

SPECIFIC ASPECTS OF EVIDENCE GATHERING IN ASSET IMPAIRMENT AUDIT PROCESSES

Sayfullayev Mekhroj Sayfullayevich

Tashkent State University of Economics

doctoral student

Khotamov Alisher Khotamjon o'gli

Tashkent State University of Economics

associate professor

Abstract. This article examines the specific aspects of evidence gathering in asset impairment audit processes, and provides suggestions and recommendations on them.

Keywords: analytical procedures, audit evidence, third-party evidence, physical evidence.

Introduction

As globalization processes in the world economy intensify, the impact of factors that cause its instability is also increasing in various forms and degrees. Situations such as global financial and economic crises and the coronavirus pandemic have created unprecedented uncertainty in the world economy, which, as a result, is intensifying the processes of a sharp reduction in the scale of economic activity, in particular, the depreciation of the assets of economic entities.

Currently, in the context of increasing international and national competition in the world, research is being conducted on urgent problems related to asset impairment accounting and auditing. The priority areas of scientific research in this area include assessing the level of asset impairment in the activities of business entities and improving the methodological aspects of asset impairment accounting, identifying audit risk associated with the intensity and impairment of long-term assets, reflecting the impairment of long-term assets in financial statements, and identifying the management of income from asset impairment in the context of IFRS.

Literature review.

In particular, the economists of our country, UI Inoyatov, SD Yusupova, FR Salimbekova, defined moral obsolescence as follows, "moral obsolescence squeezes old objects that provide high labor productivity, which were previously in use in terms of their structure, from production until they are physically completely obsolete." [1]

The National Standard of Property Appraisal of the Republic of Uzbekistan (No. 15 MBMS) of the National Standard of Property Appraisal of the Republic of Uzbekistan (No. 15 MBMS) in chapter 6 of the standard "Evaluation of the value of machinery and equipment" states the following about mental wear and tear, ie "Mental wear and tear is the improvement of the properties and characteristics of similar devices (It is defined as "obsolescence caused by a change in technical parameters or constructive solutions, the

emergence of new capabilities, greater environmental friendliness, energy saving, etc.) or a decrease in the cost of production of the series".[2]

Well-known scientists HG Nabiyev, DH Nabiyev in their works on moral obsolescence have been discussed as follows: "main funds gradually decay as a result of long-term use in the production process. Depreciation forms the material basis of depreciation of fixed assets. Decay is divided into physical and spiritual types. Basic funds. moral obsolescence occurs as a result of the appearance of more productive elements of fixed assets and the creation of cheaper fixed assets".[3]

The well-known scientist N. Abdusalomova in her scientific work touched on the processes related to the wear and tear of the main tools as follows: "There are two types of depreciation of fixed assets: 1. Physical wear and tear; 2. Spiritual obsolescence. There are two types of moral obsolescence. The first is a decrease in the value of such fixed assets as a result of the cheaper reproduction of such fixed assets, and the second is a decrease in their value due to the introduction of new and more advanced fixed assets and their technical backwardness[4].

Research methodology.

One of the most important aspects of the process of auditing situations related to asset impairment is the need to pay attention to audit procedures for obtaining audit evidence.

According to the International Standards on Auditing No. 500 on "Audit Evidence", audit evidence is defined as follows, namely, "audit evidence is information used by the auditor to reach conclusions on which the auditor's opinion is based. Audit evidence is defined as accounting records and other information that form the basis for the financial statements."¹

This standard also describes audit procedures for obtaining audit evidence, and indicates the ways in which audit evidence is collected.

Below we present the audit procedures for obtaining this audit evidence in tabular form (Figure 1).

When examining these processes, the auditor gathers audit evidence using audit procedures to obtain audit evidence as specified in the above-mentioned International Standards No. 500, "Audit Evidence."

The auditor may have three different types of sources of audit evidence when examining the impairment process of assets. Sources of audit evidence are one of the most important aspects of an audit.

¹International Standards on Auditing No. 500 on "Audit Evidence"

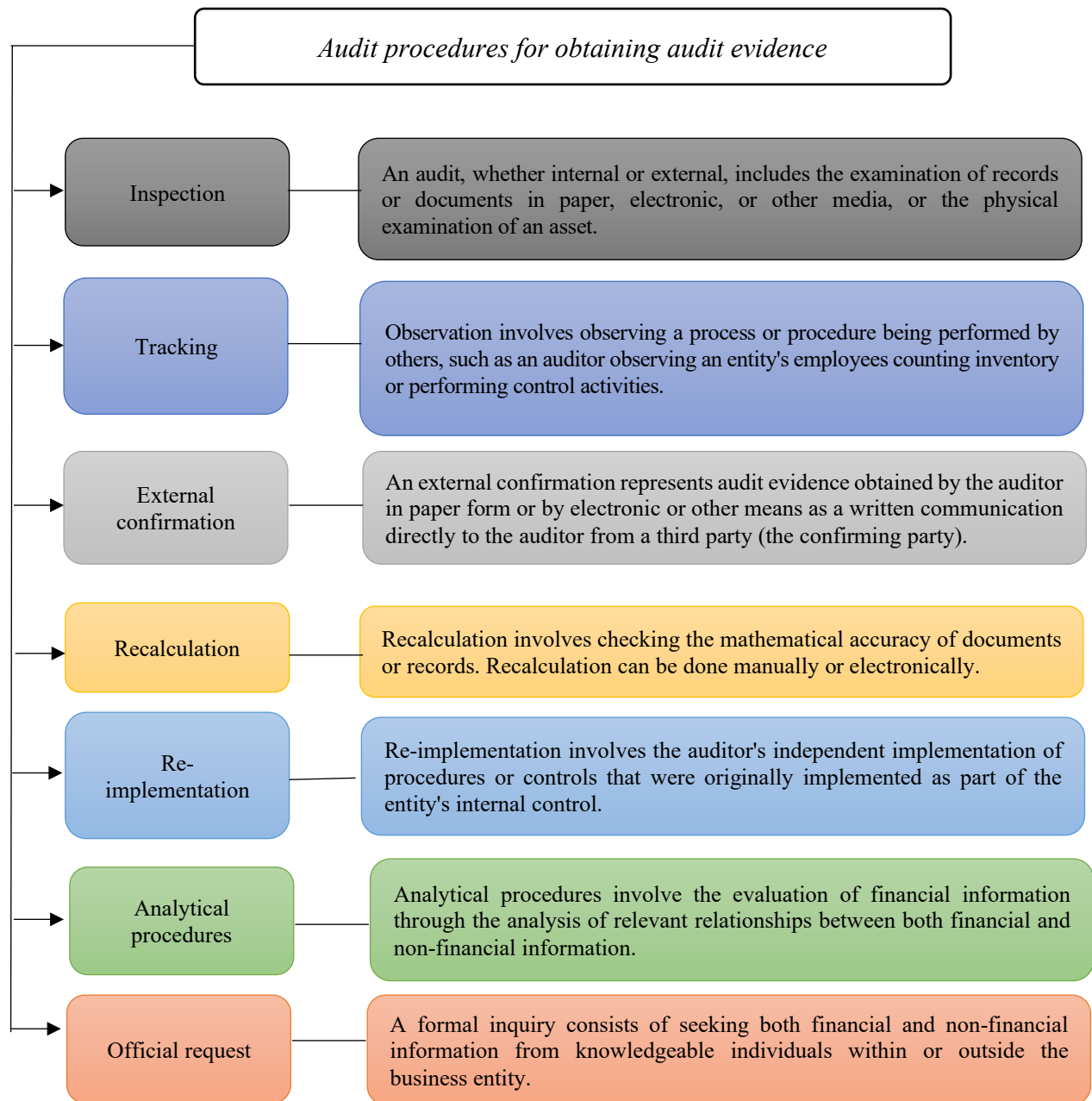


Figure 1. Audit procedures for obtaining audit evidence²

In the figure below, we can consider these sources and the qualitative aspects of their recognition as audit evidence (Figure 2).

²International Standards on Auditing No. 500 on "Audit Evidence"

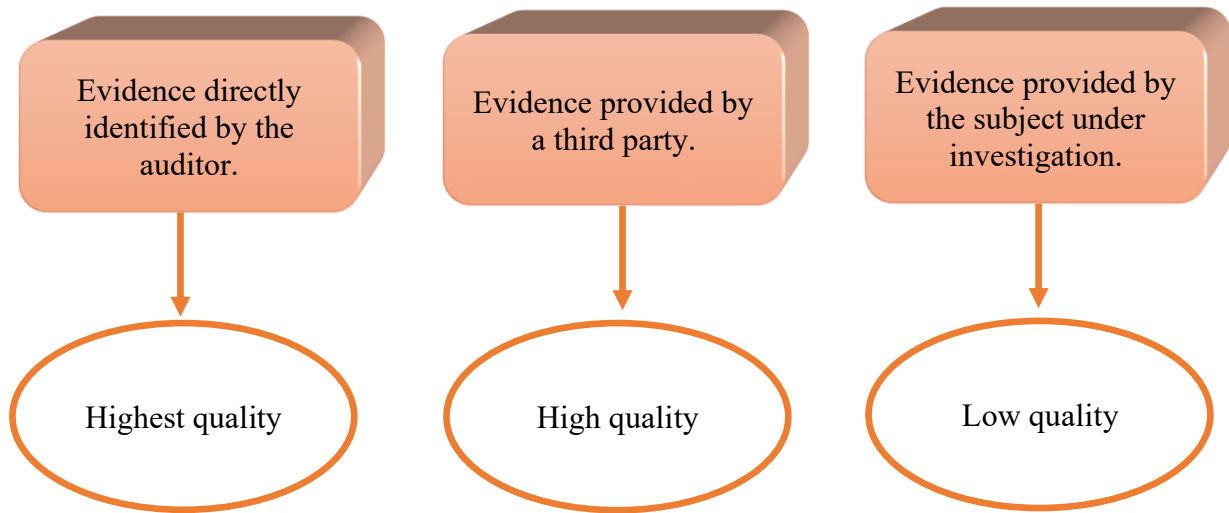


Figure 2. Sources of audit evidence related to asset impairment³

The category of audit evidence directly determined by the auditor includes evidence that the auditor determines as a result of the use of inspection, observation, recalculation, re-implementation, and analytical procedures during the audit. This audit evidence is considered to be the most reliable because it is directly determined by the auditor.

The category of audit evidence provided by a third party can include evidence provided by parties involved in the activities of the audited entity, namely, suppliers, buyers and customers of the audited entity, business partners, service banks, and tax and other government agencies. In collecting this evidence, the auditor uses audit evidence collection procedures such as external confirmation and formal inquiries, and is considered reliable evidence.

We can include evidence provided by the auditee in the category of evidence provided by the auditee, such as primary accounting documents, contracts, invoices, reports, financial statements, etc., directly provided by the auditee. Since this evidence is provided by the auditee, we can include it in the category of evidence with a low level of reliability.

Also, during the audit of the asset impairment process, the auditor may use different types of audit evidence. The figure below shows these types of audit evidence (Figure 3).

³Developed by the author

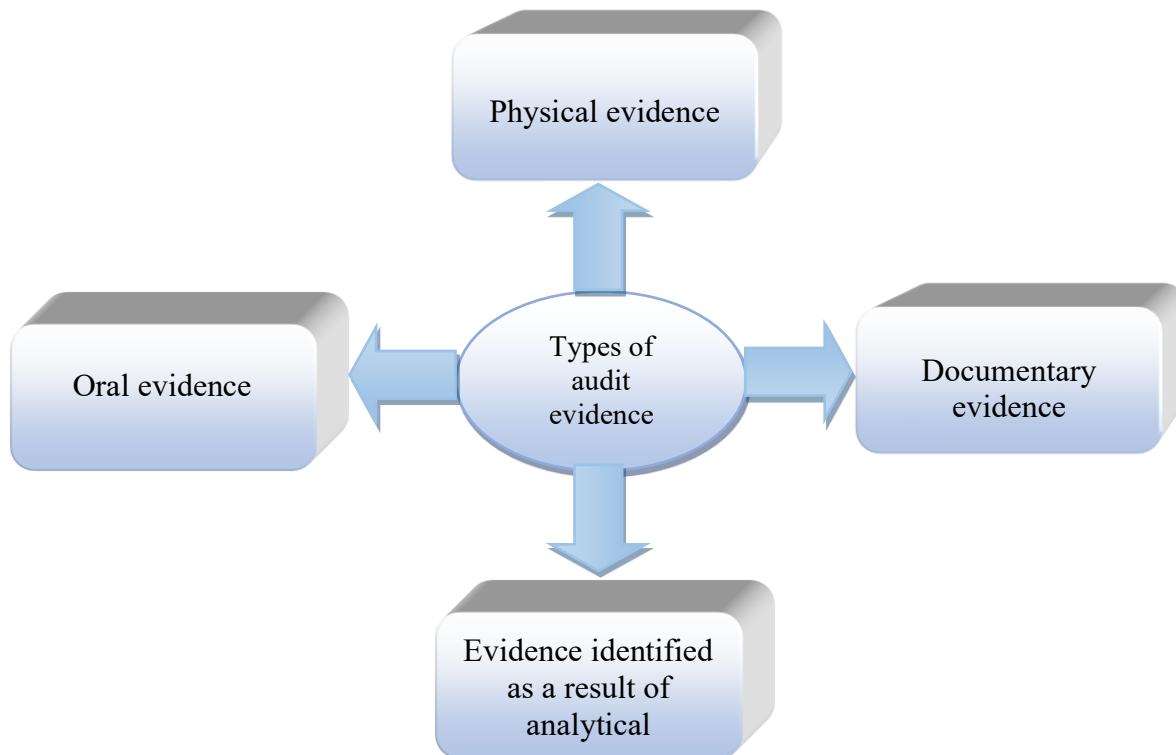


Figure 3. Types of audit evidence used in auditing the asset impairment process⁴

Physical evidence in an asset impairment audit can include photographs, video footage or samples of assets, and other types of evidence. This type of evidence can come from three sources: directly obtained by the auditor, provided by a third party, and provided by the entity being audited.

Conclusion and suggestions

Based on the above, it can be concluded that the category of documentary evidence of the asset impairment audit by the auditor can include primary accounting documents, reports of appraisal organizations, financial statements and other types of evidence related to the impairment of assets. These types of evidence also have three different sources, namely, they can be determined directly by the auditor, provided by a third party and provided by the audited entity.

In the process of asset impairment, we can include evidence that is determined directly by the auditor as a result of analytical procedures, recalculations, re-implementations, and the application of various analytical procedures. This evidence falls into the category of evidence that is determined directly by the auditor or the audit team. In some cases, this type of evidence may be provided by a third party and the entity being audited. Therefore, the auditor can assess the level of reliability of these parties and take them into account in the audit risk.

⁴ Made by author

The category of verbal evidence in the asset impairment audit process includes types of evidence related to the impairment of assets that are verbally provided by employees, employees of the enterprise and other individuals who are familiar with the situation and are not reflected in any documents. These types of evidence can be based on three different sources: directly determined by the auditor, provided by a third party and provided by the audited entity, but since these types of evidence do not have any basis, they are considered to be very low in reliability and quality. If the auditor encounters this type of evidence, it is advisable to immediately reflect it in an explanatory note, notification and other relevant documents.

In short, examining the processes related to asset impairment serves to improve the quality of audit work and the reliability of the audit report and audit opinion being prepared.

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