E-ISSN: 2997-934X

American Journal of Business Practice
https://semantjournals.org/index.php/AJBP

| Research Article

Check for updates

Requirements for audit evidence in forming audit conclusions

Mamatov Khabibulla Mamatovich
Senior teacher "Audit" department of Tashkent State University Economics , Uzbekistan
Raximboyev Bunyod
Student of "Accounting account and audit" faculty "Audit" department of Tashkent State University Economics , Uzbekistan

Abstract: In this article, we will get acquainted with the requirements for audit conclusions of economic entities and the requirements for audit evidence. Also, in the article, the methods of collecting the classification of audit evidence in the audit of financial statements are highlighted, and the auditor's work on the development and implementation of the principles of the audit procedure in order to have sufficient relevant audit evidence to be able to form reasonable conclusions when justifying the auditor's opinion opinions about responsibility are scientifically based.

Key words: Appropriateness of audit evidence, reliability of audit evidence, reliability value, law on audit activity, audit control, application of risk and significance in audit.

This is an open-access article under the CC-BY 4.0 license

INTRODUCTION. Audit evidence is necessary to support the auditor's opinion and report. It is generally collected and obtained primarily from audit procedures performed during the audit period. In addition to internal and external sources of information about the entity, the entity's accounting records are also an important source of audit evidence. Much of the auditor's work in forming an auditor's opinion involves obtaining and evaluating audit evidence. Obtaining audit evidence may include, in addition to the audit procedures, examination, confirmation, recalculation, re-performance, and analytical procedures, and in many cases some combination thereof. The sufficiency and appropriateness of audit evidence are interrelated. It is important to note that sufficiency is a quantitative measure of audit evidence. The amount of audit evidence required is affected by the auditor's assessment of the risks of misstatement and the quality of such audit evidence.

LITERATURE REVIEW. An auditor must have a well-developed and effective plan to provide objective and substantiated evidence when examining the activities of an enterprise or organization or business entity. When forming an auditor's conclusions, the auditor's evidence must be accurate and objective in accordance with the laws and standards on auditing activities.

According to the requirements of International Standards on Auditing, ensuring the quality of evidence should meet requirements such as sufficiency of evidence, reliability of evidence, specificity of evidence, and relevance of evidence [1].

According to B. Hamdamov, the process of collecting audit evidence is manifested in the following stages, based on the requirements of a market economy:

- assessing the veracity of financial statements, that is, the main goal is to collect sufficient evidence to make this assessment, as well as assessing the financial statements by parts, that is, the audit is conducted by each section of the balance sheet and the information is summarized.

- checking the administration's confirmations and explanations by parts of the report, determining the main purpose of the audit by parts [2].

According to A.Kh. Shoalimov, in order to obtain sufficient and appropriate audit evidence, the audit organization must pay attention to the following factors:

- the nature of the accounting and internal control system of the business entity, as well as the assessment of integrity and control risk;

- the source and reliability of the information [3].

According to Sh.I. Ilhamov, the audit organization should adhere to the following general rules when assessing the reliability of audit evidence:

-audit evidence obtained from external sources is more reliable than that obtained from internal sources.

-if the existing accounting and internal control system is working effectively, audit evidence obtained from internal sources will be reliable. Also, audit evidence collected directly by the audit organization is more reliable than audit evidence

obtained from the business entity, and at the same time, audit evidence obtained in writing is considered more reliable than evidence given orally [4].

According to A.A. Karimov, the most valuable evidence for an auditor is external evidence. The collected evidence is reflected in the auditor's working papers, and the following are also considered sources of audit evidence:

- primary documents of the business entity and third parties;

- accounting documents of the business entity, including inventory reports, accounting registers and oral explanations of third parties [5].

In conclusion, it is worth noting that the requirements for audit evidence in the formation of audit conclusions must be very reliable and sufficient. The preparation of audit conclusions must be proportionate and in accordance with legislative and other regulatory legal principles and be objective.

ANALYSIS AND RESULTS. When we say "reading" a financial statement or balance sheet, we often mean classifying the financial statement by its addressee (owner), form of ownership (private, joint-stock, etc.), unit of measurement (national and foreign currency), legal address, and periodicity (for which period it is prepared). In fact, reading is a broader concept. It should also include issues such as the division of property into own and borrowed parts, if the enterprise has funds, who currently owns them, if the enterprise has a profit, what assets they were formed from (financial and non-financial), what explains the growth of the balance sheet, and if the enterprise is financially stable or unstable, what is its location on the balance sheet.

When calculating horizontal analysis in financial statements, the financial indicators of the reporting period are compared with the indicators of the same period (quarter, year) of the previous year. The financial indicators of the report are compared with the indicators of the same period of the previous year (for example, comparing the 1st quarter of the current period with the 1st quarter of the previous year).

Horizontal analysis is a method of assessing changes in financial position by comparing individual financial indicators. Changes are determined in absolute and relative terms. Based on the horizontal analysis of financial reporting elements and items, financial indicators, their growth rates are assessed.

Table 1

Horizontal analysis of the balance sheet[1]

Balance sheet items	At the beginning of the reporting period	At the ending of the reporting period	Difference (+;-)	Growth percentage
1	2	3	4	5
Activ				
Long term assets	3 610 404	3 332 020	-278 384	-7.71
Current assets	9 955 482	8 038 122	-1,917,360	-19.25
Assets total	13,565,886	11 370 142	-2 195 744	-16.18
Passiv				
Equity	5,815,759	7 214 147	1 398 388	24.04
Obligations	7 750 127	4 155 995	-3 594 132	-46.37
Passive total	13,565,886	11 370 142	-2 195 744	-16,18

In the table above, we have considered the analysis of the balance sheet of the "Yog'gar" joint-stock company for the previous year and this year. The assets of the enterprise at the beginning of the year amounted to 13,565,886 soums, but by the end of the year they decreased to 11,370,142 soums, which in turn amounted to -16.18 percent, which is negative for the enterprise. It should be noted that the long-term assets and current assets of the enterprise at the beginning and end of the year were disproportionately -7.71% and -19.25%, which in turn indicates a negative situation for the enterprise.

[1]Made by author

Each business entity prepares a balance sheet and financial statements for the enterprise and for government agencies. When preparing these reports, the enterprise finds out whether the enterprise has made a profit or loss in the current year and the previous year. The enterprise finds out whether the enterprise has made a profit or loss in the current year and the previous year based on analysis. That is, it compares and evaluates the reports of the current year and the previous year by comparing them with the quarterly ones.

Vertical analysis - characterizes the assessment of the structural aspects of the elements and items of financial statements as a complementary method to horizontal analysis. These aspects can be applied to all forms of financial statements. Based on the weight of individual units in the overall composition and their changes, it becomes easier to diagnose the financial condition of the enterprise. The main aspects in understanding and knowing the financial condition of the enterprise are focused on the correct correlation of individual lines in the overall composition.

Table 2

Vertical analysis of the balance sheet[2]

Balance substances	Last year		Report year		Difference (+;-)	
	Amount	Percent	Amount	Percent	Amount	Percent
1	2	3	4	5	6	7
Activ						
Long term assets	3610 404	26.6	3 332020	29.3	-278 384	-7.71
Current assets	9,955,482	73.38	8 038 122	70.69	-1 917 360	-19.25
Activ total	13,565,886	100	11 370 142	100	-2 195 744	-16,18
Passiv						
Equity	5,815,759	42.87	7 214 147	73.58	1 398 388	24.04
Liabilities	7 750 127	57.12	4 155 995	36.55	-3 594 132	-46.37
Passiv total	13,565,886	100	11 370 142	100	-2 195 744	-16.18

According to the data presented in the table, long-term assets amounted to 3,610,404 soums at the beginning of the year, and by the end of the year they amounted to 3,332,020 soums, a significant negative decrease of -278,384 soums, or -7.71 percent. If we look at the passive part, based on the data in the table, the source of own funds increased positively by 24.04 percent, from 5,815,759 soums at the beginning of the year to 7,214,147 soums by the end of the year.

CONCLUSION. This article examines the requirements for audit evidence in the formation of audit conclusions. In particular, research was conducted on this topic and the opinions of scientists were also reviewed. Audit evidence in the formation of audit conclusions should be reliable and objective. It is worth noting that each auditor or audit organization must conduct control and observations when collecting evidence and correctly apply arithmetic operations with arithmetic accuracy to form an audit conclusion. The main aspect that an independent audit organization pays attention to when forming an audit conclusion is the effectiveness of the internal control system in the business entity, that is, if the internal control system of the business entity is effective, the evidence obtained from the client will be more reliable.

REFERENCES

1. O'zbekiston buxgalterlar va auditorlar milliy assotsatsiyasi http://www.naaa.uz//

2.Hamdamov B.Q. Auditning xalqaro standartlari. Darslik. – T.: Toshkent moliya instituti. 2021-yil

3.Shoalimov A.X., Ilxamov Sh.I., Tojiboyeva Sh. A. Iqtisodiy tahlil va audit. Darslik. –T.:Sano-standart, 2017

4. Shoalimov A.X., Ilxamov Sh.I., Tojiboyeva Sh. A. Iqtisodiy tahlil va audit. Darslik. –T.:Sano-standart, 2017

5. Karimov A.A., Muqumov Z.A., Khodjayeva M.H., Avloqulov A.Z.Xalqaro audit. Darslik.–T.: IQTISODIYOT, 2020.-418 b.

6.O'zbekiston Respublikasi «Auditorlik faoliyati to'g'risida» gi O'RQ-677-son Qonun, 25.02.2021.

7.https://www.imv.uz/

8.https://www.lex.uz/uz/

[2] Made by author