



## ACCOUNTING AND AUDIT OF FINISHED PRODUCT IN LIGHT INDUSTRY ENTERPRISES

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**Annotation.** This article analyzes the issues of improving the auditing of finished products and exports in light industry enterprises. The possibilities of using the analytical process (analytical process) in improving the audit of the finished product are highlighted. The tasks of the audit of the development and sale of finished products in light industry are discussed. In addition, the issues of improving the internal audit system and increasing transparency through the use of digital audit were raised. An analysis of the objectives of the audit in light industry enterprises and the main tasks to be addressed by the auditor was performed.

**Key words.** Accounting, audit, light industry enterprises, finished product, export, basic internal standards, IT-audit, digital audit.

### Introduction.

It is known that over the past five years, a number of government decisions and decrees to improve each sector and system have been approved. This in turn is important in ensuring the economic growth of the entire industry. At the same time, transparency of the financial environment should be a priority for the development of the national economy of the country. In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated May 5, 2021 "On measures to improve the system of training internal audit staff" No. 280, the main goal is to effectively organize the internal control system in corporate governance and ensure the internal audit service<sup>1</sup>. In this regard, the presence of internal audit in the organizational structure of each joint-stock company is important in monitoring the financial condition of the industry and ensuring its targeted implementation.

According to the requirement, an economic entity whose accounting (financial) statements are subject to mandatory audit is obliged to organize and exercise internal control over accounting and preparation of accounting (financial) statements. The latter is especially relevant, since the subject area considered in this article, as a rule, is inherent in large industrial enterprises, the reporting of which, based on their organizational and legal form of the values of reporting indicators and other factors, is subject to mandatory audit.

Checking the organization of accounting and sales of products refers to one of the types of audit services provided by auditors on special assignments or included in the overall comprehensive

<sup>1</sup> Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated May 5, 2021 No 280 "On measures to improve the system of training staff of the Internal Audit Service."

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audit. The need for verification lies in the ability to assess the completeness of the posting of finished products and the correctness of calculating its cost, a reliable reflection of sales proceeds and profit (loss) from sales, the correctness of the calculation and the timeliness of payment of value added tax to the budget. These indicators largely reflect the financial position and performance of an economic entity, characterize the fulfillment of obligations to employees of the organization, buyers, suppliers, tax authorities and other internal and external counterparties. An audit of finished products and their sales is a key element in verifying the reliability of the financial statements of an enterprise, since, based on the results of the sale of products, the main goal of the functioning of an economic entity is realized - making a profit.

**Literature review.**

The features and difficulties of auditing export transactions are related to their specifics, the variety of forms of export transactions and the system of their accounting in Uzbekistan. Settlements for export transactions are classified as foreign exchange transactions and, in addition to civil and tax legislation, are subject to foreign exchange and customs regulation. They are also subject to international law. The objectives of the audit of the release and movement of finished products, including the operations of its sale, formulated in the sources of special literature, are presented in the opinion of the authors, can be attributed both to the internal operations of the audited entity and to its foreign trade activities.

Many authors are currently studying issues related to the sale of finished products and their accounting and auditing.

Babaev Y., and others (2015) explained that finished product is a product that has been prepared after all processing operations, meets the established state standard or technical requirements, and is accepted by the technical control staff of the enterprise. It includes work, services performed for the customer enterprises, as well as work and services performed for farms other than production belonging to the enterprise.

According to the thoughts of Ahmadjonov K., Yakubov I., (2011) finished products are the final products of the enterprise's production process and represent the products and products produced in a particular enterprise, fully accepted, delivered to the enterprise's warehouse in accordance with the approved order of acceptance, and they are ready for sale.

Another researcher Musayev H., (2003) said that finished products are products and semi-finished products that are fully processed and accepted by the warehouse or by the buyer (buyer) in accordance with applicable standards or specifications, as well as by the services provided and work performed.

Suglobov A., (2010) mentioned that the purpose of the audit of finished products is to verify the correctness and timeliness of paperwork for the delivery of products from production to the warehouse, determine the cost by type and order, and reflect the operations of evaluating finished products.

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Kalistratov L., (2009) analysis shows that the purpose of checking operations for the sale of products, works, services is to establish the reliability in all significant aspects of accounting for sales proceeds, identify unaccounted products, and also to establish the correctness of determining the financial result.

However, Krupchenko E., (2015) identified that the purpose of the audit of the sale of finished products is to establish the correctness of the reflection in the accounting of the sale of products in accordance with the accounting policy adopted by the economic entity, control of documentary confirmation of the shipment and sale of products, commercial expenses and their distribution, analysis of indicators of financial results from the sale of products.

Moreover, Varpayeva I., and Zarembo Y., (2015) talking about the purpose of auditing the release of finished products and their implementation is to establish the completeness of the posting of finished products, the correct calculation of sales proceeds and the cost of sales.

**Methodology.** The study used the analysis and approbation of international experience in induction, deduction, systematic and comparative analysis, grouping, experimentation, adaptive methods, integration approaches, improvement of methods of calculation and evaluation of finished products in light industry enterprises.

**Discussion and findings.**

It is now necessary to create the necessary information environment and expand access to international financial markets through the introduction of many projects involving foreign investors, as well as to improve the system of training specialists in accounting and auditing in accordance with international standards. Improving on the basis of international internal auditing standards by eliminating existing shortcomings in line with the requirements of a market economy requires today's relevance.

Effective internal control and auditing services are a key element of corporate governance over market economic agents, allowing management to make science-based decisions appropriate to the economic environment in which they operate. Supporting the technological, environmental and financial economics of business is understood as the rapid detection, prevention and limitation of organizational activities and processes, operational, environmental, financial and other types of risks. The organizational and methodological preparation of the internal audit clearly defines the scope and boundaries of tasks and powers, the job description of the internal auditor, the number of employees, the quality management tools of the audit and the adoption of basic internal standards. The current plan of internal audit services provides analysis of business processes, the center of responsibility to be audited, the amount of effort spent on the audit, the formation of risk models and the assessment of the probability of violations and losses.

The laws and regulations adopted in recent years, as well as legal and regulatory documents are aimed at improving the control and audit of the economy in all enterprises and organizations and in various forms of ownership. The term audit is widely used in the economic literature today. Many

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business leaders, economists, community members, and the general public have an understanding that auditing takes the place of control.

Auditing activity is a business activity of audit organizations in conducting audits and providing related professional services.

The financial stability of the enterprise is due to the competitiveness of its products in the market. The tasks of the audit of the development and sale of finished products in light industry enterprises are as follows:

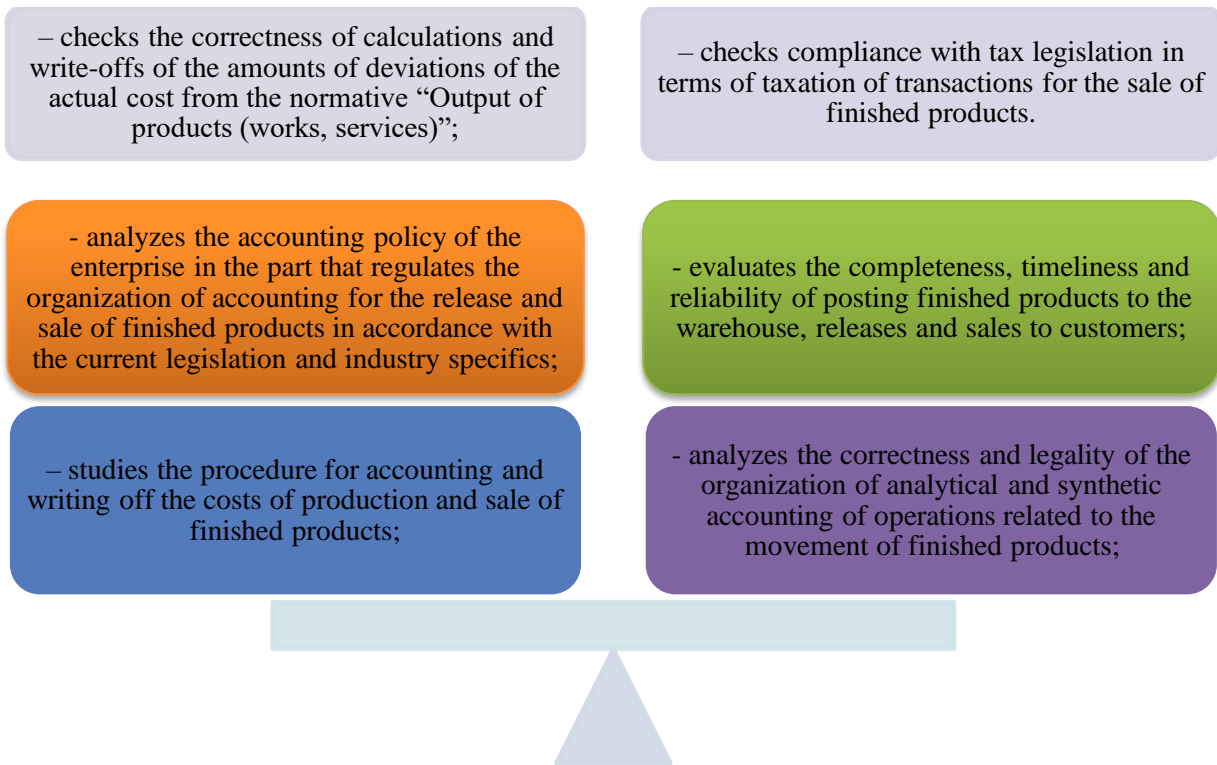
- to check that the production, shipment and sale of the finished product are properly documented;
- determination of conditions for storage of the finished product in light industry;
- to check the accuracy of the actual cost of the finished product in light industry;
- to check that the sale of the finished product is calculated correctly in light industry;
- verification that the financial results obtained from the finished product sold are correctly calculated and reflected in the accounting records, etc.

To achieve the goal of conducting the audit considered the auditor solves the following main tasks (Picture 1).

When starting to check, the expert first of all needs to establish whether the economic entity complies with the requirements of regulatory legal acts regulating the conduct of foreign economic activity and its accounting. When starting to check, the expert first of all needs to establish whether the economic entity complies with the requirements of regulatory legal acts regulating the conduct of foreign economic activity and its accounting<sup>2</sup>.

The auditor obtains sufficient appropriate audit evidence by performing audit procedures (inspection, recalculation, inquiry, confirmation, analytical procedures) based on information from the audited entity. The information base for accounting for the release and sale of finished products covers a large amount of documentation that needs to be analyzed and studied by the auditor during the audit. In order to identify the identity and completeness of the reflection of financial and business transactions committed by the organization, the expert must compare the information contained in various accounting sources and draw appropriate conclusions based on the information received. The sources of information for checking transactions that reflect the accounting of finished products and their sale are: - legal documents; - source documents; - registers of synthetic and analytical accounting; – accounting (financial) reporting; – local regulations of the exporting enterprise on the organization of accounting and the internal control system (internal audit).

<sup>2</sup> Strovsky L.E. Foreign economic activity of the enterprise. 5th ed. M.: UNITI, 2010. 504 p.



**Picture 1. Analysis of the objectives of the audit in light industry enterprises and the main tasks to be addressed by the auditor<sup>3</sup>**

Forming the basis of accounting information, providing accounting with the information necessary for a continuous and continuous reflection of the economic activity of the organization:

- an act on the acceptance and transfer of inventory items for storage;
- waybill for the transfer of finished products to storage places;
- waybill for the release of materials to the side;
- an act on the return of inventory items deposited;
- an act on the control check of products, inventory items exported from storage sites;
- a record of inventory balances in storage areas;
- inventory list of inventory items;

<sup>3</sup> Author’s analysis.



- an act of inventory of inventory items shipped;
- an inventory list of precious metals contained in parts, semi-finished products, assembly units (assemblies), equipment, instruments and other products;
- register of documents for the disposal of products;
- an act on the acceptance of products for sale (sale);
- packing list;
- consignment note;
- invoices;
- transaction passport, which is issued for each international contract and is the main currency control document for the export of goods. When auditing the export of products, it is necessary to study the terms of the contracts and compare them with transaction passports, find out which organizations provide services for the transportation of export products, determine the legality of applying the VAT tax rate;
- international bills of lading. The export of goods is accompanied by the execution of the named document, which confirms the conclusion of the contract for the carriage of goods and distributes the franking conditions and responsibility between the sender of the goods, the recipient, the carrier;
- statements of an authorized bank on payment of payment documents of the exporter by a foreign partner;
- acceptance certificates confirming the receipt of goods at ports or warehouses;
- acceptance certificates of foreign forwarders, consignees, confirming the movement of export goods abroad;
- other primary documentation related to the movement of finished products;

It is recognized in audit practice that export agreements should be considered suspicious if: a large number of organizations take part in them, especially if they are all serviced by one bank; until the moment of the agreement on the current accounts, all participants do not have enough money to carry it out; transactions for the purchase and sale of goods for export are carried out on the same day; the contract does not provide for the payment of penalties by counterparties for violation of the terms of payment and delivery of goods; the parties have entered into contracts for both the export and import of goods, the latter providing for the transfer of an advance payment to a non-resident; foreign buyers are registered in offshore zones.

In the future, our technological level and business management will continue to improve. At the same time, the internal audit model is constantly evolving: the transition from the initial model of

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manual analysis to the systematic audit model, and then to the next stage of IT audit. With the introduction of digital and cloud computing technologies, internal auditors are able to study and classify all materials and data collected in the audit process at different levels, as well as generalize development laws and general issues of financial, business and project operations. It then makes the activities of the audited entities transparent, meets the development needs of the company, and facilitates the widespread use of audit results.

### **Conclusions and suggestions.**

The main directions of improving the system of internal audit and increasing its importance in the system of corporate control are:

In terms of risk assessment, it includes determining the risk rating, determining the sensitivity to risk, increasing the level of economic indicators and confidence in the company's management activities, identifying acceptable risk, designing a real and forecast map of risk.

In terms of the information environment, it includes increasing the level of reliability, relevance, convenience, creating a single information space and creating high-quality communication channels.

Improving development in terms of regulation, adoption and adherence to standards and regulations. In our opinion, from the point of view of control procedures: we consider it important to improve the quality of control procedures and improve internal audit methods, to create new methods (techniques) of internal audit and to digitize management procedures.

In conclusion, we note that a well-functioning mechanism of internal control over the formation and protection of the designated information base will largely limit the risks of the economic activities of the exporting enterprise, including avoiding errors and distortions of its accounting and reporting data, which will undoubtedly have a positive effect on the content of the analytical and the final part of the audit report on the reliability of the accounting (financial) statements of the audited entity.

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