

SPECIFIC FEATURES OF THE EXAMINATION OF INTANGIBLE ASSETS IN THE AUDIT OF FINANCIAL STATEMENTS

Ishankulov Izzatilla Nurillayevich

Independent researcher at Tashkent State University of Economics, UZBEKISTAN

Abstract. This article examines the specific features of the examination of intangible assets in the audit of financial statements, and provides suggestions and recommendations for improvement.

Keywords: intangible assets, research costs, development costs, patent, goodwill.

Introduction

Providing reliable, complete and truthful information to foreign investors on financial statements currently being prepared requires improving the quality of audit work. This determines the urgency of carrying out scientific work aimed at studying the problems of transforming investment objects in the country and their financial statements into international financial statements, thereby increasing the accuracy and precision of the reports, and determining the significance and risk levels in accordance with the interests of the client based on professional judgment in the audit opinions formed as a result of the audit of these reports.

In a developed market economy, business entities are paying great attention to research and development activities in order to outperform each other and significantly increase their profits. The reason is that in a highly competitive environment, the only way to achieve the set goals is to increase innovation costs and achieve the desired goals. Therefore, one of the most important aspects of the audit of financial statements is the examination of intangible assets and the processes related to their movement.

Literature review

F.T. Abduvakhidov, I.N. Koziyev and Sh.Kh. Dadabayev (2019) expressed the following opinions about intangible assets, namely, Intangible assets are identifiable property objects that do not have tangible substance, which an enterprise maintains for the purpose of producing products (works, services) or selling products or for performing administrative or other functions for a long time.

U.I. Inoyatov, S.D. Yusupov and F.R. Salimbekova (2011) discussed intangible assets as follows: Intangible assets are objects that do not have tangible substance, and whose economic activity is controlled by an economic entity for a long time (for use or management for more than 1 year). Intangible assets include the right to use land, water and other natural resources, patents, know-how, goodwill (firm value), organizational costs incurred during the establishment of the enterprise, copyrights, rights to industrial designs, software products for electronic computers and other intangible assets. G.Q.Turayeva B.E.Matrasulov S.I.Matkuliyeva A.A.Abduvohidov A.B.Mukhametov (2023) stated the following in their works about the organization of accounting for intangible assets: Intangible assets, along with fixed assets, are objects of long-term investments and are considered part of depreciable property, and their accounting largely coincides with the accounting for fixed assets. The main rules for accounting for intangible assets are determining the moment of recognition, estimating the carrying amount and useful life, determining the methods for calculating depreciation, estimating and accounting for other changes in the carrying amount and determining the financial results from their disposal, as well as the procedure for disclosing

information on them in financial statements. Economist N. Toshmamatov (2019) defined intangible assets as follows: Intangible assets are the rights of an enterprise, projects of capital investments that have value for the enterprise, but cannot be seen or touched, trademarks, patents and other similar rights.

Research methodology

The study used induction, deduction, systematic and comparative analysis, grouping, experimentation, adaptive methods, integrated approaches, analysis and approval of international experiences in improving asset impairment calculations and methods.

Analysis and discussion of results

The need for an independent external auditor to audit the financial statements of entities has been a cornerstone of confidence in the global financial system. The advantage of an audit is that it provides assurance that management has presented a “true and fair” view of the entity’s financial performance and position. An audit establishes a trust and duty of care between those who manage the entity and those who own it or otherwise have a need for a “true and fair” view.

Entities produce financial statements that provide information about their financial position and performance. This information is used by a wide range of stakeholders (such as investors) to make economic decisions. Typically, the owners of the entity, not the shareholders, are the ones who manage it. Therefore, the owners of these entities (as well as other interested parties such as banks, suppliers and customers) are reassured by the independent assurance that the financial statements present fairly, in all material respects, the financial position and performance of the entity.

To enhance the level of confidence in financial statements, a qualified external party (auditor) is engaged to examine the financial statements, including the relevant disclosures provided by management, and to express a professional opinion on whether they present fairly, in all material respects, the financial performance of the entity for a specified period(s) (income statement) and the financial position of the entity at a specified date(s) (balance sheet) in accordance with applicable standards. In many cases, this is required by law.

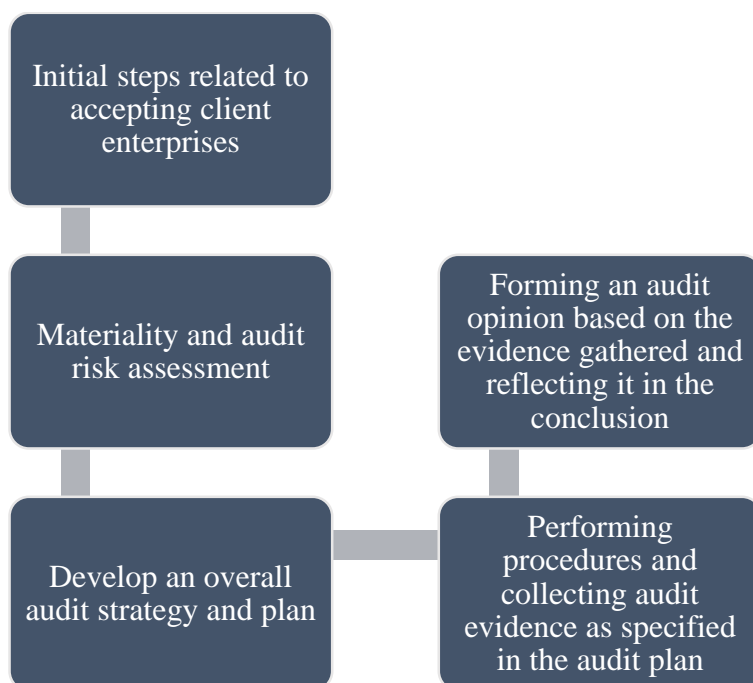


Figure 1. The sequence of planning, organizing and preparing an audit of financial statements¹

Currently, one of the most important elements of financial statements is the indicator of intangible assets.

¹ Systematized by the author

The process of checking the accounting for intangible assets includes:

- checking the status of intangible assets (purchase, internal creation);
- checking the status of intangible assets (depreciation, sale, donation);
- checking the processes associated with the calculation of amortization for intangible assets;
- checking the status of revaluation (overvaluation, impairment) of intangible assets.

When checking each of the above cases, the auditor must apply professional skepticism and perform analytical procedures to assess the existing risks.

One of the initial analytical procedures for intangible assets is a trend analysis of intangible assets over the years.

Table 1

Asset structure of "Uzbekistan Post" JSC for 2019-2023 (in million soums)²

Indicators	2019 year	%	2020 year	%	2021 year	%	2022 year	%	2023 year	%
Long-term assets:	25.223,0	20	37.731,0	20	77.799,0	24	95.255,0	37	101.496,0	33
Fixed assets	961,0	1	33.564,0	17	65.633,0	20	78.746,0	30	86.183,0	28
Intangible assets	20,6	0	13,0	0	6,0	0	4,0	0	4.864,0	2
Other types of long-term assets	24.215,4	19	4.154,0	2	12.160,0	4	16.505,0	6	10.449,0	3
Current assets:	103.962,0	80	155.430,0	80	250.256,0	76	165.654,0	63	202.206,0	67
Cash	21.423,0	17	60.990,0	32	92.901,0	28	24.184,0	9	29.854,0	10
Accounts receivable	80.545,0	62	76.407,0	40	107.956,0	33	98.329,0	38	142.742,0	47
Inventories	1.994,0	2	15.251,0	8	47.316,0	14	39.380,0	15	27.564,0	9
Other types of current assets	4,0	0	2.782,0	1	2.084,0	1	3.761,0	1	2.047,0	1
Total assets	129.189,0	100	193.161,0	100	328.056,0	100	260.909,0	100	303.703,0	100

The figure below presents a trend analysis of intangible assets over the years under study using the data in this table.

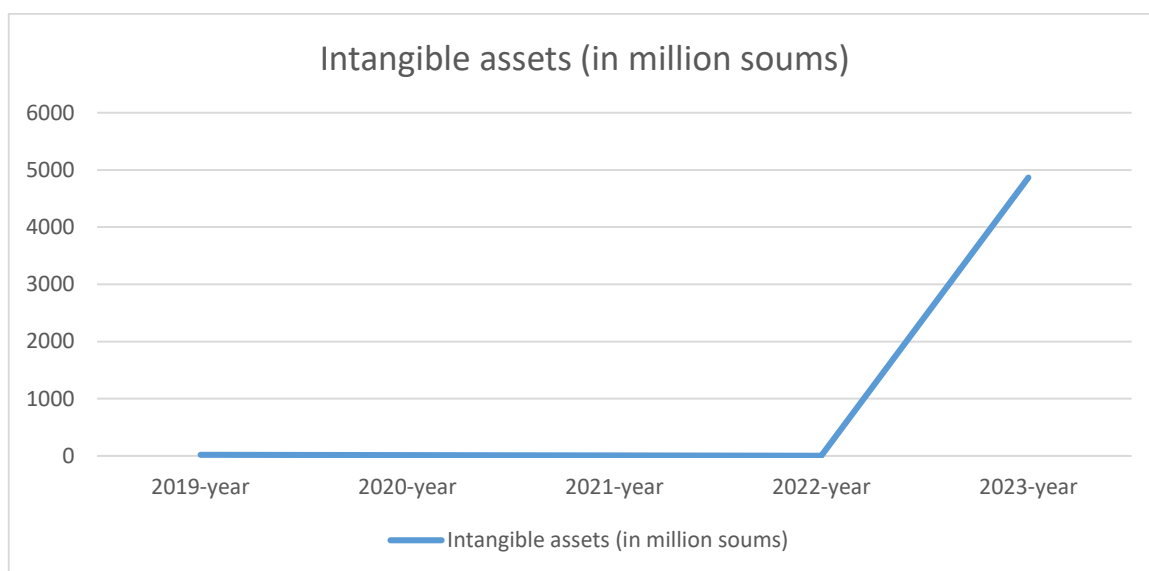


Figure 2. Trend analysis of intangible assets of "Uzbekistan Post" JSC for 2019-2023³

² Developed by the author based on the financial statements of "Uzbekistan Post" JSC

³ Developed by the author based on the financial statements of "Uzbekistan Post" JSC

From this trend analysis, we can conclude that the value of intangible assets, which did not change significantly in the first four years, but had a significant value in the last year's report, and as a result, we can witness a sharp increase in this indicator.

This, in turn, requires the auditor to increase the procedures and conduct a deeper examination of intangible assets.

One of the analytical procedures that will be performed next is to determine the efficiency and profitability indicators of these intangible assets, and the purpose of this analysis is to determine the efficiency and profitability indicators of intangible assets.

It should be remembered that fraudulent overstatement and understatement of intangible assets in financial statements leads to significant changes in these indicators.

Xulosa va takliflar.

In the context of a global economy, the responsibility of preparing transparent and reliable financial statements encourages accountants to enhance their universal values, such as honesty. Due to the low reliability of financial statements currently being prepared, the need for financial statement audits is increasing.

We know that the statement of financial position plays an important role in the structure of financial statements. One of the most important elements of the statement of financial position is intangible assets.

The purpose of auditing intangible assets is to verify whether the processes from the moment these assets are received to their recording in the final reports have been carried out correctly and to form a conclusion on it.

The initial sequence of actions performed by auditors when auditing intangible assets is as follows, namely, to study the nature of the accounting for intangible assets in the client enterprise, to assess the risk by applying analytical procedures, to collect evidence and to form conclusions.

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