

INNOVATIONS IN AUDITING AND ASSET ACCOUNTING PRACTICES: PROSPECTS AND CHALLENGES

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Abstract: *This article explores best practices and innovative approaches in auditing and accounting for fixed assets. The key problems associated with traditional accounting and auditing methods are highlighted and modern solutions aimed at eliminating these problems are presented. The role of international standards in unifying audit procedures and ensuring transparency of financial statements is considered.*

Keywords: *innovation in auditing, digitalization of accounting, audit automation, artificial intelligence in accounting, blockchain in auditing, international auditing standards, asset accounting, technological challenges in auditing, efficiency of audit procedures, transparency of financial statements.*

INTRODUCTION

In today's world, where the economic environment is developing at an extraordinary speed and imposes ever new demands on management accounting and auditing, the efficiency of accounting and control of fixed assets is of particular importance. Fixed assets, being one of the key assets of any organization, play an important role in the production process, determining its manufacturability and innovativeness. The accuracy of their accounting and auditing determines not only the financial condition of the company, but also its investment attractiveness and ability to adapt to changing market conditions.

The relevance of the topic of accounting and auditing fixed assets is due to several key factors:

1. Constant changes in the legal framework: The regulations and standards governing the accounting and auditing of fixed assets are constantly being updated and improved, which requires specialists to closely monitor and adapt to these changes.
2. Technological progress: Rapid technological development affects the life cycle of fixed assets, their modernization and depreciation, which creates additional complexity in their accounting and valuation.
3. International integration: With the increasing number of companies operating internationally, there is a growing need to harmonize accounting and auditing standards for property, plant and equipment to ensure transparency and comparability of financial reporting.

4. Increasing role of intangible assets: In the digital economy, the focus is shifting to intangible assets, which requires a rethinking of the accounting and auditing of traditional fixed assets.

5. Risks and potential errors: Accounting and auditing of property, plant and equipment involves a number of risks associated with revaluation, undervaluation, untimely depreciation and other errors that could distort the financial statements and affect management decision-making.

Together, these factors make the topic of improving the audit and accounting of fixed assets relevant and significant for research, in order to identify the most effective methods and approaches that can ensure the accuracy and transparency of accounting data, as well as increase the level of confidence in the financial statements of stakeholders.

The purpose of this study is to develop and propose improved methods and approaches to the audit and accounting of fixed assets that will contribute to improving the accuracy, transparency and efficiency of financial reporting of enterprises. The study aims to identify existing problems and deficiencies in current accounting and auditing practices and to explore the possibilities of their solution with the help of modern tools and technologies.

The study will result in a set of proposals aimed at improving accounting and auditing procedures in the part of fixed assets, which will improve the reliability of financial statements and strengthen the confidence of investors, creditors and other stakeholders.

Theoretical aspects of auditing and accounting for fixed assets

In economics and accounting, property, plant and equipment (PPE) is a category of assets that a company uses in its operations for a long period of time, usually more than one year. These assets include both productive and non-productive items, including buildings, machinery, equipment and vehicles.

In Uzbekistan, the definition of property, plant and equipment in accounting and planning is established in accordance with the NAS (National Accounting Standard). Fixed assets cover tangible assets that provide the necessary conditions for the production process, including tools, buildings, structures and devices. The key characteristics that qualify assets as fixed assets are their useful life exceeding one year and their value exceeding 15 times the minimum wage. Property, plant and equipment are recognized in at their historical cost, which includes the actual cost of acquisition or construction. These assets are carried at cost throughout their useful life.

For comparison, in Russia, fixed assets are defined as property of an enterprise, the value of which exceeds the established limit (rubles 100,000 for tax accounting) and which is used in its activities for a long period of time (more than a year). Fixed assets include items used in the production of goods, performance of work or rendering of services, as well as those intended for management purposes or leased out. These assets are expected to generate economic benefits and are subject to wear and tear over time, except for land which is not subject to depreciation.

According to International Financial Reporting Standards (IFRS), in particular

IAS 16 "Property, Plant and Equipment", property, plant and equipment are defined as tangible assets that are intended to be used in the production or supply of goods, the provision of services, when leased, or for administrative purposes. These assets must be used for longer than one accounting period, which usually means more than 12 months.

Fixed assets can be either productive or non-productive. Production fixed assets are directly involved in the creation of products or services, while non-production fixed assets, such as residential buildings or social infrastructure, are not involved in the production process but may contribute to the general welfare and functioning of the organization.

The efficiency of fixed assets utilization can be measured through indicators such as profit per ruble of investment in fixed assets, which is a key factor in determining the profitability and productivity of a company.

The legal framework for accounting and auditing of property, plant and equipment in Uzbekistan is based on key documents, among which the NSA No. 5 "Property, Plant and Equipment" stands out. This standard, adopted and registered by the Ministry of Justice on 20 January 2004 under number 1299, establishes general principles and rules relating to the accounting for fixed assets. It covers important aspects such as the recognition of assets as fixed assets, their valuation, depreciation, accounting for disposals, and changes in their value. In addition, the Tax Code of Uzbekistan defines depreciation tax rates, which play an important role in determining the limits of expenses taken into account in the formation of taxable profit enterprises. These regulations create a legal basis for accounting and tax accounting of fixed assets, contributing to transparency and uniformity of financial reporting.

Under International Financial Reporting Standards, the accounting for fixed assets of organizations is based on the principles provided by IFRS, which ensures uniformity and consistency of financial data at a global level. Widely recognized in more than 120 countries, IFRS was developed by the International Accounting Standards Board, which ensures that asset accounting approaches are universal and relevant. This is particularly true of IAS 16 Property, Plant and Equipment, which establishes criteria for the recognition, measurement, depreciation and retirement accounting of property, plant and equipment, allowing entities in different countries to speak the "same language" when it comes to financial reporting.

An audit of financial statements, including accounting for fixed assets, is performed to establish the credibility and reliability of information for all stakeholders in the market. Auditors conduct a detailed review of financial statements and transactions, ensuring the transparency and accuracy of the information provided. This approach promotes confidence in the company's financial statements and facilitates interaction with investors, creditors and other stakeholders.

Problems of auditing and accounting for fixed assets

The audit and accounting of fixed assets involves a number of typical errors and difficulties that can significantly affect the quality and reliability of the financial statements of enterprises. One of the key problems is the determination and application of useful lives

of property, plant and equipment. National standards, such as NSA No. 5 "Property, Plant and Equipment", and international standards, such as IAS 16, provide guidance on determining the useful life of assets. However, in practice, entities may encounter difficulties in determining the actual useful life of equipment and structures, which may lead to erroneous depreciation and, consequently, distorted financial results.

Another common problem is the revaluation and impairment of property, plant and equipment. Although the objectives of revaluation are similar in national and international standards, the approach to revaluation may differ. International practice emphasises recording the fair value of assets, whereas national standards may practice annual revaluation at replacement cost. These differences may make it difficult to compare financial performance between companies operating under different standards.

Impairment of property, plant and equipment is also an important issue. International standards, such as IAS 36 Impairment of Assets, provide detailed procedures for testing assets for impairment. This requires companies to make regular assessments of the value of assets and their economic benefits. However, in national practice, impairment procedures may be less rigorous, potentially leading to overstated carrying values and under-reporting in the financial statements.

In addition, errors may arise from incorrect initial recognition of property, plant and equipment, misclassification of assets, and errors in the calculation and calculation of depreciation. For example, incorrectly determining when depreciation begins or selecting a depreciation method can distort depreciation charges and, consequently, a company's financial results.

To address these problems, special attention should be paid to training and professional development of accountants, as well as the use of automated accounting systems that can help minimize errors and improve the quality of financial reporting. It is also important to conduct regular internal and external audits to help identify and correct possible errors and inaccuracies in the accounting and reporting of fixed assets.

Impact of changes in legislation and standards

Changes in legislation and standards have a significant impact on the accounting and auditing of property, plant and equipment, resulting in accounting and tax adjustments. For example, differences in depreciation amounts calculated for national and international reporting may require adjustments. This may be due, for example, to different approaches to determining the useful lives of fixed assets in different accounting standards. In addition, in some cases, a company may establish a residual value for a fixed asset that is not normally taken into account in national accounting but is relevant for international accounting.

In Uzbekistan, the accounting for property, plant and equipment is governed by NSA No. 5 "Property, Plant and Equipment" registered by the Ministry of Justice. This standard defines the framework for accounting for fixed assets at the national level. In addition, the Tax Code fixes depreciation tax rates that affect the formation of taxable profit and, accordingly, the financial results of the company. Thus, any changes in these regulatory

documents require adaptation of accounting processes and may necessitate revision of accounting estimates and policies.

These changes require accountants and auditors to continually update their knowledge and adapt their accounting systems to the new requirements. This may include revaluing assets, changing depreciation and amortization methods, and adjusting financial statements to comply with new rules and standards. Consequently, to ensure accurate and transparent financial reporting, companies must closely monitor changes in legislation and standards and implement the necessary adjustments to their accounting processes in a timely manner.

Modern audit tools and methods

In the modern practice of auditing fixed assets, various tools and methods are actively used to improve the efficiency and reliability of audit procedures. Among modern approaches and technologies that find application in the audit of fixed assets, the following can be highlighted: Automation and digitalization of accounting: The introduction of automated accounting systems and the use of audit software can ensure high accuracy of data and speed up the audit process. The use of systems such as ERP (Enterprise Resource Planning) facilitates the integration of various aspects of fixed asset accounting including acquisition, depreciation, revaluation and write-off.

Applications of artificial intelligence and big data: Artificial intelligence and big data analytics technologies are being applied in auditing to analyze large amounts of information, identify anomalies and assess risks. These technologies allow auditors to effectively analyse historical data on fixed assets, predict potential problems and identify areas that require additional attention.

Use of blockchain technology: Blockchain can be used to ensure that fixed asset records are transparent and immutable. This helps improve the credibility of audit reports and simplifies the verification of asset movement and condition data.

Remote auditing: Modern technology allows audits to be conducted at a distance, which is particularly relevant in the face of COVID-19 pandemic constraints. Videoconferencing, remote access to client accounting systems and the use of cloud technology for data sharing simplify the audit process and make it more flexible.

International Standards on Auditing (ISA): Compliance with International Standards on Auditing, such as ISA 500 (Audit Evidence) and ISA 520 (Analytical Procedures), provides a uniform approach to the audit of fixed assets internationally. These standards govern the procedures for gathering evidence, assessing its sufficiency and reliability, and applying analytical procedures in the audit of property, plant and equipment.

The application of these modern audit tools and techniques improves the accuracy and reliability of audit findings, facilitates the identification of errors and irregularities in the accounting treatment of fixed assets, and promotes confidence in the financial statements of companies by investors, creditors and other stakeholders. It also improves internal accounting processes and controls, enhances management decisions and improves the operational efficiency of companies.

Thus, the integration of modern technologies and methodologies into the practice of auditing fixed assets opens up new opportunities for audit firms and accounting departments of enterprises. It requires from specialists the readiness for constant training and mastering of new tools, as well as flexibility in adapting the established audit procedures to the changing conditions of the external environment and legislative requirements. It is important to note that the successful application of these tools and methods requires not only the availability of appropriate technical means, but also a high level of professionalism of auditors, their competence in data analysis and understanding of the specifics of the audited company's activities.

CONCLUSION

In conclusion, the article on improving the audit and accounting of fixed assets highlights the key aspects and challenges facing accountants and auditors in the current environment. The relevance of the topic is due to the need to ensure the accuracy and transparency of financial reporting, which in turn contributes to increasing confidence in companies on the part of investors and other stakeholders. Changes in legislation and standards, as well as the introduction of modern technologies into auditing practice, require specialists to be ready for continuous learning and adaptation to new conditions.

Consideration of typical errors and difficulties in accounting and auditing of fixed assets emphasizes the importance of attention to detail and a deep understanding of the specifics of the company's activities. Modern audit tools and methods, such as automation, the use of artificial intelligence and blockchain technologies, open up new opportunities for improving the quality of audit services and the efficiency of accounting processes.

Legislative and standardized frameworks, such as NSA №5 "Property, Plant and Equipment" in Uzbekistan and IAS 16 internationally, serve as a basis for unifying approaches to accounting and auditing of property, plant and equipment. However, the effective application of these regulations requires companies and their auditors not only to know the theory, but also to be able to apply it flexibly in practice, taking into account the peculiarities of each particular enterprise.

In light of all the above, it becomes obvious that there is a need for a comprehensive approach to improving the audit and accounting of fixed assets, which includes not only following the regulatory requirements, but also the active use of the achievements of modern science and technology, as well as continuous professional development of specialists in the field of accounting and auditing.

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