JMEE
Journal of Marketing and Emerging Economics
| e-ISSN: 2792-4009 | www.openaccessjournals.eu | Volume: 3 Issue: 2

Theoretical Aspects of the Application of Analytical Procedures in the Audit of the Enterprises of the Wine Industry

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Abstract

The application of analytical procedures has become an integral part of the audit process and indications are that the applications are that the application of these procedures will increase in audits of the future. The factors that are causing a shift in audit methodologies towards increasing the application of analytical procedures are the adaptation of a business risk audit methodology, technological advancements and the incorporation of non-financial information in an audit. These factors enable the auditor to incorporate both financial and non-financial information into decision making and thus develop more precise expectations. Numerous studies have been conducted in various countries on the auditor's application of analytical procedures in the audit process.

Keywords: *Audit procedures, analytical procedures, substantive tests, financial and non-financial information, internal sources of information, external sources of information*

INTRODUCTION

In the conditions of instability of the market economy, the role of financial statement audit is increasing, because investors make strategic management decisions using this information and relying on the high quality (reliability) of financial statements. In turn, analytical procedures are one of the means of obtaining audit evidence on the reliability of financial statements. The development of the audit services market, the complexity of relations between business entities, the deepening of audit processes, and the increase in the economic literacy of users of financial reports require the auditors to improve the quality of services provided. In this regard, the theoretical issues of the audit, including its conceptual and methodological foundations, are particularly relevant.

International auditing standards oblige the auditor to use analytical procedures in the stages of audit planning and the final stage of the audit, and also allow the use of analytical procedures in other stages of the audit. At the same time, international standards do not contain specific recommendations on the use of analytical procedures, only the auditor's choice of analytical procedures, methods and the level of application are the subject of the auditor's professional judgment. The lack of practical and theoretical methodologies for the use of analytical procedures in auditing requires a deeper study of these analytical procedures.

LITERATURE REVIEW

English scientist R. Dodge defines analytical operations as follows: Analytical operations are the analysis of various financial indicators, such as revenues and expenses, or non-financial indicators, such as wages and staffing ratios. Also, comparing the actual indicators with the indicators in the business plan; It is a set of analytical operations such as comparing the data of the last reporting

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year with similar data of previous periods, indicators of enterprises with similar business characteristics, average indicators of the network, studying unexpected deviations, analyzing the impact of unexpected factors, evaluating the results of analysis based on information received from other people.[1]

Russian scientists I.A. Naletova, T.E. Slobodchikova stated that "analytical operations are the analysis and evaluation of the data received by the auditor, the study of the most important financial indicators in order to determine the causes of errors and distortions." This phrase does not take into account the study of non-financial indicators, which are often very important. Therefore, this definition is not comprehensive enough.[2]

Well-known scientists A.E. Suglobov, B.T. Jarilgasova propose to describe analytical actions as "one of the types of audit actions, which consists in determining, analyzing and evaluating the relationship between one of the methods of obtaining audit evidence and the results of the financial and economic activities of the audited business entity." . According to the authors, analytical activities are a part of audit activities, the purpose of which is to obtain audit evidence. At the same time, this definition does not take into account the non-financial information of the activity of the entity under audit, which should be taken into account by the auditor, especially at the stage of risk identification, in the internal control system.[3]

Russian researchers A.D. Sheremet and V.P. Suits describes analytical activities as "auditor behavior" in which he analyzes ratios based on information about the activity of the audited entity, as well as examines the relationship of these ratios with the auditor or other data. reasons for possible deviations from it. This definition is very complete [4].

Thus, we can form the following definition of analytical actions - to identify non-standard events and facts by performing a set of actions to determine, study, analyze and evaluate the relationships between financial, economic and other indicators of the enterprise's activity, as well as to determine the causes of these deviations auditor actions aimed at obtaining additional audit evidence.

ANALYSIS AND RESULTS

In accordance with No. 200 "General objectives of an independent auditor and conducting an audit in accordance with international standards of auditing", the purpose of the audit is to increase the level of confidence of users in financial statements. This objective is achieved by expressing the auditor's opinion (conclusion) that the financial statements have been prepared in all material respects in accordance with the basis used for the presentation of financial statements. In most cases of general purpose basis, such an opinion is expressed as to whether the financial statements are presented fairly in all material respects and whether they give a true and fair view in accordance with the basis of presentation. An audit conducted in accordance with international auditing standards and relevant ethical requirements allows the auditor to define such an opinion [5]. For the purposes of international auditing standards, in accordance with ISA No. 200, the current basis of financial reporting is the basis of financial reporting accepted by management and, if necessary, accepted by persons responsible for the management of the enterprise and used in the preparation of financial statements. The concept should be consistent with the nature of the organization and the purpose of preparing financial statements, or its use should be required by law or regulations.

In the application of most general purpose financial reporting systems, this opinion depends on whether all material aspects of the financial statements are fairly presented or whether they have an accurate and transparent view according to a certain framework. The auditor's ability to form such an opinion depends on the conduct of the audit in accordance with International Auditing Standards

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JMEE Journal of Marketing and Emerging Economics

| e-ISSN: 2792-4009 | www.openaccessjournals.eu | Volume: 3 Issue: 2

and applicable ethical standards.

ISA 200 requires, as a basis for the auditor's opinion, that the auditor obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Reasonable belief is a high degree of belief. Reasonable assurance is obtained when the auditor obtains sufficient relevant evidence to reduce audit risk (that is, the risk that the auditor will express an inappropriate opinion in the presence of material misstatements in the financial statements) to an acceptable level. However, reasonable assurance is not an absolute level of assurance because there are limitations inherent in an audit that result in

Audited financial statements are the financial statements of a business entity prepared by the management of the business entity under the supervision of persons entrusted with management. ISA does not impose obligations on the persons entrusted with the management or management of the business entity and does not have priority over the legal documents and regulatory documents regulating their obligations. However, the audit is conducted subject to the initial condition that the management of the business entity and, if necessary, the persons entrusted with the management must recognize certain obligations that are of primary importance for conducting the audit. The audit of financial statements does not relieve the persons entrusted with the management or management of the business entity from their obligations [7].

Audit evidence is required to support the auditor's opinion and conclusion. By their nature, they are cumulative in nature and are mainly obtained as a result of the application of audit procedures during the audit process. However, they may also include information from other sources, such as previous contracts or internal controls, and for the purposes of reviewing new customer proposals and continuing relationships with existing customers. In addition to other sources inside and outside the enterprise, an important source of audit evidence is the accounting records of the enterprise. In addition, information that can be used as audit evidence may have already been prepared by internal employees of the enterprise or external experts hired by the enterprise. In addition, in some cases, even the absence of information (for example, management's refusal to provide the requested information), analytical procedures are used by the auditor in the examination, and the result also constitutes audit evidence. The task of the auditor in forming an audit opinion is mainly to obtain and evaluate audit evidence.

Sufficiency and appropriateness of audit evidence are interrelated. Sufficiency is a measure of the amount of audit evidence. The amount of audit evidence required depends on the auditor's risk assessment, as well as the quality of such audit evidence (the higher the quality, the better).

Relevance or appropriateness is a measure of the quality of audit evidence, meaning that its relevance and reliability are important to support the opinions on which the audit opinion is based. The reliability of audit evidence is related to its source and nature, and depends on the specific characteristics of obtaining evidence.

It is a matter of the auditor's professional judgment whether sufficient relevant audit evidence has been obtained to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base an appropriate audit opinion. Additional requirements and additional clarifications regarding the gathering of sufficient relevant audit evidence by the auditor during the audit are discussed in International Standard on Auditing No. 500, entitled "Audit Evidence".

Both in planning and conducting the audit, the auditor determines the level of materiality when assessing the impact on the audit of identified misstatements. In general, misstatements, including

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omissions, are material if, individually or in the aggregate, they are expected to affect management decisions made by users of the financial statements. Materiality judgments are made in light of the surrounding circumstances and depend on the auditor's understanding of the financial information needs of specific users of the financial statements, as well as the extent or nature of any misstatements, or a combination of the two. The auditor's opinion applies to the financial statements as a whole, so the auditor is not responsible for identifying misstatements that are not material to the financial statements as a whole.

The auditor must comply with relevant ethical requirements, including independence requirements related to the audit of financial statements.

The auditor should plan and perform the audit with professional skepticism, recognizing the existence of material misstatements in the financial statements [8].

Professional skepticism involves maintaining vigilance, such as:

- audit evidence that contradicts other audit evidence collected;
- documents intended to be used as audit evidence and information that casts doubt on the reliability of responses to requests;
- circumstances that may indicate dishonest actions;
- cases that require the performance of additional audit procedures in addition to those stipulated by international auditing standards.

Professional skepticism is necessary for critical evaluation of audit evidence. This includes the need to question the reliability of conflicting audit evidence, documents and responses to inquiries and other information received from management and those charged with governance. It also involves considering whether the audit evidence obtained is sufficient and appropriate in light of the particular circumstances, for example, evidence of a material amount in the financial statements when fraud risk factors exist.

The main tasks of the auditor during the audit of financial statements are as follows:

- ✓ in order to be able to express a true opinion on the preparation of its financial statements in all material respects, it is necessary to be satisfied that the financial statements are free from material misstatement, whether due to fraud or error;
- ✓ preparing a summary of the financial report and presenting it in accordance with the requirements of ISA.
- ✓ if the financial statements are not reliable and the express opinion in the auditor's report is not sufficient to inform the users of the financial statement information, ISA requires the auditor to disclaim the opinion or terminate the engagement. use of the contract is permitted by applicable law or regulations.

The scope of analytical operations, the need for their use, the tools used, the purpose of use, and the data used may be different.

Analytical operations can be grouped according to their characteristics as follows.

According to the nature of analytical processes, they are divided into:

- quantitative (using data that has a cost or measure that can be mathematically processed);
- qualitative (quantitative data is not used, but based on qualitative characteristics, the application

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of general knowledge in the field of accounting and logical relationships). Such actions are largely subjective and therefore their outcome depends on the professional skill and judgment of the auditor.

Analytical operations are divided into the following according to the purpose of application:

- ✓ study and understand the activities of the economic entity;
- ✓ confirmation of compliance or non-compliance with the principle of continuity of activity by the audited entity;
- ✓ study and evaluation of the effectiveness of the internal control system and accounting systems of the audited entity;
- ✓ obtaining audit evidence on certain conditions for the preparation of financial statements;
- ✓ identifying audit areas that require additional audit actions;
- ✓ forming a final opinion on the reliability of financial statements.

Analytical procedures can also be divided into the following according to the stages of the audit in which they are used:

- ➢ planning stage;
- ➢ stage of gathering audit evidence;
- ➢ the final stage of the audit.

During the planning phase, substantive audit activities are generally not anticipated, as control risk is assessed with particular attention to this phase.

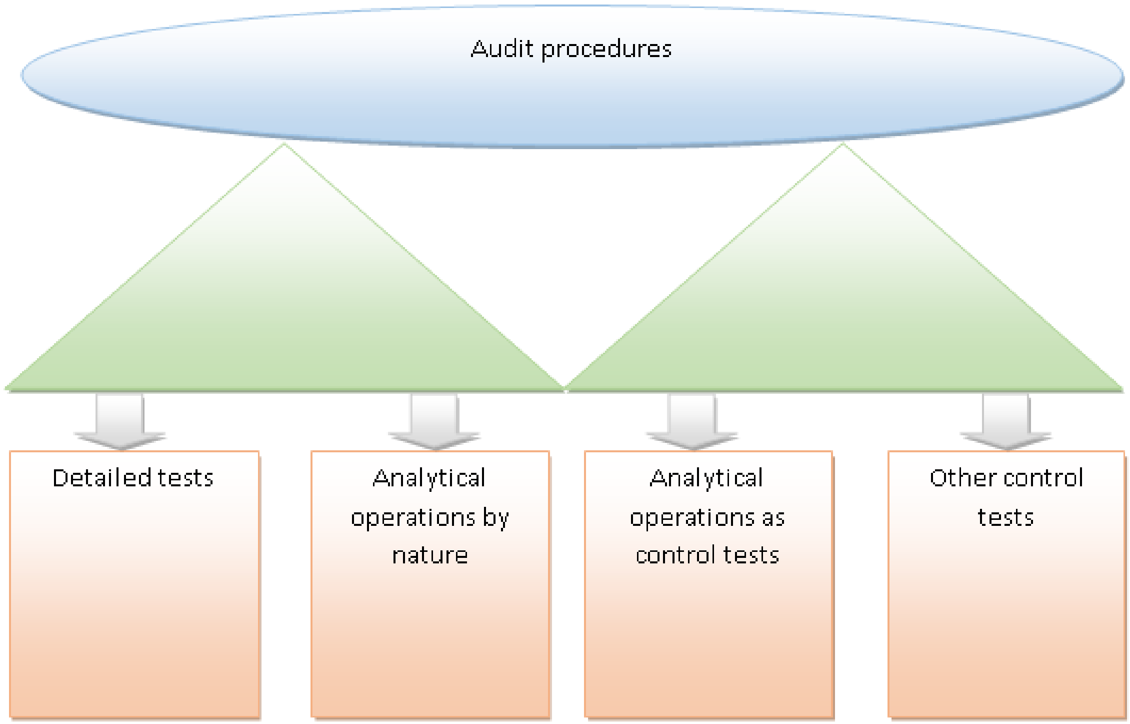

Figure 1. Types of audit operations.[1]

[1]Developed by the author based on data.

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According to data sources, analytical operations are divided into:

- ✓ internal sources of information;
- ✓ external sources of information;
- ✓ regulatory legal documents;
- ✓ resources of mixed nature.

It should be noted that the factor of information source plays an important role in assessing the level of confidence of the auditor in the results of analytical operations. In particular, auditing standards indicate the reliability and objectivity of analytical operations performed using data obtained from external sources compared to internal sources.

CONCLUSION

In the audit of financial statements, the nature and content of audit evidence, analytical procedures were revealed, interpretations related to the definition of "analytical procedures" were analyzed, and this definition was clarified and improved.

Also, the methodological approaches of analyzing financial statements in foreign practice were summarized, and it allowed to distinguish the methods of financial analysis used in conducting analytical operations in summarizing the results of financial statement audit.

Information on systematic analytical procedures used at different stages of the audit was disclosed. In particular, the use of analytical procedures in the final stages of audit planning, conducting an audit, and financial statement audit was explained.

The set of analytical procedures used in the above-mentioned audit allows to describe in detail the methods of applying analytical procedures in the audit of financial statements in a working standard, which helps to improve the quality of the audit.

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