

Development of theoretical and methodological foundations for accounting and auditing the financial results of an organization

By

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Annotation

This article discusses the theoretical foundations of accounting and auditing financial results and reveals the methodological foundations of accounting and auditing financial results. Accounting is an ordered system for collecting, registering and summarizing information in value terms about the assets, liabilities, income and expenses of the organization and their changes, expressed in a continuous, continuous, documentary reflection of all the facts of economic life.

Keywords: audit, financial results, commercial organizations, accounting, international auditing standards.

Relevance of the topic

The development of theoretical and methodological foundations for accounting and auditing financial results is explained by the fact that the adoption of the main management decisions of a commercial organization is always based on data on its financial results. The correct organization of accounting of financial results is necessary for an economic entity, as it concerns almost all economically significant aspects of its activities. Untimely or erroneously recorded facts of economic life according to financial results can cause the organization to incur serious losses. Therefore, the relevance of the audit increases: in the accounting of an economic entity, it is necessary to correctly and in accordance with applicable law reflect the facts of economic life in accounting for financial results.

A significant contribution to the study of the problem was made by foreign scientists: L.A. Bernstein, R. Brailey, Y. Britham, J.K. Van Horn, L. Gapensky, S. Myers, S. Ross, K.

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Heldernick, Li Cheng and others. Despite the huge number of scientific publications, questions regarding the development of theoretical and methodological foundations for accounting and auditing the financial results of organizations currently remain relevant.

Purpose of the study

On the basis of a comprehensive study of the theoretical and practical aspects of accounting and audit of financial results, develop directions for optimizing the audit of financial results and determine directions for improving the accounting of financial results.

In accordance with the goal, the following main tasks are solved in the work:

- conduct a study of financial results as objects of accounting;
- systematize the methodology for auditing financial results;
- study topical issues of accounting for the financial results of the organization;
- analyze the financial results of the organization;
- study methodological approaches to planning and conducting audit procedures and documenting their results when auditing financial results;
- identify areas for improving the accounting of financial results;
- develop directions for optimizing the audit of financial results.

The object of the study is the financial results of the activities of commercial organizations.

The subject of the study is the procedure for organizing accounting and auditing financial results.

The theoretical basis of the study was the provisions on accounting, International Auditing Standards, as well as the works of domestic and foreign scientists in the field of accounting and auditing financial results, materials of scientific and practical conferences, materials of a scientific and economic nature published in periodicals, as well as economic journals on problems of accounting and audit of financial results.

The practical significance of the study lies in the fact that its results can be used in accounting and analytical procedures, the cost management mechanism of commercial enterprises.

Research methods

Monographic, tabular, graphic, comparative method, analytical method, dialectical method, method of unity of historical and logical analysis and synthesis, methodology of accounting and financial reporting, and others.

The scientific novelty of the research is as follows:

- a study of financial results as an object of accounting was carried out, which makes it possible to more fully disclose the content and process of managing the financial condition of the organization;
- an analysis of the financial results of a commercial organization was carried out, which makes it possible to more fully disclose and identify the problems of improving the efficiency of the company's activities;

- identified areas for improving the accounting of financial results by developing a structured chart of accounts of financial results for ordinary activities, depending on the types and areas of activity carried out, as well as an accounting register based on it;
- directions for optimizing and improving the planning of the audit of financial results have been developed, as a result of which the analytical table “Summary of the results of the audit of financial results” has been presented.

The financial result of the activity of an economic entity in a market economy is the most important form of expression of its business activity. It is the main indicator characterizing the economic condition of an economic entity.

The main purpose of accounting for income and expenses in the accounts of accounting is to identify the financial result of the organization.

A.H. Ibragimova, M.K. Mammadov distinguish nine main tasks of accounting for financial results, which are systematized in Figure 1.

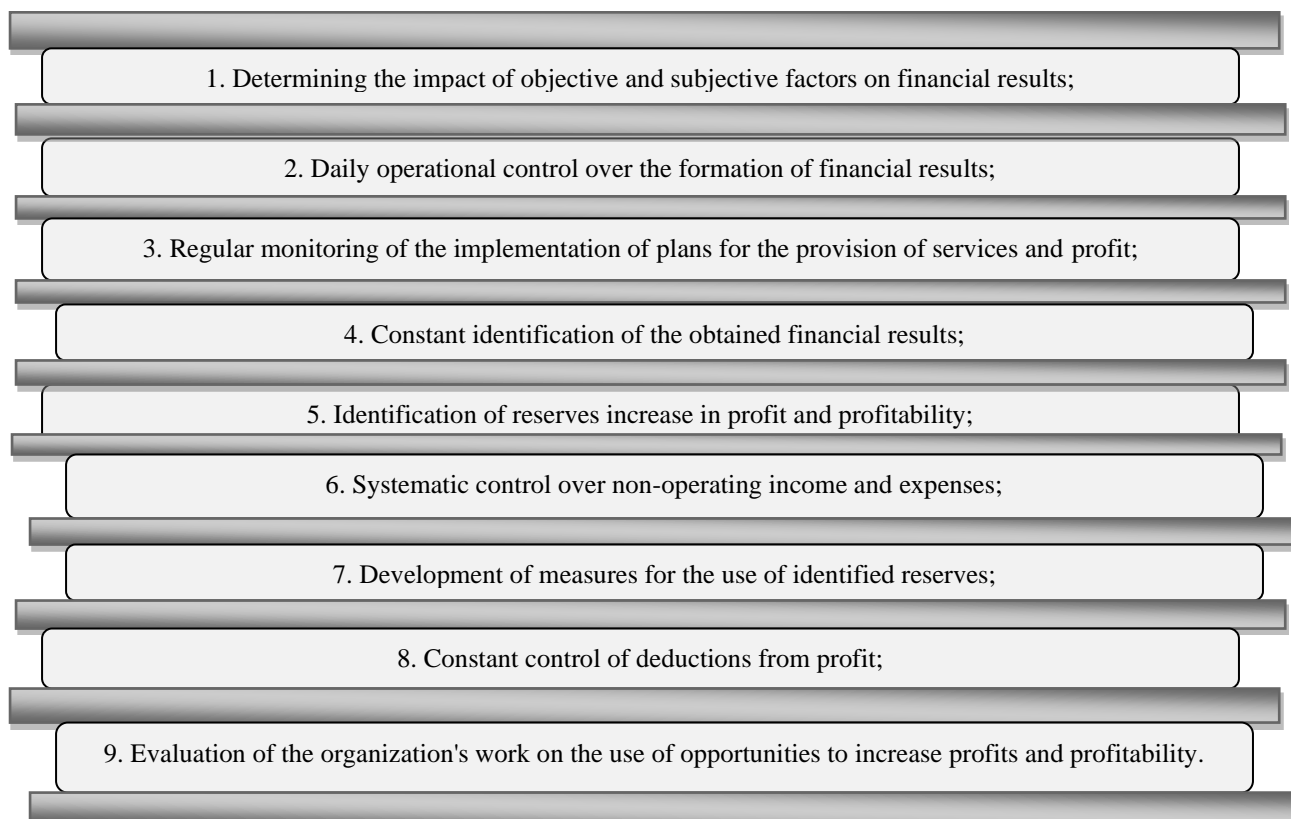


Figure 1 - *The main tasks of accounting for financial results.*

One of the most important areas of accounting for financial results is the formation of complete and reliable information on the procedure for accounting for taxation purposes of business transactions carried out by the taxpayer during the reporting (tax) period, as well as providing internal and external users with information to control the correctness of the calculation, the completeness and timeliness of the calculation and payment of taxes to the budget.

The main principles and methods of regulating the amount of financial results that are reflected explicitly or implicitly in the accounting policy of an economic entity include:

- The principle of business continuity of an economic entity;
- The principle of temporal certainty of the facts of the economic life of an economic entity;
- The principle of isolation of assets and liabilities of an economic entity;
- The principle of consistency in the application of the accounting policy of an economic entity.

These principles and methods of regulating the value of financial results are organically interconnected and logically follow from each other. At the same time, the features of the activity affect the formation and distribution of the profit of the organization. The main financial result of an economic entity is the sum of the difference between revenue and corresponding expenses.

The concept of "financial result" is associated with the concepts of "income" and "expenses". The categories of "income", "expenses" and "financial result" are clearly linked in the accounting system: the financial result is defined as the difference between income and expenses.

The financial result as a result of the economic activity of the organization for the reporting period can be expressed in the form of profit (excess of income over expenses) or in the form of loss (excess of expenses over income).

In accounting, income is understood as an increase in economic benefits as a result of the receipt of assets and (or) the repayment of liabilities, leading to an increase in the capital of this organization, excluding contributions from participants (Figure 2).

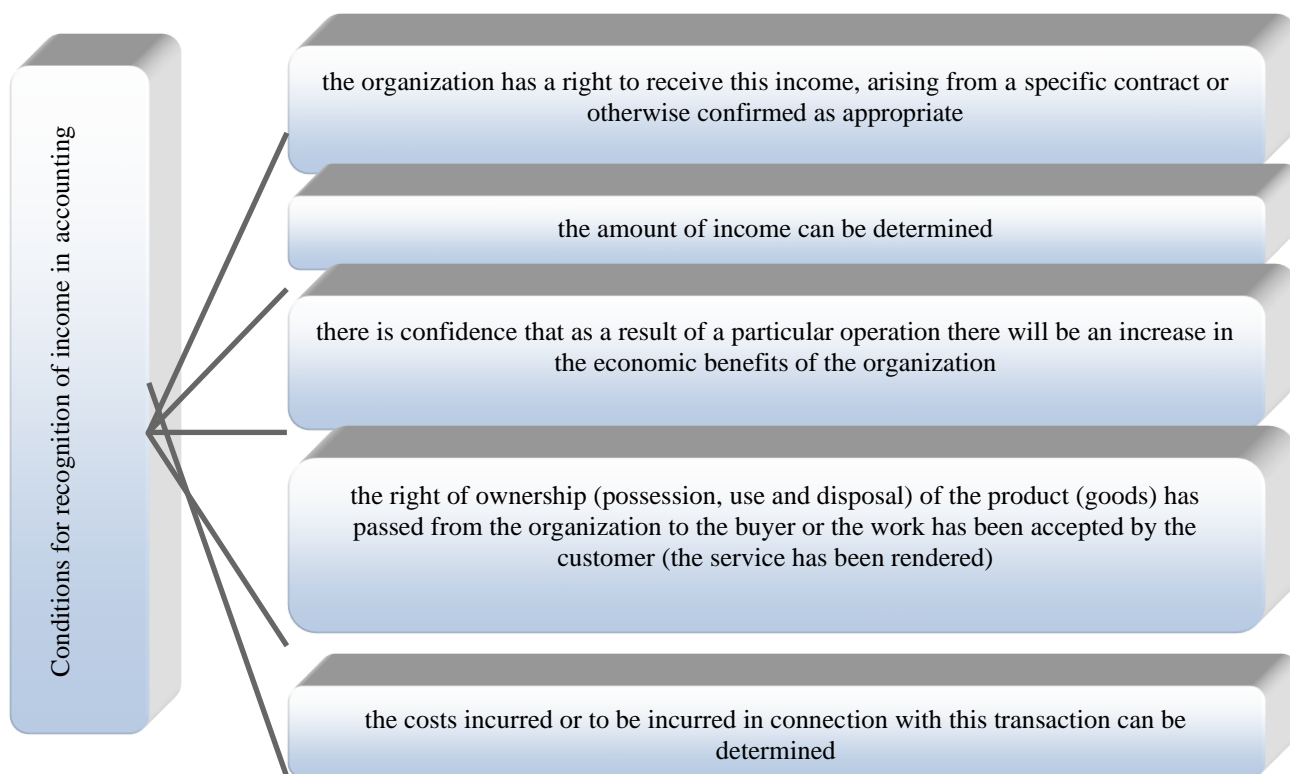


Figure 2 - Conditions for recognition of income in accounting.

If at least one of the conditions is not met, then the organization's accounting records do not recognize an expense, but a receivable, which can be a significant and significant part of the company's current working capital.

Expenses are recognized in accounting under the following conditions (Figure 3).

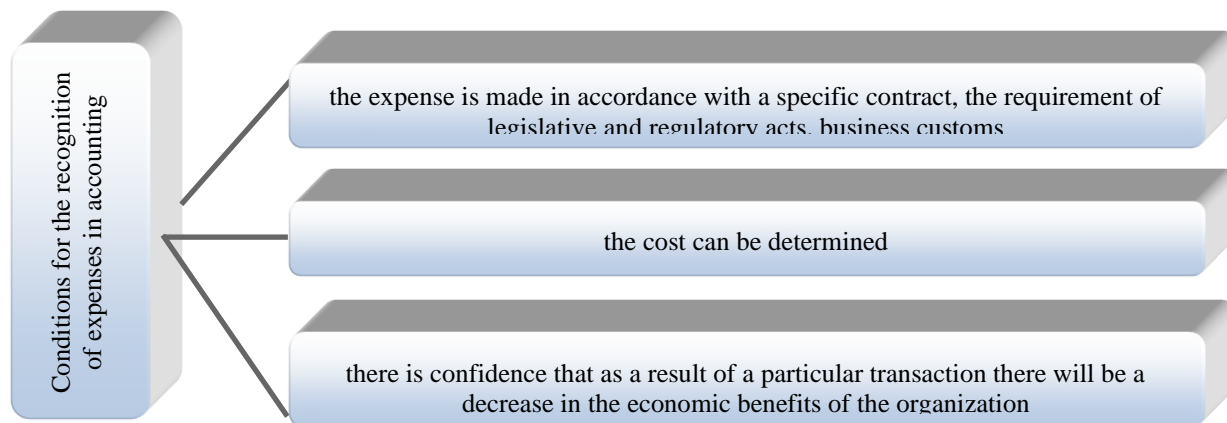


Figure 3 - Conditions for the recognition of expenses in accounting.

Plaskova N.S. notes that it is necessary to distinguish between the concept of "expenses", "costs", "cost". Unlike expenses, costs are the value of funds used to form material, labor, financial and other resources in order to carry out the activities of the organization; costs can be recognized as expenses in the reporting period or as assets that will become expenses in future periods. Combining certain types of expenses into groups, the organization generates cost indicators. In general terms, the cost price is a valuated set of costs of living and embodied labor used in the process of selling natural resources, raw materials, materials, fuel, energy, fixed assets, labor resources, as well as other costs necessary for the implementation of economic activities and involved in accordance with the accounting policy of the organization in the formation of the financial result.

Comparison of the income and expenses received by the organization for the reporting period allows you to get one or another financial result. The final financial result of the work of an economic entity is, as a rule, profit, the multidimensional significance of which is enhanced in a market economy. Profit is the main goal of entrepreneurial activity.

The role of profit in the activities of the organization in a market economy is summarized in Figure 4.

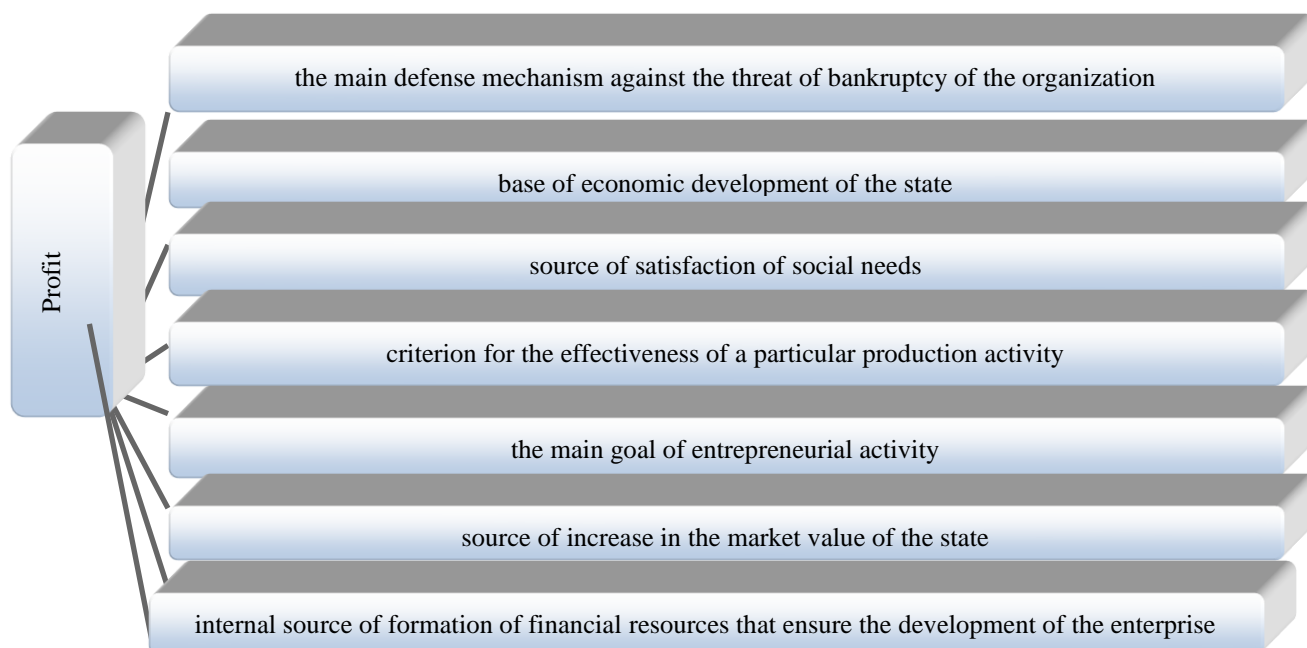


Figure 4 - The role of the profit of a commercial organization in a market economy.

The profit of the organization, as the most important category of market relations, performs reproductive, stimulating and control functions:

- The reproductive function of profit lies in the fact that profit is a source of formation of financial resources, a source of expanded reproduction not only within the organization, but also on the scale of the whole society;
- The stimulating function of profit is that profit is the main source of growth in the organization's own capital, as well as a source of social benefits for members of the workforce;
- The control function of profit lies in the fact that profit refers to a generalizing final indicator of the organization's activities, designed to most fully reflect the efficiency of production, the quality of products, the level of labor productivity, and the rational use of all types of resources.

N.P. Lyubushin notes that in the process of activity, a commercial organization has not one, but six indicators of profit at once:

- 1) Gross profit: the difference between the proceeds from the sale and the cost of goods sold, products, works, services;
- 2) Profit (loss) from sales: determined as a result of subtracting commercial and administrative expenses from gross profit;
- 3) Profit (loss) before tax: the amount (difference) of profit (loss) from sales and the balance of other income and expenses;
- 4) Net profit (loss) of the reporting period: the difference between profit (loss) before taxation and deductions to the budget for income tax and other similar payments;
- 5) Retained earnings (uncovered loss) of the reporting year: the balance from deducting the amount of retained earnings from net profit (loss).
- 6) Undistributed profit (uncovered loss): the amount of undistributed profit (uncovered loss) of the reporting year and previous years.

The model of accounting regulation is based on a reasonable combination of the activities of state authorities and the professional community.

In tax accounting, all income of an organization is conditionally divided into two groups: those that are taken into account and those that are not taken into account for taxation (Figure 5).

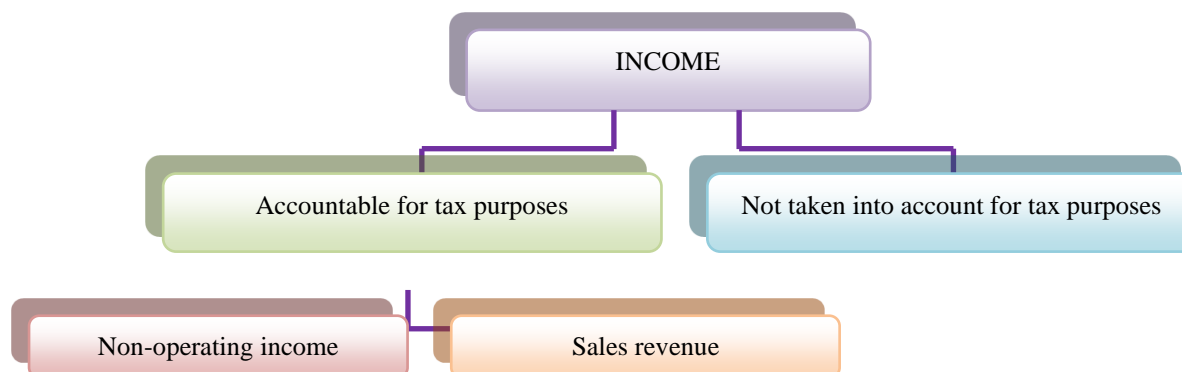


Figure 5 - Classification of income in tax accounting.

In order for the organization to account for expenses, they must be documented. The main thing is that on the basis of these documents it can be concluded that the expenses were

actually incurred. Expenses in the tax accounting of the organization are classified as follows, shown in Figure 6:

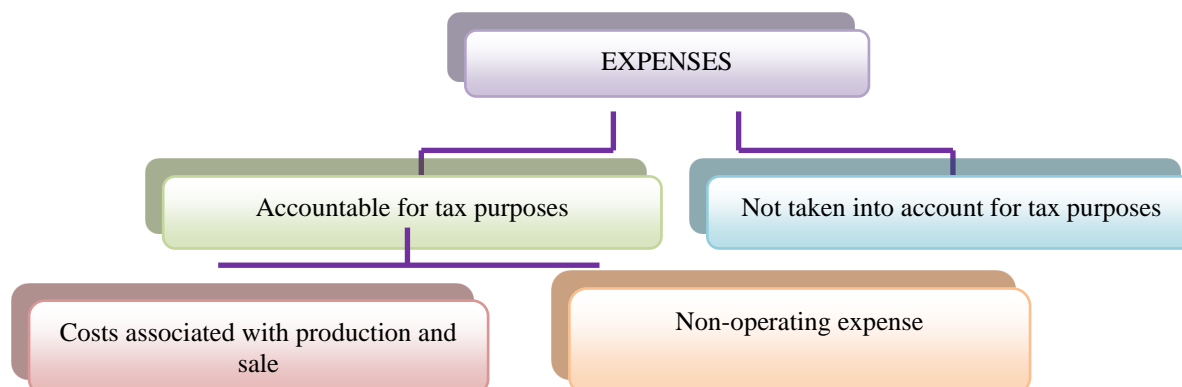


Figure 6 - Classification of expenses in tax accounting.

The financial result of the enterprise, as income and expenses, can be divided into: - financial result from ordinary activities;- financial result from other activities.

One of the criteria for classifying the organization's income is their classification in relation to the reporting period. In accordance with this classification, income is divided into income of the current reporting period and income of future reporting periods.

Deferred income is income arising from the facts of economic activity and events of the current reporting period, but recognized in future periods.

For the normal functioning of the economy, a comprehensive and objective picture of the financial condition and activities of organizations for a certain period is necessary. Such information is needed by both internal and external users. Currently, not only accountants and economists, but almost any external and internal users must be able to correctly read and interpret accounting (financial) statements. The comprehensive interest in reliable financial statements of various organizations increases the demand for its quality audit.

Audit, as noted by N.N. Khakhonova, I.I. Khakhonova, I.N. Rich is an independent examination and analysis of the financial statements of an economic entity in order to determine their reliability, completeness and compliance with the requirements for financial statements in all material respects.

Currently, the audit is one of the most popular and widely used tools for monitoring the financial side of the organization.

Objective accounting of financial results is one of the most problematic issues of accounting methodology. Constant work is underway to improve the accounting procedure, amendments are made to regulatory legal acts. The reliability of accounting (financial) statements depends on the correct accounting of financial results, therefore, the importance of auditing financial results increases.

When conducting an audit of financial results, it is necessary to adhere to the internal rules established in the audit organization, as well as the rules of the self-regulatory audit organization of which they are members. First of all, this refers to the quality of the audit conducted, to the auditor's compliance with state legislation regarding the audit, as well as to the conditions for advanced training.

The auditor in the process of auditing financial results aims to form an opinion on the reliability of all significant aspects of accounting (financial) statements in terms of determining the financial result and the legality of accruing tax payments to the budget.

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

- Verification of the completeness of information showing the results of the economic activity of the organization;
- Determination of the ownership of the information shown and reflected in the documentation;
- Establishment of compliance of information on financial results with the developed accounting policy;
- Checking the classification of income and expenses;
- Establishing the legality of the applied procedures for registration of the facts of economic life, and reconciliation of the data that are reflected in the primary accounting documents;
- Establishing the reliability of the reflection of financial results in the financial statements;
- Checking the completeness and timeliness of payments to the budget.

In accordance with the goal, the sources of information are determined - the documents necessary for the audit of financial results. When conducting an audit of financial results, the documents systematized in Table 1 are subject to verification.

Table 1. *Sources of information in the audit of financial results*

Document group	Information sources
Basic documents regulating the method of accounting for financial results, and extra-accounting documents	order "On the accounting policy of the organization" application to the accounting policy of the organization Working chart of accounts of the organization. Financial results and their use are reflected in the accounts of section 8 of the Chart of Accounts minutes of shareholders' meetings bank statements on settlement accounts of the audited entity copies of payment documents
Primary documents for accounting of financial results	cash book acts of reconciliation of accounts documents confirming the validity of accounting records that affect the change in the value of financial results: invoices, waybills, acts received and issued by the organization accounting registers (with an automated form of accounting, transaction journals, account cards, account analysis, turnover sheet) for accounts:
Registers of analytical and synthetic accounting	"Deferred tax assets", "Calculations on taxes and fees", "Deferred Tax Liabilities" "Sales", "Other income and expenses", "Profit and loss", "Retained earnings (uncovered loss)" income statement
Forms of accounting (financial) statements	balance sheet explanatory note to the financial statements of the economic entity

The audit of financial results is carried out in three stages: - familiarization stage, which includes the planning of the audit;- the main stage (collection of audit evidence);- final stage (drawing up an auditor's report).

The main stages of the general work plan for a special task - the audit of financial results are presented in Figure 7.

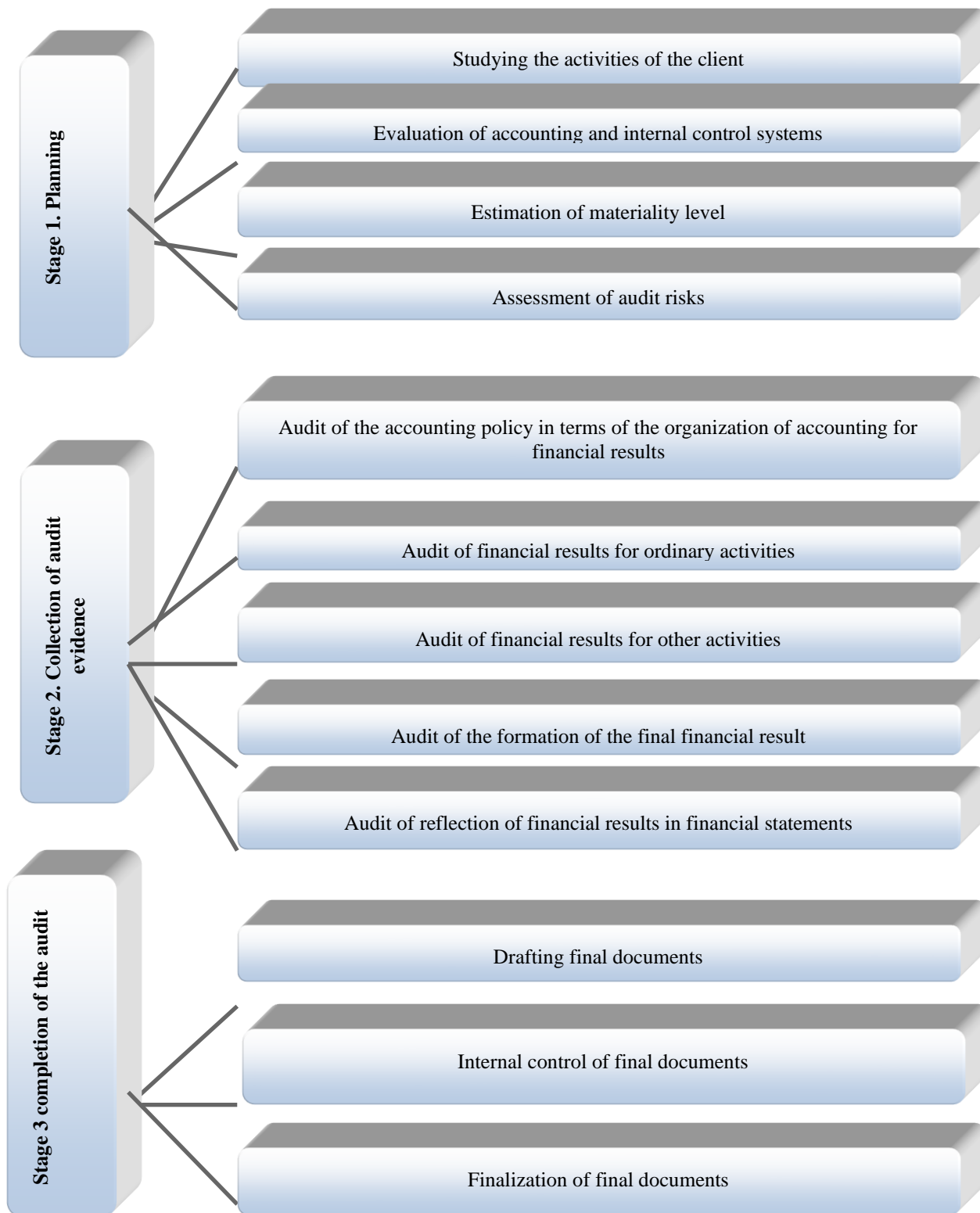


Figure 9 - The main stages of the audit of financial results.

The auditor plans the audit of financial results by familiarizing himself with the activities of the audited entity, evaluating accounting and internal control systems, calculating the level of materiality, assessing audit risks and drawing up a plan for the upcoming audit of financial results.

Conclusion

At the final stage of the audit, the auditors summarize and process all the information on financial results received during the audit, and on this basis the auditor's opinion is formed. The auditor also reflects the identified comments in written information. Preparation of Written Information to the Management of the Audited Entity” is drawn up in accordance with the requirements of ISA “Information Interaction with Persons Responsible for Corporate Governance”. After that, the auditor expresses his opinion on the reliability of the statements in terms of the information on financial results covered in it.

Thus, the audit of financial results is carried out in three stages: the familiarization stage, which includes the planning of the audit; the main stage (collection of audit evidence); the final stage (drawing up an audit report).

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