

# ISSUES OF IMPROVING CURRENT ASSET ACCOUNTING AND AUDIT

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## Abstract

This article discusses the improvement of current asset accounting and audit. Accounting and reporting, their improvement should be aimed at providing the management system at all levels with reliable and trustworthy information sufficient to justify management decisions - investment, financial, production, current and strategic, local and global.

**Keywords:** Audit, audit activity, audited entity, accounting, international auditing standards, self-regulatory organizations, internal control.

## Introduction

At the present stage, a significant amount of work has been carried out in the field of formation of financial accounting information aimed at ensuring its reliability. This includes reforming and improving legislative regulation, standardization of activities, implementation of international standards, convergence of national standards with international ones, etc. However, issues of control over the legality and reliability of reflection of indicators in accounting and financial reporting remain relevant. The most relevant area of activity for control of financial reporting, in order to establish its reliability, is auditing. In this regard, we would like to dwell on the definition of the role of audit in the development and improvement of accounting and reporting at both the micro and macro levels.

One of the problems of auditors' participation in improving accounting at the micro level follows from the definition of auditing activity itself. The purpose of the audit is to express "an opinion on the reliability of the financial (accounting) statements of the audited entities and their compliance with the legislation of the Republic of Uzbekistan" [1]. All other professional activities of the auditor are reduced to the provision of related services under a separate agreement. However, in our opinion, the scope of application of the auditor's high professional knowledge in the field of accounting, taxation, and finance cannot be limited to the expression of an opinion only. And this is precisely the practice that has been developing in audit organizations in recent years.

As a rule, together with the auditor's report, the audit company submits to the management a detailed report, which essentially reveals the process of forming the audit company's opinion on the degree of reliability of the accounting financial statements of the audited organization. For the owners and managers of organizations, it is often the auditor's report that is of the greatest interest, since it reveals the possibilities of making appropriate corrections to the accounting and using the auditor's recommendations in the future when carrying out activities.

At the same time, according to our observations, in recent years, referring to the auditing standards, many auditors in their reports to the management of the audited entities only state the fact of compliance or non-compliance of the accounting financial statements with regulatory documents.

In other words, the auditor points out those facts of the organization's economic activity, the method of reflecting which in accounting does not meet regulatory requirements, provides a list of errors in primary accounting documents and points out other general discrepancies. It is believed that developing recommendations for improving accounting and financial reporting, improving internal control is not part of the audit tasks and is a service accompanying the audit. The development of recommendations by auditors based on in-depth studies of the organization of accounting and reporting, finances, taxation system, internal control of audited entities becomes impossible due to a number of reasons:

- ✓ Firstly, this is the reduction of time allocated for conducting an audit.
- ✓ Secondly, the depreciation of the cost of audit in recent years.
- ✓ Thirdly, this is the attention (time) spent by auditors on the development of working documents.

The effectiveness of the audit is also affected by the methodology of its implementation. Thus, the audit is carried out mainly by testing. In this case, the auditor's assistants are involved, who often do not have a sufficiently high level of professionalism and qualifications. The development of the auditor's working papers determines the conditions for distributing time for the audit, most of which is allocated to the preparation of internal documentation. Thus, the audit is reduced to simple formalism.

For the management of the organization (audited entity), in our opinion, the following information will have practical significance in the auditor's report.

- Firstly, this is the correct reflection in the accounting of certain facts of economic activity from the point of view of tax and accounting legislation in order to avoid the risks of subsequently recognizing the reporting as unreliable.
- Secondly, methods for optimizing and managing tax risks in accordance with the current legislation on taxes and fees.
- Thirdly, a description of procedures for improving internal control to ensure the safety and rational use of business assets. - In modern conditions, the auditor's report, as a rule, presents only a general assessment of the state of the above aspects, based on the formally conducted collection and verification of accounting information.

Generalization of the facts we have indicated in terms of the implementation of independent control at the level of commercial organizations in the current situation on the audit services market determines the formation of two types of services. The first service is an audit, which will not help much in terms of improving the accounting and reporting system. The second service is consulting, which involves consulting services to improve the accounting and reporting system, taxation, as well as the formation of an effective internal control system.

In the context of crisis phenomena, not all organizations can afford the costs of conducting an audit, as well as an additional contract for the provision of consulting services (services associated with the audit).

In our opinion, one of the problems that business entities currently face is the lack of an effective internal control system for accounting and reporting. Thus, the internal control system is provided for by the Federal Law "On Accounting", according to which business entities are obliged to organize internal control of the facts of economic life [2]. If the organization, according to regulatory legal acts, is obliged to conduct an audit, then the implementation of internal control of accounting and preparation of financial statements is also provided. Thus, in order to strengthen the internal control system, it is advisable for organizations to introduce the position of an internal auditor reporting directly to the manager.

In accordance with the professional standards of the internal auditor, approved by the order of the Minister of Labor and Social Protection of the Population of the Republic of Uzbekistan On Amendments and Supplements: "... the functions of this specialist include conducting independent internal audits and consultations on the reliability and efficiency of risk management systems, internal control, corporate governance, operational activities and information systems of the organization in order to achieve the strategic goals of the organization; ensuring the reliability of information on the financial and economic activities of the organization; the efficiency and effectiveness of the organization; the safety of the organization's assets; compliance with the requirements of legislation and internal regulations of the organization ... "[3]. It should be noted that few heads of organizations will go for additional costs associated with the implementation of an effective internal control system, which automatically excludes the possibility of improving the accounting process as a whole and its individual components.

The conducted analysis of the state of the accounting process allows us to state the negative state of accounting in many organizations. The main problematic aspects are the lack of a well-developed document flow system, the formation of incorrect primary documents and, as a consequence, the reflection of distorted information in accounting and tax accounting and reporting. Standard forms of primary accounting documents and accounting registers, which are offered by developers of modern software for automation of the accounting process, do not always allow taking into account the specifics of the organization's activities. This circumstance forces us to improve the configuration of software products and develop actions for the formation of analytical accounting with an automated method of information processing [1].

The introduction of tax accounting in our country as a priority has led to a decrease in the role of financial accounting. In this regard, the incentive for the formation of adequate analytical accounting and the presentation of reliable information for modern business entities is only tax control carried out in accordance with the legislation on taxes and fees. This circumstance leads to the generalization, registration and presentation of information only for the purposes of tax accounting and reporting. As a result, management personnel do not have the necessary information to make appropriate effective decisions in the process of carrying out activities.

Certain opportunities for making changes to the system of independent control of the activities of commercial and non-profit organizations exist in self-regulatory organizations of auditors. In this regard, the attention of self-regulatory organizations of auditors should be drawn to the following problematic aspects in the field of auditing:

- preventing the devaluation of audits and combating dumping prices for audits;
- optimizing the number and content of auditors' working papers;
- introducing into practice the conclusion of contracts for conducting audits that provide for the conditions of active consulting and the development of practical recommendations for audited entities.

For example, the procedure for concluding a contract for an audit should be divided into two or three stages. At the same time, already at the first stages, both consulting and the development of recommendations for audited entities should be provided.

The problem of auditors' participation in improving accounting at the macro level is, in our opinion, the self-elimination of self-regulatory organizations of auditors in matters of developing and adopting regulatory documents on accounting and reporting. The solution to the problems of creating a new legal and regulatory framework for regulating accounting necessitates the participation of auditors and self-regulatory organizations of auditors in this work, as well as the need to ensure close ties between public organizations of auditors and accountants. As world practice shows, professional regulation of auditing activities in developed countries is usually carried out by professional institutes of accountants (for example, in the UK - ACCA (Association of Chartered Certified Accountants of Great Britain), ICAS (Institute of Chartered Accountants of Scotland), ICAEW (Association of Chartered Accountants of England and Wales), etc., in the USA - AAA (American Accounting Association), AICPA (American Institute of Certified Public Accountants) [3].

In Uzbekistan, during the years of accounting reform and the establishment of audit, highly qualified specialists in the field of accounting and auditing were primarily involved in the development of auditing activities. However, in recent years, there has been a weakening of the connection between researchers and developers of regulatory documents on audit and accounting. As noted above, auditors and self-regulatory organizations of auditors have removed themselves from problems in the field of improving accounting and reporting and are no longer dominant in this area. Thus, at present, the development of the Uzbekistan accounting standards The Accounting Development Fund, the National Non-Governmental Accounting Regulator, the Accounting Methodological Center, is engaged in the development of accounting, Recommendations and other regulatory documents in the field of accounting [4]. The official website of the Accounting Methodological Center has posted draft standards in the field of accounting regulation for open discussion, but we have noted the complete absence of specialists in the field of auditing activities in these discussions.

The main rule of an audit according to international standards is to ensure "proper quality of performance of duties in order to form an error-free opinion on the financial statements" [2]. The quality of the audit is guaranteed to clients by observing all technological processes, which must be described in detail in advance so as not to miss any operation. "This means that the

entire audit process must be regulated in great detail in order to avoid ambiguous understanding of what actions should be taken and in what cases. Since we are talking about the process of control over financial statements, audit standards are control regulations. Due to the fact that the auditor is faced with a very responsible socially significant task, the regulations are extremely specific. However, practice and history show that no regulations, even very detailed ones, provide a guarantee of a high-quality audit" [5]. It follows that the transition of Uzbek audit to the application of international standards will aggravate the situation in terms of the possibility of any discussion of the process of improving accounting in the organizations being audited. Thus, due to the current circumstances, the improvement of accounting, accounting process methods adopted in organizations, is assigned exclusively to practicing accountants. At the same time, the current legislation in the field of accounting and tax legislation orients modern specialists to solve problems of registration and generalization of information, which, first of all, is aimed at the formation of tax accounting data, tax planning processes, reflection of the interests of beneficiaries and other users, which certainly does not contribute to strict adherence to the established requirements of accounting standards and rules.

Improvement of accounting within organizations at the present stage is practically not implemented, which is aggravated by the lack of specialized institutions at the state level, as well as stimulation by internal management processes. Audit is a priority form of activity that can reveal the need for such improvement within the organization. To do this, it is necessary to create conditions for the implementation of this process. The adoption of international audit standards to confirm not only financial statements prepared in Uzbekistan according to international financial reporting standards, but also individual accounting statements prepared according to standards, requires ensuring a unified methodology in them. In this regard, it would be advisable, in our opinion, to create an organizational state structural unit, perhaps even in the form of a Unified Methodological Center (regulator) for auditing and accounting.

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