

## CHARACTERISTICS OF THE DEFINITION OF ESTIMATED VALUES IN THE AUDIT OF LIABILITIES

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**Abstract:** This article describes the features of determining the estimated values in the audit of liabilities. As a result of the research, recommendations have been developed for determining the accuracy of estimated values.

**Key words:** liabilities, provisions, financial statements, estimated value, fair value, audit, audit risk, auditor's report.

### INTRODUCTION

In Uzbekistan, special attention is paid to satisfying the needs of users for reliable information through the introduction of international financial reporting standards. Reliable information presented in financial statements plays an important role in making rational management decisions and choosing the right financial strategy. However, there are also problematic aspects in forming truthful information on accounting objects in financial statements. In particular, it is important to accurately reflect information on assets and liabilities whose value is not certain in financial statements. It is necessary to use estimated values in assessing this type of assets and liabilities. This, in turn, requires attention to the correct application of estimated values in audit.

### LITERATURE REVIEW

Economic scientists have conducted certain studies on estimated values and their significance in audit audits. In particular, according to a group of foreign economists, “the services of brokers or other expert assessments are used to apply estimated values. However, these estimated values can have both positive and negative effects on the reliability and quality of financial reporting. Therefore, these circumstances require serious attention in audit audits” [1].

Jordanian economists emphasize that “determining the correct valuation of accounting objects is one of the serious problems facing auditors. It is especially important to verify the objective application of estimated values in conditions of uncertainty” [2].

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" [3].

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" [4].

However, these studies did not pay much attention to the classification of estimated values according to the level of uncertainty.

### **RESEARCH METHODOLOGY.**

In studying the importance and necessity of determining the correct application of estimated values in the audit of liabilities, methods such as monographic observation, comparison, grouping, systematic approach, induction and deduction were used.

### **ANALYSIS AND RESULTS**

It is known that it is impossible to fully evaluate some items of financial statements. Therefore, audit audits focus on estimated values. The estimated value in financial statements depends on the results of a number of operations and processes, and is also estimated in order to determine the fair value of assets and liabilities.

International auditing standards establish the procedure for conducting an audit of estimated values. Usually, when it is not possible to determine the value of assets and liabilities in the activities of a business entity for various reasons, the concept of estimated value is used. As a result of collecting evidence during the audit, the auditor must accurately assess the value of assets and liabilities.

Estimated values applied to elements of financial statements have a significant impact on audit risk. Therefore, when checking estimated values, the auditor is required to do the following:

The procedure for determining the estimated values of assets and liabilities by the accounting department of a business entity. In this case, the audited entity is checked for compliance with the requirements established in the concept of financial reporting when determining the estimated value. It is also necessary to pay attention to the adequacy of the method used by the accounting department of the entity to assess assets and liabilities to the existing economic situation

The procedure for determining the value determined by the auditor in the course of the audit. If the value determined by the auditor during the audit differs from the value used by the audited entity, the auditor should evaluate the method used by the client entity and the extent of the difference between the two values.

### Figure 1. Procedures used in an audit of estimated values<sup>1</sup>

Estimated values mainly relate to liabilities. Therefore, the international financial reporting standards provide the concepts of estimated and contingent liabilities. Given the impossibility of accurately estimating the value of estimated liabilities, the estimated value is determined by the accountant.

One of the most complex elements of financial reporting are liabilities. The impossibility of accurately estimating the value of some types of liabilities is explained by the following:

In transactions related to the sale of products with third parties, the full settlement of liabilities is not always guaranteed. Therefore, a separate account is provided in the chart of accounts for maintaining reserves for doubtful debts. The formation of reserves for doubtful debts is not described in detail in national accounting standards and other documents. However, international financial reporting standards require the formation of reserves for

<sup>1</sup> Made by author.

doubtful debts for any transaction. The important point to note here is how much and at what value the provision for doubtful debts is reported at the end of the reporting period;

Audits require special attention to contractual relationships for the purchase and sale of products or other processes. Typically, the audit mainly examines contractual relationships related to current liabilities. However, audit audits also require attention to the existence of long-term liabilities and the procedure for their fulfillment. At the end of each annual reporting period, a certain part of long-term liabilities is transferred to current liabilities. In this process, the auditor should pay special attention to the correct determination of the value of long-term liabilities and current liabilities.

## CONCLUSION

1. In addition to liabilities included in the category of financial statement elements, the concept of estimated value is also applied to some elements of assets and equity. When estimated value is used, the factors and aspects that are the basis for its use should be disclosed in the notes to the financial statements.

2. There are various methods and tools for determining estimated values. However, in conditions of uncertainty, it is advisable to use a scientifically sound and fair value estimate for determining estimated values.

3. International Standards on Auditing include ISA No. 540, "Audit of Estimated Values and Related Disclosures" which includes requirements for determining the correct use of estimated values. Compliance with the requirements of this ISA in audit audits creates the basis for high-quality audit audits and the formation of a reliable audit opinion.

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