American Journal of Business Practice Vol.2, No.5 (May, 2025),
E-ISSN: 2997-934X
American Journal of Business Practice
https://semantjournals.org/index.php/AJBP

| Research Article

Directions to Collecting Evidence in Auditing of Estimated Values

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Abstract: This article examines the essence of estimated values and the importance of their audit. As a result of the study, recommendations were developed for collecting evidence and reducing audit risk when auditing estimated values.

Key words: financial statement audit, estimated value, fair value, audit, audit evidence, audit risk, auditor's report.

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INTRODUCTION

The reliability of financial statements prepared by business entities is confirmed through audits. The process of confirming the reliability of financial statements by audit organizations is complex and has aspects that negatively affect the formation of an objective auditor's opinion. In particular, determining the accuracy and fairness of estimated values applied to financial statement elements requires deep knowledge and skills from the auditor. The unjustified and subjective application of estimated values negatively affects the reliability and transparency of financial statements and leads to an increase in audit risk. Therefore, it is important to collect appropriate and sufficient evidence to determine the accuracy of estimated values in audits.

LITERATURE REVIEW

Different opinions have been expressed in regulatory legal acts and in studies conducted by economists regarding the use of estimated values in accounting and the importance of determining their accuracy in audit audits.

In particular, according to ISA No. 540 "*Auditing Accounting Estimates and Related Disclosures*", "estimated value is the estimated value of a monetary amount in the absence of precise methods for its calculation. This term is used to denote an amount

estimated at fair value under uncertainty of the estimate, as well as other amounts that require estimation" [1].

As E. Raumbenheimer notes, "international standards recommend the use of estimated values in accounting when there is no precise value of some objects. Disclosure of information about estimated values allows users of financial statements to determine whether the values are reflected correctly" [2].

T. Beechey believes that "in some cases, estimated values are used in the statement of financial position. Estimated values in accounting do not represent exact amounts, but rather values based on assumptions, judgments, and discretion" [3].

M. Landez and L. Dewey believe that "the assumptions used in estimated values almost always differ from the actual results. However, the use of estimated values in financial statements is an accepted practice in accounting. If exact amounts are not available, accounting principles require the calculation of exact amounts in certain circumstances" [4].

H. David conducted research on estimated values. As a result of his research, he concluded that "the management of companies has the opportunity to manipulate the figures in financial statements through accounting" [5].

The above-mentioned opinions mainly cover the essence of estimated values and their importance in auditing. However, little attention is paid to the issues of collecting evidence in the audit of estimated values and reducing audit risk.

RESEARCH METHODOLOGY

In studying the importance and necessity of collecting evidence on estimated values in the audit of financial statements, methods such as monographic observation, comparison, grouping, systematic approach, induction and deduction were used.

ANALYSIS AND RESULTS

International financial reporting standards require the use of fair value in the process of accounting for assets, liabilities and equity. However, the use of fair value is not the right solution in all financial reporting standards.

In addition, it is also difficult to determine the service life of fixed assets and intangible assets. High-tech fixed assets and intangible assets are subject to rapid moral depreciation. In addition, low-cost, fuel and energy-saving fixed assets cause moral depreciation of other fixed assets. Therefore, it is not possible to determine the service life of some assets. This, in turn, causes the problem of determining the value of certain types of assets.

The management of an economic entity, when assessing transactions carried out during the reporting period requiring an estimated value, proceeds from the following circumstances: firstly, the methodology used in the previous reporting period to determine the estimated value has yielded positive results; secondly, the estimated value has been determined in accordance with the specific characteristics of the industry to which the economic entity belongs; thirdly, the estimated value has been determined based on the goals set by the entity for the reporting period.

In order to correctly determine the estimated value in accounting, the management of the entity should pay attention to the following circumstances:

The economic entity should choose a rational and consistent accounting policy. This accounting policy must include an acceptable valuation methodology for determining and estimating the estimated value;

Changes in significant elements of financial reporting should be systematically analyzed. Changes in these elements should be assessed not only using traditional analysis methods, but also using economic and mathematical methods.

In international auditing standards, the concept of estimated value is used in conjunction with the concept of estimated value. Since the estimated value applied to the elements of financial statements is not 100% accurate, auditors also use the concept of estimated value. When clarifying the estimated value in audit audits, it is necessary to pay attention to the following issues:

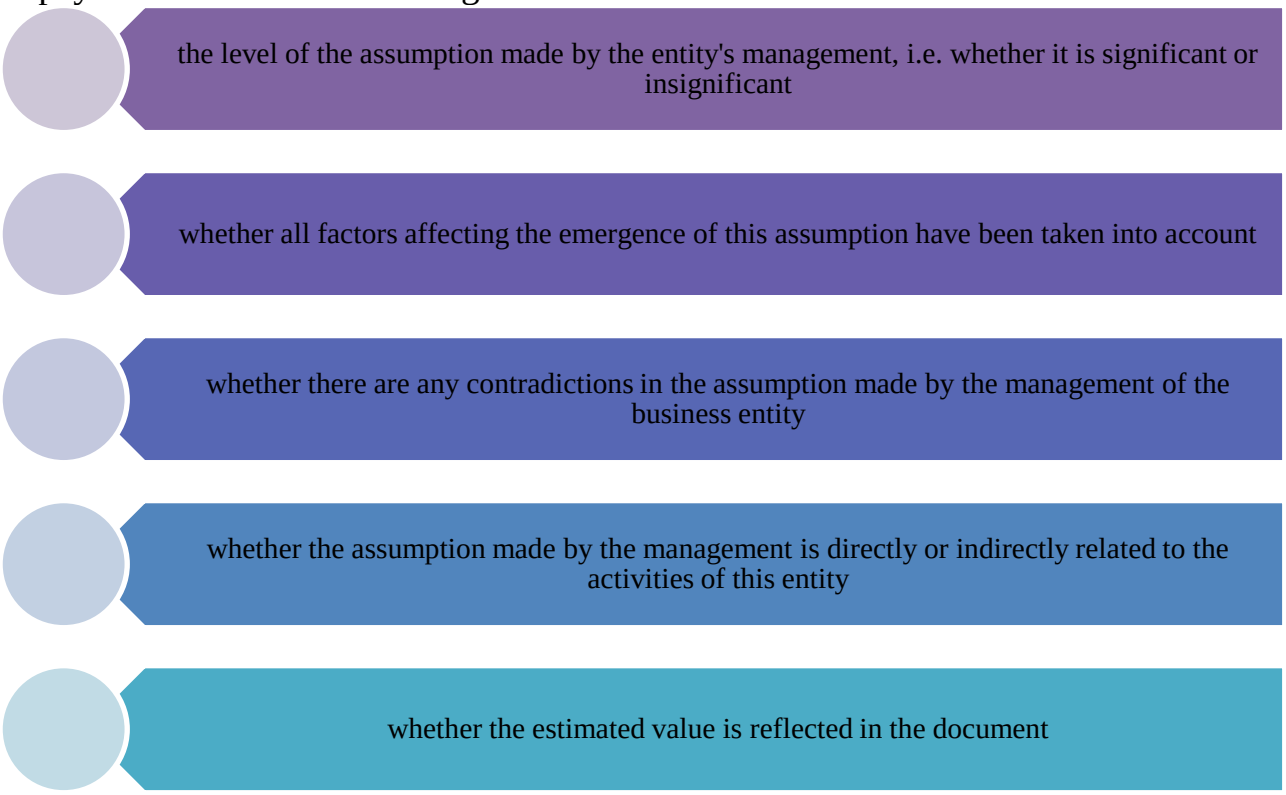

Figure 1. Considerations for assumption assurance in audits[1]

In audit audits, the auditor should collect evidence to verify the accuracy of the estimated value determined by the entity.

In assessing the above aspects, the auditor should proceed from his professional observation. The evidence collected on the estimated values affects the extent to which the audit is conducted.

The auditor may use the services of an expert in cases of complexity of the estimated value. The following factors may be the reason for using the services of an expert in the audit of the accuracy of the estimated value:

the presence of a high level of uncertainty in determining the estimated value;

the presence of industry-specific characteristics in the valuation of financial reporting elements, in particular, assets, equity and liabilities;

the presence of special cases in the recognition and measurement of financial

[1] Made by author.

reporting elements;

the use of complex methods in determining the estimated value, in particular, econometric modeling methods.

During the audit, the auditor should discuss the expert opinion on the estimated value with the expert and clarify whether it is justified or not.

CONCLUSION

1. The main objective of the audit is to confirm the reliability of the financial statements, assessing the continuity of operations. However, certain problems arise in assessing the accuracy of the information presented in the financial statements with reasonable confidence. Therefore, it is necessary to use estimated values to determine the exact value of certain types of financial statement elements, namely assets and liabilities. Determining whether the estimated values are correctly used is one of the aspects that should be considered in the audit.

2. Various methods and procedures are used by the management of business entities to determine estimated values. If these methods and procedures are based on certain calculations, the level of accuracy of the estimated values will increase.

3. Failure to consider the correctness of the valuation of assets and liabilities in audit audits negatively affects the formation of a fair auditor's opinion. This, in turn, leads to an increase in the risk of material misstatement of the financial statements. Therefore, verification of the correctness of valuations should be included in the overall audit strategy and audit plan.

LIST OF USED LITERATURE:

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