SOME ASPECTS OF AUDITING ACCOUNTS RECEIVABLE AT ENTERPRISES

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Abstract. This article discusses some aspects of auditing accounts receivable. The essence of the concept of accounts receivable is studied. Proposals and recommendations are developed to improve the audit of accounts receivable at enterprises.

Keywords: enterprise, accounts receivable, audit, doubtful debts, audit of accounts receivable.

Introduction. The purpose of the audit of accounts receivable is to verify the reliability of the information presented in the financial statements, the legality of their formation, their timely collection, as well as compliance with the accounting procedures of the client enterprise in accordance with the legislation of the Republic of Uzbekistan.

Today, auditors pay special attention to assessing the internal control system of the client-enterprise and determining the level of risk associated with internal control. The auditor examines the following elements of the internal control system of the client-enterprise related to receivables:

- control aimed at identifying and preventing the misappropriation of assets;
- control over the reflection of business transactions in the relevant period;
- control over the correct calculation and reflection of the reserve for doubtful debts, etc.

Analysis of the literature on the topic. A number of economists have conducted scientific research on receivables. In particular, Wikipedia states that “Accounts receivable - the amount of debt that legal entities or individuals must receive from other legal entities or individuals as a result of their mutual economic relations. Accounts receivable may be associated with the normal course of economic activity or with violations of financial, settlement or payment discipline” [1].

Foreign economists Yong H. Kim, Joseph C. Atkins “based empirical research on the impact of accounts receivable on maximizing the market value of companies in the structure of current financial assets” [2]. Industry experts Zvi Lieber, Yair E. Orgler “developed an integrated model of the impact of accounts receivable on the financial economic activities of companies” [3]. Foreign economist I.A. Blank “provided information on the formation of accounts receivable in the structure of current assets, determining funds that can be directed to consumer credit, and exercising control over accounts receivable and their repayment” [4].

Research methods. The article widely uses the methods of analysis, systematic approach, comparison, comparative analysis, scientific observation, and systematic

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approach in the audit of accounts receivable.

Analysis and results. The auditor should decide whether to revise the initial assessment of internal control risk as a result of the internal control questions and studies developed during the audit.

The auditor critically evaluates the relevance, sufficiency and reliability of the audit evidence obtained during the audit and carefully examines it to ensure that it does not contradict the rules and requirements of regulatory and legal documents.

When checking receivables, the auditor obtains audit evidence by performing the following procedures: inspection (examination of records, documents, etc.); control (what documentary evidence is available for internal control); inquiry; confirmation (direct debt from the debtor); recalculation (interest calculated on goods and trade credits); analytical procedure (changes in receivables, its share turnover coefficients), total assets, etc.).

During the audit, the auditor examines: the accounting policy of the client-enterprise (transfer of long-term debt to short-term debt, the procedure for calculating interest on loans, etc., primary documents for accounting for receivables; the procedure for maintaining synthetic accounting registers, etc.).

Auditors should examine the content of supply contracts from the point of view of: the subject of the contract; the mutual rights and obligations of the parties within the framework of the contract; the terms and procedure for settlements (terms and procedure for paying the principal amount of the debt and interest on it); the consequences of non-fulfillment of the contract (liability of the parties); the procedure for resolving disputes under the contract, the term of the contract, etc. conditions.

When developing significant audit procedures, the auditor should take into account the necessary conditions for preparing financial statements and the relevant audit objectives and tasks. In particular, when examining accounts receivable, the auditor must determine the following:

- whether the accounts receivable reflected in the financial statements of the client-enterprise actually exist on a certain date (“existence” condition);
- whether the client-enterprise under audit has legal rights to these accounts receivable (“rights and obligations” condition);
- whether the transactions associated with the emergence of accounts receivable actually occurred during the reporting period (“authenticity” condition);
- whether the accounts receivable are fully reflected in the accounting records and reports (“completeness” condition);
- whether the accounts receivable are reflected in the appropriate amounts (“measurement” condition);
- whether the amounts of business transactions on accounts receivable are accurately reflected in the accounts and in the appropriate reporting period (“accurate measurement” condition);
- whether the client-enterprise has correctly classified the accounts receivable (“classification” condition);

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- whether the appropriate procedure for presenting and disclosing information related to receivables has been followed (the "presentation and disclosure" condition).

The auditor should perform alternative procedures to determine whether the receivable actually exists and is correctly recorded. In particular, the auditor should consider the following documents:

- evidence of subsequent receipt of funds (payment orders, relevant accounting.

The auditor should perform alternative procedures to determine whether the receivable actually exists and is correctly recorded. In particular, the auditor should consider the following documents:

- evidence of subsequent receipt of funds (payment orders, relevant accounting records, etc.);
- duplicates of invoices (this is necessary to confirm the actual date of shipment);
- bills of lading.

If the differences between the amounts received from debtors and the amounts shown on the balance sheet of the client-enterprise are insignificant, the auditor may not take them into account. Otherwise, auditors should determine the reasons for these discrepancies. In particular, they may be related to the following considerations:

- the receivable has already been received. For example, when the debtors of the client-enterprise made a payment immediately before the auditor sent the request, and the client-enterprise has not yet received these funds;
- goods were not received. In this case, discrepancies arise, since the supplier reflects the occurrence of receivables at the time of shipment of the goods, and the buyer - at the time of receipt. In this regard, the auditor must determine whether the debtor did not actually receive the goods or whether the customer-enterprise incorrectly reflected the balance of receivables;
- the goods were returned and the customer-enterprise reflected this operation;
- the presence of disputed amounts of receivables (for example, when the buyer claims that not all goods were delivered or the invoice amount issued by the supplier is incorrect, etc.). In this case, the auditor must verify all of these cases and, if any, identify the corresponding error.

During the audit of receivables, the correctness of their reflection in accounting is checked ("accurate measurement"). Currently, the amount of interest (if any) is added to the principal amount of the debt, since the debt is shown taking into account the interest payable at the end of the reporting period in accordance with the terms of the contract.

Next, the analytical accounting status is assessed by types of debtors and opened analytical accounts (figure). As part of such an assessment, it is necessary to carefully examine the reasons and structure of untimely repayment of debts.

The auditor should check the methods used by the client-enterprise to ensure the fulfillment of obligations and the correctness of their reflection in accounting (if any).

Then the auditor checks the timely repayment of debts by the client-enterprise. Based on the data of bank statements and debt accounting registers in current accounts, an

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analytical table is compiled that reflects the dates and amounts of actual repayment of principal and interest and identifies deviations.

After the payment period expires, the creditor organization is also obliged to ensure that the urgent debt is transferred to deferral on the day following the day on which the borrower is required to pay the principal amount of the debt, in accordance with the terms of the supply agreement.

After that, the legality of calculating reserves for doubtful debts and the procedure for writing off receivables is checked. The reserve for doubtful debts allows the organization to reduce its profit in advance by the amount of overdue receivables even before writing them off.

When checking the established reserve, the following is carried out: - assessment of the validity of the formation of the reserve and its value; - timely identification and accounting of deviations from the estimate; - identification of cases of misuse of reserves; - assessment of the effectiveness of the use of reserves.

Changes in the amount of the reserve should be recognized in the accounting records by including it in the income and expenses of the organization in the period in which the change occurred: - if such a change affects the execution of accounting statements only for this reporting period; - in future periods, if such a change affects the accounting statements of this reporting period and the accounting statements of future periods.

Information on changes in the estimated value should be disclosed in an explanatory note containing the changes that affected the accounting statements of the organization: for this reporting period and for future periods (except for cases where it is not possible to estimate), the impact of changes on the accounting statements in the future is estimated by periods. The impossibility of such an estimate should also be disclosed.

The need to examine changes in valuation parameters is also indicated in ISA 540 "Audit of Accounting Estimates, Including Fair Value Estimates and Their Disclosures", because the auditor must obtain sufficient appropriate audit evidence to support the estimated values. Estimated value is an estimate of the amount of an accounting element in the absence of precise measurement methods, determined in accordance with ISA 540. It is impossible not to agree with this opinion: "...predictions are often made on the basis of events that have occurred in the past or may occur in the future, and subjective judgments are made under conditions of uncertainty" [5].

The next stage of the audit is to verify the correctness of the classification of receivables, and usually there are no difficulties with this.

During the audit, special attention should be paid to settlements and payments in non-cash funds, that is, under a barter agreement, under which it is assumed in advance that obligations will not be fulfilled in cash, and the emergence and fulfillment of these obligations will occur only under one agreement.

When settling, obligations arising from other previously signed agreements that do not provide for advance payment with non-cash funds are paid. However, in the future, for example, due to a lack of funds, the parties will not be able to make payments and conclude

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separate agreements about them. In practice, many organizations often make offsets in the form of acts, protocols and other similar documents. In our opinion, organizations that delay payment to their debtors must provide for the collection of interest from them in the contracts, the amount of which should be reflected in other income. In addition, the auditor must determine whether the client-enterprise has carried out transactions with relevant parties during the reporting period that led to the emergence of receivables.

At the final stage of the audit of receivables, the auditor pays attention to the following. Despite the fact that the total amount of errors detected during a random check may have a minor impact on the financial statements of the client-enterprise, the auditor must take into account the fact that the information as a whole may be significantly distorted. He must also reflect in the audit opinion the essence of the errors found, regardless of their quantitative significance, since some of them may indicate the presence of serious shortcomings in the accounting records of the audited organization.

Based on the audit results, an audit report is drawn up, taking into account uniform requirements for its form and content. This is an official document intended for users of the audited entities, containing the auditor's expressed opinion on the reliability of the financial statements and the compliance of the organization's accounting procedure with the legislation of the Republic of Uzbekistan. Reliability in relation to accounts receivable means the level of accuracy of the financial statements, which allows users of these reports to draw correct conclusions about the results of economic activity and make informed decisions.

Conclusion. At all three stages of the audit (planning, performing audit procedures, completing the audit), the auditor must apply analytical procedures. At the same time, these procedures apply not only to accounts receivable, but also to the entire operating cycle of the client-enterprise, since there is a close relationship between the indicators of the statement of financial position and the indicators of the statement of profit and loss and comprehensive income. In particular, if the results of analytical procedures indicate that the client-enterprise may have misrepresented sales revenue or incorrectly calculated the provision for doubtful debts, this means that the amount of receivables may also be inaccurate. Summarizing the above, the analytical procedures used in the audit of receivables can be presented as follows (table 1).

Table 1

Application of analytical procedures to verify receivables

Analytical actions	Probable violation (error)
Compare the current ratio of gross profit to sales revenue in previous years	Overstatement or understatement of proceeds from the sale of receivables
Check the change in monthly sales revenue for the analyzed period	Overstatement or understatement of proceeds from the sale and receivables
Compare the ratio of the provision for doubtful debts to sales revenue for the current year with the indicators of previous years	Payment or reduction of doubtful debts and receivables

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Compare the ratio of the cost of recovery of doubtful debts to sales revenue with the indicators of previous years	Existence of doubtful debts without appropriate collateral
Compare the turnover of receivables with the values of previous years	Excessive overstatement or understatement of doubtful debts and expenses to cover doubtful debts
Divide the current ratio of the reserve for doubtful debts to the amount of receivables and compare it with the indicators of previous years	Excessive overstatement or understatement of doubtful debts and expenses to cover doubtful debts
Compare the percentage of bad debts written off to the total amount of receivables with the indicators of previous years	Overstatement or understatement of proceeds from the sale of receivables

It is clear that the audit mainly uses economic analysis methods.

In addition to these analytical procedures, the auditor should also pay attention to excessively large or unusual amounts of receivables in subsidiaries and branches, receivables that are noticeable during the turnover period, etc. If unusual deviations are identified as a result of analytical procedures, the auditor should first conduct additional inquiries of the client-enterprise management. It should be critically assessed whether the management's answers explain these deviations or are supported by relevant documents.

Therefore, when examining receivables, it is necessary to pay attention to the fact that relatively minor violations can become significant violations if they are repeated regularly. In addition, the auditor should assess not only the quantitative, but also the qualitative characteristics of violations in relation to receivables, since sometimes even insignificant violations can be the result of unfair actions. In such cases, the auditor must immediately notify the management of the audited client-enterprise about them.

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