

Improving Financial Reporting and Auditing in Commercial Organizations

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Abstract: The article describes ways to improve the process of preparing financial reports based on the requirements of international standards, to improve the procedure for planning and conducting financial report audits, and to improve the process of assessing the continuity of activity in financial report audits.

Keywords: international standards of financial reports, audit, financial report.

The main standard that regulates the formation of financial statements based on international standards is the 1st BSCS entitled "Presentation of Financial Statements". This standard specifies the mandatory components of financial statements and the procedure for their presentation. The standard contains rules for the preparation of each of the report forms and sets general requirements for identifying and evaluating report elements.

The full set of financial statements is specified in paragraph 8 of the IAS No. 1 as follows:

"statement of financial position;

statement of profit and loss or gross income;

statement of changes in capital;

cash flow statement;

notes containing a brief description of significant elements of accounting policies and other descriptive notes".

In addition to the above-mentioned reports, financial reports may include reports on environmental protection and other additional reports that facilitate the work of users in making economic decisions.

Until now, in many countries, it is possible to prepare financial statements in accordance with national standards, and then make the necessary changes to gradually implement the transition to IFRS. This process is called "transformation".

Transformation of financial statements in accordance with the requirements of MHXS is carried out on the basis of reports prepared in accordance with national standards. This process can be carried out by classifying accounting objects and organizing assessment elements. The goal is to adapt the financial statements to the MHXS format.

Transformation of reports is a process that consists in making the necessary corrections (changes) in accordance with the National Accounting Standards in the reporting materials previously prepared in accordance with national accounting standards.

In our opinion, the main disadvantage of this process is the complexity of parallel accounting. The specialist involved in the transformation of the report can independently choose the methodology and determine the stages of the process. The choice directly depends on subjective factors such as accounting, specific features of financial and economic activity, resources (financial, material and labor), accounting policy and detailed level of reporting.

Unfortunately, there is no single published approach to the implementation of the transformation, so each accountant and economist must develop a separate algorithm. In addition, it is allowed to choose the methodology and steps used to change the financial statements in the IAS.

The parallel method is widely used in the countries of the world as part of reporting methods in MHXS format. In this way, a financial report is prepared based on both national and international standards.

The combined method ensures sufficient accuracy of information disclosure at any time, because there is no need to wait until the end of the period for preparing financial statements. The reporting indicators for the transformation to MHXS are prepared on the basis of preparation of reports in accordance with national standards by making corrections. The transformation method is implemented by auditing or consulting organizations.

It is known that receivables are one of the important and serious categories of assets for any entity. In practice, in many cases, problematic situations arise related to the collection of receivables. In order to reflect these situations in accounting, it is recommended to form reserves for doubtful debts. However, the procedure for keeping reserves for doubtful debts in front of legal entities and individuals separately has not been developed. As a result of the conducted research, it was concluded that it is necessary to maintain separate reserves for doubtful debts for settlements with legal entities and individuals. Therefore, it was proposed to include working accounts 4911-"Reserves for doubtful debts in settlements with legal entities" and 4912-"Reserves for doubtful debts in settlements with natural persons" in the accounting policy. Correspondence of accounts on the working account 4911-"Reserves for doubtful debts for settlements with legal entities" is given below.

Correspondence of accounts on working account 4912-"Reserves for doubtful debts on settlements with natural persons" is presented in Figure 1.

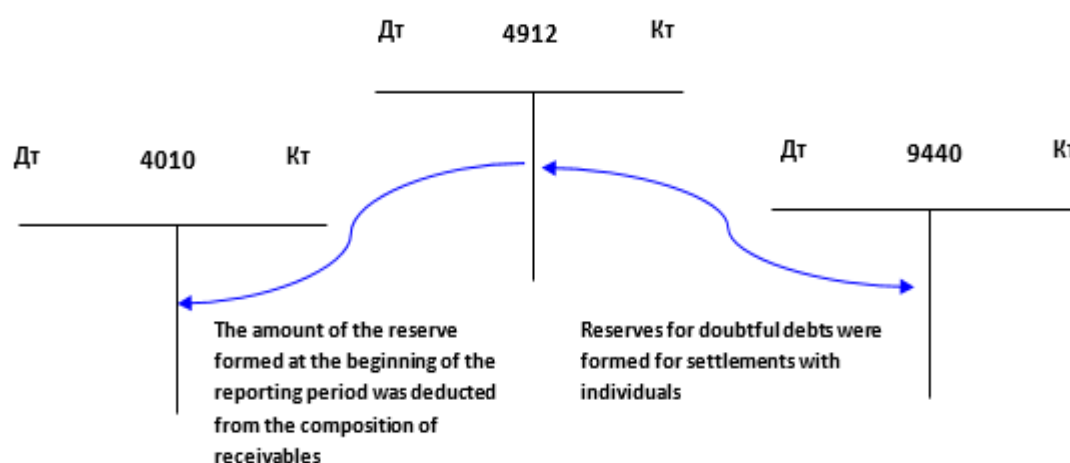


Figure 1. Correspondence of accounts on the working account 4912 "Provisions for doubtful debts for settlements with natural persons"¹

¹ Author's work.

Also, as a result of the research, the working account 9440-"Costs for the formation of reserves for doubtful debts" was proposed, and the correspondence of accounts for this working account was developed (Fig. 2).

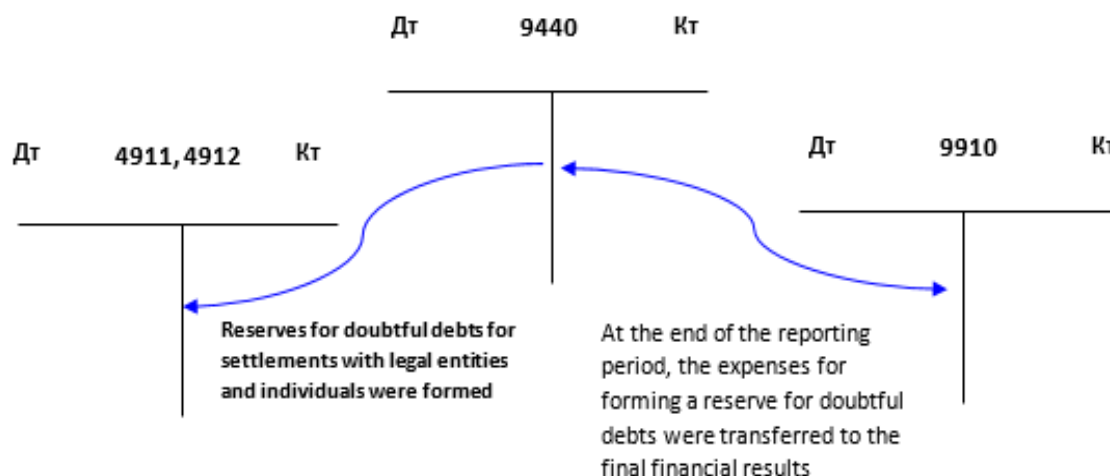


Figure 2. Correspondence of accounts on working account 9440-"Costs for formation of reserve for doubtful debts"²

The proposed working accounts serve transparency of accounting information and correct formation of financial results. Quality audit of financial statements is closely related to its planning.

During the stages of the audit of financial statements, the events after the reporting date and the assessment of continuity of operations by the researcher were included among the issues that should be separately examined.

As the main goal of audits is to confirm the reliability of financial statements, problematic situations arise before the auditor in achieving this goal. One of the main cases is the events after the reporting date. In Uzbekistan, the main normative documents for checking the events after the reporting date are AXS No. 560 entitled "Subsequent events", BHMS No. 16 entitled "Unforeseen circumstances and events of economic activity after the date of preparation of the accounting balance sheet".

If we pay attention to the practice of audits, the events that occur between the date of approval of financial statements and the date of signing the auditor's report are recognized as events after the date of the report. However, it should be noted that the events after the date of submission of the audit opinion are also important, because the events that occurred during this period have a serious impact on the level of responsibility of the audit organization.

Joint-stock companies must achieve positive results in terms of financial status and financial results in order to protect the rights and interests of their shareholders, to guarantee them dividends. Information about the financial position and financial results is provided by the accounting service. When organizing accounting work by a business entity, first of all, it is required to observe the principle of continuity.

In the audit of financial statements conducted by auditing organizations, auditors must assess the continuity of operations. That is, a joint-stock company that has received a positive audit opinion should not go bankrupt in the next 12 months. Therefore, all the factors affecting the activity should be studied in audits.

The results of the assessment of business continuity during audits are the basis for choosing the type of audit report. Thus, the assessment of continuity of activity is the subject of the auditor's

² Author's work.

professional judgment and is related to the formation of an opinion about events that may not be determined at the date of drawing up the financial statements. Disclosure of the future prospects of the economic entity will be subject to a significant increase in audit risk. Therefore, the need to identify and assess various risks that affect operations and depend on continuity occurs at all stages of the audit and requires the auditor's attention.

Evidence gathering is a key process in audits. AXS No. 500, Audit Evidence, describes many methods of gathering audit evidence. These methods are used depending on the type of inspection, operational characteristics of the client enterprise and other circumstances. The most reliable evidence in gathering evidence in audits is information obtained from third parties. However, if it is not possible to obtain written evidence from third parties, in accordance with AXS No. 580 entitled "Written Submissions", it is required to obtain written submissions from the management of the entity conducting the audit. In addition to the above, it is also required to confirm that the responsibility for the financial report prepared for the reporting period and intended for external users rests with the management of the entity. According to AXS No. 580 entitled "Written submissions", the main part of written confirmations are the events that occurred in this business entity after the reporting date. for the purpose of obtaining information on management.

If management's representations are inconsistent with other audit evidence, the auditor should review the situation and, if necessary, reassess the reliability of management's representations.

If the management of the organization refuses to provide the representations and explanations that the auditor considers necessary, this is a limitation of the scope of the audit. In this case, the auditor should express a negative opinion or reject the opinion.

Based on the above, it is worth noting that it is necessary to use management's presentations during audits. If the management gives incorrect representations or refuses to give them, this situation directly affects the formation of the auditor's opinion and the type of the auditor's conclusion.

The following conclusions were formed as a result of the research conducted on the improvement of the preparation and audit of financial statements in joint-stock companies:

1. Joint-stock companies play an important role in the economy of our country, in the formation of gross domestic product and budget revenues. Nowadays, it is important to introduce modern corporate management methods in joint-stock companies, to ensure that the reports prepared by them meet the requirements of international standards, and to confirm the reliability of the presented reports based on international standards.
2. One of the main functions of accounting is to provide internal and external users with information. Financial reporting is an important source of information for the management of joint-stock companies and their employees, the state, investors and other interested parties.

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