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Directions for Using Analytical Operations in Assessing the Financial State of Business Entities

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Abstract: This article highlights the importance of analytical operations in the effective organization of audits. Also, the characteristics of the application of analytical operations at the stages of business evaluation are revealed. As a result of the conducted research, proposals were developed to improve the process of applying analytical procedures.

Key words: audit, audit operations, analytical operations, financial reporting, balance sheet, financial position, financial stability, solvency, liquidity.

Introduction

In the conditions of further development of the economy, the use of financial reporting information is important in the process of the establishment of various entities in the process of their management, control and analysis of their activities. In the conditions of increasing interest of users in financial reporting information, the role of audit in solving the problem of ensuring its reliability and transparency increases. In the transition to international standards, the justification of the field of activity of the audit, as well as the reliability of the audited organization's financial reports, becomes an urgent issue.

The actions used by the auditing organization in confirming the reliability of the financial statements of economic entities are of great importance. Analytical actions are widely used as the most effective audit actions to ensure the adequacy and appropriateness of audit evidence and to improve the quality of audit conclusions. The use of analytical operations serves to reduce the time of obtaining and processing information for making management decisions or forming professional judgments.

Literature review

Analytical actions are considered in the scope of audit activities in normative legal documents. In the international audit standard No. 520 "Analytical procedures" "Analytical procedures consist of evaluating financial information by studying the relationships between financial and non-financial information. Analytical operations include the analysis of significant trends and coefficients, as well as the study of correlations and outliers if they do not match the data elsewhere or differ from predicted values" [1].

The presented definition of the concept of "analytical actions" in regulatory legal documents goes back to the analysis of mutual relations.

There are different opinions regarding the concept of "analytical operations" in scientific literature. R.P. According to Bulyga and M.V. Melnik, analytical operations are a method of organizing and conducting an audit based on methods of comparison, analysis and synthesis, as well as special methods of economic analysis and the use of special methods that assume the existence of causal relationships between the analyzed indicators [2].

A.A. Mulman considers analytical operations as a method of evaluating possible relationships between financial and non-financial indicators [3].

According to A.Z. Avlokulov, analytical operations are a variety of audit operations, which include researching important financial and economic indicators of the audited economic entity, evaluating and analyzing the data collected by the auditor in order to identify economic transactions incorrectly reflected in accounting, as well as errors. is different [4].

M.E. Gracheva states that analytical operations are used taking into account the analysis of trends and coefficients that are important in assessing the financial condition of the subject, including the study of correlations and deviations if they are inconsistent with other relevant information or differ from standard values [5].

Sh. Tojiboeva, S. Omonov, the auditor states that the actions used to improve the quality of the results of the audit of financial and other related reports are analytical actions [6].

J.A. And Kevorkova considers analytical operations as a method of internal audit [7].

Summarizing all the mentioned interpretations, it can be concluded that the authors use analytical operations for different purposes and to solve different tasks, therefore, analytical operations use financial and non-financial information, possibly about the existence of causal relationships between the analyzed phenomena and evidence from economic activity, trends and to identify relationships, form professional judgments based on performance evaluations, or analyze to support management decisions.

Research methodology.

A systematic analysis of the literature was carried out in researching the scientific-theoretical foundations of the use of analytical procedures in audits. Also, the scientific conclusions of the scientific research works carried out by foreign and local scientists in this direction were studied and independent approaches were formed.

Analysis and discussion of results

In recent years, the world's leading auditing organizations have paid special attention to the wide use of analytical procedures in audits. Many types of analytical operations are used in practice. Table 1 presents the classification of analytical operations.

Qualitative indicators of analytical operations can include, for example, preliminary logical analysis of internal and external data. The main disadvantage of such actions is the high level of subjectivity of the assessment, that is, the results depend on the qualifications and experience of the auditor. Therefore, it is recommended to use them in combination with quantitative analytical procedures based on a formalized approach.

An example of simple quantitative analytical operations is the analysis of financial activity based on simple coefficients. Advanced operations include trend analysis, variance analysis, regression analysis, and modeling. The advantages of more sophisticated analytical procedures are higher accuracy and objectivity of the results, but their application is more labor intensive and expensive, as a result of which analytical procedures data are rarely used. However, at present, a large number of programs have been developed that allow to simplify the process of mathematical processing of large amounts of data.

Table 1 Classification and description of analytical operations

Types of analytical operations	The essence	Advantages	Restrictions on use
Analytical procedures used in the assessment of quality indicators	Logical interactions are based on the economic activity of the economic entity and the application of accounting information.	– a relatively simple method; – no need for specifics	– assessment subjectivity; – results depend on the auditor's skills and experience
Simple quantitative operations	It is used in assessing the relationship between various indicators of financial reporting.	– allows obtaining accurate quantitative results; – objectivity	– used in various types of audit, control and inspection; – its application is limited, it is mainly used in control activities and evaluation of various indicators.
Compound verbs	It is based on the use of economic-mathematical and statistical models	– accuracy of results is high; - objectivity	- high value; - labor capacity; – requires software and special knowledge and skills; - availability of a large amount of initial information

In our opinion, it is necessary to expand the areas of application of analytical operations due to the high efficiency of use and, first of all, the reduction of labor capacity and the provision of homogenization.

Analytical procedures are used at various stages of performance evaluation. We can see this in Table 2.

Table 2 Business entities are analytical at the stages of activity evaluationapplication of actions

Stages of performance evaluation	**Analytical**purpose of actions	A collection of data	**Analytical**deeds
Preparation stage	Confirmation of the importance and completeness of the information used	regulatory documents, accounting and management reports	– verification of reports in terms of compliance with the requirements of regulatory legal documents; – checking direct and indirect control messages between indicators
Preliminary data evaluation	Identify positive and negative trends, interactions	- annual report; - Information of the State Statistics Committee; – marketing research and	- collecting information about the entity (activity network, market position, etc.); - analysis of the growth rates of the main activity indicators; - comparison of the main indicators of activity with the

		market reviews	average indicators for the sector; - checking the presence of problematic substances in the report
Analyzing report indicators, performing calculations	Making a general conclusion on financial statement information	- annual financial report; - the annual report of the society	-assessing the property condition; -calculation of financial stability indicators; - assessment of solvency and liquidity; - performance evaluation

It should be noted that there is no clearly defined procedure for performance evaluation. Each auditor, based on his experience, qualifications and characteristics of the subject's activity, uses his own system of indicators and set of analytical actions.

Thus, the first stage of performance evaluation is the preparatory stage. At this stage, the financial report is evaluated according to formal and quality indicators. For example, the financial director summarizes the practical experience of working with the reports of economic entities and indicates organizational (incorrect determination of the content of financial statements, non-compliance with the rules of signing, etc.), technical (mainly arithmetical) and methodological errors as the most common shortcomings.

Research shows that errors and omissions in financial reporting are mainly due to new legislation and inexperience of employees.

At this stage, the differences between direct and indirect control ratios are determined. A direct control ratio is the presentation of the same indicator in different reporting forms. For example, the amount of authorized capital during the reporting period is reported in the statement of private equity and in the balance sheet. Indirect control ratio - one indicator is the result of simple arithmetic operations between the indicators of one or more reporting forms. Thus, the first stage of performance evaluation is to assess readiness for data analysis.

The second stage is an initial assessment of financial data and begins with the selection of information about the subject: organizational and legal form, field of activity, period of activity, market status, manufactured goods, services provided, works performed or the presence of branches, etc., which helps to compile the basic description of the subject. .

In step 2, the report focuses on identifying problematic substances (Table 3).

Table 3 Grouping and description of problematic items in financial statements

A group of problematic indicators	Source	Items in the accounting report	Brief description (evaluation)
Indicators	Accounting balance	Uncovered damage	The presence of accumulated unreimbursed losses and the dynamics of its growth over time indicate a decrease in net assets and management inefficiency, which leads to the liquidation of the business.
	Notes to financial statements	Overdue accounts payable, loans and debts	Indicates that the entity does not have the ability to pay, if it is not paid for more than 3 months - the probability of bankruptcy is high
Control	Notes to	Past due accounts	Overdue receivables have a negative

indicators	financial statements	receivable	impact on financial stability and may lead to a decrease in profits in future periods if payments are not made by partner organizations and other debtors over a long period of time.

Thus, the indicators indicated in the problematic articles of the financial report indicate the instability of the subject's financial situation, low solvency, high probability of bankruptcy and liquidation of the business. Control indicators indicate that the entity has problems that are not very serious in the current period, but that have a negative impact on financial stability and may lead to a decrease in profits in future periods, that is, they warn of possible future problems.

Useful information for the auditor is contained in the notes to the financial statements, because, firstly, the content of the records is not determined by the regulatory documents, but by the traditions formed in a particular entity when preparing the annual report. Second, analytical indicators may be included in comments, which are not always calculated according to publicly reported data. In this process, it is recommended to analyze the growth rate of the main indicators of the entity's activity (sales volume, income, profit, profit per share, etc.). To get more complete information, the obtained values of the main indicators should be compared with the network averages.

The third stage is the most important stage of activity evaluation, it consists in calculating the most important indicators that allow to make reasonable conclusions about the state of the business. In addition, each auditor forms a set of analytical indicators based on his experience, professionalism and industry characteristics of the analyzed entity.

The next factor to consider is the network affiliation of the subject being analyzed. In particular, one of the mistakes can be called the use of normative values of indicators without taking into account the characteristics of the network, which leads to making wrong management decisions.

Summarizing the results of the research, we can conclude that analytical operations are undoubtedly a set of operations that allow to minimize time and costs and increase the quality of economic activity assessment due to the formalization and standardization of control and calculation operations.

Conclusions and suggestions

The quality and effectiveness of audits conducted by audit organizations directly depends on how widely analytical procedures are used. Analytical procedures are considered the most effective method for obtaining audit evidence and are widely used by the world's leading auditing organizations. For this reason, it is advisable to widely introduce analytical practices in the activity of audit organizations of our republic.

Simple quantitative analytical procedures are often widely used in audits. Although these actions are easy to apply, their results are not reliable enough. Today, there are many types of software tools for applying econometric models in analytical operations. In the current environment, where the digital economy and information technologies are developing widely, it is necessary to use more sophisticated analytical procedures based on econometric models.

Since the goal of audits is to form an unbiased opinion on the reliability of financial statements, it is necessary for audit organizations to objectively assess the financial status of economic entities. In our opinion, analytical operations are the most effective means for correctly determining indicators of financial stability, financial independence, and solvency.

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