo

Este relatório oferece um detalhe completo do estágio no Impacting Group, com foco especial na gestão dos procedimentos de consolidação e na preparação das demonstrações financeiras. O estágio envolveu a criação de relatórios de gestão para as empresas do grupo, a atualização das demonstrações financeiras e a elaboração das demonstrações financeiras consolidadas para a empresa-mãe. Essas atividades destacaram a importância da precisão na elaboração dos relatórios financeiros e a implementação das Normas Internacionais de Relato Financeiro (IFRS) em um contexto global.

As atividades do estágio incluíram a avaliação das tendências do setor, a atualização dos dados financeiros e a eliminação das transações entre empresas para garantir uma visão verdadeira e justa da situação financeira e do desempenho do grupo. O relatório enfatiza a necessidade de tecnologias de informação avançadas, regras contabilísticas padronizadas e controlos internos robustos, integrando essas experiências práticas com a pesquisa relevante sobre demonstrações financeiras no âmbito da contabilidade de grupos.

Entre as principais sugestões para melhorar os processos de consolidação e de preparação dos relatórios financeiros consolidados estão o investimento em plataformas contabilísticas unificadas e a padronização dos procedimentos contabilísticos. Essas recomendações visam aprimorar a transparência geral dos relatórios financeiros, a conformidade com os padrões internacionais e a precisão dos dados. Este estágio forneceu conhecimentos valiosos sobre a complexidades da aplicação dos padrões contabilísticos num ambiente empresarial dinâmico e na consolidação financeira.

Keywords

Financial statements; consolidated financial statements; methods of consolidation.

Palavras-chave

Demonstrações financeiras; demonstrações financeiras consolidadas; métodos de consolidação.

Table of contents

Table Index

1. Introduction

Consolidated financial statements are a key component in the financial reporting of organizations with multiple subsidiaries or divisions. Through the consolidation of financial information from multiple corporate group entities into a single comprehensive report, it is a precise and transparent depiction of the organization's overall financial condition. A comprehensive understanding of the company's assets, liabilities, equity, income, and expenses is provided to stakeholders through this integrated approach, which is essential for making well-informed decisions.

Consolidated financial statement preparation entails several intricate procedures, including the elimination of intercompany transactions, currency adjustment, and verification of compliance to generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). For large multinational corporations in particular, proper consolidation is critical to accountability and transparency because it allows for a clear comparison of financial performance across various regions and subsidiaries.

The company where I realized my internship, Impacting Group, is a prominent player in the Digital Business Technology-Based industry. The group's first company, Adclick, was founded in 2007 and continued until 2014, when Impacting Group was formed to manage Adclick, Adclick Brasil, Wondeotec, and Smarkio.

During the curricular internship I had the opportunity to work in the financial department, mainly in the accounting of the Impacting Group and individual firms. The objectives for the internship were to analyze the individual financial statements and consolidated financial statements files and provide improvement suggestions; analyze and make proposals to standardize the financial statements and consolidated financial statements procedures across various companies within the Impacting Group; and propose enhancements to optimize the consolidated accounts of the Impacting Group.

The present internship report is structured as follows:

The introduction of the internship report lays the groundwork for comprehending the importance of consolidated financial statements. It highlights the crucial role that consolidated financial statements play in financial reporting for multinational corporations and gives the topic the necessary context. Organizations can give stakeholders a cohesive picture of their financial health by combining the financial information from multiple subsidiaries into a single set of statements. This is essential for stakeholders to make well-informed decisions. The introduction also provides a synopsis of the company's history, organizational structure, and day-to-day activities, where the internship was held. It goes on to detail the internship's goals, elucidating how the tasks and experience gained contribute to a more comprehensive comprehension of consolidated financial statements.

The report then goes on to provide a thorough analysis of the internship's sponsoring company. This section explores the history and development of the company, offering details about its operations and business plan. It outlines the particular tasks completed during the internship with an emphasis on the usefulness of handling consolidated financial statements. The goal of this in-depth analysis is to provide a clear picture of how the business's operations fit into the consolidation process.

Afterwards, the report's literature review, which examines scholarly and historical viewpoints on consolidated financial statements. An overview of financial statements and their function in financial reporting is covered in the first section of this review. Consolidated financial statements are examined in detail, with definitions, significance, and guiding principles discussed. Consolidation perimeters—the standards for including subsidiaries, associates, and joint ventures—are examined in the third and fourth sections. Finally, optimization techniques—techniques and best practices for enhancing the consolidation process—are examined. This section facilitates comprehension of the theoretical foundations of consolidated financial statements by offering historical and scholarly insights.

The report culminates with an objective analysis of the internship activities, assessed in light of the knowledge acquired from the literature review. This analysis evaluates the success of the observed consolidation processes, notes difficulties faced and considers the application of theoretical ideas. The objective is to identify areas that require more research, make suggestions for possible enhancements, and draw conclusions about the practical implications of the literature review.

2. Curricular Internship

2.1 Hosting Entity

Impacting Group is a Portuguese holding company that operates multiple businesses within the digital space with an emphasis on global markets. In the remaining of this subtopic, the most significant businesses of the holding company will be mentioned and explained.

The group's first business to launch was Adclick, which did so in 2007. All group activities were centralized within this one business until 2014. However, as new, distinct businesses were introduced, it became clear that everything needed to be unified, and Impacting Group, a new holding company, was created. Adclick, Adclick Brazil, Wondeotec, and Smarkio all trace their parentage to it. In 2016, the combined revenue of all Impacting Group companies surpassed 10 million euros.

Adclick Brasil (better known as Beeleads) is a Brazilian agency that grows the digital marketing industry. It became operational in 2011 and has been a key component of the internationalization strategy of the Impacting Group. Its revenue topped 1.6 million euros in 2016.

Emailbidding (also known as Wondeotec) is an advanced tool enabling companies to launch highly effective digital marketing campaigns with just a few clicks. Among the millions of certified partner registrations, Emailbidding is a marketplace that matches each campaign to the most suitable recipient. In 2016, it generated a turnover of €2.2 million and had an export rate exceeding 60%.

Smarkio emerged in 2015 from the market need to adopt the technologies that had been developed by the Impacting Group since its inception. With an emphasis on messaging and sales cycle follow-ups, it specializes in marketing automation solutions. The main product, Chatbot CMS Smarkio, maximizes conversion using prewritten scripts that work on their own to accomplish a variety of tasks, including gathering data and enhancing customer service. Its chatbots are renowned for being very interactive, being simple to set up, and integrating with Slack, Facebook, and Skype, among other platforms. Major clients such as EDP, SIVA, ITAÚ, Porto Seguro, and Citibank quickly trusted Smarkio, which has offices in São Paulo and Porto.

2.2 Internship Goals

My internship at Impacting Group had three main goals: The first step should be to perform a comprehensive analysis of the separate and combined financial statements in order to pinpoint areas that require improvement and provide detailed recommendations. This required a thorough analysis of all the group companies' financial reporting. Finding errors or inefficiencies in these financial statements makes it possible to make focused adjustments that can improve accuracy and transparency.

The second objective was to assess and propose the standardization of financial statement procedures across the various companies within the Impacting Group. Given the group's size and complexity, differences in reporting methodologies and financial procedures can lead to inefficiencies and inconsistencies. By streamlining and unifying these processes, the group could benefit from improved efficiency, reduced errors, and enhanced comparability between companies. A focus on creating uniform reporting structures and utilizing consistent accounting methodologies will ensure more reliable consolidation of financial data.

Finally, the third objective was to concentrate on creating proposals to optimize the consolidated financial statements for the entire group. The group's overall performance and financial situation are reflected in the consolidation process, which is crucial. My objective was to propose improvements to the consolidation procedures that would increase financial transparency overall, compliance with international standards, and timely reporting by locating redundant processes, or possible inaccuracies.

2.3 Activities developed

During my internship, I engaged in several key activities related to the preparation and management of financial individual statements for the Impacting Group.

My primary responsibilities included the development of the management report for the annual report of all individual companies within the group, which encompassed assessing the most relevant facts occurred in the last financial year and how it impacted each of the companies according to their types of businesses, also I had to explain what risks might arise in the next financial year and how it can impact negatively or positively the companies. An extensive industry report was also produced for each company where it was analyzed how each industry was growing in the past years and what type of trends could be identified that could impact the way that these companies do business and their products or services.

One of my main tasks involved assisting in the creation and updating of the financial demonstrations for each company in the group. This process required meticulous attention to detail to ensure that all financial data was accurately reflected. I was responsible for updating the notes to the financial demonstrations, which included providing explanations and additional details to enhance the clarity and comprehensiveness of the reports. These notes are crucial as they offer stakeholders insights into the financial figures and accounting policies applied.

In addition to these tasks, I helped in the preparation of consolidated financial statements for the holding company, Impacting Group. This process involved aggregating the financial data from all subsidiary companies and ensuring that intercompany transactions and balances were properly eliminated to present a true and fair view of the group's financial position. The consolidation required a thorough understanding of consolidation principles and careful application of accounting standards to achieve accurate results.

Furthermore, I contributed to the preparation of the management report for the holding company. This report provides a summary of the company's financial performance and strategic outlook, and it is a key document for stakeholders, including investors and regulatory bodies. My role the development of a report where it was assessed future risks for the company as well how the last financial year impacted the business operations.

Finally, I assisted in creating the consolidated financial statements for the holding company, including the financial demonstrations notes. This involved preparing the balance sheet, income statement, cash flow statement, and other relevant documents, and ensuring that all disclosures were complete and in compliance with applicable accounting standards. The notes to these statements provided additional context and detail, helping to explain the figures presented and the accounting practices followed.

Overall, these activities provided me with valuable experience in financial reporting and consolidation, allowing me to develop a deep understanding of the processes involved in managing and presenting financial information for a multinational group.

2.4 Contributions

I supported the Impacting Group's daily operations by contributing to a variety of financial reporting processes during my internship there. Assisting with the creation of management reports for each of the group's individual companies was one of my primary contributions. This required examining significant occurrences from the previous fiscal year and how they affected every business. Along with providing observations on how these risks might affect the companies' performance, I also assisted in identifying potential risks for the upcoming year.

In addition, I collected information and examined industry trends for each company I worked on for industry reports. It was my responsibility to offer my analysis of how these trends might impact the companies' future operations and strategy. The goal of providing this information was to help management make better decisions.

I also contributed to the creation and maintenance of financial statements. Making sure the financial data was accurate was my main priority, especially when it came to updating the financial statements' notes. These notes assisted in giving the financial figures more context and explanation.

Consolidating the holding company's financial statements was one of the trickier jobs I helped with. This required compiling the financial information from each of the group's subsidiaries and making sure that intercompany transactions were appropriately removed. I collaborated extensively with the group to guarantee the accuracy and adherence to accounting standards of the final consolidated reports.

3. Literature Review

3.1 Individual financial statements

Financial statements have the objective of providing financial information of the reporting entity's assets, equity, liabilities, income, and expenses that is helpful to stakeholders assessing the scenarios for future net cash flows to the reporting company and in assessing management of the entity's economic resources. (International Financial Reporting Standards Foundation, 2018)

As Elliot and Elliot (2019) mentioned annual reports contain mainly primary financial statements as statement of income, statement of other comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and explanatory notes to the accounts and should be presented utilizing the standardized formats set by the IFRS (International Financial Reporting Standards).

In addition, Duțescu (2019), said that information is considered relevant if it has the potential to impact economic choices of its users, and those responsible for the financial statement preparation determine what information is relevant based on the materiality of the information. Relevant information has both predictive and confirmatory value because it influences decisions made in the future and helps evaluate the accuracy of decisions made in the past.

Financial statements include information about transactions and other events that happened after the end of the reporting period if it is necessary to achieve the goal of the financial statements. In addition, they offer information from the viewpoint of the reporting entity all around rather than emphasizing on specific parts of the company in question. (International Financial Reporting Standards Foundation, 2018)

The "last mile of finance" is a term referring to several steps that end in the publication of the financial statements, which can contain financial close process management, reconciliations management, intercompany transactions management, consolidations, among others. One could argue that the quality of the financial statements and the speed at which the financial close process moves forward are inversely correlated. (Deshmukh, 2023)

According to Deshmukh (2023), accounting challenges in financial statements involve transactional data recording, processing, and structuring, notably in medium to larger companies due to non-uniform data treatment procedures. These challenges encompass multiple operating charts of accounts, technological hindrances in data aggregation, organizational structure misalignment, and external environment changes. Deshmukh's suggested best practices, based on a questionnaire, include standardizing accounting practices with a shared chart of accounts, automated entries for accruals and depreciation, minimizing complex computations and manual data entry, establishing transparent communication channels, and assigning responsibility for discrepancy resolution.

3.2 Consolidated Financial Statements

3.2.1 Definition of consolidated financial statements

"Under IFRS 10 Consolidated Financial Statements, a group exists where one enterprise (the parent) controls, either directly or indirectly, another enterprise (the subsidiary). A group consists of a parent and its subsidiaries." (Elliot and Elliot, 2019, p.570)

As defined by the IFRS Foundation (2018) the consolidated financial statements report information about the assets, liabilities, equity, income, and expenses of both the parent company and its subsidiaries as a single reporting entity. As with the individual financial statements, such information is helpful to the parent company's lenders, other creditors, and current and prospective investors. In contrast to the previously mentioned statements, unconsolidated statements are intended to give information about the parent's equity, liabilities, income, and expenses—not those of its subsidiaries. (IFRS Foundation, 2018)

Carvalho (2011) states that the information given in the consolidated statements is internationally defined as the most viable information of a group of companies owned by a parent company and it tries to answer the demand of external information and the need for internal information.

3.2.1.1 Obligation to prepare consolidated financial statements

According to Ordem dos Contabilistas Certificados (OCC) (2023) the requirements determining the obligation and exemption for preparing consolidated financial statements, as well as the exclusions from consolidation, are outlined in Articles 6 to 8 of Decree-Law No. 158/2009 of July 13, which was republished by Decree-Law No. 98/2015 of June 2.

Article 6 outlines the obligation for parent companies subject to national law to prepare consolidated financial statements for the group consisting of the parent company and all its subsidiaries, regardless of the location of the subsidiaries' statutory headquarters. This requirement applies if certain conditions are met.

Specifically, if the parent company can exert, or does in fact exert, dominant influence or control over the subsidiaries, or if it manages them as if they were a single entity, the preparation of consolidated financial statements is mandatory. Additionally, if the parent company holds capital in the subsidiary, consolidation is required in any of the following scenarios:

The parent company holds the majority of voting rights in the subsidiary, unless it can be demonstrated that these rights do not confer control.

The parent company has the authority to appoint or remove the majority of the members of the subsidiary's management body, which has the power to manage its financial and operational policies.

The parent company exerts dominant influence over the subsidiary through a contractual agreement or another clause in the subsidiary's articles of association.

The parent company holds at least 20 percent of the voting rights and the majority of the members of the subsidiary's management body, who have been in office during the financial year to which the consolidated financial statements refer, as well as in the previous year and until the preparation of these statements and have been appointed solely as a result of the exercise of voting rights.

The parent company, either alone or in agreement with other shareholders, holds most of the voting rights in the subsidiary.

These stipulations ensure that the financial statements accurately reflect the financial position and performance of the entire group.

3.2.1.2 Exemption to prepare consolidated financial statements

Also, OCC states that it is also necessary to take into account the extra clauses of Decree-Law No. 158/2009, specifically those pertaining to categories of entities (Article 9), exclusions (Article 8), and exemptions (Article 7).

A small group's parent company is exempt from preparing consolidated financial statements as of January 1, 2016. Small groups are those that, as of the parent company's balance sheet date and on a consolidated basis, do not exceed two of the three following limits:

Balance sheet total: €6,000,000

Gross revenue: €12,000,000

50 workers were the average during that time.

The overall balance sheet and net turnover limitations are raised by 20% (to a total balance sheet of €7,200,000 and a net turnover of €14,400,000) in the following cases:

The accounting values of the shares or quotas of the entities included in the consolidation are not offset by the proportion they represent of the capital and reserves of these entities; and, Debts and credits between entities, expenses and revenues related to transactions between entities, and results from transactions between entities, are not eliminated from the consolidated financial statements when included in the recorded amount of assets.

An additional exemption was introduced for parent companies, including public interest entities, that only have subsidiaries that are not materially relevant for the financial statements to accurately and appropriately reflect the financial position, financial performance, and cash flows of the entities included in the consolidation, both individually and collectively, in response to changes to the SNC (Sistema de Normalização Contabilística).

For the purpose of providing a true and fair view of the financial position, financial performance, and cash flows of the consolidated group, an entity may be excluded from consolidation if it is not materially relevant. When two or more entities meet these requirements and are relevant together for the same goal, they need to be incorporated into the consolidation. (Ordem dos Contabilistas Certificados, 2023)

3.2.1.3 Benefits

Consolidation improves investor protection by preventing the publication of false information. This is accomplished by doing away with procedures that would otherwise distort the company's financial situation, such as inflating sales through transactions between group members. While the parent company's individual accounts only display the dividends received from these subsidiaries, consolidation reflects the full earnings from a parent company's investment in its subsidiaries, yielding more meaningful earnings per share (EPS) figure. As a result, profitability is depicted more accurately. Furthermore, consolidation promotes improved accountability by providing a more useful gauge of a parent company's directors' performance. Consolidation makes it possible to calculate a group's return on capital employed precisely by comparing its total assets with its total earnings. This makes it easier to evaluate how effectively management is using the company's resources. (Elliot and Elliot, 2019, p.581)

3.2.1.4 Limitations

Christensen, et al. (2014, p. 102) argues five main limitations for the consolidated financial statements. Number 1, the masking of poor performance, the poor performance of one or more companies may be hidden by the better performance of others. Number 2, limited availability of resources, not all consolidated retained earnings are distributable, representing a portion of undistributed subsidiary earnings that may restrict the parent's dividend capacity. Number 3, unrepresentative combined financial ratios, aggregated financial ratios from the consolidated statements may not accurately reflect any single company within the group, including the parent company. Number 4, divergences in the operational cycles of the companies involved in the consolidation may result in disparities in comparable accounts, thereby affecting their comparability. Number 5, insufficient detailed disclosures, for a fair presentation, more information about specific companies or groups of companies included in the consolidation is frequently required; these additional disclosures may call for extensive footnotes.

3.2.2 Consolidation perimeter

Nicoleta (2012) approaches two main ideas of the consolidation perimeter: the restricted idea holds that the consolidating perimeter should only include the businesses over which the parent company has exclusive control, while the broader idea takes into account not only the subsidiaries over which the parent company has exclusive control but also those over which it exercises significant influence or joint control.

The entities that are part of the perimeter of consolidation are decided through the percentage of control detained from the parent company, the participation percentage is the representation of the parent company interest in the assets of the subsidiary. (Macedo, 2012)

3.2.2.1 Exclusive Control

Nicoleta (2012), says that exclusive control in accounting comprises de jure control, when the parent company owns over 50% of voting rights in the subsidiary, and de facto control, where the parent, despite owning 50% or less, maintains significant authority over the subsidiary per IAS-27.

3.2.2.2 Significant influence

Significant influence is the ability to participate in decisions about the financial and operating policies of an entity that was open to investment, but not to exercise control or joint control over those policies. It is assumed that when an investor holds at least 20% of the voting rights, they have significant influence. (Nicoleta, 2012)

3.2.2.3 Joint control

Joint control is the division of control over a business activity, asset, or entity that is established by contract. In the absence of mutual agreement, one of the associates has no authority to make decisions. The agreement may state that consent from both parties is not required for every decision.

3.2.3 Methods of consolidation

There are three methods of consolidation, Equity Method, Proportional Consolidation and Full Consolidation.

Firstly, the equity method should be applied in individual accounts when there are investments in subsidiaries, as well as in investments in entities considered as associates where the parent company exercises significant influence. This method should also be maintained in consolidated accounts with respect to investments in associates. Equity method adjusts investments for changes in the investor's share of net assets. (Garcia, 2019)

Secondly, Proportional Consolidation applies to jointly controlled entities, aggregating an investor's share proportionately.

Lastly, Full Consolidation, which is the primary method, aggregating all items from consolidated entities, disregarding ownership percentages, and making necessary adjustments. (Garcia, 2019)

3.2.4 Processes when conducting a consolidated financial statement.

Macedo (2012) mentioned that although the steps involved in consolidating accounts can differ depending on the group of companies, they usually involve a sequence of actions. The organizational chart of the group, which includes all entities subject to consolidation, must be created in order to define the consolidation perimeter. Subsequently, the consolidation perimeter's desired consolidation perspective or the parent company's percentage of control over each subsidiary determine which consolidation method is best.

The individual financial statements of every organization included in the consolidation perimeter are then gathered. The financial statements are converted to the parent company's currency if the reporting currencies of the subsidiaries differ from that of the parent company. The next stage entails standardizing policies and procedures in order to harmonize accounting policies and guarantee the comparability of the financial statement components. Following their harmonization, the individual financial statements are combined using the selected consolidation technique. After then, intra-group transactions are removed to prevent double counting. The combined financial position and performance of the group as a whole are finally reflected in the consolidated financial statements, which are prepared.

3.3 Optimizations for the consolidation process

Regarding the optimization of the consolidation process, Fomin et all (2019), mentioned that to improve the integration of their accounting systems, holding companies operating in the current environment require cutting-edge information technologies. Creating a single information platform or processing hub for all of the group's businesses is one suggested remedy. Group enterprises should implement a single, unified accounting program or platform, create accounting policies and sub-accounts that comply with IFRS and national standards, and standardize accounting policies and the chart of accounts in accordance with IFRS while taking industry-specific requirements into account in order to maximize the formation of consolidated reporting. Furthermore, it's critical to ensure comprehensive information about the past, present, and future activities of the group's companies by standardizing individual reporting forms. Round tables and corporate seminars can help these initiatives even more.

Also, Fomin et all (2019) states that large holding companies can benefit from the use of accounting information technologies in a number of ways, including enhanced flexibility in entering accounting data, customizable analytics, and the capacity to manage a multi-level system of revenues and expenses. These technologies also address the need for automation in the management of cash flow and control over investment and budget execution. Investing in digital technologies is imperative to improve accounting transparency, as the volume of information in holding companies has increased and their business operations have accelerated. This entails shifting away from the documentary collection of primary documents and converting internal business processes to electronic formats. The latter is especially crucial for holdings with substantial intercompany transactions.

There are extra financial and management reporting forms needed to accommodate requests from foreign audit organizations and adjust to international accounting systems. It is essential to develop management accounting to close the gap between RAS and IFRS and to standardize electronic registers for reporting. It is anticipated that new reporting forms with higher levels of disclosure will be developed because of the growing influence of non-financial information on financial accounting. The way taxation and technology have evolved demonstrates how important it is to have high-quality information collection, processing, and utilization for efficient tax administration. The goal of tax authorities is now to identify tax evaders rather than maintain total control. Reducing the amount of paper documentation, adopting cloud technologies, improving digital infrastructure, raising the level of digital literacy, and improving information security. (Fomin et all, 2019)

4. Methodology

A case study is a type of research methodology in which an actual event is empirically examined using a variety of data collection techniques. This method works especially well when dealing with complicated issues or when the project's background has a big impact on how well the phenomenon being studied is understood (Yin, 2009).

Yin's (2009) framework can be used to categorize case studies into various types. He divides research into three primary categories: exploratory, descriptive, and explanatory. Understanding the underlying causes of the event under study and establishing cause-and-effect relationships are the goals of explanatory case studies. The purpose of exploratory case studies is to formulate research questions and hypotheses for later investigations. Comprehensive explanations of the phenomena under investigation in the context of real-world occurrences are provided by descriptive case studies.

In this internship report we can classify it as descriptive case study category because it gives a thorough description of the activities developed during the internship and outlines the procedures followed to prepare and oversee financial statements and consolidations for the Impacting Group. The report's objective, which is in line with the descriptive case study's objective of providing in-depth insights into phenomena as they occur in practice, is to provide a thorough explanation of these actual financial practices.

5. Critical analysis

During my internship, I engaged in several key activities related to the preparation and management of financial statements for the Impacting Group. This section critically reflects on these activities, integrating insights from the literature on financial reporting and consolidation.

One of my primary responsibilities was the development of management reports for the annual report of all individual companies within the group. This task involved assessing recent events and their impacts on each company, as well as identifying potential future risks. For example, the exponential growth of Artificial Intelligence in the last quarter of 2022 and how this affected the way most of the companies within the group approached their day-to-day as it facilitates the automation of various processes, especially in the digital marketing industry, where the most significant businesses of Impacting Group operate; also, I reported that e-commerce sales after the boom registered in the pandemic had dropped in the last couple of years but are recovering and 2024 would be a better year for this industry, and digital marketing plays a crucial role for e-commerce's as omnichannel marketing is the most common way that these retailers use to communicate with their customers. According to Deshmukh (2023), effective management of the financial close process and the quality of financial statements are closely linked to how well organizations handle the "last mile of finance," which includes reconciling and consolidating data. My work in developing these management reports aligns with Deshmukh's emphasis on the importance of timely and relevant information. By providing detailed assessments of recent impacts and future risks, I contributed to enhancing the decision-making process and improving the relevance of the financial reports. However, to further align with best practices, incorporating advanced data analytics tools could enhance the precision and efficiency of these reports, addressing challenges related to data processing and financial close speed.

Another significant activity was assisting in the preparation and updating of financial statements and their accompanying notes. The literature highlights that financial statements must adhere to standardized formats and include comprehensive explanatory notes to ensure clarity and usefulness (Elliot & Elliot, 2019). My role in updating these statements and notes was crucial in enhancing transparency and providing stakeholders with a clearer understanding of the financial figures and accounting policies. This aligns with the standards set by the International Financial Reporting Standards Foundation (2018), which emphasize the importance of detailed disclosures. Nevertheless, adopting a unified accounting platform, as suggested by Fomin et al. (2019), could improve consistency across the group's entities and streamline the preparation process, addressing non-uniform data treatment and technological challenges.

In preparing consolidated financial statements for the holding company, I was involved in aggregating data from subsidiary companies and eliminating intercompany transactions. Macedo (2012) outlines a structured approach for consolidation, including defining the consolidation perimeter, selecting appropriate consolidation methods, and harmonizing accounting policies. Carvalho (2011) and the IFRS Foundation (2018) underscore that consolidated financial statements should present a comprehensive view of a group's financial position. My involvement in this process was consistent with these principles, contributing to a true and fair representation of the group's financial position. To enhance this process further, incorporating a unified accounting system and automating data aggregation could address inefficiencies and discrepancies, in line with recommendations by Fomin et al. (2019).

I also assisted in preparing the management report for the holding company, summarizing its financial performance and strategic outlook. According to Elliot and Elliot (2019), management reports are essential for providing stakeholders with a comprehensive view of financial performance and strategic direction. My contributions to this report were in line with the literature's emphasis on detailed and insightful reporting. However, integrating advanced forecasting and scenario analysis tools could provide deeper insights into future developments, further enhancing the strategic value of these reports.

Lastly, I participated in creating consolidated financial statements for the holding company, including preparing the balance sheet, income statement, and other relevant documents. Christensen et al. (2014) identify several limitations of consolidated financial statements, such as the potential for masking poor performance and issues with financial ratios. My work in ensuring thorough disclosures and compliance with accounting standards addressed these concerns. To further mitigate limitations such as performance masking, adopting a standardized approach to disclosures and leveraging advanced reporting technologies, as suggested by Fomin et al. (2019), could enhance the reliability and transparency of the consolidated reports.

In conclusion, my internship activities demonstrated a strong alignment with best practices and principles outlined in the literature. By focusing on accurate and comprehensive reporting, careful consolidation, and detailed disclosures, I contributed significantly to the financial reporting and consolidation processes. Future improvements could involve integrating advanced technologies, adopting standardized practices, and continuously enhancing reporting processes to address the challenges and limitations identified in the literature.

6. Goals approach

As mentioned on the beginning of this report, the company had set some goals for me to achieve during the internship. These three main goals were mainly focused on three areas: optimizing the holding company's consolidated accounts, suggesting group-wide standardization of financial reporting practices, and analyzing financial statements to offer suggestions for improvement.

The initial objective was to evaluate and suggest changes to each company's financial statements individually within the group. In order to do this, I thoroughly examined financial data, paying close attention to accuracy and adherence to pertinent standards. I focused primarily on updating financial statements and the notes that go with them to make sure stakeholders could easily understand and get thorough explanations. This procedure not only increased transparency but also adhered to best practices that have been emphasized in the literature, including those by Elliot & Elliot (2019), who stress the importance of comprehensive disclosures and standardized formats. My recommendations include streamlining the presentation of financial figures and addressing discrepancies across various financial statements that were caused by different ways of reporting the information of each company.

The second objective entailed examining and suggesting ways to harmonize financial practices amongst the group's several businesses. Creating management reports that evaluated each company's risks and industry trends was part of my responsibilities in this area. I located instances where different reporting procedures existed, creating difficulties for the financial data to be consolidated. I made a suggestion about the need for consistency throughout the group by analyzing these processes and suggesting a more standardized method of financial reporting. As recommended by Fomin et al. (2019), my recommendations center on implementing a single accounting platform to guarantee that financial data is managed consistently throughout all subsidiaries. Standardization would not only improve operational effectiveness but also make consolidation easier and more precise.

The final goal was to optimize the consolidated financial reporting for the holding company. In this area, I assisted in the aggregation of financial data from the group's subsidiaries and played an active role in eliminating intercompany transactions. I made sure that the consolidation process embraced best practices by putting the ideas put forth by Macedo

(2012) and Carvalho (2011) to use. This allowed me to give an accurate and impartial picture of the group's overall financial situation. I followed the guidelines set forth by the International Financial Reporting Standards (IFRS) when preparing the holding company's consolidated financial statements and management report. During this process, I also noted areas that needed improvement, like the use of automation tools for data aggregation to help reduce errors made by hand and increase productivity.

In the next table, the information above is summarized by topics.

Objectives	Suggestions	Literature Review
Analyze individual financial statements and provide improvement suggestions.	Incorporate advanced data analytics tools to enhance precision and efficiency in reporting.	Deshmukh (2023) on the importance of timely and relevant information.
Analyze and standardize financial statement procedures across various companies.	Adopt a unified accounting platform to improve consistency and streamline preparation processes.	Elliot & Elliot (2019) on standardized formats and detailed explanatory notes; Fomin et al. (2019) on addressing non-uniform data treatment.
Propose enhancements to optimize the consolidated accounts of the group.	Implement automation for data aggregation and standardize disclosures to address inefficiencies and discrepancies.	Macedo (2012), Carvalho (2011), IFRS Foundation (2018) on consolidation principles; Fomin et al. (2019) on advanced reporting technologies.
Prepare management reports for the holding company, summarizing performance and strategic outlook.	Integrate advanced forecasting and scenario analysis tools to provide deeper insights into future developments.	Elliot & Elliot (2019) on the importance of detailed and insightful reporting.

Create consolidated financial statements for the holding company, including all relevant documents.	Adopt a standardized approach to disclosures and leverage advanced reporting technologies to enhance reliability.	Christensen et al. (2014) on limitations of consolidated financial statements; Fomin et al. (2019) on improving transparency and reliability.

Table 1 - Goals Suggestions
Source: Own Elaboration

7. Conclusion

My grasp of financial reporting and consolidation in a global setting has grown significantly because of my internship at Impacting Group. I was able to participate directly in the creation and administration of financial statements for both the consolidated group and individual businesses thanks to this experience. I was able to obtain firsthand knowledge of the challenges involved in combining financial information from several subsidiaries by creating consolidated financial reports, updating financial statements, and creating management reports. These exercises made clear how crucial it is to manage data carefully and follow accounting rules—especially IFRS—to guarantee accuracy and transparency in financial reporting.

The tasks I completed showed how important it is to take a thorough approach to financial consolidation, which includes applying the right consolidation techniques and carefully removing intercompany transactions. The difficulties encountered throughout this process served as a reminder of how important it is to accurately integrate data and harmonize accounting standards to present a true and impartial picture of the group's financial situation.

There are several suggestions that can be made to improve the efficiency of financial reporting and consolidation procedures. First, it's imperative to invest in cutting-edge information technologies. In line with recommended practices in the literature, implementing a single accounting platform for all subsidiaries would simplify the consolidation process, lower manual error rates, and enhance data accuracy.

Second, for consistency and comparability, standardizing accounting policies and practices throughout the organization is crucial. Ensuring compliance with international accounting standards and facilitating more accurate consolidation can be achieved by creating a uniform chart of accounts and matching reporting forms with IFRS requirements.

It is also advised that personnel engaged in financial reporting and consolidation receive ongoing training and professional development. The team can stay up to date on the latest accounting techniques, regulatory modifications, and technological advancements by hosting corporate seminars and round tables, which will improve the quality of financial reporting.

Finally, another crucial step is to reinforce internal control systems. Maintaining accuracy and transparency in consolidated financial reports can be aided by strengthening controls and carrying out routine audits of intercompany transactions and balances.

8. Limitations

This report conclusions and suggestions are subject to limitations. The internship's brief four-month duration (January to April) was one of its main limitations because it didn't allow me to explore every company of the group. The time assigned to perform comprehensive analyses of each of the group's companies was thereby limited. Despite my attention to the most important entities, I was unable to investigate every potential area for standardization or improvement throughout the entire Impacting Group due to the short timeline.

Furthermore, even though I was able to apply broad best practices for financial reporting as well as industry trends, I was unable to access external data or in-depth benchmarks, which would have improved the analysis. To suggest more specialized and successful optimization strategies for the group, greater access to comparative data from industry peers or more detailed market information may have been beneficial.

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