

**MINISTRY OF HIGHER AND SECONDARY SPECIAL  
EDUCATION OF UZBEKISTAN**

**TASHKENT FINANCIAL INSTITUTE**

**MASTER`S DEPARTMENT**

*Having the right to a manuscript*

*UDC: 658.1*

**SAIDOV AKMALJON AZOMAT UGLI**

**THE IMPROVING AUDIT OF FINANCIAL  
RESULTS**

**Specialty: 5A 230902 – «Audit (on branches and spheres)»**

**DISSERTATION**

**Scientific advisor:** Doctor of economics

science, professor, A.Tuychiyev \_\_\_\_\_

“ \_\_\_ ” \_\_\_\_\_ 2017y.

**Tashkent-2017**

Thesis performed by "Audit" department of Tashkent Financial Institute

**Scientific advisor**

**Dr.econ.sci., prof. A. Tuychiyev**

**Head of the Audit department**

**Dr.econ.sci., prof. A. Tuychiyev**

**Head of the Master department**

**PhD in econ., docent. U.Ortikov**

## CONTENT:

INTRODUCTION .....	3
<b>CHAPTER I. THEORETICAL FOUNDATIONS OF AUDITING FINANCIAL RESULTS .....</b>	<b>8</b>
1.1. The essence of the concepts of "income", "profit", "financial results".....	8
1.2. <b>The principles, functions and requirements of the         audit of financial results.</b> .....	17
.....	
Summary of Chapter I .....	23
<b>CHAPTER II. THE CURRENT STATUS OF THE AUDIT OF FINANCIAL RESULTS .....</b>	<b>24</b>
2.1. Establishing the level of materiality and audit risk in an audit of financial results. ....	24
2.2. Stages of audit of the financial results. ....	33
2.3. Methods audit of financial results of the company. ....	39
Summary of Chapter II. ....	53
<b>CHAPTER III. IMPROVEMENT OF AUDIT FINANCIAL RESULTS IN FOREIGN EXPERIENCE. ....</b>	<b>55</b>
3.1. Improving of audit methods in auditing financial results. ...	55
3.2. Improving the audit of financial results in foreign methods ..	64
Summary of Chapter III .....	68
<b>Conclusion and recommendations .....</b>	<b>69</b>
<b>Bibliography .....</b>	<b>73</b>
<b>Appendix .....</b>	<b>78</b>

## INTRODUCTION

**Actuality of subject of master's dissertation.** In the context of the modernization of the economy plays a key role supporting the private business and entrepreneurship. Small business and entrepreneurship have become an important area in ensuring the amusement of the population in the decision-relevant social problems. However, it is one of the important factors in a consistent and sustainable economic development. "The first is the results of implementing targeted programs that reveal the effectiveness of reforms. Among them, we should note the following economic and financial indicators of the development of industry and other sectors: the state of production capacities, the reduction of costs and self-costs, the increase in the level of localization, profitability and competitiveness of products"<sup>1</sup>.

In our view, to ensure the smooth operation of the above our financial and economic, budget, banking and credit system, great importance is the organization of the accounting and audit at the enterprises of various sectors of the economy. Improving financial reporting requirements have changed the approach to the organization of accounting and auditing. There is a general tendency to tighten up the preparation of reliable financial statements.

In the context of the modernization of the economy in the process of formation of business entities different forms of ownership for the management of the subject, monitoring and analysis of economic activity are the basis for management decisions. Such information can provide, mainly, accounting and auditing. All business entities are required to keep accounting records of production and economic and commercial activities with the preparation of financial statements.

Gains in market conditions are an important indicator characterizing all aspects of the enterprise. Income covers all aspects of the enterprise, including the rational use of manpower, material and financial resources.

---

<sup>1</sup> Mirziyoyev Sh.M. Critical analysis, strict discipline and personal responsibility should become a daily normal in the activity of each leader. T.: Uzbekistan, 2017. p.26

It determines whether the existence of the profit of the enterprise and its development. It is for profit, the company will use all possible means, but above all it must produce such products and services that are in demand on the part of the consumer. Profit and profitability are the criteria for evaluating the performance of the company.

The relevance of the audit of financial results based on the following provisions:

1. Adherence to the fundamental principles of the new mechanism of formation of financial results;
2. Check the accuracy of the accounting and reporting of data on the structure and value profit;
3. The search for new reserves to increase profits.

The relevance of the audit with the audit of the financial results derived from the general objectives of the audit of financial statements. There are several main reasons for the importance of the audit of financial results:

- 1) improving the efficiency and effectiveness of business entities based on the high quality and reliable information;
- 2) the interested users of financial information are often deprived of direct access to it;
- 3) to assess this information, it is necessary to have a significant amount of expertise;
- 4) should not ignore the possibility of biased information from the Governing Bodies;
- 5) using the audit is achieved more flexible forms of legal and economic control are the state and public regulation of business practices;
- 6) may be significant adverse economic effects on the implementation of decisions of the administration, investors and owners, based on reliable financial statements.

However, the lack of development of theoretical bases of determining the level of materiality and audit risk assessment, the lack of a developed system of

methodological bases of audit of financial results makes the actual topic of this dissertation.

**Object and subject of study.** LLC "FTF-LEA-AUDIT" and JVC "Shakhrisabz paxta tozalash" have been chosen as the object of the research. Study of the theoretical-methodology bases of improving the audit of financial results and formulation of proposals on their improvement are the subject of the research.

**Research purpose and objectives.** The purpose of this master's dissertation is formulation of relevant opinions and proposals on improvement of financial results in business entities under the conditions of modernization of the economy.

- to explore the essence of the concepts of "income", "profit", "financial results";
- to reveal the principles, functions and requirements of the audit of financial results;
- examine the definition of materiality and audit risk in an audit of financial results;
- explore the stages of the audit of financial results;
- examine the methods of auditing the financial results of the company;
- to give recommendations for improving the application of auditing in an audit of financial results;
- develop proposals for improving the audit of financial results.

**Research main points and hypothesis.** The research main points and hypothesis are as follows:

- it is extremely important improving the audit of financial results procedure;
- the scientific substantiation of financial results audit discloses the methodology of the research subject;
- it is reasonable to audit financial results according to the International Auditing Standards and International Accounting Standards;

- use of international standards in the improving the audit financial results preparation and its auditing financial results can disclose further development potentials.

**Analysis of literature related to the research subject.** The laws of the Republic of Uzbekistan, the works by, decrees, speeches of Sh.Mirziyoyev, the President of the Republic of Uzbekistan, resolutions of the Cabinet of Ministers of the Republic of Uzbekistan, regulations of the Ministry of Finance on accounting, statements and audit methodology, the national and international auditing standards, the works by Uzbekistan and foreign economics scientists and articles printed in the periodicals dedicated to this subject serve as the sources for the subject of the master's thesis. Beside this, the experience of organization of audit in developed foreign countries has been studied.

**Characterization of the techniques used in the research.** A personal timing schedule has been made up for research topics and researches have been carried out according to them:

- the list of methods and directions necessary for the research has been made up and studied and selected for conducting the research;
- a research problem has been developed and characterized;
- questions have been made up for addressing in the research process;
- research topicality, novelty and practical significance have been substantiated;
- the classification and points of view existing on the research subject have been comparatively analyzed;
- the acquired results have been checked for compliance with the requirements of novelty, objectivity and certainty, reliability and integrity;
- conclusion and recommendations have been formulated.

**Theoretical and practical significance of research results.** The research summaries and proposals in the dissertation create opportunities for organization of improving the audit of financial results in business entities according to the international auditing requirements. The research results can be used as a practical

guidebook in the process of auditing financial results in business entities and by students of higher education institutions.

The theoretical framework of the research made conceptual works of domestic and foreign scientists, economists and practitioners on the problems of the organization of the audit report on financial results. Most practical assistance rendered in the analysis and publication of the Ministry of Finance of the Republic of Uzbekistan.

**Research scientific novelty:** Scientific novelty of the master's thesis is as follows:

- study the essence of the concepts of "income", "profit", "financial results";
- disclosed principles, functions and requirements of the audit of financial results;
- examined the definition of materiality and audit risk in an audit of financial results;
- studied the stages of the audit of financial results;
- learn techniques of audit of financial results of the enterprise;
- given recommendations for improving the application of auditing in an audit of financial results;
- develop proposals for improving the audit of financial results.

**Characterization of research structure.** This remainder of the research is divided into three chapters. Chapter one describes the main theoretical bases of improvement of financial results. Chapter two explains the practical aspects of auditing financial results. Chapter three presents and discusses the improvement of auditing of financial results in accordance with the international standards. Also, the dissertation consists of conclusions and recommendations, the list of used references and appendix.

## **CHAPTER I. THEORETICAL FOUNDATIONS OF AUDITING**

### **FINANCIAL RESULTS**

#### **1.1. The essence of the concepts of "income", "profit", "financial results"**

Currently, one of the most urgent problems of the methodology and practice of national accounting is the problem of income and the order of formation of financial results of enterprises, including organizations. One of the directions of development of this process is a rethinking of some theoretical concepts.

Currently, the concept of "income" is not of a simple character. In some sources it is considered as a result of production and economic activities of the organization, obtained as the difference between the cost of products sold and all costs incurred in the other - as the sum of profits and wages fund the organization's personnel, in the third - as the proceeds from the sale of products, etc.

Numerous studies on the subject matter of compliance profit calculated in accounting, its economic content have led to the delineation of concepts such as "accounting" (before it was called the book) and "economic" profit.

However, the costs themselves are external (explicit) and internal (implicit). External costs include payments to external (in relation to this company) suppliers. Subtracting from the total revenues (income) of the external costs, we get the accounting profit. In addition, there is accounting and economic approach to the concept of "profit". According to P.A. Levchaeva profit as an economic category reflects the net income generated in the sphere of material production in the course of business activity<sup>2</sup>.

From an economic point of view, the profit - the difference between cash receipts and payments, and on the business - it is the difference between the property status of the enterprise at the end and beginning of the period. Earnings calculated in accounting do not reflect actual results of operations. The first is the result of the sale of goods and services, the second - the result of the capital. This idea belongs to David Solomon, who proceeded from the premise that the concept

---

<sup>2</sup> Левчаев П.А. Финансовые ресурсы предприятия: теория и методология системного подхода. - Саранск: Изд-во Мордов. Ун-та, 2008. 18 ст.

of profit is needed to:

- 1) the calculation of taxes;
- 2) the protection of creditors;
- 3) to select the investment policy.

Determining accounting profit is traditionally based on two main concepts: the concept of maintaining the well-being or the preservation of capital, the concept of efficiency, or increase the capacity of capital.

According to the first concept of the financial result (profit) is an increase in the reporting period, equity (funds invested by owners) of the enterprise and is the result of improving the well-being of the company.

This concept goes back to Adam Smith suggested that profit is the amount that can be spent without attacks on the capital, as well as to the statement of John Hicks, to clarify this point, according to which the profit - is the amount that can be spent for some period of time and at the end of this period, have the same abundance as in the beginning.

This concept is also referred to the concept of profits based on changes in assets and liabilities (which are presented in the asset funds and in liabilities - sources). This is due to the fact that such an approach based on revenue or other income may be recognized only as a result of increase in an asset or decrease of a liability, and the flow rate cannot be recognized if it is not caused by a decrease in an asset or an increase in liabilities.

In other words, profit is the increase in the economic resources at the disposal of businesses and loss - their decrease.

According to the second concept of profit is the difference between income and expenses of the enterprise, and measure the effectiveness of the company and its management.

Earnings, according to this concept are the result of the correct separation of revenues and expenses for the relevant periods, and the majority of non-monetary assets and liabilities are the result of such diversity. Proper spacing of

income and expenses includes the correlation of the reporting period "effort" (costs) and the corresponding "achievements" (income)<sup>3</sup>.

With this approach, income and expenses relating to future periods are recognized as an asset or liability, regardless of whether is such an asset or liability real future inflow or outflow of economic resources (dynamic balance model where an asset is treated as an expense, turning into costs and liabilities - as income, which should be values). In this approach, in fact, the concept is based double-entry accounting, which is detected by means of a double financial result: both the increment of capital (statistical balance model), and the difference between income and expenditure (financial balance model).

In world practice, it is currently recognized as the dominant concept of maintaining the welfare and profit is determined by the change in assets and liabilities. However, used and second concept. Evidence of this is the use of two types of accounting profit, "aggregate" (comprehensive) income, as a result of changes in the company capital at the expense of all operations, except transactions with owners, and "operating" profit (profit from the current, or operating, activities) of the performance of the main activities of the enterprise for the period.

From the standpoint of national interests of key financial indicators - earnings before taxes and mandatory payments (taxable profits) because it was she who serves as the source from which the state receives its share of total enterprise revenue. For the owners of the main indicator - net profit.

The most complete information on income and its components are presented in the income statement. The balance sheet profit cannot always see. The balance of this profit is already distributed in various areas of use, ie, it is "blurred" by various funds and reserves, and explicitly, there is only one component, and perhaps not the most important for the specific weight, - Retained earnings.

---

<sup>3</sup> Лунев В. Л. Тактика и стратегия управления фирмой - М.: «Академия», 2007. 29 ст.

Unlike national accounting statements prepared in accordance with IFRS, the company's revenues are recognized at fair value. To ensure the accuracy of financial statements, it should be clear how to estimate the amount of income and at what point they should be recognized.

Accounting for the company's revenue for the International Accounting Standards Board is regulated by IFRS (IAS) 18, "Income» («Revenue). Despite the fact that the title of IAS 18 "Revenue" is often translated into Russian as "revenues" in the opinion of Saltykova, it is more correct to use the term "income"<sup>4</sup>. This is due to the fact that in addition to the proceeds from the sale of goods, works and services within the scope of IAS 18 fall as income from the assets of the company by third parties - royalties, interest income, dividends, and other economic benefits as a result of ordinary activities company.

Under the income in accordance with IAS 18 refers to an inflow of economic benefits during the reporting period in the ordinary course of business of the company, resulting in a capital increase (except for the capital increase as a result of shareholders / participants of deposits).

Analysis of legal, scientific and methodological literature showed that the consensus on the definition of the economic content of the financial results (profits) not.

Presenting a final financial result, profit is the main indicator in the system of enterprise goals. However, the profit is a very complex economic category, and may be different because of its definition, interpretation and presentation.

As an economic category of the enterprise profit reflects the net income generated in the sphere of material production. At the level of the organization's net income takes the form of profits. Profit characterizes the economic impact resulting from the activities of the organization. Availability profit organization shows that the revenues exceed the costs associated with its activities. Thus, the economic approach does not distinguish between realized and unrealized gains.

---

<sup>4</sup> Saltykov A. As reflected income in the financial statements [electronic resource] - [http://www.gaap.ru/biblio/gaap-ias/compare\\_rus2/104.asp](http://www.gaap.ru/biblio/gaap-ias/compare_rus2/104.asp).

On the contrary, the accounting approach, the principle of prudence (conservatism), is in no hurry to recognize the unrealized gain, or rather, this income will be recognized as income only after its implementation.

However, both of the considered approach, in principle, does not contradict each other. Moreover, the economic approach is useful for understanding the essence of profit, accounting - for understanding the logic and order of its practical calculation.

The existence of the concepts of "financial" and "economic" profit does not mean the possibility of direct comparison of their values. Each index can have its own scope. More correct is their characterization as complementary methods of analysis of business entities.

Using the index of economic profit is how to confirm and refute the conclusions drawn on the basis of accounting profit figure, and cause further analytical work.

From the point of view of assessing the effectiveness measure of economic profit it provides a more complete compared to the accounting profit of the effectiveness of the use of the organization of existing assets, due to the fact that compares the financial results obtained by the particular organization, with the result that will ensure real, not just nominal saving attachments means.

In this regard, it is measure of economic profit is a more succinct and useful for decision-making by investors with regard to investment in this or that organization.

That it reveals the final result of financial and economic activities of the company (net income or net loss), which is composed of the following:

- the financial result from ordinary activities;
- the financial result of other income and expenses;
- losses, income and expenses in connection with the extraordinary circumstances of economic activity;
- a natural disaster, fire, accident, nationalization, etc .;

- payment of accrued income tax and payments for the recalculation of the tax on the actual income and the amounts owed to tax penalties.

The final entry in December, net profit (loss) of the reporting year is deducted from the account 9910- "The final financial result" at the expense of 8710- "Retained earnings (uncovered loss)".

Status of financial and economic activity of the enterprise can be assessed by examining the financial results of its work. Profit is the result of the financial activity of the enterprise, which characterizes the absolute efficiency<sup>5</sup>. Profit is the end result of the company.

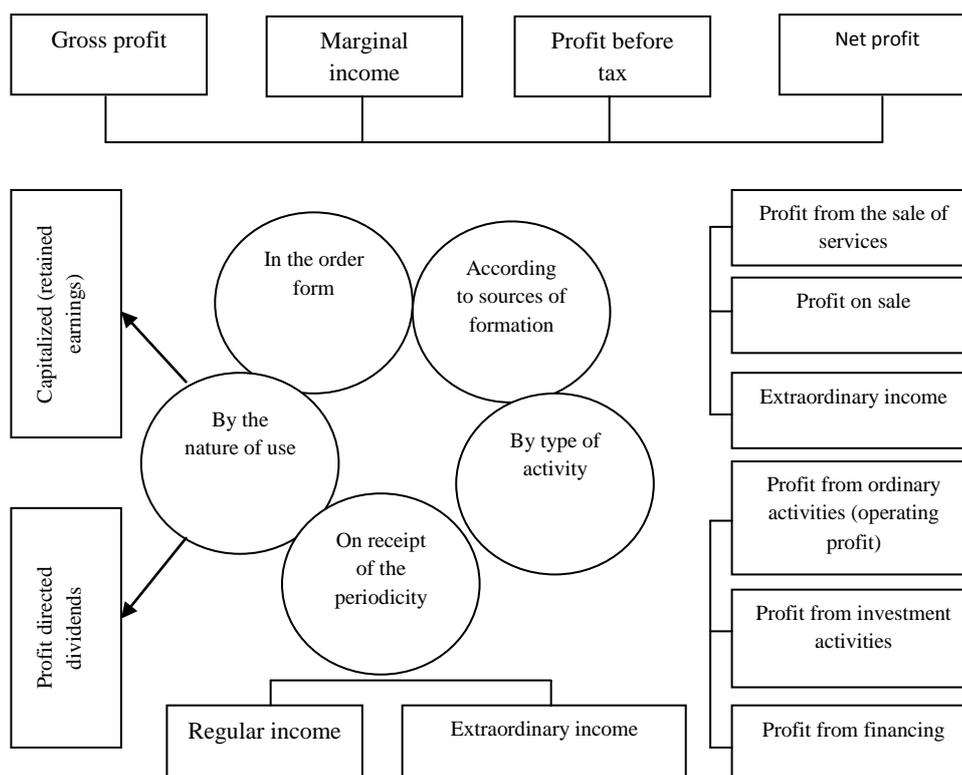
In modern economics, the term 'profit' and its contents caused a lot of disputes and discrepancies. The current opportunity to ambiguous interpretation of the definitions of the type of profit gives rise to problematic situations related to the assessment and study of this complex economic category. With the development of economic theory, a set of concepts and terms that determine profit, has undergone significant changes from the simplest as income from production and sales to the notion characterizing the final financial results in a variety of commercial activities.

Profit and profitability - the most important indicators characterizing the economic results of production and business activities of economic entities of the market economy.

The economic activities of the organization is quite diverse, is a production, supply, marketing and commercial activities. Therefore profit organization takes different forms. The starting point in the calculation of income indicators is the revenue from sales of products, goods and services, which characterizes the completion of the organization of the production cycle, refunds advanced to the means of production and their conversion into cash, as well as the beginning of a new cycle in the turnover of all funds. The change in the volume of sales has the most sensitive impact on the financial results of the organization.

---

<sup>5</sup> Ковалев, В.В. Анализ хозяйственной деятельности предприятия: учебник/ В.В. Ковалев, О.Н. Волкова. - М.: ООО «ТК Велби», - 2004. 229 ст.



**Figure 1.1 - Classification of the profit figures<sup>6</sup>.**

So, the main types of the following profits:

- gross profit - the difference between revenue from sales and cost of sales for the same period. Gross profit margin is used to characterize the effectiveness of the industrial divisions of organizations;

- income from sales - the difference between gross income and expenses for the period of the main activities during the same period. Subtraction of the gross profit of recurrent expenditure, in accordance with international accounting standards, facilitates the separation of the entrepreneur from possible risks no sales products with the state. The size of the profit from sales is used to evaluate the effectiveness of operating activities

- profit from financial activities - the amount of profit on sales and the overall result from financial transactions (interest receivable and payable, income from participation in other organizations, and others.). The value of this income is used to assess the substantive and financial activities of the organization;

<sup>6</sup> Denikakeva, RN crisis management mechanism in the Russian economy and in foreign countries / RN Denikakeva // Economy. analyze. 2008. - № 4. 39-45 p.

- pre-tax profit (book profit) - this is the amount of profit from financial activities and profit (loss) from other non-sales operations. Balance sheet profit is a measure of the economic efficiency of the entire economic activity of the enterprise;

- net income (loss) of the reporting period - a balance sheet profit minus current income tax.

It is also important division profit accounting, economic and tax.

Financial income - income from business activities, calculated according to accounting records without regard to document not recorded the entrepreneur costs, including lost profits.

Economic profit - the difference between revenue and economic costs, which include, along with the general cost alternative (imputed) costs; calculated as the difference between the accounting and a normal profit of the entrepreneur.

Non-compliance of accounting and economic profit arises from the fact that the first does not reflect the economic profit of content, and, consequently, the actual performance of the entity during the reporting period. The economic nature of the profits reveals what will be obtained in the future. Presentation of reporting on economic profit organization of data will help provide users with useful business information.

Also, in accordance with the group activities offered by IFRS, are distinguished:

- operating profit, also called operating profit, resulting from the production and sales of products, works and services. It is calculated as the difference between net sales and cost of production and sales;

- income from investments, which is formed by the transfer of resources in the long-term projects;

- profit from financing activities, resulting from the placement of funds in short-term basis.

According to the composition includes elements emit:

- the profit margin (profit margin), which is calculated by the difference between the proceeds from sales of products, goods and services, and variable costs attributable to products sold or the difference between the selling unit price and unit variable costs. Use this evaluation of the company's ability to cover the fixed costs for the formation of the desired size of the sales profit. Marginal profit is at the heart develop alternative management decisions;

- the total financial result of the reporting period before interest and taxes. This indicator is used in the analysis in order to manage the risk of its negative impact, for subsequent action.

The magnitude of the result can be a profit:

- minimum - the least that is needed to save the company, continuing its operation and to prevent the collapse;

- excess profit (exclusive) - a very high level of profit achieved by the monopolistic behavior of companies - manufacturers and suppliers of goods on the market;

- normal profit - profit level necessary and sufficient to ensure that the resources involved in the production of a particular product, have been banned for other purposes. In practice, this return on invested capital in production, this could be achieved by alternative means of placing the owners of the company (loans, rentals, etc.).

The variety of types of income is not limited to consideration of the classification framework.

Activities of any entity are determined to end financial measure. Financial results of the company's profit, which meets the needs of the enterprise and the state in general or loss.

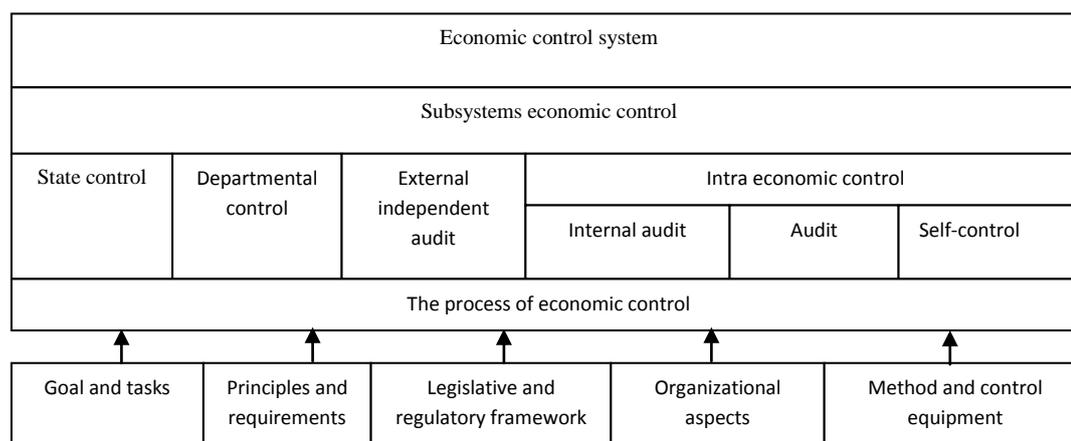
Accounting or accounting method for the measurement of outcomes is based on calculating the gain or loss on the records. The current opportunity to ambiguous interpretation of certain provisions of legislation, as well as the contradictions between the separate regulations and directly inside of them between the individual items generate problematic situations, which are aggravated

by the division of legislative and normative acts in the acts regulating the accounting procedures and acts that should be guided for tax purposes.

## 1.2. The principles, functions and requirements of the audit of financial results

Audit - is one of the subsystems of the economic monitoring of financial - economic activity of the organization. The main objective of the audit in domestic and foreign practice - it is the process of reducing to an acceptable level the risk of information for financial reporting and internal users of information users.

In a mixed economy, represented by the various forms of property, you need to enable the functioning of all types of organizations at different levels of governance. To do this, you need complementary use of all sub-systems of economic control, including internal and external audit. (Figure 1.2).



**Figure 1.2 - The system of economic control and the relationship between its subsystems<sup>7</sup>.**

When exercising control, including the audit of financial results should:

- to define the purpose and the audit objectives;
- justify the principles and requirements for it;
- make full use of legislative and regulatory control framework;
- develop the organizational aspects, methodology and techniques of control

and audit.

<sup>7</sup> Made by author.

Consistent and proper implementation of all these aspects will considerably increase the efficiency of the monitoring process, as these aspects are the methodological basis and means of implementation of any of the sub-systems of economic control, including internal and external audit of the financial results of the organization.

It is therefore necessary to define and organize goals, objectives, functions, principles of audit of financial results and the requirements for it in modern conditions. Principles, functions, goals, objectives and requirements of the audit of financial results of the organization are presented in Table 1.1.

**Table 1.1**

**Principles, functions, goals, objectives and requirements of the audit of financial results of the organization<sup>8</sup>**

Principles	Function	Goals	Tasks	Requirements
1	2	3	4	5
<p>1. The principle of availability - the availability of the auditor to all objects of control and storage media.</p> <p>2. The principle of specificity audit - to be specific, not only objective of the audit, but its result.</p> <p>3. The principle of objectivity - the audit must be impartial, focused on an objective assessment of the reliability of financial results.</p> <p>4. The principle of timeliness - the systematic, timely audit of financial results.</p> <p>5. The principle of efficiency - focus on the audit of financial results expressed, processing of specific measures to corrective.</p>	<p>1. Information function - information on the financial results is the subject of the audit and content management.</p> <p>2. Control function - ensures compliance with the regulatory and legislative framework in the formation of financial results, as well as enhances the effectiveness of controlled-cal solutions.</p> <p>3. Function - contributes to the implementation of audit to identify reserves for improving the financial results.</p> <p>4. The analytic function - is realized in the use of information in the analysis of financial results.</p> <p>5. The Advisory function - advising the machine's control now on the formation of financial results.</p>	<p>1. Establishing the degree of information about the reliability of financial results; to express an opinion on the financial statements.</p> <p>2. Evaluation of the implementation of the organization of the financial policy.</p> <p>3. Evaluation of management is consistent-hosts-governmental processes and develops solutions to improve the financial performance of the organization activity.</p>	<p>1. Verification of the completeness and accuracy of recording expenditures, revenues and financial results of activity of the organization.</p> <p>2. Identify the best use of reserve funds for the improvement of financial results.</p> <p>3. Development of proposals for: improving the monitoring, accounting, settlement procedures; improve the efficiency of tactical and strategic development programs; Restructuring of operations for maximum profit.</p> <p>4. Verification and validation of financial statements, financial results or statement of their unreliability.</p>	<p>1. Flexibility.</p> <p>2. Cost.</p> <p>3. Prostota.</p> <p>4. Independence.</p> <p>5. Adequacy of audit data information users.</p> <p>6. Compliance with the law in the audit.</p> <p>7. Create an environment of trust.</p> <p>8. Performing audit procedures.</p> <p>9. Confidentiality in the audit.</p>

From the above table 1.1 table, we can conclude that the common principles of audit activity do not exclude the significant differences of content

<sup>8</sup> Made by author.

internal and external audit of financial results. It is these differences and makes them a mutual supplement. The technology of interaction of internal and external audit is based on a policy of maximum assistance to the independent auditor, by the latter - on the concept of an impartial approach to the assessment of the degree of confidence that it is advisable to have the internal auditor.

Therefore, based on the goals of audit of financial results should be determined by its objectives, the organizational and methodological aspects of the audit process procedures, data processing algorithms, hardware, intellectual resources, forms the synthesis and reporting of financial results, as well as the procedure for documenting the audit results.

For the rational construction of the financial results of the verification system, the audit should be organized so as to control its process efficiently, contributing to the progressive development of the methodology, technique and control technique. In this regard, the organization of the audit of financial results should be read in different ways: spatial, temporal, and information technology. It is necessary to take into account the complex organizational requirements (table 1.2).

**Table 1.2**

**Organizational aspects of performance audit of financial results<sup>9</sup>**

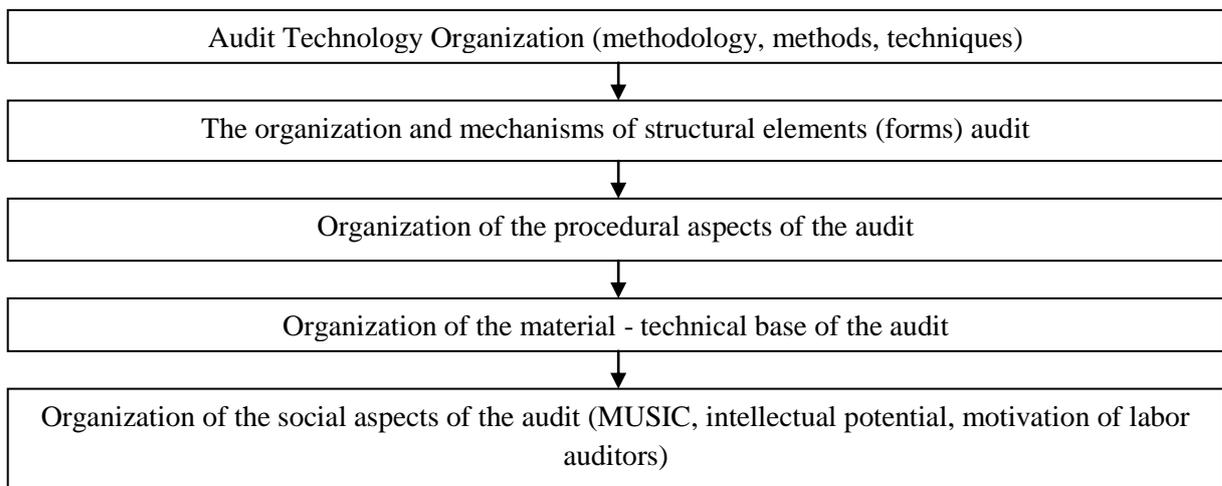
Organizational aspects	Content organizational aspects	Organizational requirements and suggestions
1 Spatial	Includes: the purpose of the audit of financial results, which is determined based on the needs to obtain relevant information for internal and external users; audit objects, determined in accordance with the intended purpose; performers (actors) audit	Understanding and using the fundamental principles and auditing standards; compliance audit requirements; a fairly complete application of scientific methods and instructional techniques for auditing the implementation of the audit functions and the challenges facing them; rationalization of the implementation of innovation and adaptation to new conditions auditing internal and external environment; introduction of automated expert systems for auditing, giving audit properties of self-organization and self-regulatory; Technical development of the material base and personnel audit policy; the introduction of the scientific organization of labor and its payment audit activity; Prediction and control impact of all the activities on the organization of financial results.
2 Time	It includes terms of processing and reporting of financial results.	
3 Information - technological	Include means to achieve the audit objectives, sources information, methods and techniques of its preparation, the technical means to carry out the audit	

<sup>9</sup> White, Gerald I.; Sondhi, Ashwinpaul; Fried, Dov (1998). The Analysis and Use of Financial Statements. John Wiley & Sons, Inc.

In organizing the audit of financial results it is important to establish the correct switching sequence in the control process of interrelated phases of the system (monitoring, verification, data collection, collation, synthesis of information, and others.).

It is important to build on the organizational principles of audit, on the legislative, regulatory, methodological and other materials.

Thus, the financial results of the audit organization can be seen as purposeful activity, comprising interconnected elements (Figure 1.3).



**Figure 1.3. Main elements of the organization of the audit of financial results<sup>10</sup>**

The totality of the organizational aspects, methodology and techniques carried out with the help of certain procedures of the audit process, the practical implementation of the audit of financial results of the economic entity.

This process includes the organizational stage, methodical and technological stage and final stage. For successful implementation of the developed model content of the audit process, this includes aspects of the scientific organization of auditors and audit work, the managerial aspects of the audit process and quality control of the meeting, aspects of evaluating the effectiveness of the audit of financial results.

The audit of revenue and financial results is to determine compliance with the applicable methods of accounting operations for the formation and use of

---

<sup>10</sup> Made by author.

regulations of financial results, operating in the territory of the Republic of Uzbekistan. On the basis of this is formed an opinion about the financial results and the reliability of the accounting (financial) reporting of financial results in all material respects.

The objectives of the audit of income and financial results are as follows:

- reflection of the completeness check: whether the full amount reflects all income and expenses, that is, indicators on the basis of which is determined by the result of the activity of the economic entity;

- the establishment of accessories: Do reflected income and expenses are really economic client transactions;

- validation assessment: conformity assessment of revenues and expenditures accounting policies, accounting principles; the use of estimates based on continuity;

- establishment of correct reflection of income and expenses in the financial statements;

- validation classification of revenues, expenditures, financial performance;

- establishing the legality of registration of economic operations of the enterprise in the primary documents and data reconciliation, reflected in accounting registers;

- confirmation of the authenticity and correctness of reflection in the accounting for revenue accounting operations accounts, expenditures and financial performance;

- checking the correctness of net profit of the reporting period, its distribution and use;

- validation of the payments due to the budget.

Table 1.3 provides a list of primary documents, on the basis of which the auditor should verify the validity of the reflection of various types of other income and expenses

**Table 1.3**

**Primary documents proving the legitimacy of the reflection of various types of other income and expenses<sup>11</sup>.**

Name types of other income and expenses	Name of the original document
Expenditure on the canned production capacity	Order of the head of the organization, defining the list of canned objects conservation reasons, the composition and size of costs, sources of financing; cost estimates for the maintenance of dormant power costs; primary documents on registration costs (statements payroll, payment orders, acts of reception and transmission, etc.)
Losses from natural disasters, fires, accidents, thefts and other extraordinary events	Acts certifying such an event, and signed by the head of the organization, non-related parties and specialists; settlement accounts (estimated) losses incurred; expert opinion on the possibility of restoring the damaged property; the court's decision on the establishment of the perpetrator and the award of damages payment to him; payment orders to the amount of damages
Costs for canceled production orders, inconclusive	The sales contract, the delivery of products; invoices, payment orders; invoices, certificates of acceptance of works; agreements, protocols to terminate the contract
Write-off of accounts receivable with expired limitation period	Contract of sale; supply contract products; bank documents confirming the transfer of funds to the supplier; invoices, invoices for products shipped
The validity of a provision for doubtful debts	Contract of sale; supply contract products; invoices for the shipment of products; acts of acceptance of work performed; act receivable inventory act of reconciliation between the debtor and the creditor; the decision of the arbitration court for recognition of the enterprise-debtor bankrupt
Dimensions incurred legal costs and arbitration costs	The court's decision; payment order

The following data are used as information sources.

Primary documents include:

1. Statement of the bank's settlement and loan accounts;
2. Applications to the bank statement;
3. The order of the accounting policy.

The registers of synthetic and analytical accounting include:

If journal-order forms of accounting:

1. General Ledger;

<sup>11</sup> Made by author.

2. Logs orders №№ 1; 2; 10; 10/1; eleven; 12; 13; 14; 15;
3. Sheets №№ 12; 13; 14; 15; 16;

When the automated form of accounting:

1. General Ledger;
2. Journal of economic operations.

Reports include:

1. Balance Sheet (form № 1);
2. Report on financial results (form number 2).

There are other necessary documents

Checking summary measure of profit (loss) for the reporting period is carried out to establish the facts included in the cost of production is not related costs, as well as the wrong calculation of profit, which is subject to taxation.

### **Summary of Chapter I**

The audit focuses on revenue and expenditure, constituting the ultimate profits of the enterprise. The value of profits in the modern market economy is huge. As an economic category, it characterizes the financial result of business enterprise. Profit is an indicator that best reflects the efficiency of production, the quantity and quality of output, the state of labor productivity and the level of cost. However, profit has a stimulating effect on the strengthening of commercial calculation, the intensification of production in any form of ownership.

Currently, the consideration of profit in the literature on accounting and auditing is given special attention. And it is not only in the influence of profit management process on the financial condition of the enterprise, but also in a large number of new regulations governing the work of the organizations in the area of performance measurement.

## **CHAPTER II. CURRENT STATUS OF THE AUDIT OF FINANCIAL RESULTS**

### **2.1. Establishing the level of materiality and audit risk in the audit of financial results**

One of the most important aspects of the audit of financial results is its planning and programming, both in external and in internal audit. The foregoing aspects of planning the audit of financial results are the study of the activities of the economic entity, including a set of elements of knowledge of the subject:

- goodwill;
- skill level accounting and finance professionals;
- activities of the organization;
- the constituent documents;
- the results of previous checks;
- company and methods of management and accounting organization;
- indicators of the financial statements;
- the results of operating, investing, financing activities and other operations;
- state-farm system of control and accounting of financial results.

In order to develop an optimal plan and the audit program should be guided by not only the standard of "Audit planning", but also internal (intercompany) Standards on Auditing. Therefore, there is an objective need for the development of conceptual bases of formation of the internal audit standards of financial results of the organizations.

Based on the above model of internal audit standards with the highest degree of optimality of the author of a plan and a detailed program of audit of financial results.

The plan envisages: Forums audit; objects and audit items; The planned types of operations; the period of the audit.

The audit program - partitions and format of the audit; instructional techniques and audit procedures; performers; procedure for the synthesis and implementation of audit results for each section of the program.

Audit of the financial results of various organizational - legal forms of multidisciplinary organizations in accordance with laws and regulations should be conducted by a group (team) of auditors, composed of specialists from different disciplines (lawyers, economists - a professional accountant, auditor). Activities of the auditors in this can be adjusted by observing schedule, work programs and other organizational - administrative documentation.

But the audit process of the financial results of companies also requires appropriate management. The most rational solution of these problems is possible with the use of network planning and management audit process of financial results.

In network planning and management audit process of financial results of the system must include four basic stages of works that make up the critical path of the audit of financial results:

- definition of the objectives and limitations of the audit program;
- the establishment of the duration of the audit procedures (work);
- preparation of the network schedule of the program;
- the calendar of the network schedule to determine the critical path of works and the provision of time for their performance in an audit of financial results.

Note that in order to reduce the duration of the program of work on audit is necessary to reduce the critical path length. Reserve time in this case - it is the difference between the earliest possible completion of the period of operations and latest allowable time of its execution. Time Allowance is only available in the auditing procedures (work) that do not lie on the critical path. Thus, the roadmap provides a visual and clear picture of the sequence of activities on implementation of the audit program, and shows the beginning and end of work. In addition, it can be seen clearly the consequences of any delay procedure (type of work) audit in terms of time throughout the implementation of the audit program. When planning the audit of financial results, it is necessary to set the level of importance on the main control object. The following factors (Table 2.1) must be taken into account when assessing the level of materiality at the financial results of the audit.

**Table 2.1**

**Factors of influence on the assessment of the level of materiality in planning the audit of financial results<sup>12</sup>.**

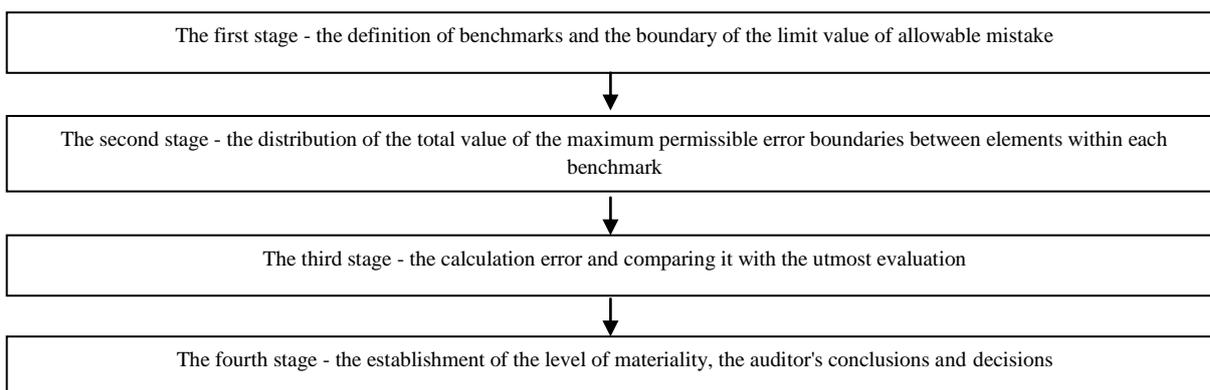
Factors	Substantial aspects
Absolute mistake budget	The absolute value of the error size is important for the assessment of materiality in an audit of financial results, since this error is preceded by errors in the cost accounting system, income and expenses, which are subject to correction
The relative magnitude of the mistake	This assessment is used as the ratio of the probable error in the corresponding base value. The problem here is the choice of the basic amount, which should be the starting point of the mistake
The content of the accounts financial results and articles reporting	Possible errors on the accounts in 2010, 9010, 9110 should be seen as more significant than the probable error of accounts 9910 and 8710. Illegal transactions on the accounts in 2010, 9010, 9110 are not significant due to its absolute and relative size, but because of his unfounded and eventually distort the results of the accounts of 9910 and 8710
Specific conditions	It is necessary to pay great attention to even minor errors in accounting for the formation and reporting of financial results
Uncertainty financial activity	In this case, you must use the more stringent criteria of materiality
The cumulative effect	It is necessary to assess the overall size of the known and suspected errors in financial results

The concept of materiality is to be used as follows: - as a basis for planning the audit of financial results;

- as a basis for evaluating the effectiveness of the audit;
- as a basis for making decisions about the content design of the audit results, as well as the development of strategies to address the financial activities of the organization. Currently, the level of materiality in the audit was determined in accordance with the national standard №9 «Materiality and audit risk." The main drawback of the standard method is that if the benchmarks will vary greatly, their calculated values to find the level of materiality will differ significantly from the average values of these parameters. So you have to throw in further calculations the smallest and largest value, and to calculate the level of significance - to use only one benchmark. This can lead to disorientation auditors. In this regard, the audit of the financial results to establish the level of materiality is better

<sup>12</sup> White, Gerald I.; Sondhi, Ashwinpaul; Fried, Dov (1998). The Analysis and Use of Financial Statements. John Wiley & Sons, Inc.

to use a different approach, which consists in determining the level of materiality phased (figure 2.1).



**Figure 2.1 Method of determining the level of materiality in an audit of financial results<sup>13</sup>**

An important element of the audit of financial results should be scientifically based methodology of audit risk assessment for planning and carrying out checks. In an audit of financial statements, auditors, audit risk is calculated for the audit of the annual financial statements. But as the financial results in any organization are the main objects of accounting, control and management, as well as the main source of its own funds, the audit risk should be calculated separately when checking financial results and the factors influencing them.

Thus, the value of gross margin (profit from ordinary activities) affect revenue from sales of goods (works, services) and the total cost of sales of goods (works, services). The reliability of these figures factor depends on the reliability and efficiency of farm accounting control spending (expenses) and income from ordinary activities.

In order to objectively evaluate the financial policy of the audited entity, to establish the legality, appropriateness and accuracy of the financial results, to assess the state accounting and control of revenues, expenditures (costs) and end financial results, can be used in the audit practice of "operational and operational" control method, conducted by oral or written test and verify the relationship of

---

<sup>13</sup> Made by author.

analytical and synthetic accounting of financial results with the forms of accounting (financial) statements.

The essence of the method lies in the fact that prior to the documentary, the auditor is testing significant individual committed or perpetrated by an organization of operations related to the financial results.

During the planning phase of the audit of financial results of the auditor should:

- identify the types of income and expenses, which will be subject to inspection;
- to consider the organization of accounting and control for each test object means;
- to determine the nature of the test (for compliance and / or on the merits);
- decide on the verification process (continuous or selective);
- choose methods of gathering audit evidence in relation to each test object.

In determining the objects of inspection necessary to use the results of analysis of income, expenses and profits, as well as take into account the materiality level established for profit.

Application of analytical procedures at the planning stage to determine the unusual situation in the organization and reporting. For example, significant differences between the financial statements prepared by the client during the reporting period, and other data used in the comparison may indicate errors or omissions in the accounting and reporting. The auditor should establish their causes, and to determine whether this is the result of the impact of normal economic phenomena or error. Analytical procedures also allow to identify the features of the customer's business, sources of income, the main source of revenue and expenditure trends, as well as factors that affect the amount and dynamics of financial results of activity of the organization.

Analysis of financial performance can be carried out in several stages:

- Analysis of the sources of income and its dynamics;

- Evaluation of the composition and structure of income and expenses at the balance sheet date and in the dynamics;

- Factor analysis of financial results of activity of the organization.

Factor analysis of earnings, revenues and expenses can be made by constructing a structural and logical systems of profit, income and expenses; mathematical representation of constructed systems; Use the principle of elimination and the method of chain substitutions to calculate the influence of factors.

The level of significance with respect to the financial results of the activity is the size of allowable error. Under the allowable error refers to the level of distortion in the tested population, which the auditor considers insignificant and do not affect the financial statements. In determining the level of tolerable error, the auditor is based on the importance of the audited combined for verification purposes.

Given the nature of the formation of financial performance, as potential objects to be scanned may make income, the disclosure of which is stipulated by the shape of the income statement.

An important aspect of the audit of financial results of the identification will be made in the organization of controls, as well as familiarity with the organization of the accounting system for each test object.

Means of the control and accounting system should ensure compliance with the general and local documents, the terms of contracts and agreements in the calculation and income (in coating costs) and the reflection of these processes in accounting.

Identification of means of control and familiarity with the accounting organization is advantageously carried out by testing and analyzing the content of the provisions of the structural units of the organization, job descriptions of managers and employees, local documents. As a result, the auditor can get an idea of the adequacy of the accepted means of control and the scale of the accounting system and the specifics of the organization, according to the internal regulations

of the general requirements of regulatory documents. Controls for each inspection object can be fixed in a separate working file and then during compliance testing to assess the actual use and effectiveness of these controls.

At the stage of planning the auditor should also decide on the method of inspection for each facility. Solid reviews may cover those types of income for which the balance was as a result of unusual or risky operations. In addition, some elements of the audited revenue numbers together can be so small that the use of audit sampling is inappropriate.

The main ways to audit revenues are sample surveys. This is due to the fact that the balance of income made up as a result of a significant number of transactions, and continuous verification of financial results will require considerable time and physical costs. In addition, mathematically proved that a large amount of the population has only a negligible effect on the sample size. Thus, for 1000 and 10,000 for the entire set of elements, you can get significant results selected for verification of not more than 50 members. As a result, audit sampling enables the auditor to do it on the basis of the properties of the entire set of verifiable conclusions.

However, it should be noted that audit sampling - the process itself requires careful planning, analysis of the results and documentation of the entire process of sampling. Therefore, the auditor needs to make a decision, which is less time consuming and at the same time effectively - audit sampling or continuous manner. In any case, the auditor should determine the possibility and feasibility of the implementation of audit sampling with respect to each specific population.

Technical stage of the audit is to obtain audit evidence sufficient to express the auditor's opinion on the reliability of financial statements. Specific methods of obtaining audit evidence are the audit procedures, the choice of which depends on verification purposes, the specifics of the audited accounts, experience and professional judgment of the auditor. Depending on the purpose of a spot check, audit procedures can be divided into two groups - the testing of controls (checks on conformity) and testing on the merits, which includes analytical procedures, and

detailed speed tests and account balances. At the same time in each area, the auditor can use both solid and selective method of collecting information conduct compliance testing (test of controls) to check is to establish cases when transactions audited controls did not function properly. The validity of transactions, proper documentation of transactions and their accounting, recognition of the validity of the (real) transactions and other compliance with the principle of separation of duties (authorization of transactions and their management and accounting): The criteria for the following requirements may be used.

Testing for compliance allows you to set the level of risk controls, which will be crucial in the formation of the sample size - the higher the risk control, the greater the sample size and therefore more time and physical costs of testing a specific set of selective manner.

The difficulty in determining the risk lies in the fact that it cannot be calculated in the form of a specific valuation, so the level of risk can be classified by the auditor as a high, medium or low. The risk of control devices must be defined as high, if an auditor has not obtained conclusive evidence that the customer controls are functioning effectively, and allow the evidence to accept the risk control medium or low.

Testing for compliance with the audit of the financial performance of the organization is impractical to carry out when the audit firm conducted an audit of the client before, and the entity no events occurred as a result of which the risk of controls may have changed. In contrast, the controls will be subject to mandatory inspection when the client audit is conducted the audit company for the first time, or at the customer events occurred as a result of which the level of reliability of controls may have changed.

To assess the risk of control devices with the audit of the financial results of the organization, based on the auditor's judgment, it is appropriate to use one of three approaches:

- carry out checks on compliance. It is necessary to perform tests for compliance, and on the basis of the data obtained to establish the degree of control risk;

- evaluate the controls on operations, will serve as a source of income;

- classified as a high risk of control without inspection for compliance and conduct sample calculation for checking is essentially based on the value of the control risk. In some cases, testing can be performed on line simultaneously and substantially.

It should be noted that, in case of reasonable recognition of the low control risk, the auditor may refuse to check and essentially rely on the effectiveness of internal control of the client system.

Checking essentially conducted to obtain confirmation of the reality of the balance or turnovers on the account the accounts on the following criteria: Completeness, accuracy, limitation of the reference period, assessment of the existence and the other main types of audit procedures during the audit is essentially the financial results of the organization are detailed tests balance and analytical procedures.

Analytical procedures appropriate to apply when the results of the inspection for compliance with the lead to the conclusion of the high reliability of control devices for a specific test object. Otherwise, the auditor should test the balance of accounts in order to obtain a sufficient degree of certainty that the statements of the organization are free of material misstatement.

Analysis of income allows you to establish the validity of the value of income, reflected in the accounts. Comparing the balances in the accounts under the account of income and the amount received as a result of audit settlements, it can be the primary conclusions about the reliability of accounting data.

A detailed balance testing, the auditor should perform the conversion amount of income on the basis of the conditions set by the primary documents.

In determining the amount of the audited aggregate is necessary to analyze the conditions relating to the possibility of applying sampling.

These conditions are a large amount of the population, the opportunity to identify each piece together, cover the entire reporting period and others.

To clarify the scope of the audited to the auditor together the elements necessary to determine the highest value, as well as elements of key risks. The elements of most value are considered, the size of which exceeds by more than 30% of the average value of the elements together. However, when a large number of units in total, the time to identify the auditor costs such elements can be so significant that the effect of refinement inspected aggregate volume is reached. In this connection, you can ignore the requirement to clean up the entire population of the maximum value of the elements and components of key risks, while checking of certain types of income.

The following methods can be used to determine the sample size:

- on the balance;
- in terms of turnover;
- to assess the impact of factors;
- by sampling risk assessment.

After determining the sample size necessary for auditor to produce a selection of items for sampling.

After selecting items for sampling, the auditor starts the audit procedures, as a result of which must be received by the evidence, to the extent necessary for the formation of our audit opinion on the adequacy and effectiveness of controls and the reliability of data recording and reporting.

## **2.2. Stages of audit of the financial results**

The main information base audit of financial results is the accounting financial accounting. Therefore, the correctness of the statement of account of the financial results depends on the accuracy of the data and the objectivity of auditors' decisions during internal and external audits.

Thus, the grouping of expenses (costs) for the elements must comply with the principles of: the sequence of formation of cost, starting with the primary units and ending with the central accounting department; objectivity and reasonableness of the costs of construction elements (costs) based on their substance; accountability of all actors of management and control, regardless of the organizational structure and gradation control of the economic entity. In addition to these principles, this group of expenses (costs) should ensure the implementation of the accounting financial accounting of its core functions in the control system and the audit: analytical; information; control; feedback; appraisal.

It follows that the elements of expenditures (costs) in the financial account balance should be built in the following order and structure: wages; material costs; works and services ancillary industries and other organizations; the cost of maintaining fixed assets; other costs; organizational and administrative costs; insurance payments and social contributions; sales expenses.

We have cost elements is flexible to adapt financial accounting in organizations to generalize the cost of financial responsibility centers, as well as for the whole organization and its hierarchical levels of control, analysis and management of financial results.

One of the basic toolkits expands the knowledge base of audit of financial results for the taking of evidence is the economic analysis. But economic analysis must be preceded by valuation (planning) indicators of financial results of the organization. From the reasonableness of the valuation (planning) of these indicators depends on the objective economic analysis in the audit of financial results as well as the actual performance should be analyzed in comparison with the standard (planned).

The purpose of the audit of financial results is the definition of matching the applied methodology of accounting operations for the formation and use of financial results for compliance with regulations in force in the territory of the Republic of Uzbekistan.

On the basis of this is formed an opinion about the financial results and the reliability of the accounting (financial) reporting of financial results in all material respects.

Performing income verification procedures and costs associated with normal activities, the auditor will need to answer the following questions:

- 1) Accounting sales in line with the regulations?
- 2) The data of analytical and synthetic accounting of the account 90 "Sales" are consistent with the general ledger and balance?
- 3) Correspondence of accounts of the account 9010 "Sales" prepared in accordance with the provisions of the regulations?

The procedure for conducting audit of revenues and costs associated with ordinary activities includes a series of sequential steps:

Step 1: Reconciliation of data analytical accounting of revenues and expenses associated with the usual activities, with balances and synthetic accounting.

When the audit is necessary to verify the identity data of the analytical account balances and transactions on account 9010 synthetic accounting of income and expenses associated with the usual activities. Data analytical account must comply with the turnover and balances on the accounts of synthetic accounting.

Validation of entries made in the general ledger, is carried out by counting the amount of turnover and the balance of account 9010 of income and expense associated with conventional activities.

The amounts of debit and credit turnovers, as well as debit and credit balances must be equal, respectively.

Step 2: Verify the correctness of income and expense associated with conventional activities

In an audit must be performed to establish whether the requirements of regulations regarding the accounting for revenue and costs associated with ordinary activities.

According to the instructions on the use of the chart of accounts, to compile information on income and expenditure, related to the usual activities of the organization, as well as to determine the financial result for 9010 it is through "Sales".

The final financial result (net profit or net loss) is composed of the financial result from ordinary activities, as well as other income and expenses, including emergency. Charged 9910 "Total financial result" reflected damages (losses, costs) and the loan - the profit (income) of the organization. Comparison debit and credit turnover for the reporting period shows final financial result of the reporting period.

The auditor should check:

- 1) the correctness of the now expected profit and revenue from sale of goods (works, services) for the calculation of advance payments to the budget;
- 2) the existence of an order for the accounting policy specifying the method of determining the proceeds from the sale of goods (works, services);
- 3) the correctness of the law of reflection and the actual profit from the sale of goods (works, services) in the accounts;
- 4) the correctness of the profit from the sale of fixed assets and other property of the organization;
- 5) correct reflection of barter transactions data;
- 6) correct reflection of the profit received from the buyer in the form of financial assistance, short-term credit;
- 7) the correctness of recording revenue from product sales subsidiary, auxiliary and service industries;
- 8) correct reflection in the accounting for revenue from sales of products in foreign trade activity;
- 9) the correctness of recording losses, received from the donation of fixed assets and other assets;

10) correctly reflected in the accounting for financial sanctions to be seized in the budget for exceeding allowable emissions (discharges) of pollutants into the environment;

11) the correctness of recording results from the lease of property;

12) correctly reflect the revenue generated from the overhaul of fixed assets, performed an economic way;

13) the correctness of accounting and tax accounting of the account 90;

14) the correctness of analytical and synthetic accounting of the account 90;

15) the right balance of the Reformation.

The purpose of the audit of the financial result is the formation of an opinion on the financial statements of these indicators, which reflect the amount of income (loss).

Follow the procedures of the financial result of the reporting year audit, the auditor should answer the following questions:

1) Accounting gains and losses in line with the regulations?

2) The balance of the Reformation in line with the regulations?

3) The data of analytical and synthetic accounting of the account 9910- "The final financial results" are consistent with the general ledger and balance?

4) Correspondence of accounts of the account 9910 "Total financial result" prepared in accordance with the provisions of the regulations?

The procedure for conducting audit of financial results includes several successive stages:

Step 1: Reconciliation of data analytical accounting financial result from the transactions and balances of the synthetic account

1. When an audit is necessary to verify the identity data of the analytical account balances and transactions on account 9910 synthetic accounting profit or loss.

2. The data of the analytical account must comply with the turnover and balances on the accounts of synthetic accounting.

3. Validation of entries made in the general ledger, is carried out by counting the amount of turnover and the balance of account 9910 profit and loss account.

4. The amounts of debit and credit turnovers, as well as debit and credit balances must be equal, respectively.

Step 2: Reconciliation of accounting data of financial results to the financial statements

Auditor during the audit should obtain sufficient audit evidence to ensure that:

- the final balance of the account of the synthetic account of retained earnings (loss) (8710) of the previous reporting period accordingly transferred to the beginning of the audited period;

- the figures of financial statements at the beginning and end of the reporting period correspond to accounting data registers of the synthetic and analytical account of retained earnings (loss);

- verification of correctness of net income (loss).

When the audit is necessary to establish whether the requirements of normative acts are carried out on the formation of net profit.

To summarize the information about the formation of the final financial result of the organization of activities in the reporting year is through 9910- "The final financial result."

The final financial result (net profit or net loss) is composed of the financial result from ordinary activities, as well as other income and expenses. Charged 9910- "The final financial result" reflected damages (losses, costs) and the loan - the profit (income) of the organization. Comparison debit and credit turnover for the reporting period shows final financial result of the reporting period.

Then it is necessary to charge the profit tax.

Reflection of income tax accounting takes place in two stages. First, the accountant should be assessed a tax on accounting profit, and then adjust it so as to obtain the amount of tax, reflected in the tax accounting.

Tax accounting profit (loss) is called the conditional expense (income) for income taxes. Despite the fact that the accounting gross tax amount is reflected in the debit account 9910- "The final financial result of" taxable profit organization, this amount does not decrease.

If the tax authorities on the audit of the organization have accrued penalties and fines, against the payment of which the organization does not object, records are made to the account:

9810 Debit Credit 6410 - accrued penalties (fines) for violations of tax laws.

The amounts of penalties, fines and other penalties assessed for violations of tax laws do not reduce taxable income.

As a result of the audit the auditor should prepare an opinion on the correctness of net income (loss).

The final stage of the audit of business operations, are a generalization of the audit results, analysis of errors identified during the audit.

It is necessary to analyze errors and violations. Significant errors are evaluated quantitatively and qualitatively. To quantify the auditor compares the detected errors to the level of significance set at the planning stage. In qualitative assessments, the auditor is guided by its own practical experience and knowledge.

When analyzing errors identified during the audit, it is necessary to determine the extent of their influence on the accuracy of the accounting (financial) statements.

The list of validated documents identified errors and violations, as well as the auditor's opinion on the audit results are recorded in the working papers.

### **2.3. Methods audit of financial results of the company**

As it was mentioned earlier, an object audit of the financial statements assumes a check in the context of the elements of financial statements of «Shakhrisabz Pakhta tozalash» JSC. We carried out an object audit of the financial results report in the following areas:

- Audit of revenues;

- Audit of the account of expenses attributable to the cost of work performed and services rendered;

- Audit costs.

Income from operations includes income from the sale of technical products and the provision of managerial services. During the audit it was found that the JSC «Shakhrisabz Pakhta tozalash» with its subsidiaries entered into a contract for the provision of management services. Invoices for the provision of management services now are issued on a quarterly basis, which is not correct, because the services provided by the continuous need to invoice on a monthly basis on the last day of the month in accordance with the procedure for filling the invoice.

Administrative services include:

- preparing and monitoring the execution of business contracts and contracts;
- issuing opinions on the legality of contracts;
- work on debt collection through the courts;
- registration of workers documents for receiving, dismissal and the conclusion of employment contracts, Accumulation book;
- coordination of services safety;
- execution of works on quality control, standardization, certification, metrology;
- provision of printing and printing services;
- operational assistance and advice in dealing with issues arising in the ordinary course of business:
- compilation of personnel reporting for statistical and others.

The audit noted that the list of services provided to subsidiaries, and in particular the subsidiary does not include the services of repair and construction of character, building conservation, maintenance of the building, as the employees of JSC «Shakhrisabz Pakhta tozalash » manufactured plumbing, repair works, which are signed by the Director subsidiary outfits, according to which the charged wages of workers-pieceworkers.

In conducting our continuous checking of invoices, made payable to incorporate the underlying implementation and integration of the rental property, the discrepancies are not found.

Revenues from sales of the main activity of «Shahrisabz Pakhta tozalash» JSC for 2016 amounted to 184351.0 thousand/s. The income from the leasing of the property amounted to 8,338.7 thousand/s.

**Table 2.2**

**Administrative expenses of «Shahrisabz Pakhta tozalash» JSC for 2016<sup>14</sup>**

<b>Item of expenses</b>	<b>Total, sum</b>
Labor costs	144892287
Rent	2997 343
Costs for the maintenance of technical controls	2864 612
Payment for intercity negotiations	121 494
Expenses for maintenance and repair of fixed assets including depreciation	14653 827
Cellular and paging communication	1664 687
<b>Total administrative expenses</b>	<b>167194249</b>

Other income from the core business includes profits from the retirement of fixed assets and other assets, recognized fines, penalties, income from the write-off of overdue creditor and deferred debts. For 2016, other income from the main activity of «Shahrisabz Pakhta tozalash» JSC amounted to 35188.0 thousand/s.

Dividends received in the amount of 2866.0 thousand/s, incomes from the positive exchange rate difference 53.0 thousand/s, are attributed to incomes on financial activity.

As a result of the audit, the auditors recommended that the revenues received from the Tong subsidiary be related to the costs of maintaining the workforce.

When conducting an audit of the costs attributable to the cost of products produced by «Shahrisabz Pakhta Tozalash», JSC, it was determined that the cost of sales amounted to 4199.0 thousand/s.

The accounts of the group 9400 summarize information on implementation costs, management costs and other general operating expenses. The total

<sup>14</sup> Prepared by the author according to the information of «Shahrisabz Pakhta Tozalash»

expenditure of the period for 2016 was 211258.0 thousand/s according to the data of «Shahrisabz Pakhta Tozalash » JSC. With the audit of discrepancies is not established. Below in table 5 the list and the amount of administrative expenses is presented, and in table 6 the list and the amount of operating expenses of «Shahrisabz Pakhta Tozalash » JSC for 2016 are given.

**Table 2.3**

**Operating expenses of «Shahrisabz Pakhta Tozalash » for 2016<sup>15</sup>**

<b>Item of expenses</b>	<b>Total, sum</b>
Payment of audit services	2000 000
Maintenance of own services	3037 145
Valuable gifts	330 626
Payment for travel to employees	1971 500
Payment for medical treatment and rest	939 100
VAT on the implementation of permits	401 658
Allowance for care of up to 2 years	720 201
Payment of temporary disability sheets	1724 116
Reimbursement of pension	747 565
Compensation for damage	4504 024
Incentive payments due to a significant date	217 417
Material assistance (with accruals)	6779 850
Material assistance for death (no accruals)	428 968
Payment for bank and depository services	5245 834
Accrued property tax	1916 557
Deductions to the road fund	2765 265
Deductions to the school education fund	1843 510
Payments to the Pension Fund	1843 510
Legal costs	594 976
Losses from write-off of accounts receivable	254 050
Recognized fines, penalties	226 865
Fines and penalties for violation of tax laws	375 600
Depreciation of intangible assets	60 000
Verification of devices, repair, development of normative documents	1153 312
System Update Right	193 854
Expertise	128 960
Publish balance in print	128 222
Material costs	1389 494
Securities storage	470 819
The content of the trade union committee	754 558
Subscription	435 932
Production of business cards, registration of articles of association, announcements	330 493
Deductions to the mahalla committee	150 000
<b>Total operating expenses</b>	<b>44063980</b>

<sup>15</sup> Prepared by the author according to the information of «Shahrisabz Pakhta Tozalash»

We also conducted a horizontal analysis of the financial results report of «Shahrisabz Pakhta Tozalash » JSC.

The purpose of the horizontal analysis of the financial results report is to identify the changes in the report on the financial results of all indicators for the period by sections of the report by comparing the data for the reporting period with the data for the corresponding period of the previous year.

The horizontal analysis of the financial results report of «Shahrisabz Pakhta Tozalash » JSC is given in Table 2.4.

**Table 2.4**

**Horizontal analysis of the company's financial results report<sup>16</sup>**

The name of the indicator	For the corresponding period of the previous year			For the reporting period		
	Income (Profit)	Expenses (Losses)	%	Income (Profit)	Expenses (Losses)	%
Net proceeds from the sale of products (goods, works and services)	1631618	x	100	2738544	x	167,8
Gross profit (loss) from the sale of products (goods, works and services)	352958		100	837454		237,3
Period Expenditures	x	793761	100	x	969183	122,1
Profit (loss) from operating activities	257969		100	241102		93,5
Income from financial activities, total	22533	x	100	3550	x	15,8
Expenses related to financial activities	x	226	100	x	1843	815,5
Profit (loss) from general economic activities	280276		100	242809		86,6
Net profit (loss) for the reporting period	117642		100	5107		4,3

It can be seen from the table that the gross profit from sales of products over the reporting period compared to this indicator for the corresponding period of the previous year increased by 484,496 thousand/s or 137.3% and amounted to 837,454 thousand/s. The increase in gross profit was due to the excess of net proceeds from sales of products over the cost of sales, which is a positive indicator in the activities of the enterprise.

<sup>16</sup> Prepared by the author according to the information of «Shahrisabz Pakhta Tozalash»

Also, during the reporting period, there was an increase in expenses of the period amounting to 175,422 thousand/s or 22.1%, which is 969183 thousand/s, which was caused by an increase in sales and administrative expenses compared to the corresponding figures of the previous year, but due to the increase in gross Profits from the sale of products, this change is quite normal and does not have a negative impact on the financial performance of the enterprise.

The profit from the main activity of the enterprise was 241102 thousand/s, which is less than the corresponding indicator for the previous reporting period by 16867 thousand/s or by 6.5%. This change was caused by an increase in expenses in the reporting period and a decrease in other operating income compared to the previous reporting period, which is a negative indicator in the company's activities.

The income from the financial activity of the enterprise was 3550 thousand/s, which is less than the income from financial activities for the previous reporting period by 18983 thousand/s or 84.2%. The change in this indicator was due to the lack of income from long-term rent and the absence of other revenues from financial activities, as well as a decrease in the income from foreign exchange rate differences.

Expenditures on the financial activity of the enterprise amounted to 1,843,000 thousand/s, which exceeds expenditures for financial activities for the previous reporting period by 1,617 thousand/s or by 715.5%. The increase in this indicator has a negative impact on the financial performance of the enterprise, compared to the previous reporting period, these changes occurred mainly because of losses from foreign exchange rate differences, and there were also expenses in the form of interest and expenses in the form of interest on long-term lease.

Profit from general economic activity coincides with profit before income tax for lack of extraordinary profits or losses at the enterprise and amounts to 242809 thousand/s, which is less than the corresponding indicator for the last reporting period by 37.467 thousand/s or 13.4%.

Net profit of the reporting period of the enterprise was 5.107 thousand/s, which is less than the company's net profit for the previous reporting period by

11.2535 thousand/s or 95.7%. This negative impact on the financial activities of the company is associated with an increase in the amount of other taxes and fees in the reporting period.

We also conducted a vertical analysis of the financial results report of «Shakhrisabz Pakhta Tozalash » JSC.

The purpose of the vertical analysis of the financial results report is to study the structure of the report indicators and calculate the proportion of individual items as a result of the financial results report. The vertical analysis of the financial results report is presented in Table 2.5.

**Table 2.5**

**Vertical analysis of the company's financial results report<sup>17</sup>**

The name of the indicator	For the corresponding period of the previous year			For the reporting period		
	Income (profit)	Expenses (Losses)	Weight	Income (profit)	Expenses (Losses)	Weight
Net proceeds from the sale of products (goods, works and services)	1631618	x	100	2738544	x	100
Gross profit (loss) from the sale of products (goods, works and services)	352958		21,6	837454		30,6
Period Expenditures	x	793761	48,7	x	969183	35,4
Profit (loss) from operating activities	257969		15,8	241102		8,8
Income from financial activities	22533	x	1,4	3550	x	0,1
Expenses related to financial activities	x	226	0,01	x	1843	0,1
Profit (loss) from general economic activities	280276		17,2	242809		8,9
Net profit (loss) for the reporting period	117642		7,2	5107		0,2

Analyzing the vertical structure of the report on financial results of «Shahrisabz Pakhta Tozalash » JSC, we can conclude that over the reporting period, relative to the net proceeds from the sale of products (100%), the share of the following indicators is as follows: gross profit from sales of products - 30.6%;

<sup>17</sup> Prepared by the author according to the information of «Shahrisabz Pakhta Tozalash»

Expenses of the period - 35.4%; Profit from core activities - 8.8%; Income from financial activities - 0.1%; Expenses on financial activities - 0.1%; Profit from general economic activities - 8.9%; Net profit of the reporting period - 0.2%.

Compared with the previous reporting period, it should be noted the growth in the share of gross profit from sales of products, which was due to a decrease in the cost of sales and is a positive result for the financial activities of the enterprise. It should also be noted that the decrease in the share of the period expenses in the reporting period, as compared with the indicator for the previous reporting period, is associated with a decrease in the amount of other operating expenses and is a positive result in the enterprise's activities. The share of profit from operating activities in the reporting period decreased compared to the previous reporting period, as a result of a decrease in other operating income in the reporting period. Compared with the previous reporting period, there was a decrease in the share of income from financial activities, due to the lack of income from long-term rent and the absence of other income from financial activities. In addition, it should be noted the growth in the share of expenses for financial activities in the reporting period, due to the emergence of expenses in the form of interest, expenses in the form of interest on long-term lease, which is a normal indicator for the financial performance of an enterprise and foreign exchange losses, which is negative An indicator in the activity of the enterprise. The share of profit from general economic activity and profit before tax compared to the previous reporting period decreased almost twofold, which is due to changes in the reporting period in the indicators that make up this profit. Due to the changes in the above-mentioned indicators that occurred in the specific weight, the share of net profit of the reporting period decreased, which is a relatively negative result for the financial activity of the enterprise.

All stages of the audit are detailed in the audit report addressed to the management of the audited entity – «Shakhrisabz Pakhta Tozalash » JSC. In accordance with the national standard of auditing activities No. 70 "Audit report and audit report on financial statements"; "Audit report - a document addressed to

the head, owner, general meeting of participants (shareholders) of the business entity, containing detailed information about the audit process, identified deviations from the established procedure for accounting, violations in the financial statements, as well as other information obtained as a result of conducting an audit, and is the basis for drawing up an audit report. "

The conclusions after the audit are as follows: from the point of view of the effectiveness of the accounting system, it is the basis for the preparation and presentation of financial statements, in general, the completeness, correctness and timeliness of registration of business transactions in the accounting registers was noted. In addition, it should be noted that the company adheres to the established procedure for accounting and financial reporting. In this regard, we have confirmed the financial statements of «Shakhrisabz Pakhta Tozalash» JSC, which reliably reflects its financial position in all material respects.

In concluding this chapter, it should be noted that the internal audit service is not staffed in the company that we have checked. It is common knowledge that internal audit of the content and methods of conducting has much in common with external audit and is to a considerable extent the information base for the latter. However, with proper organization of internal audit, the volume and content of external audit conducted at the company under investigation is reduced significantly once a year. In addition, as audit practice shows, in those enterprises where internal audit services are established and effectively function, the level of property safety, resource utilization, organization of accounting and reliability of reporting is much higher.

Typical errors that can be identified as a result of the audit of revenues and financial results are as follows:

1. Violation of the procedure for drawing up Form № 2 in the part of understating or overstating the indicators involved in the formation of the report.
2. Incorrect attribution of income to other income.
3. Incorrect attribution of expenses to other expenses.
4. Illegal use of the profit of the reporting year.

5. Erroneous correspondence of accounts when other incomes and expenses are reflected.

6. Erroneous correspondence of accounts when certain expenses are reflected from own sources through account 8710

7. Absence of analytical accounting on accounts 9110, 9910.

8. Incorrect accounting of financial results from the sale of fixed assets and other assets.

9. Inaccurate accounting of financial results for barter transactions.

10. Unjustified use of profits for purposes not provided for by decisions of the executive bodies of the organization.

11. Incorrect reflection of profits received from customers in the form of financial assistance, proceeds from the sale of products of subsidiary, auxiliary and servicing industries.

12. Distortion of profits taken to determine the amount of payments to the budget due to unjustified overstating (understatement) the amount of material costs included in the cost of goods, products, work, services, incorrect evaluation of the preparation of the WIP balances and shipped goods, Rendered services, shortages of commodities, LPO and expenses with debtors for claims.

13. Inclusion in costs of production of expenses covered in accordance with the current legislation at the expense of special sources reflected in the balance sheet.

14. Distortion of the financial result adopted to determine payments to the budget by including in production costs or attributing to profit the expenses subject to reimbursement from net profit, as well as unreasonable overstatement of operating and non-operating income by including financial results in their composition from the sale of goods and Products, other operations.

15. Concealment of income by crediting proceeds from the sale of goods, products to other balance sheet accounts.

During the check, it is necessary to establish:

- the correctness of determining by the enterprise the expected profit and proceeds from the sale of products (works, services) for the calculation of advance payments to the budget;

- presence of an order (instruction) on the accounting policy of the enterprise with the indication of the method for determining the proceeds from the sale of products (works, services);

- the correctness of the definition and legality of the reflection of actual profits from the sale of products (works, services) in the accounts of accounting;

- legality and validity of creation of reserves for doubtful debts;

- the correctness of determining the profit from the sale of fixed assets and other property of the enterprise;

- correctness of the reflection of data on transactions made on a barter basis;

- the correctness of the reflection of profits received from customers in the form of financial assistance, short-term credit, replenishment of special purpose funds and other income;

- the correctness of accounting for revenue from sales of products in the implementation of foreign economic activity;

- the correctness of accounting for revenue from the sale of products of subsidiary, auxiliary and servicing industries;

- the correctness of accounting for commercial expenses;

- the correctness of accounting for losses received from gratuitous transfer of fixed assets and other assets;

- correctness of accounting of financial sanctions subject to withdrawal to the budget for exceeding the permissible emissions (discharges) of pollutants into the environment; For concealing or understating payment of payments to the budget, extra budgetary and other funds;

- the correctness of the reflection in the accounting of the results from the leasing of property;

- correctness of revenue recognition from production overhaul of fixed assets made by economic means;

- correctness of conducting synthetic and analytical accounts;

- correctness of write-off of losses of previous years.

When checking the profit (loss) from other transactions, it is necessary to establish:

- the correctness and completeness of the reflection of incomes (losses) from fines, penalties, fines for violation of the terms of economic contracts awarded or recognized by debtors, as well as from compensation for losses incurred;

- the completeness of the receipt of interest on the amounts of funds on the settlement, current, foreign exchange and other accounts of the enterprise;

- the correctness and completeness of the income received from the amounts held in deposit accounts;

- compliance with the terms of the loan agreements and the completeness of receipt of income for all types of loans;

- correctness of reflection of incomes (expenses) from exchange rate differences on operations with currency;

- correctness of the reflection of additional costs for orders, settlements for which were completed in the past years;

- the legality of writing off losses from natural disasters;

- the correctness of writing-off of debts and receivables; Correctness of receiving and documenting income from equity participation in other enterprises;

- the correctness and completeness of receiving dividends on shares and income on bonds and other securities owned by the enterprise;

- completeness of transfer and receipt of income from the leasing of property;

- legality of writing-off of expenses for maintenance of canned capacities and facilities;

- the correctness of writing off losses from writing off previously awarded debts for shortages and thefts, for which executive documents have been returned;
- the correctness of write-off of costs for canceled orders, as well as costs of production that did not produce products;
- correctness of writing-off, completeness and correctness of execution of documents on writing off uncompensated losses from natural disasters, as well as from fires, accidents, other emergency events caused by extreme situations;
- correctness of attribution to non-operating income and expenses of other operations.

One of the important tasks of checking the accounting of actual profits is to establish the correspondence between the records of synthetic and analytical accounting of sales proceeds, actual costs, profits from other sales to the entries in the general ledger, balance sheet and the financial results report.

The financial results report should characterize the financial performance of the organization for the reporting period. The auditor checks the accuracy of the presentation in the statement of financial results of income and expenses. The auditor establishes the reliability of the following numerical values presented in the report:

- proceeds from the sale of goods, products, works, services, net of value added tax, excises, etc. Taxes and mandatory payments (net proceeds);
- the cost price of the sold goods, products, works, services (except for commercial and administrative expenses);
- gross profit;
- commercial expenses;
- management costs;
- profit / loss from sales;
- interest receivable;
- percentage to be paid;
- income from participation in other organizations;
- other income;

- other expenses;
- profit / loss before taxation;
- tax on profits and other similar compulsory payments;
- net profit (undistributed profit) / uncovered loss.

Depending on the tasks set forth in the audit contract, the auditor can analyze the results from the implementation, using various techniques, find out the influence of individual factors on the amount of profit.

Based on the results of the profit analysis, the auditor develops measures aimed at accelerating the sale of products, reducing production costs, preventing non-planned losses, paying attention to the prospect and the coming periods.

During the audit, the write-off from the balance sheet of the loss of the reporting year is checked.

The sale of manufactured products is the most important indicator of the activities of the production organization, since it is the sale that completes the turnover of the funds spent for the manufacture of products. In the course of the inspection, first of all, the completeness of accounting for the proceeds from the sale of products (works, services) is established.

When verifying completeness of accounting for proceeds from the sale of products (works, services), it is necessary to verify the reliability of data reflected in the following registers: the register of documents for the sale of inventory items (works, services); The register of documents on the sale of finished products; Accounting records for the sale of products, materials, works, services of the enterprise (separately for customers, types of products), order journal № 11, on the credit of sales accounts and account 62 "Settlements with buyers and customers", invoices issued for sale of products, and other Primary and analytical accounting registers.

Checked:

- correctness of reflection in the account of actual realization for each kind of production, works, services, directions of realization;

- timeliness and quality of documentary registration of each batch of products sold;
- completeness and timeliness of receipt of funds for the sold products, works performed, services provided;
- accuracy of weighing of all sold products;
- the procedure for the formation of selling prices for products, work, services, ways to increase them by changing the direction of implementation;
- compliance with working conditions with cash, the procedure for conducting cash transactions;
- the timeliness and completeness of the receipt of cash proceeds for the products sold, the regularity and completeness of the delivery of cash to the bank;

The realized financial result from sales is determined at the end of each reporting period. The auditor checks monthly determination of financial result (profit or loss) from sales for the reporting month.

Errors discovered by the auditor during the audit are recorded in the auditor's working documents.

## **Summary of Chapter II**

In modern conditions, when the establishment of economic ties between economic entities is often hampered by the lack of trust of partners to each other, the need for reliable economic information in which all participants of economic circulation, without exception, and all users of financial information are interested, is especially acute. An important role here is played by competent auditing, which can significantly reduce information risks.

Summarizing the work, we can also conclude that the purpose of the audit of the financial results of the enterprise is to express an opinion on the reliability of the financial statements of the audited persons and the compliance of the accounting procedure with the legislation. At the same time, reliability is understood as the degree of accuracy of the financial statement data, which allows the user of this reporting, on the basis of its data, to draw the right conclusions

about the results of economic activities, financial and property status of the audited persons and takes informed decisions based on these conclusions.

The detailed audit of the correctness of determining the financial results of economic activities of an economic entity is significantly different from the verification of balance sheet assets and liabilities of the organization.

## **CHAPTER III. IMPROVEMENT OF AUDIT FINANCIAL RESULTS IN FOREIGN EXPERIENCE**

### **3.1. Improving of audit methods in auditing financial results**

External audit, as an independent audit of financial statements, is carried out, first of all, in the interests of its shareholders. However, limiting the circle of so-called agents only to shareholders is not entirely correct. Since the specifics of the business are a broad attraction of borrowed capital, in our opinion, the demand for audit services is formed by shareholders and creditors, both real and potential. First of all, information about the results of the activity is of interest to those users who are part of the so-called partner groups, i.e. Directly participate in financial activities, contribute to this activity and, based on their interests, analyze the information received. For many target groups of interested users of reporting - real and potential customers, counterparties, shareholders - the efficiency of enterprises is expressed in the final financial results - in profit or loss, income and expenses. Thus, the financial performance of the activity expresses the effectiveness of the operation and, therefore, become An obligatory object of audit.

Financial results of activities are a reflection of a whole complex of external and internal factors, in connection with which to study and analyze them should be through the system of economic indicators. The main purpose of the system of financial performance indicators is a comprehensive, comprehensive evaluation of the results of activities that adequately reflect the processes occurring in them. As financial indicators of activities is income, expenses, as well as profit (loss).

The purpose of the audit is provided for in the contract for the provision of audit services. The overall objective of the audit of the financial results of the activities carried out in the framework of the mandatory audit is to confirm the reliability of the financial results report and to assess compliance with the current requirements in order to obtain evidence that the reporting does not contain material misstatement.

At the planning stage of the audit of financial results, the auditor needs:

- identify types of income and expenses that will be subject to audit;
- consider the organization of accounting and control means for each inspection facility;
- determine the nature of the audit (for compliance and / or substance);
- decide on the method of verification (continuous or selective);
- choose methods of collecting audit evidence for each verification object.

In determining the objects of verification, in our opinion, it is necessary to use the results of the analysis of revenues, expenses and profits, and also take into account the level of materiality established for profit. The use of analytical procedures at the planning stage allows to identify atypical situations in the activity and its reporting. Thus, significant differences between the reporting data prepared by the client for the reporting period and other data used in the comparison may indicate errors and omissions in accounting and reporting. The auditor should establish the causes that caused them and determine whether this is the result of normal economic events or an error. Analytical procedures also allow to reveal the features of the client's activity, the sources of profit formation, the main sources of income generation and the direction of spending, as well as the factors that have influenced the magnitude and dynamics of financial performance results.

The level of materiality with respect to financial performance is the amount of the allowable error. Under an acceptable error, we mean the level of distortions in the audited aggregate, which the auditor considers unimportant and does not affect the accounting statements. When determining the level of an acceptable error, the auditor starts from the significance of the audited population for verification purposes.

An important point in the audit of financial performance results will be the identification of controls taken in the enterprise, as well as familiarity with the organization of the accounting system for each inspection facility.

Controls and the accounting system should ensure compliance with the requirements of general and local documents, the terms of contracts and

agreements for the calculation and receipt of income (when covering costs) and when reflecting these processes in accounting. Identification of controls and familiarity with the organization of accounting should be carried out through testing, as well as analysis of the contents of provisions on structural units, job descriptions of managers and employees, local documents. As a result, the auditor can get an idea of the adequacy of the adopted control tools and accounting system to the scale and specificity of activities, the compliance of internal regulations with the requirements of general regulatory legal documents. The means of control for each object of verification can be fixed in a separate working file and then, when carrying out the conformity assessment, to assess the actual application and effectiveness of these monitoring tools.

At the planning stage, the auditor should also decide on a method of conducting an audit for each facility. The types of income (expenses) that can arise as a result of atypical or risky operations can be subjected to a continuous audit. In addition, for some revenues (expenditures), the number of elements of the audited population may be so small that the use of the audit sample will be illegal (for example, in the audit of unforeseen incomes or expenses).

The main way of conducting audit of income and expenses are selective studies. This is due to the fact that the balance of income (expenditure) is formed as a result of a significant number of transactions, and a complete check of financial results will require significant time and physical costs. In addition, it is mathematically proven that a large volume of the general population has only a slight effect on the sample size. Thus, for both 1000 and 10 000 elements of the whole set, you can get meaningful results by selecting not more than 50 elements for verification<sup>1</sup>. As a result, the audit sample allows the auditor to draw conclusions on the properties of the entire audited population on its basis.

At the same time, it should be noted that the audit sample is a process that in itself requires careful planning, analysis of the results obtained, and documentation of the entire sampling process. Therefore, the auditor needs to make a decision that it is less laborious and efficient at the same time - audit by

selective or continuous method. In any case, the auditor should determine the feasibility and feasibility of implementing an audit sample for each specific population.

The technical stage of the audit is to obtain audit evidence sufficient to express the auditor's opinion on the reliability of the financial statements. Specific methods for obtaining audit evidence are audit procedures, the choice of which depends on the purpose of the audit, the specifics of the audited accounts, the experience and professional judgment of the auditor. Depending on the purposes of the spot check, audit procedures can be divided into two groups - testing of controls (compliance testing) and substantive testing, including analytical procedures and detailed turnover and account balance tests. At the same time, for each of the directions, the auditor can use both a continuous and selective method of data collection. When checking compliance (verification of controls), the purpose of the audit is to establish cases when the controls for the audited transactions are not functioning properly. The following requirements can be used as criteria: observance of the principle of separation of duties (management and accounting, the resolution of operations and their conduct), the lawfulness of the operation, the correct documentation of operations and their accounting, the recognition of the validity (reality) of the operation.

Conformance testing allows you to establish a level of control risk that will be critical in determining the sample size - the higher the control risk, the larger the sample size and, therefore, the longer the time and physical costs for checking a specific population in a selective way.

The difficulty in determining risk is that it cannot be calculated in the form of a specific valuation, so the level of risk can be classified by the auditor as high, medium or low. At the same time, the risk of control means should be defined as high if the auditor does not receive convincing evidence that the client's controls are functioning effectively enough and this evidence allows to recognize the risk of control as medium or low.

We believe that it is inappropriate to conduct compliance testing for the audit of financial performance, in the case when the auditing organization conducted the audit of this client earlier, and events in the audited organization did not occur, as a result of which the risk of control means could change. On the contrary, the control means will be subject to mandatory verification when the audit of the client is conducted by the auditing company for the first time, or the client has had events, due to which the level of reliability of the control means could change.

To assess the risk of controls when checking the financial performance of an activity based on the professional judgment of the auditor, it seems appropriate to use one of three approaches:

1. Conduct a compliance test. It is necessary to perform compliance tests and, based on the data obtained, establish the degree of risk of controls;

2. to assess controls on transactions that have served as a source of revenue or liability for the costs incurred (risk assessment for control of basic operations). So, when checking interest income on loans, customers should use the results of assessing the reliability of controls that the auditor performed during the audit of credit transactions with customers. Note that this approach is not applicable to a number of items of expenditure (labor costs, maintenance of fixed assets, depreciation, paid taxes, etc.). In this case, it is necessary to test the controls, and then, based on the obtained risk of control, determine the sample size and conduct audit procedures for substantive examination;

3. To classify the control risk as high without conducting a compliance check and to perform a sample calculation for a substantive check taking into account such a value of the control risk. In a number of cases (for example, when checking interest expenses) testing can be carried out simultaneously both on the correspondence and on the merits.

It should be noted that, in the case of a reasonable recognition of the control risk, the auditor may refuse to verify on the merits and fully rely on the effectiveness of the internal control system of the client.

The audit is essentially conducted in order to obtain confirmation of the reality of the balance or turnover in the accounting accounts by the following criteria: completeness, accuracy, limitation of the accounting period, valuation, existence, etc. The main types of audit procedures when conducting an audit of the financial results are detailed balance tests and analytical procedures.

**Table 3.1**

**Methods for determining the risk of control and audit procedures used to verify income and expenditure<sup>18</sup>**

Type of income / expenditure	Method of determining the risk of controls	Audit procedures
Interest income (expenses)	For basic operations	Analytical procedures
Commission incomes (expenses)	For basic operations	Analytical procedures
Other income (expenses)	Testing of controls	Detailed balance tests (revolutions)
Other operating income(expenses)	Testing of controls	Detailed balance tests (revolutions)
Deductions to reserves	For basic operations	Analytical Procedures
Unforeseen income (expenses)	Testing of controls	Detailed balance tests (revolutions)
Income in taxes	Testing of controls	Detailed balance tests (revolutions)

Table 3.1 provides methods for determining the risk of controls and a list of audit procedures applied to various types of income and expenditure.

It should be noted that it is advisable to apply analytical procedures when the results of the compliance test allow one to conclude that there is a high degree of reliability in the means of control for a specific verification object. Otherwise, the auditor needs to test the balance of accounts in order to obtain a sufficient degree of confidence that the reporting does not contain significant distortions.

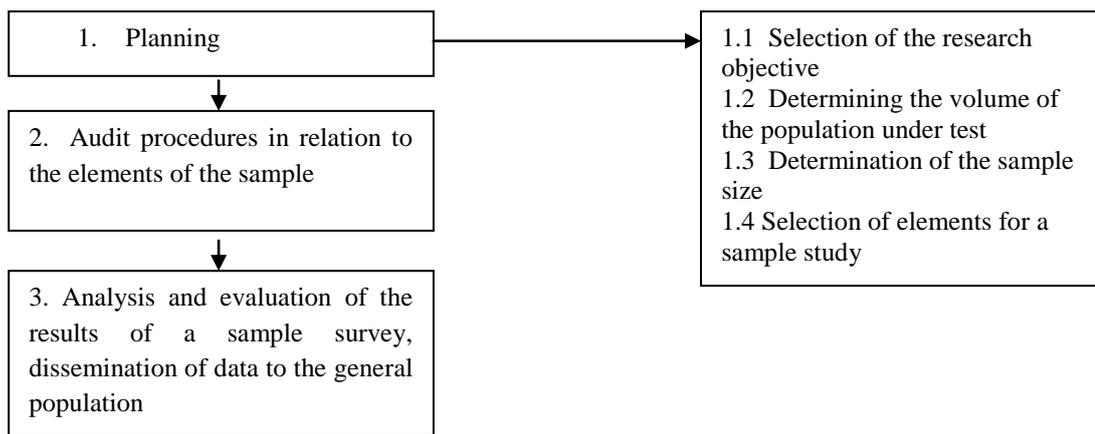
The analysis of incomes and expenses allows establishing validity of size of incomes and the expenses reflected in accounts of book keeping. In particular,

---

<sup>18</sup> Made by author

the amount of interest income received on loans to customers is influenced by factors such as the amount of credit debt and the interest rate on loans. Comparing the balance in the accounts of accounting for the accounting of incomes and the amount received as a result of auditor calculations, it is possible to make primary conclusions about the reliability of the accounting data.

The sequence of actions of the auditor at carrying out of selective check of financial results of activity can be presented in the form of the following scheme:



**Figure 3.1 Algorithm for conducting a random check<sup>19</sup>.**

When determining the volume of the audited population, it is necessary to analyze the fulfillment of the conditions concerning the possibility of applying a sample survey.

Such conditions are a large volume of the general population, the possibility of identifying each unit of the population, the coverage of the entire reporting period,

After determining the sample size, the auditor needs to select the elements for a sample survey. The methods for selecting the elements for a sample survey and the criteria for their application are presented in Table 3.2.

After selecting the elements for the sample survey, the auditor starts the audit procedures, which should result in the receipt of evidence, to the extent necessary to form an opinion of the auditor on the adequacy and effectiveness of controls or on the reliability of accounting and reporting data.

<sup>19</sup> Made by author

**Table 3.2****Methods of selection of sample elements<sup>20</sup>**

<b>Methods for selecting elements</b>	<b>Criteria for applying the method</b>
<b>Statistical</b>	
1. The method of random selection	Mandatory numbering of the set of elements to be checked
2. Method of quantitative sampling by intervals	Elements of the tested population have similar value values or do not have a value expression
3. The method of cost sampling by intervals	Elements of the tested population have significantly different cost values
<b>Non-statistical</b>	
1. The method of serial selection	The prevalence of systematic, repetitive errors
2. The main array method	The contribution of the main massif in the total amount of the account is not less than 3%
3. Method of key elements for risk	The premise of the presence of elements in which the probability of errors is much higher than in others
4. The method of key elements of the consequences	The presence of elements, errors or violations in which can cause significant damage
<b>Combined</b>	Combine statistical and non-statistical methods of selecting elements

The final stage of the audit is to evaluate and summarize its results and draw up an audit report. We will separately dwell on the evaluation of the results of a sample study. The auditor should analyze each error that falls into the sample, extrapolate the results obtained from the sample to the entire audited population, and evaluate the sampling risk. An analysis of the errors that fall into the sample is made for their anomaly or, on the contrary, typicality. If the nature of the error is anomalous, it must be excluded when extrapolating errors. The distribution of errors found in the sample to the entire volume of the population is performed by the auditor in various ways, depending on the method used to select the elements in the sample. At the same time, it is necessary to take into account the sampling risk that influences the conclusions based on the results of a random check. Thus,

---

<sup>20</sup> Prepared by the author

the risk of sampling is reduced if the auditor receives additional audit evidence supporting the results of a random check<sup>21</sup>.

The evaluation of the results of the audit of revenues and expenses is also based on the subsequent monitoring by the auditors of the content of the audit. So, it is necessary to check whether all relevant areas of reporting have been verified, whether working files have been compiled, reflecting the process of collecting evidence and results, whether the errors in continuous and spot checks are correctly evaluated and conclusions on each object are summarized, whether the conclusions are consistent with the results of the work and whether they confirm Audit opinion. An important stage in the final stage of checking financial results is the analysis and valuation of the complex effect of errors and distortions on the final financial result - on profit or loss. The total amount of errors and omissions should be compared with the level of materiality calculated for profit (loss), and decide on the need to adjust the value of financial results. After summarizing the findings and evaluating the errors and their impact on financial results, the auditor prepares an appropriate report to inform the client's management. With regard to drawing up an audit report, it should be noted that the conclusion expresses an opinion on the reliability of all financial (accounting) statements in respect of which the audit was conducted. In this connection, the conclusions obtained as a result of the audit of revenues, expenses and profits should be taken into account when drafting an audit report, but cannot be recognized as an independent object of an audit report. The mock-up of the content of the written report to the client's management is, in our opinion, expediently fixed in the form of an internal standard, except for those issues that should be disclosed in accordance with the requirements of legislation and national standards for auditing. Unified requirements for the form and content of the audit report are generally provided for by national audit standards. Thus, according to the results of the study, the following conclusions can be drawn. Financial results express the effectiveness of

---

<sup>21</sup> Audit Handbook, section "Conducting Performance Audits in Accordance with the Yellow Book". June 2008, revised September 2010. City of Auditor, City of San Diego

the operation and, therefore, become an obligatory object of the audit. Specificity of activities, accounting and reporting involves the consideration as financial indicators of the activities of enterprises income, expenses, as well as profit (loss). In this regard, the importance of studying issues such as the organization and planning of audits, the selection and application of audit procedures in the audit of financial results. Approaches to the audit of financial results, the principles of forming an audit sample and specific audit procedures for collecting evidence when checking financial performance results are based on practical experience and comply with international auditing standards<sup>22</sup>.

The implementation in practice of the recommendations developed by the author on the audit of financial performance results will improve the quality and objectivity of audits; Optimally organize the work of auditors while reducing labor and working time; To reduce the level of audit risk by improving the quality of audit planning; To bring the national audit closer to international requirements.

### **3.2. Improving the audit of financial results in foreign methods**

Therefore, as ways to improve the audit of financial statements, it is necessary: To improve procedures and techniques for auditing. In fact, all independent audits are based on spot checks that enable auditors to conclude only part of the operations and events carried out by the client enterprise for research. Detailed audit requires an examination of all operations, characteristic of the early stage of development of the audit, but as enterprises grew in size, the volume of transactions became too large for continuous checks to be profitable.

In international auditing standards there is also no provision for the conduct of audit working documents, and the methodology for their compilation by foreign audit organizations is confidential. Therefore, it is necessary to develop a perfect methodology for drafting audit working papers. Use computers in the audit. Audit is a complex and lengthy process, therefore, auditors are constantly

---

<sup>22</sup> Statement on Auditing Standards No. 59: The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, issued by the Auditing Standards Board

working to minimize the time of verification without reducing its quality, and, therefore, without increasing the auditor's business risk.

Continually improve the qualifications of auditors. For the proper performance of their duties, auditors should have a good command of the audit methodology, have a perfect knowledge of the regulatory framework regarding the subject matter of the audit and the subject field of research, namely the information obtained from the previous audit is used by the auditors for subsequent audit. Checking the status of accounting and reporting is carried out on the basis of the program.

By the beginning of the audit, the auditor is familiarized with regulatory documents that regulate the conduct of accounting and financial reporting.

The auditor should have reference material that briefly characterizes the short content of laws, regulations, instructions and other instructions on accounting and reporting<sup>23</sup>.

The program consists of the following issues:

- the status of accounting and reporting. It is found out, under what form of the account the accounting and tax account at the enterprise is conducted, whether use of such form of the account provides check of reliability of the accounting data. Assessment of the state of accounting can be objective only after checking the accounting of individual transactions;

- correctness of accounting in the accounting and tax accounting of the results of the previous audit (on accounting and reporting);

- compliance of the balance indicators with the data of the General Ledger, the registers of synthetic and analytical accounting, reports and attached documents;

- the correctness of inventorying cash, tangible assets and calculations and the correctness and mandatory conduct of control sampling inventories; Quality and timeliness of inventory audit and compilation of comparative accounting data;

---

<sup>23</sup> Helfert, Erich A. "The Nature of Financial Statements: Financial results". Financial Analysis - Tools and Techniques.

Timeliness and correctness of consideration and approval of results of inventories by the head;

- the correctness of accounting for cash transactions and their compliance with the procedure for conducting cash transactions;

- the procedure for keeping records of costs, production costs and financial results (income, profits, profitability);

- state of accounts receivable and accounts payable; The establishment of the facts of overdue, bad debts, doubtful debts and measures for their liquidation and improvement of the financial condition;

- Reality of balance sheet items, reliability of financial results reports, cash flow and equity.

The auditor studies volume and features of economic activity, structure of the accounting device, document circulation, distribution of duties between employees of accounts department.

The completeness and timeliness of documenting and displaying in accounting all transactions related to the movement of inventory items and cash is a criterion for assessing the setting and state of accounting.

During the audit of financial reports, the accuracy of reflecting the financial position and performance of the enterprise, the compliance of accounting with the established requirements and criteria, and compliance with the current legislation by the company being audited are established. Of particular importance is the fact that verification of the reliability of the enterprise's reporting, compliance with the current legislation and drawing up an audit opinion on this issue is carried out by an independent auditor<sup>24</sup>.

The issue of determining the materiality in the audit process is very significant. Under the materiality of information is understood its importance for these financial statements. Information is material if its absence significantly affects the reliability of financial statements.

---

<sup>24</sup> Auditing Standard ASA 315. Auditing and Assurance Standards Board. Section "Identifying and Assessing the Risk of Material Misstatement"

It can be briefly described that materiality is the maximum permissible level of possible distortion of a single item or financial indicator in the financial statements, as well as financial results in general, or the maximum allowable size to an erroneous amount, which can be shown in published financial statements and considered inessential, that is, not introducing Users are confusing.

It should be noted that materiality in this case will be quantitative, as it can be calculated.

When preparing a report, the auditor can ignore non-material information and treat it as non-existent. But if inaccuracies of the deviation from GAAP, changes in accounting and soon have a fairly tangible impact on financial indicators, it is necessary to make changes to the standard audit report. In practice, when deciding whether material is sufficient to make such changes, it is necessary to distinguish between smaller and greater degrees of materiality. Information of a lesser degree of materiality is important and needs to be disclosed or appropriate limitations put in place.

Such information cannot be ignored. A large degree of materiality of information is very important and significantly affects the content of the audit report. The audit standards specify the main reasons leading to deviations from the standard positive audit report<sup>25</sup>.

In Uzbekistan, independent audit activity has found application only recently, therefore, the audit is a new business, which is based on audit and control. Therefore, it is necessary to seek ways to improve the procedure and techniques of auditing, taking into account current scientific achievements. Also, every year, work on improving the skills of auditors. Improve the system of economic control in the country as a whole, improve the legislation of Uzbekistan in the sphere of financial control. It is necessary to revise the norms of legislative provision of subjects of the audit system for maximum approximation to international and European standards, as well as to implement the legal and

---

<sup>25</sup> Bamber, E.M., Bamber, L.S. and Schoderbek, M.P. (1993). Audit structure and other determinants of audit report lag: an empirical analysis. *Auditing: A Journal of Practice and Theory*, 12 (1).

methodological consolidation of the audit as a modern progressive type of control in Uzbekistan.

### **Summary of Chapter III**

The transition of the economy to market relations associated with the expansion of entrepreneurs' rights, the democratization of management, the use of economic incentives aimed at improving the efficiency of labor and its evaluation of economic results. In this regard, a new direction of development of economic control over the financial and economic activities of enterprises is determined - independent audit control. Financial reporting summarizes and systematizes information about the activities of enterprises and is the material for comprehensive analysis with a view to making effective management decisions. The correct conclusions about the company's activities can be made only if there is reliable financial reporting, which provides for a qualitative and objective audit. Therefore, improving the audit of financial statements is very important and relevant at the moment. Today, the quality of domestic audit in general and audit of financial statements in particular causes many to complain: the verification procedure remains imperfect and does not fully take into account the modern scientific heritage that should be the basis for the development of audit practice.

## CONCLUSION AND RECOMMENDATIONS

One of the basic requirements for the functioning of enterprises in a market economy is the break-even of economic and other activities, the reimbursement of expenses by own revenues and the provision, in certain amounts, of profitability and profitability of management. The main task of the enterprise, as a subject of the market, is economic activity aimed at obtaining profit to meet the social and economic interests of the members of the work collective and the interests of the owner of the property of the enterprise.

The most important form of business activity and financial condition of an enterprise is the magnitude of current financial results. A general assessment of the financial condition of an enterprise is given on the basis of such efficient financial indicators as profit and profitability.

Profit performs three main functions:

- 1) evaluation, that is, reflects the overall performance of each enterprise;
- 2) distributive, that is, it acts as an instrument for distributing the surplus product between the enterprise and the state, between the enterprise and its employees;
- 3) is connected with the process of economic stimulation of the enterprise and its employees.

Profit fulfills the task of allocating resources among alternative activities of an economic entity. The appearance of profit (economic profit) serves as a signal that society wants to expand this industry.

The main objective of the audit of the financial result of the enterprise is to provide objective, real and accurate information about the audited facility. The goals and objectives of auditing activities are very multifaceted. Audit of the financial result of the trading enterprise is conducted on a contractual basis with the objective of an objective assessment of the reliability of accounting and financial reporting of the business entity. The main objectives of the audit are identifying deficiencies in accounting, reporting, taxation, conducting financial

analysis of an economic entity, evaluating the tools and methods used to automate accounting, and helping it organize accounting and reporting.

The main tasks that are put before the auditor when checking financial results, is to check:

- timeliness of contribution to the budget of taxes;
- the correctness of the formation of special funds and reserves;
- the correctness and timeliness of profit distribution between the company's participants.

When auditing profits and financial condition, first examine the following questions:

- the amount of doubtful debts on settlements with other enterprises and organizations, as well as individuals, subject to reservation;
- expenses related to the retirement of fixed assets, losses incurred in the sale and transfer of fixed assets to other enterprises and organizations;
- losses incurred in the sale of intangible assets to other enterprises;
- decay differences on foreign currency accounts, as well as operations in foreign currency.

It is information on the types of profit that interests external users and managers in the market. The requirements of internal users of the profit report - enterprise managers - are determined by two main groups of interrelated factors: the tasks of increasing the effectiveness of management decisions and the requirements of external users. For external users, the relevance of the relative indicators of financial statements, including the report on profits - the main parameter of the financial market. First of all, we are talking about the profitability of sales, the profitability of assets, the profitability of our own capital and the profitability of one share. An important factor is also the share of period expenditures in aggregate indicators, such as total expenditure or total revenue. These indicators allow the external users to assess the company's competitiveness in the financial market and the rationality of its financial and economic policy. Since enterprise managers understand the importance of the above and other

indicators of financial reporting for management decisions when making management decisions, they try to maintain a level of these indicators that would ensure the greatest attractiveness of their enterprise for external investors and other interested parties (buyers and suppliers).

In this master's thesis, issues related to the audit of the financial results report were considered. As measures to improve the efficiency and quality of the audit of the financial results report, the following proposals are possible:

1. The principles, functions and requirements for auditing financial results are defined. Audit is one of the subsystems of economic control over the financial and economic activities of the organization. The main purpose of the audit in domestic and foreign practice is the process of reducing to an acceptable level of information risk for users of financial statements and internal users of information. In the conditions of a multistructure economy represented by different forms of ownership, it is necessary to ensure the possibility of efficient functioning of all types of activities of organizations at different levels of government.

2. Recommendations on streamlining the organization of the audit of financial results are developed. For the rational construction of a system for checking financial results, the audit must be organized in such a way as to effectively manage its process, which contributes to the progressive development of the methodology, method and methodology of control. When organizing audit of financial results, it is important to correctly establish the sequence of inclusion in the control process of the interconnected stages of the system (observation, verification, collection, systematization, generalization of information, etc.).

It is important at the same time to rely on organizational principles of audit, legislative, regulatory, methodological and other materials. Thus, the organization of audit of financial results can be considered as a purposeful activity, including interrelated elements.

3. New directions for the development of audit planning, establishing the level of materiality and audit risk in the audit of financial results are proposed. One of the most important aspects of audit of financial results is its planning and

programming, both with external and internal audit. The previous aspect of planning the audit of financial results is the study of the activities of the economic entity, which includes a complex of elements of the subject of knowledge: the business reputation of the organization; Level of qualification of accounting and financial workers; Types of activity of the organization; Constituent documents; Results of previous inspections; Forms and methods of organization of management and accounting; Indicators of financial reporting; Results of main, investment, financial activities and other operations; State of the system of economic control and accounting of financial results.

4. Recommendations have been developed to improve the methodology for auditing financial results and its information base. In order to objectively evaluate the financial policy of the audited organization, to establish the legality, appropriateness and reliability of financial results, to assess the status of accounting and control of revenues, expenditures (costs) and final financial results, you can use the "operational-operational" control method, conducted by Oral or written testing and verification of the relationship between the analytical and synthetic accounting of financial results with the forms of accounting (financial) reporting. The essence of the proposed method is that, before the beginning of a documentary audit, the auditor conducts testing of certain significant committed or performed transactions by the organization related to financial results.

## **BIBLIOGRAPHY**

### **I. The Laws of the Republic of Uzbekistan**

- 1.1 The Constitution of the Republic of Uzbekistan “Uzbekistan” T; 2011
- 1.2 ”The Law on Accounting Activity” of April 13 , 2016
- 1.3 The Law on Audit Activity” (new edition). of May 26, 2000

### **II. The Decrees and Resolutions of the President of Uzbekistan and the Cabinet of Ministers**

- 2.1 Mirziyoyev Sh.M., Critical analysis, strict discipline and personal responsibility should become a daily normal in the activity of each leader. Uzbekistan, 2017
- 2.2 The Resolution of the President of Uzbekistan of April 4, 2007, no.PP-615 “On Measures for the Further Changing and Development of the Auditing Activity”
- 2.3 The Resolution of the President of Uzbekistan of April 10, 2007, no.PP-618 “On Measures for the Further Changing and Development of the Corporate Governance in Joint Stock Companies”
- 2.4 The Decree PP-4720 of the President of Uzbekistan “On activities directed at establishing modern corporate governance methods in joint-stock companies” from April 24, 2015
- 2.5 The Decree PP-4947 of the President of Uzbekistan “On the strategy 2017-2021 for action for the further development of the republic of Uzbekistan” from February 7, 2017

### **III. The Decrees of Cabinet of Ministers and other normative- legal documents**

- 3.1 The Decree 365 of the Cabinet of Ministers of September 22, 2000, "Improve the activity of Auditing and implementation of the significance of auditing conduct"
- 3.2 The Decree 215 of the Cabinet of Ministers of October 16, 2006, “On measures the effective management of the state share in charter capital of

companies and to provide the necessary level of state property is taken into consideration"

3.3 The Decree 176 of the Cabinet of Ministers of July 2, 2014, "On Measures for Further Development of the of the Corporate Governance in Join Stock Companies"

3.4 National Accounting Standards of Uzbekistan and review it: NAS-1 "Accounting policy and financial report" -T., 1999

3.5 The Command 140 of Ministry of Finance of December 27, 2002, " Forms of financial reports and filling rights of it"

3.6 With the №21 "Handbook on Economic entities, financial-economical activities of accounting plan and its usage" named NAS. Certified by the Ministry of Finance of the Republic of Uzbekistan on September 09, 2002 with №103 and was registered by the Ministry of Justice of the Republic of Uzbekistan in October 23,2002 with №1181

3.7 "Enactment on producing product and the structure of the expenses for the sale also the order of formation of financial results" approved by the Cabinet of Ministers of the Republic of Uzbekistan on February 05, 1999 with №54

### **III. Works of the President of the Republic of Uzbekistan**

4.1 Mirziyoyev Sh.M., Critical analysis, strict discipline and personal responsibility should become a daily normal in the activity of each leader. Uzbekistan, 2017

4.2 Karimov I.A. "The global financial-economic crisis, ways and measures to overcome it in the conditions of Uzbekistan" Uzbekistan. T: 2009

4.3 Karimov I. A. "Uzbekistan on the threshold of the 21<sup>st</sup> century: Threat of Security Condition and Guarantee of Progress" Uzbekistan. T.:2000.

4.4 Karimov I.A.. Our main task is a further development of the country and raising a welfare of the population. Modernization of the country and building a powerful civil society is our main priority. T.: "Uzbekistan", 2010. – p.72.

4.5 Karimov I. A. "In 2015, the implementation of major structural changes in the economy, and to continue the process of modernization and diversification of

private property and private business opportunities at the expense of - the priority task".-T., "Xalq So'zi", January 18, 2015

## **V. Textbooks and Educational books**

- 5.1 Helfert, Erich A. "The Nature of Financial Statements: Financial results". Financial Analysis - Tools and Techniques.
- 5.2 "Financial accounting" ACCA F3. 2013
- 5.3 White, Gerald I.; Sondhi, Ashwinpaul; Fried, Dov (1998). The Analysis and Use of Financial Statements. John Wiley & Sons, Inc.
- 5.4 IASCF [2008] Preliminary Views on Financial Statement Presentation.
- 5.5 Nobes, Christopher – Parker, Robert [2008]: Comparative international accounting. (Tenth edition; FT/Prentice Hall; Harlow)
- 5.6 Nobes, Christopher IFRS practices and persistence of accounting system classification. (Abacus; 29 March 2011)
- 5.7 Audit Handbook, section " Conducting Performance Audits in Accordance with the Yellow Book". June 2008, revised September 2010. City of Auditor, City of San Diego
- 5.8 Auditing & Assurance Services: A systematic approach. Messier, W and C. Emby. McGraw-Hill Ryerson Limited, 2005.
- 5.9 Auditing Standard ASA 315. Auditing and Assurance Standards Board. Section "Identifying and Assessing the Risk of Material Misstatement
- 5.10 Dr. Luyen. 2009. The Theory of Auditing. 37-40. 2nd edition. Ho Chi Minh City
- 5.11 International Standard on Audit. Financial Reporting Council.01.01.2012  
Sections:
  - 210: Agreeing The Terms Of Audit Engagements
  - 220: Quality Control for Audit of Historical
  - 230: Audit Documentation
  - 300: Audit Planning
  - 315: Agreeing The Terms Of Audit Engagements
  - 330: The Auditor's Responses to Assessed Risks

- 500: Audit evidence
- 520: Analytical Procedure
- 530: Audit Sampling
- 540: Auditing Accounting Estimate
- 550: Related Parties
- 560: Subsequent Events.

5.12 International Standard on Auditing 2012, 315. Understanding the Entity and its Environment and Assessing the Risks of Misstatement

5.13 Kevin Prendergast, J.D. 2009. Client Acceptance Procedures, Best Practice Among Accounting Firms.

5.14 Statement of Auditing Standard (SAS) No.109. Section 314 “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement”.15th December 2006.

5.15 Statement on Auditing Standards No. 59: The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern, issued by the Auditing Standards Board

5.16 Ashton, R. H., Graul, P. R. & Newton, J. D. (1989), Audit delay and the timeliness of corporate reporting, Contemporary Accounting Research, Vol. 5, No2

5.17 Bamber, E.M., Bamber, L.S. and Schoderbek, M.P. (1993). Audit structure and other determinants of audit report lag: an empirical analysis. Auditing: A Journal of Practice and Theory, 12 (1).

5.18 Tolipov K. " Background of Formation of a Corporate Governance System at the Enterprises and the Perspectives of Its Development in Uzbekistan", Upravleniye Predpriyatiem (Enterprise Management), No.1(2007)

5.19 Uljabaev K. (2004)" Corporate Governance in Uzbekistan: Problems and Solutions", Proceedings of scientific and practical conference “Corporate Governance: Formation and Development in Conditions of Demonopolisation”, Tashkent

5.20 Vohidov M. (2004) “Development of Corporate Governance in the Republic of Uzbekistan”, Social Sciences of Uzbekistan.

## **VI. Internet sites**

[www.lex.uz](http://www.lex.uz)

[www.mf.uz](http://www.mf.uz)

[www.iaisweb.org](http://www.iaisweb.org)

[www.cbu.uz](http://www.cbu.uz)

[www.uzreport.uz](http://www.uzreport.uz)

[www.edu.uz](http://www.edu.uz)