

USE OF ANALYTICAL PROCEDURES TO IMPROVE THE QUALITY OF AUDIT OF FINANCIAL RESULTS

Tojiboeva Sh.A.

Candidate of Economic Sciences, Associate Professor of the Department of Financial Analysis, Tashkent State University of Economics, Republic of Uzbekistan, Tashkent city

Abstract:The article discusses the use of analytical procedures in the audit of financial results in enterprises. The methods of factor analysis of financial results given in the study make it possible to correctly assess the financial and economic activities of enterprises, search for on-farm reserves to increase profits and thereby ensure their stable financial condition, and improve the quality of the audit.

Key words: audit, financial statements, analytical procedures, financial results, internal economic reserves, efficiency, financial condition, profitability indicators, comparable analysis, factor analysis.

Introduction. Achieving economic growth, macroeconomic and financial stability in the conditions of economic development in our republic is one of the main tasks. This, in turn, requires the development of business entities, increasing their efficiency. Efficiency is reflected in the financial results of economic entities. Financial results are an indicator that reflects all aspects of the enterprise's activity, and its amount is affected by product volume and quality, product type, cost level, and several other factors. Instead, the financial result affects the company's working capital and solvency. An indicator representing financial results is the level of profit and profitability. After all, financial results are one of the important factors in ensuring their economic and financial stability. In the current era, the role and importance of profit is increasing. Because it remains the only source of expansion, technical development and modernization of the enterprise. Determining opportunities to increase the level of financial results is one of the main tasks of the enterprise. This can be achieved only on the basis of a comprehensive study, analysis and audit of the company's activities. Financial results are one of the main indicators when conducting an audit of the activities of economic entities, and their financial stability is related to the correct formation of their profit. For this reason, it is one of the important issues to carry out constant control over the report on financial results, which represents the indicators of financial results of economic entities. In order to fulfill these tasks, it is felt necessary to organize the audit of financial results at the level of international standards, to analyze financial reporting data, to improve the audit process based on the experience of foreign countries.

Analysis of literature on the topic This, in turn, indicates that the scientific article is dedicated to a current topic. Issues of audit and analysis of financial results in economic entities have been widely studied in the scientific works of economists of our republic and the Commonwealth of Independent States. In these studies, some problems and

16	ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 14 Issue: 03 in March-2025 https://www.gejournal.net/index.php/IJSSIR
	Copyright (c) 2025 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

organizational aspects of financial results audit and analysis were studied based on general methodological principles. In particular, M.M. Tulakhodjaeva [8], A.X. Shoalimov [11], K.B. Ahmadjonov [4], Sh.I. Ilhomov [6], Sh.A.Tojiboeva [9], L.V. Dontsova [5], V.I.Podolsky [7] examined the issues of auditing and analysis of financial results of the enterprise. After all, these indicators should be studied and described separately based on their significance and importance in assessing the financial status of enterprises. Research shows that one side of the issue is the theoretical problems of financial results, and the other side is its practical relevance to different industries. Therefore, conducting research on the use of analytical methods in the audit of financial results reports in economic entities is a topic of urgent scientific and practical importance.

Research methodology. The article aims to improve the practice of using analytical operations to improve the quality of the audit of financial results, and specific tasks are defined. Comparison, analysis, synthesis, horizontal and vertical analysis methods were used in the scientific article.

Analysis and results. In order to further improve the conditions for the development of the audit services market in the conditions of economic liberalization in our country and to introduce modern approaches in the regulation of audit activity in accordance with international standards, the decision of the President of the Republic of Uzbekistan "On measures to further develop the audit activity in the Republic of Uzbekistan" [1,2,3,4] was adopted. In this decision, improvement of legal documents on audit activity, including the formation of an effective system of external control of the quality of the work of audit organizations aimed at improving the quality of audit services and supporting the confidence of the business community in the results of the work of audit organizations based on international standards, the involvement of audit organizations in international audit networks raising the level, including the organization of active methodical support to audit organizations, auditors in the application of international audit standards, and other priority areas have been determined. This, in turn, requires the improvement of the audit of financial results.

In the conditions of economic development, conducting audits of the results of the enterprises of our republic, as well as increasing the quality of the audit of financial results, the wide use of analytical procedures is of great importance in the effective management of resources and in increasing economic interest. Because problems such as ensuring the internal and external factors affecting the financial stability of enterprises in advance, creating an informative and theoretical basis for making effective management decisions on their prospective development, require the organization of control using modern methods of economic analysis in the activities of enterprises. The auditor should effectively use analytical practice to improve the quality of the results of audits conducted on financial and other related reports of economic entities.

According to the economist K.B.Ahmadjonov: "It is an analytical practice to compare the financial reporting indicators of enterprises for the current year in the form of percentages and ratios with the previous year's reports, statistical and budget indicators"

17	ISSN 2277-3630 (online), Published by International Journal of Social Sciences & Interdisciplinary Research., under Volume: 14 Issue: 03 in March-2025 https://www.gejournal.net/index.php/IJSSIR
	Copyright (c) 2025 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

[5]. When used for planning purposes, analytical practices allow the auditor to study the characteristics of the client's financial performance. Also, when significant changes occur, it will be possible to identify schemes with error balances. In this case, the auditor will be able to conduct a high-quality audit by focusing on these problematic points during the audit. Therefore, analytical practices should be one of the most important links in the assessment of audit risk during the audit planning process. Because the main indicator in the composition of audit risks is the risk of non-detection. One of the factors affecting the increase of this risk level is the lack of use of analytical methods.

Analytical procedures are widely discussed in the International Standards of Auditing, and a separate section No. 520- "Analytical Procedures" is allocated. According to it, analytical procedures are used for the following purposes:

- to assist the auditor in planning the description, timing and extent of other audit procedures;
- Substantive procedures that are more effective and reasonable to use than substantive tests when the risk of undetectability of specific financial statement assertions is reduced;
- as a general comment on the financial statements in the final, interpretable stage of the audit.

Analytical procedures also consider the relationship between elements of financial information that are expected to be consistent with the prospective model, such as the percentage of gross profit, based on the performance of the entity, and between financial information and information that does not have a corresponding financial description [6].

Many methods of analytical operations have been developed in international practice. These methods are aimed at determining a number of indicators such as short-term liquidity, solvency, and profitability of the enterprise. The identification of changes in these indicators and the analysis of the factors that led to these changes show the auditor exactly which elements of the financial statement should be paid more attention and test intensity should be increased..

When conducting audit procedures, it is very important that financial results are kept correctly, reflected correctly in reports and lines. Auditing of financial results begins with checking the formation and distribution of the company's financial results, evaluating analytical indicators.

According to economists: "Based on the determination of analytical indicators and a comparative comparison of their changes, it becomes possible to study and know more precisely the financial situation of economic entities [10].

Now let's look at the income structure of "Star" joint-stock company in the table below (Table 1).

Table 1

The composition of the income of "Star" joint-stock company

Indicators	2023 year	2024 year	Difference, (+,-)
------------	-----------	-----------	-------------------

	Sum, m.s.	Share, %	Sum, m.s.	Share, %	Sum, m.s.	Share, %
A	1	2	3	4	5 (3-1)	6(4-2)
Net income from the sale of products	409845743	96,80	677085862	97,08	+267240119	+0,28
Other income from the main activity	8511459	2,01	13038726	1,87	+4527267	-0,14
Income from financial activities	5036655	1,19	7351652	1,05	+2314997	-0,14
Extraordinary income	-	-	-	-	-	-
Total revenues	423393857	100	697476240	100	+274082383	-

Source: Compiled based on information from the financial results report of "Star" JSC.

As can be seen from the data of Table 1, the total income of "Star" joint-stock company in 2024 was 697476240 thousand soums and increased to 274082383 thousand soums. In its composition, the main place in the reporting period was occupied by the share of net income from the sale of products, which was 96,80 percent in 2023 and 97,08 percent in 2024. The share of other income from the main activity of the enterprise in the total income decreased from 2,01 percent in 2023 to 1,87 percent in 2024. The share of income from financial activities in total income also decreased by 0,14 percent this year. The company did not receive extraordinary income during the reporting period. In conclusion, the society will have to take practical measures to increase the amount of income other than net income in financial and economic activities.

It is important to analyze profit indicators in the audit of financial statements of economic entities. The net profit of the enterprise is considered the main indicator of financial results, and the process of its formation covers the entire financial and economic activity. There are several steps involved in producing and selling a product, saving sales and administrative costs, achieving positive results from financial activities, and making accidental profits. To determine the amount of net profit, it is necessary to determine the indicators of intermediate profit. Now we present the following table to analyze the overall financial results of "Star" joint-stock company (table 2).

Table 2

Analysis of financial results of "Star" joint-stock company

Indicators	2023 year	2024 year	The difference (+, -)
1. Net income from the sale of products	409845743	677085862	+267240119
2. Production cost of goods sold	346329340	577588907	+231259567
3. Gross profit from product sales (1-2)	63516403	99496955	+35980552
4. Period expenses (selling, administrative, other operating expenses)	71490692	112967064	+41476372
5. Other income from the main activity	8511459	13038726	+4527267
6. Gross financial result of the main activity (3-4+5)	537170	431483	-105687
7. Income from financial activities	5036655	7351652	+2314997
8. Expenses on financial activities	4732803	6117593	+1384790
9. Gross financial result of general economic activity (6+7-8)	841022	802676	-38346
10. Contingent profit or loss	-	1200	+1200
11. Profit (loss) before tax (9-10)	841022	801476	-39546
12. Income tax	457980	352467	-105513
13. Other taxes and fees on profits	26515	28262	+1747
14. Net profit (loss) during the reporting period)(11-12-13)	356527	420447	+63920

Source: Compiled based on information from the financial results report of "Star" JSC.

As can be seen from the data of Table 2, the gross profit of "Star" JSC increased by 35980552 thousand soums in 2024 compared to 2023. The increase in the amount of net income from the sale of products caused an increase in the gross profit by 267240119 thousand soums. The gross profit decreased by 231259567 thousand soums due to the increase in the production cost of the sold products. Therefore, the gross profit in the object of analysis was mainly due to the increase in the amount of products. This situation should be evaluated as a positive situation. In 2023, the profit from the main activity of "Star" JSC was 537170 thousand soums. The company's annual expenses amounted to 71490692 thousand soums, which was 7974289 thousand soums more than the gross profit. In 2023, other income from the main activity of the enterprise amounted to 8511459 thousand soums. However, by the end of the year, the company's losses from its main activities amounted to 431483 thousand soums. The main reason for this situation is the increase of the period's expenses by 13470109 thousand soums compared to the gross profit. In 2024, the company received income other than the main activity, the amount of which is 13038726 thousand

soums. So, in 2023, "Star" JSC lost 431483 thousand soums from the main activity. As it can be seen from the results of the analysis, in 2024, the volume of period expenses was high in the society. This had an impact on the profit from the main activity. At the end of the year, losses were incurred in this activity. The management of the society will have to implement the necessary measures to reduce the volume of period expenses.

In 2024, compared to 2023, the amount of profit from general economic activity at "Star" JSC decreased by 48346000 soums. The amount of income from financial activities in the society was 5036655 thousand soums in 2023, and 7351652 thousand soums in 2024, and increased to 2314997 thousand soums. It can be seen that the amount of expenses in the financial activities of the society was 6117593 thousand soums at the end of the reporting year and increased by 1384790 thousand soums. In 2024, the profit before tax in "Star" JSC increased from 801476 thousand soums to 39546 thousand soums. In this year, 1200000 soums of emergency damage was seen in the society.

In the reporting year, the net profit of "Star" JSC increased by 63920000 soums. By 2024, the income tax in the society was 352467 thousand soums and decreased to 105513 thousand soums. It can be seen that the amount of taxes and fees other than profit in the society has increased by 1747 thousand soums.

Net profit is also determined by the direct and indirect costs associated with the production of products, the balance of operating income and expenses, the balance of income and expenses from financial activities, and the balance of incidental profits and losses. An increase in the main elements that make up the profit has led to a decrease in the amount of net profit.

As can be seen from Table 2, the increase in the net profit of "Star" JSC by 63920 thousand soums was due to the following factors:

1. The increase in the net income from the sale of the product increased the net profit of the enterprise by 267240119 thousand soums. (+)
2. The increase in the production cost of the sold products reduced the net profit by 231259567 thousand soums. (-)
3. The increase in period expenses reduced the net profit by 41476372 thousand soums. (-)
4. The increase in the amount of other incomes of the main activity increased the amount of net profit by 4527267 thousand soums. (+)
5. Net profit increased by 2314997 thousand soums as a result of the increase in income from financial activities. (+)
6. The increase in expenses from financial activities reduced the amount of net profit by 1384790 thousand soums. (-)
7. The increase in the amount of extraordinary losses by 1200 thousand soums reduced the amount of net profit by this amount. (-)
8. The reduction of the income tax by 105513 thousand soums increased the net profit by the same amount. (+)

9. The increase in the amount of other taxes and deductions reduced the net profit by 1747 thousand soums. (-)

Thus, under the influence of all factors, the total difference of the net profit of the reporting year is: $267240119+(-231259567)+(-41476372)+4527267+ 2314997+(-1384790)+(-1200)+ 105513+(-1747)= +64220$ thousand soums.

Factor analysis is one of the most important economic tools that identify ways to find internal opportunities to improve performance. Therefore, the main goal of the factor analysis of financial results is to calculate the types of profits and the positive and negative factors affecting their change, as well as to determine the amount of domestic economic opportunities to increase the amount of profit, and to mobilize them for production.

"Star" JSC under analysis had an opportunity to increase the net profit. The impact of 5 out of 9 calculated factors was negative. The number of opportunities for increasing the net profit in the object of analysis is equal to 274123676 ($231259567+41476372+1384790+1200+1747$) thousand soms. In the future, the management administration of "Star" JSC should develop ways to fully use the internal opportunities identified as a result of the factor analysis, and to mobilize them into practice.

Analyzing the level of profitability in assessing the financial status and performance of enterprises is also a key issue in improving the quality of the audit of financial results. The absolute amount of profit does not comprehensively determine the level of economic efficiency of enterprises. Therefore, it is required to determine the relative indicator - the level of profitability

Therefore, it is necessary to determine the relative indicator - the level of profitability. To achieve profitability, sales revenue must cover the costs incurred and have a certain amount of profit. Currently, in international practice, it is recommended, to analyze the following profitability indicators [9]:

1. Gross profit profitability = $\text{Gross profit} \times 100 / \text{Net income}$. The following factors affect the change in this coefficient: selling price, product range, purchasing costs, cost of production, inventory cost. It is necessary to compare the gross profit profitability over time relative to net income:

-are purchasing costs increasing, and if so, is the company controlling costs?

-writing off stocks (if the company operates in an unstable market, for example, retail sales of modern goods).

- carrying other expenses to the cost of sold products, for example, the expenses of scientific research and experimental construction work.

A low profitability indicates the cost of expanding the business or increasing market share. A higher than average profitability is an indication of good management.

2. Operating profitability = $\text{Earnings before interest and taxes (EBIT)} \times 100 / \text{Net income}$. Operating profitability is calculated as the increase in gross profit profitability (increased selling, administrative and other operating expenses, excluding finance costs and taxes). If the gross profit profitability shows how much profit the company makes from the

production and sale of its products, the operating profit profitability shows how well the company manages this process.

If the gross profit margin remains unchanged but the operating profitability changes, the following options should be considered: changing the staffing model (workforce); changing depreciation due to large acquisitions and exits; writing off large amounts of bad debt; changing lease terms; investing more in advertising; and dramatically changing fuel prices. Gross profit margin is affected by more factors than core operating profitability. Here, fixed and contingent fixed costs (real estate costs) are taken into account. These costs do not change even if income increases. Other costs are variable (packaging, commission payments).

3. Net profit profitability. This indicator is determined as follows: Net profit profitability = Net profit x 100/ Net income. This indicator shows the share of profit remaining after deducting operating, overhead and all other expenses. Net profit profitability shows how efficient the company is in its operations and how well it controls its costs. Net profit profitability also helps to determine the degree of monopolization of a particular market. In general, the higher the net profit profitability, the better. However, an objective assessment of business efficiency requires comparing this ratio not with average values, but with the indicators of real competitors and similar enterprises in the industry. Now, to analyze the profitability indicators, we will compile the following table (Table 3).

Table 3

Analysis of the level of profitability indicators of "Star" joint-stock company

№	Indicators	2023 year	2024 year	The difference (+, -)
11.	Net income from the sale of products	409845743	677085862	+267240119
22.	Gross profit from product sales	63516403	99496955	+35980552
33.	Profit before tax	841022	841022	-3954
44.	Net profit	356527	420447	+63920
11.	Gross profit profitability (2 x 100/1), %	15,50	14,69	-0,81
12.	Profitability of the main activity (3 x 100/1), %	0,20	0,12	-0,08
	Net profit profitability(4 x 100/1), %	0,09	0,06	0,06

Маъба: “ABC” акциядорлик компанияси молиявий ҳисоботи маълумотлари асосида тузилди.

As can be seen from the data in Table 3, the gross profit margin ratio of the joint-stock company decreased by 0.81 percent, amounting to 15.50 percent in 2023 and 14.69 percent in 2024. This is due to an increase in the volume of gross profit. Thus, in 2024, the company generated 14.69 soums of gross profit for every soum of net revenue. The table shows that the profitability ratio of the main activity has decreased over the years. In particular, it has decreased by 0.08 percent, from 0.20 percent in 2023 to 0.12 percent in 2024. Thus, the factors affecting the decline in the profitability level of the main activity in the company are the decrease in the volume of profit before tax. In international financial analysis practice, it is also recommended to calculate the net profit margin ratio. It can be seen that the level of this ratio has decreased over the years in the company. In particular, in 2023, the net profit profitability ratio decreased by 0.03 percent, reaching 0.09 percent, and by 2024 it reached 0.06 percent. This is explained by the fact that the company increased its net income and net profit in 2024 compared to 2023.

If the method of factor analysis of profit and profitability indicators given in this work is implemented in practice, it will be possible to ensure the competitiveness of enterprises, prevent bankruptcy, increase economic potential, increase the quality of audit and ensure financial stability.

Conclusions and suggestions. In the conditions of economic development, the need for a new form of qualified service - audit activity, which provides advice, guidance, legal and other types of assistance to enterprises in order to increase the efficiency of their activities and improve their accounting, is growing. The main task of such activity is, first of all, to confirm the legality of the accounting system that controls the financial and economic activities of the enterprise, and the financial statements that evaluate the results of the activity. The use of economic analysis as an audit tool can be used to improve the effectiveness of audits in economic entities. Therefore, analytical practice is of great importance in the qualitative audit of financial statements of economic entities. Analytical activities allow the auditor to conduct an audit in a comprehensive manner and to identify problems related to the company's activities and, accordingly, to develop reasonable proposals for the client.

Therefore, analyzing the level of profitability indicators is one of the main tasks of the audit, which should always be the focus of attention of the company's manager, auditors and analysts. The results of the analysis show that the joint-stock company has internal opportunities to increase the level of profitability indicators, and first of all, it is necessary to improve the structural structure of indicators. The management of the object of analysis should take the necessary measures to increase the level of profitability indicators. Because in order to forecast the state of the business and its future development, a comparative analysis based on IFRS should also be carried out. At the same time, the results of the analysis of profitability indicators are also important in business restructuring, financial consolidation, and financial modeling.

The effectiveness of analytical operations largely depends on the correct selection of methods, determining the composition of indicators and the sequence of conducting the

analysis. At the same time, analytical operations can be used for economic analysis of large deficits, costs and losses, inventory work, and the effectiveness of the internal audit service. Therefore, the method of factor analysis of financial performance indicators was recommended in the course of the audit conducted on the financial statements of economic entities. Because, on the basis of factor analysis, it is possible to accurately diagnose the financial condition of the economic entity. According to the results of the analysis, the amount of opportunities for increasing the net profit in the society was determined, the necessary practical recommendations were given. Application of the recommended method of factor analysis in the practical activity of the enterprise allows to increase efficiency and ensure financial stability.

Literatures

1. Decision PQ-3946 of the President of the Republic of Uzbekistan "On measures to further develop audit activities in the Republic of Uzbekistan". September 19, 2018.
2. Decision No. 1013 of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to radically improve the system of financial rehabilitation of state-owned enterprises". December 14, 2018.
3. Decision No. 775 of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to further improve the system of performance evaluation of the executive body of state-owned enterprises ". December 9, 2020 .
4. Ahmadjonov K. National standards of auditing. Textbook. - T.: Economy, 2019.
5. Dontsova L.V., Nikifirova N.A. Analysis of accounting (financial) reports. Practicum. - M.: Delo i servis, 2018.
6. Ilhomov Sh.I. Practical audit. Textbook. -T.: Economy. 2021
7. Podolsky V. I., Savin A.A. Audit. Textbook. - M.: Yurayt, 2020.
8. Tulakhodjaeva M.M. and others. Audit. Textbook. . - T.: Economy, 2018
9. Tojiboeva Sh.A. Financial analysis-2. Textbook. –T: Innovative development, 2022.
10. Shoalimov A.X., Ilhomov Sh.I., Tojiboeva Sh.A. Economic analysis and audit. Textbook. - T.: Sano-standard, 2017.
11. Shoalimov A.Kh., Tojiboeva Sh.A. Theory of economic analysis. Textbook.. -T.: Innovative development, 2021.
12. Bunyod Usmanov, Shahnoza Tojiboeva, Bobir Tashbaev, and Sanjar Omanov. Evaluation of Capital Efficiency of Companies in the Analysis of Financial Potential. © The Author(s), under exclusive license to Springer Nature Switzerland AG 2023 EG Popkova and BS Sergi (eds.), ESG Management of the Development of the Green Economy in Central Asia, Environmental Footprints and Eco-design of Products and Processes, https://doi.org/10.1007/978-3-031-46525-3_48.