

Improvement of Audit and Accounting of Fixed Assets

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Abstract. *The article is devoted to the analysis of modern approaches to improving the audit and accounting of fixed assets. It examines common errors and challenges that arise in the accounting and auditing process, and assesses the impact of changes in legislation and standards on these processes. Particular attention is paid to the study of modern audit tools and methods, including automation, the use of artificial intelligence and big data, the use of blockchain technologies and Remote auditing capabilities. The article emphasizes the importance of International Standards on Auditing to ensure the uniformity and transparency of financial reporting at the international level. The conclusion of the article focuses on the need for an integrated approach to improving accounting and auditing processes, which includes both strict adherence to regulatory requirements and active implementation of the latest technologies and methods in audit practice.*

Keywords: *fixed assets audit, fixed assets accounting, typical mistakes, changes in legislation, modern audit tools, accounting automation, artificial intelligence, blockchain in auditing, international auditing standards, remote audit.*

Introduction

In the modern world, where the economic environment is developing at an extraordinary speed and imposes new requirements 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 innovation. Not only the financial condition of the company, but also its investment attractiveness, as well as its ability to adapt to changing market conditions, depends on the accuracy of their accounting and audit.

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

1. **Constant changes in the legal framework:** Regulations and standards governing the accounting and auditing of fixed assets are constantly updated and improved, which requires specialists to closely monitor these changes and adapt to them.
2. **Technological progress:** The rapid development of technology affects the life cycle of fixed assets, their modernization and depreciation, which creates additional difficulties in their accounting and valuation.
3. **International integration:** With the increasing number of companies operating internationally, there is an increasing need to harmonize accounting and auditing standards for fixed assets to ensure transparency and comparability of financial reporting.

4. **Increasing the role of intangible assets:** In the digital economy, the focus is shifting towards intangible assets, which requires a revision of approaches to accounting and auditing traditional fixed assets.
5. **Risks and potential errors:** Accounting and auditing of fixed assets is associated with a number of risks associated with revaluation, undervaluation, untimely depreciation and other errors that can distort financial statements and affect management decision-making.

Taken together, these factors make the topic of improving the audit and accounting of fixed assets relevant and significant for the study, 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 financial statements on the part of stakeholders.

The purpose of this study is to develop and propose improved methods and approaches to the audit and accounting of fixed assets, which will contribute to improving the accuracy, transparency and efficiency of financial reporting of enterprises. The study is aimed at identifying existing problems and shortcomings in current accounting and auditing practices, as well as exploring the possibilities of solving them with the help of modern tools and technologies.

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

Theoretical Aspects of Audit and Accounting of Fixed Assets

In economics and accounting, fixed assets are a category of assets that a company uses in its activities for a long time, usually more than one year. These assets include facilities, both production and non-production, including buildings, machinery, equipment and vehicles.

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

For comparison, in Russia, fixed assets are defined as the property of an enterprise, the value of which exceeds the established limit (100,000 rubles for tax accounting) and which is used in its activities for a long time (more than a year). Property, plant and equipment includes items used in the production of goods, the performance of work or the provision of services, as well as those that are intended for management needs or leased. These assets must be economically beneficial and wear out over time, with the exception of land plots, which are not subject to wear and tear.

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 for use in the production or supply of goods, provision of services, leasing, or for administrative purposes. These assets must be used for more than one accounting period, which usually means more than 12 months.

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

The efficiency of the use of fixed assets 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 an enterprise.

The regulatory framework for accounting and auditing of fixed assets in Uzbekistan is based on key

documents, among which NAS No. 5 "Fixed Assets" 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 of property, plant and equipment. It covers important aspects such as the recognition of assets as property, plant and equipment, their valuation, depreciation, accounting for disposals, as well as changes in their value. In addition, the Tax Code of Uzbekistan defines depreciation tax rates, which play an important role in determining the marginal levels of expenses taken into account in the formation of taxable profits of enterprises. These regulations create the legal basis for accounting and tax accounting of property, plant and equipment, contributing to the transparency and uniformity of financial reporting.

Within the framework of International Financial Reporting Standards, the accounting of fixed assets of organizations is based on the principles provided by IFRS, which ensures the uniformity and consistency of financial data at the global level. IFRS, which is widely accepted in more than 120 countries, was developed by the International Accounting Standards Board, which guarantees the universality and relevance of approaches to asset accounting. This is especially true of IAS 16 Property, Plant and Equipment, which establishes criteria for recognizing, measuring, accounting for depreciation and accounting for the disposal of property, plant and equipment, which allows enterprises in different countries to speak the same language in matters of financial reporting.

Audit of financial statements, including fixed assets accounting, is carried out in order to establish the trust 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 presented. This approach helps to increase confidence in the company's financial statements and facilitates interaction with investors, creditors and other stakeholders.

Problems of Audit and Accounting of Fixed Assets

Audit and accounting of fixed assets are associated with a number of typical errors and difficulties that can significantly affect the quality and reliability of financial statements of enterprises. One of the key problems is the determination and application of the useful lives of fixed assets. National standards, such as NAS No. 5 "Property, Plant and Equipment", and international standards, such as IAS 16, provide guidance on determining the service life of assets. In practice, however, enterprises may encounter difficulties in determining the true service life of equipment and facilities, which can lead to erroneous depreciation and, as a result, to distortion of financial results.

Another common problem is the revaluation and impairment of fixed assets. Although the objectives of the revaluation in national and international standards are similar, the approaches to conducting it may differ. In international practice, attention is focused on reflecting the fair value of assets, while national standards may practice annual revaluation at replacement cost. These differences can make it difficult to compare financial performance between companies operating under different standards.

The depreciation of fixed assets is also an important problem. International standards, such as IAS 36 Impairment of Assets, provide detailed procedures for testing assets for impairment. This requires companies to conduct regular assessments of the value of assets and their economic benefits. However, in national practice, impairment procedures may be less stringent, potentially leading to overvalued carrying amounts and inadequate reflection of reality in the financial statements.

In addition, errors can occur due to incorrect initial recognition of property, plant and equipment, incorrect classification of assets, and errors in the calculation and accrual of depreciation. For example, the wrong timing of depreciation or the choice of depreciation method can distort the amount of depreciation expense and, as a result, the company's financial results.

To address these challenges, it is necessary to pay special attention to the training and development of accountants, as well as the use of automated accounting systems, which can help minimize errors and improve the quality of financial reporting. It is also important to conduct regular internal and external audits that will 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 audit of fixed assets, leading to the need for adjustments in accounting and tax accounting. 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 salvage 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 of fixed assets is regulated by NAS No. 5 "Fixed Assets", registered by the Ministry of Justice. This standard defines the framework for the accounting of fixed assets at the national level. In addition, the Tax Code fixes the depreciation tax rates that affect the formation of taxable profit and, accordingly, the financial results of the company. Therefore, any changes in these regulations require adaptation of accounting processes and may entail the need to revise accounting estimates and policies.

These changes require accountants and auditors to constantly update their knowledge and adapt accounting systems to new requirements. This may include revaluation of assets, changes in depreciation methods, and adjustments to financial statements in accordance with new rules and standards. Therefore, to ensure the accuracy and transparency of financial reporting, companies must closely monitor changes in legislation and standards and implement the necessary adjustments to their accounting processes in a timely manner.

State-of-the-art 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 the modern approaches and technologies that are used in the audit of fixed assets, the following can be distinguished:

Automation and digitalization of accounting: The implementation of automated accounting systems and the use of audit software allows you to 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 their acquisition, depreciation, revaluation and write-off.

Applications of Artificial Intelligence and Big Data: Artificial intelligence technologies and big data analytics are used in auditing to analyze large amounts of information, identify anomalies, and assess risks. These technologies allow auditors to efficiently analyze 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 the transparency and immutability of fixed asset records. This helps to improve the credibility of audit reports and simplifies the procedure for verifying data on the movement and condition of assets.

Remote Auditing: Modern technology makes it possible to conduct audits from a distance, which is especially important in the context of restrictions related to the COVID-19 pandemic. Video conferencing, remote access to client accounting systems, and the use of cloud technologies for data exchange simplify the audit process and make it more flexible.

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

The use of these state-of-the-art audit tools and methods helps to improve the accuracy and reliability of audit findings, facilitates the identification of errors and irregularities in the accounting of property, plant and equipment, and contributes to strengthening the confidence of investors, creditors

and other stakeholders in the financial statements of companies. It also contributes to the improvement of internal accounting and control processes, improves management decisions and increases the efficiency of the operating activities of enterprises.

Thus, the integration of modern technologies and methodologies into the practice of auditing fixed assets opens up new opportunities for audit firms and accounting services of enterprises. It requires specialists to be ready for continuous training and mastering new tools, as well as flexibility in adapting established audit procedures to changing environmental conditions and legal 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 competencies in the field of data analysis and understanding of the specifics of the audited enterprise.

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 today's 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 the confidence of investors and other stakeholders in companies. Changes in legislation and standards, as well as the introduction of modern technologies in audit practice, require specialists to be ready for continuous training and adaptation to new conditions.

Consideration of typical mistakes and difficulties in the accounting and audit 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 standard frameworks, such as NAS No. 5 "Property, Plant and Equipment" in Uzbekistan and IAS 16 at the international level, serve as the basis for the unification of approaches to accounting and auditing of property, plant and equipment. However, the effective application of these standards requires from companies and their auditors not only knowledge of the theory, but also the ability to flexibly apply it in practice, taking into account the characteristics of each specific enterprise.

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

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