DIRECTIONS OF PLANNING AND CONDUCTING AUDIT OF INVENTORIES

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Abstract: The article describes the directions of planning and conducting an audit of inventories. As a result of the study, proposals for improving the audit of inventories were developed.

Keywords:inventory, cost, audit, general audit plan, audit program, auditor's report.

INTRODUCTION

Inventories are one of the main types of assets that have a significant impact on the activities of business entities. Qualitatively organized synthetic and analytical accounting of inventories, as well as accurate calculation of product costs, allows for the correct formation of the accounting and tax base, and also plays an important role in the preservation of these reserves. The main purpose of the inventory audit is to confirm the reliability of information on the state of inventories in accounting and financial reporting.

LITERATURE REVIEW

Many economists have conducted research on the organization of inventories and their audit. In particular, D. Purnamasari, A. Almira and NDSavira believe that “inventory control is a very important management function, since in most companies inventories constitute the largest part of current assets” [2].

Other economists also argue that “inventory control is a central management function. It is the basis of supply chain management and logistics in an inventory management system. Depending on organizational goals, warehouses may need to have constant supplies to meet customer demands. Inventory control is critical to operational performance and organizational efficiency” [3].

According to N. Sanaev and R. Narziev, “the main method of auditing the storage of inventories is, first of all, re-registration. Most shortages and thefts are revealed through re-registration. General registration gives the greatest practical effect. Usually, such a registration is carried out during inspections in cases where there is information about the theft of assets or their shortage due to the poor state of the account, the transfer of assets was not formalized with an act when the materially responsible persons changed” [4].

Local economist M. Khaytbayev conducted research on inventory auditing and concluded that "the purpose of inventory auditing is to assess the actual state of inventory held by an economic entity and to form truthful information on this accounting object for users of financial statements" [5].

ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 14 Issue: 06 in June-2025
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NAAlimkhanova also conducted research on this topic and noted the following: “the use of analytical procedures during the audit of inventories is important for increasing the effectiveness of the audit. These audit procedures help auditors identify existing material misstatement risks, inconsistencies and misstatements, thereby providing a more complete understanding of the entity's inventory management practices” [6].

As can be seen from the above points, the studies mainly focus on the importance and purpose of inventory auditing. However,directions for planning and conducting inventory auditsNo attention was paid to the surroundings.

RESEARCH METHODOLOGY.

In studying the areas of planning and conducting an inventory audit, methods such as monographic observation, comparison, grouping, systematic approach, induction, and deduction were used.

ANALYSIS AND RESULTS

Audits are typically conducted in three stages: developing an audit strategy and plan, collecting audit evidence, and summarizing audit results.

In accordance with ISA No. 300 “Planning an Audit of Financial Statements”, a general audit plan is drawn up for the “Inventories” section to ensure high-quality audit work (Table 1).

Table 1

General plan for inventory audit[1]

No.	List of issues checked	Implementation period	Performer	Working documents	Note
1.	Assessing the effectiveness of the internal control system over inventories	03/26/2025	Aliev T.		
2.	Study of the state of control over the availability and storage of inventories	03/26/2025	Aliev T.		
3.	Checking the correctness of the procedure for documenting the movement of inventories	03/27/2025	Aliev T.		
4.	Checking the completeness and timely receipt of inventory	03/27/2025	Aliev T.		

[1]Development of authors.

ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 14 Issue: 06 in June-2025
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5.	Checking whether the impairment of inventories has been correctly assessed	03/28/2025	Yusupov B.		
6.	Checking the accuracy of valuations when using and writing off inventories	03/28/2025	Yusupov B.		
7.	Verification of the correctness of the use of inventories for production and other purposes, as well as the accounting reflection of related tax liabilities.	03/29/2025	Yusupov B.		
8.	Verifying the correct reflection of inventories in accounting and financial reporting	03/29/2025	Yusupov B.		

When conducting an inventory audit, the auditor must pay attention to the following aspects related to this audit object:

confirmation of the actual existence of inventories;

confirmation of the business entity's ownership of inventories;

verifying the correctness of the acceptance and write-off of inventories, as well as the assessment of liabilities related to them;

verifying the correctness of compliance with accounting principles when recording inventories;

verifying the correctness of accounting records of transactions related to inventories;

Checking the impairment of inventories.

Important sources of information for an inventory audit are: the balance sheet, general ledgers, as well as the inventory report, production report, and other analytical reports. It is also important to study the company's accounting policies and other relevant documents.

Audits require special attention to the inventory write-off process. There are several reasons for writing off inventory (Figure 1).

ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 14 Issue: 06 in June-2025
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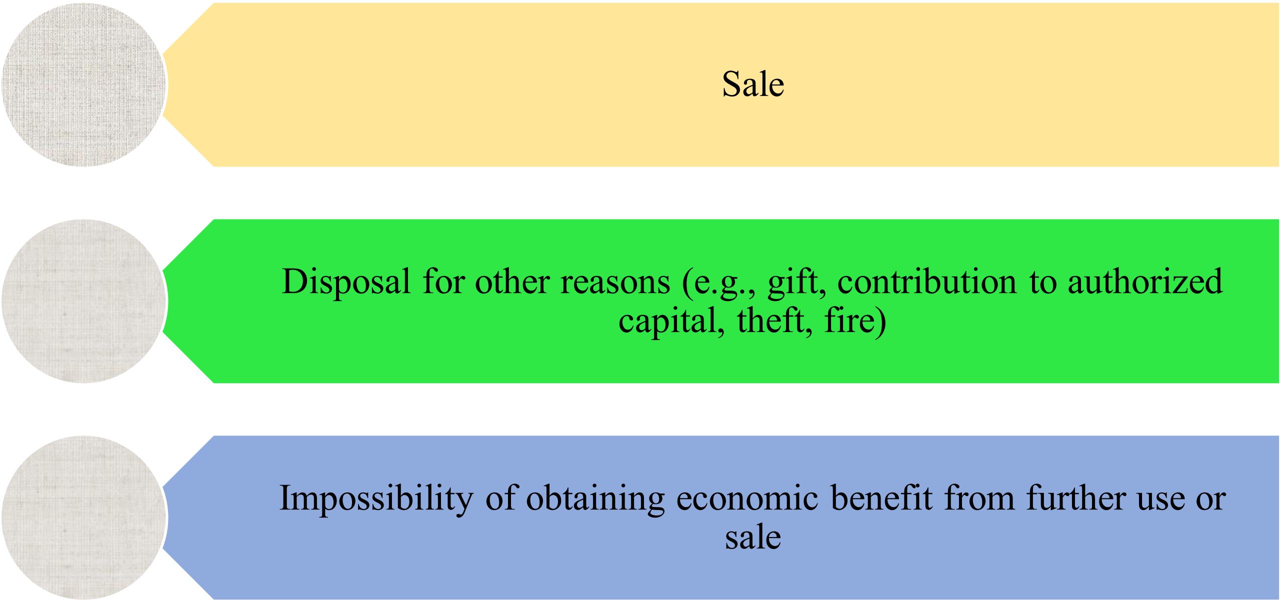

Figure 1. Reasons for writing off inventories[2]

The auditor should assess the suitability, transfer to production and shipment of inventories. According to IAS 4, "Inventories", "The value of inventory balances and outgoing (as well as released for production) inventories is determined using one of the following methods:

a) at the identified cost of the relevant unit;

b) by weighted average cost (AVECO);

c) inventories are accounted for at the time of purchase at the original cost of inventory (FIFO) [1].

The process of calculating and analyzing the unit cost of inventories when using the average cost methodThis means dividing the total value of a particular type of inventory by its amount at the beginning of the period and the amount of inventory received during the period being examined.

The FIFO method is based on checking that inventories are used in the order in which they are received. Inventories received for the first time for production or sale should be valued at the cost when they were first purchased. The auditor compares the value of inventories on hand at the reporting date with the value of inventories received later.

During the audit, it is necessary to assess the adequacy of the write-off of inventories. Depending on the purpose of the write-off of materials, the following primary documents may be submitted for audit review: consignment, acceptance certificate, invoice for the transfer of materials to a third party, etc. The method of writing off inventories should be reflected in the accounting policy of the business entity.

It is necessary to pay attention to the cases of surpluses and deficits identified during the inventory. The auditor should check the correctness of accounting for deficits within the limits of natural decrease as part of expenses and write off surpluses exceeding the norms

[2]Development of authors.

ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 14 Issue: 06 in June-2025
https://www.gejournal.net/index.php/IJSSIR

to the account of the guilty person or, if they do not exceed the norm, to the account of the organization's losses.

CONCLUSION

1. The stability of the activities of economic entities directly depends on the rational and efficient use of their inventories, as inventories are an important component of the supply process.
2. In audit audits, the verification of the processes of purchasing, using and writing off inventories is considered important and requires special attention from both the management of the business entity and the auditor. Summarizing the results of the audit, the auditor should systematize the information collected during the audit in his working papers. The inventory data collected during the audit allows you to form a final opinion on the quantity and value of the business entity's inventory.
3. Audits allow you to identify and correct errors in determining financial results and, accordingly, tax liabilities. They help to draw conclusions about the current systems for purchasing, evaluating and accounting for inventories, as well as to assess the effectiveness of their use. Audits allow you to implement recommendations for the effective use of inventories.

List of used literature:

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ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 14 Issue: 06 in June-2025
https://www.gejournal.net/index.php/IJSSIR