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## CARRYING OUT ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE IN ACCOUNTING (FINANCIAL) REPORTING

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### Annotation

The article presents the data that accounts receivable and payable are part of the monetary relations of an enterprise, their value affects the formation of the market value of the business.

The authors identified specific features of the assessment of receivables and payables, listed the problems that the appraiser faces when conducting this type of valuation research and proposed ways to solve them. In order to obtain a reasonable audit sample of receivables and payables, the auditor needs to adjust the population amounts in accordance with the nature of the audit evidence.

Thus, the audit sample will be correct and consistent with the nature of the audit evidence in accordance with ISAs.

**Keywords:** accounting, debit, credit, financial reporting, international auditing standard.

### Introduction

Uzbekistan, having embarked on the path of independent development, in a very short period joined the world economic society, as a result of which favorable conditions appeared for the participation of many foreign economic entities in the process of broad influence of their financial resources in the economy of the republic [1].

Accounting today is considered the most effective information system, which provides all data on financial transactions and activities of business entities, which, in turn, are processed and provided to users in the form of financial statements.



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An audit of accounting (financial) statements is, according to (NSAD No. 70) [2,3], an independent verification of the accounting (financial) statements of the audited entity in order to express an opinion on the reliability of such statements. The auditor checks the accuracy of all lines of the accounting (financial) statements, namely:

- balance sheet;
- financial results report;
- applications to them.

One of the important points of an audit of accounting (financial) statements is to confirm the reliability of these types of assets and liabilities, such as receivables and payables. These are elements of the life of an organization that are observed always and everywhere in all types of organizations, from large to small, because they include:- расчеты с покупателями и заказчиками;

- settlements with suppliers and contractors;
- settlements with personnel (for wages, other obligations);
- settlements with the budget on taxes and fees;
- settlements with extra-budgetary funds for insurance premiums;
- settlements with counterparties for interest on loans issued, with banks for interest on the use of funds or on deposits;
- settlements with various debtors and creditors for one-time transactions, etc.

### Main part

Not a single organization can do without these types of debt, since for the most part the date of accrual and the date of payment for debt do not coincide, for example: for taxes and fees, for insurance premiums, accrual occurs at the end of the tax period - the end of the quarter, the end of the year - and payment debt usually occurs within the month following it.

Arrears of wages to personnel are formed at the end of each month, and payment, according to the labor code, occurs in the next month no later than the 15th[3]. In this case, before wages are calculated, the so-called payment is made. advance payment no later than the end of the month for which wages will be accrued.

Thus, according to wage calculations during the reporting year, both receivables and payables are formed. There is an advance payment system for settlements with buyers and customers, with suppliers and contractors. The article refers to the advance settlement system as the transfer and receipt by the counterparty of advances, as well as making final payments under contracts. These changes in debt



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change their direction, and at the same time the debt becomes both receivable and payable, affecting the accounting (financial) statements.

Various interest receivables may accrue over several accounting periods and be paid only when the principal is repaid. It is also possible that the funds transferred towards interest exceeded the amount of debt, in which case the debt turns into accounts payable. The same applies to interest-free loans. Auditing activities are characterized by the principle of selectivity and materiality. The auditor does not need to study every document or check every single amount.

The auditor does not need to study every document or check every single amount. When conducting an audit, the auditor is guided by reasonable confidence, audit risk and a certain sample, the percentage of which is regulated by the internal standard of the audit organization.

Accounts receivable and accounts payable are accounting elements that affect almost all accounting (financial) statements. The balance sheet reflects their balances.

In the Explanations to the balance sheet and the income statement, these indicators are disclosed in the context of long-term and short-term debt, receipt and disposal of debt under contracts and other accruals, transfer of debt by maturity, the amount of the reserve for doubtful debts (for accounts receivable), overdue debt [4], indirectly, accounts receivable and payable even affect the indicators of the lines of the cash flow statement – in most cases, its change is accompanied by the movement of cash flows.

Often the amounts of receivables and payables have a large share in the balance sheet currency. That is why it is necessary to pay close attention to the formation of a sample of receivables and payables. Since 2017, an independent audit of accounting (financial) statements has been regulated by the requirements of International Auditing Standards [3,4]. In this regard, when forming a sample, the auditor should be guided by ISA 530 “Audit sampling” [3,5], according to which audit sampling is the application of audit procedures to less than 100% of the elements of the population that are significant for the audit so that all elements of the sample can be included in the sample and the auditor has sufficient grounds to form conclusions about the entire population. How can an auditor confirm the indicators of balance sheet lines 1230 “Accounts receivable” and 1520 “Accounts payable”? The answer lies in international auditing standards – it is necessary to form an audit sample and carry out substantive procedures. In this case, a document that can confirm the



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amount of debt is a reconciliation act. Thus, the auditor needs to sample receivables and payables according to reconciliation reports. The internal standard of the audit organization should set a certain percentage, the amounts for which in the sample will be documented. Next, the auditor must select individual amounts included in receivables and payables in the accounts and include them in the sample until these amounts yield the previously selected percentage of the corresponding balance sheet lines. It is possible that, having received reconciliation reports for a sample, the auditor will not be able to confirm it completely, or will not even be able to collect the required amount at the percentage established by the internal company standard. If the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the statements do not contain material misstatements, he will have to modify his opinion on the reliability of the accounting (financial) statements in the independent auditor's audit report [6]. However, in this case, we are not talking about an incorrect sample amount, but about an incorrect population amount. ISA 530 allows the nature of audit evidence to be taken into account when determining the population (ISA 530).

When determining the total amount with which the sample will be compared, the population must be adjusted by amounts such as:

- settlements with personnel regarding wages;
- settlements with personnel for accountable amounts;
- settlements with personnel for other obligations;
- settlements with founders;
- calculations based on employees' executive documents;
- VAT on advances and prepayments received (which reduces the amount accounts payable);
- VAT on advances and prepayments issued (which reduces the amount accounts receivable).

Also, when determining the general population, if the organization has settlements with counterparties on its books, the amounts for which are not reflected in lines 1230 "Accounts receivable" and 1520 "Accounts payable of the balance sheet (for example, settlements for financial lease services), the general population is also necessary adjust for these amounts and confirm their accuracy separately. After all adjustments, the resulting amount is different from the amounts of the confirmed balance sheet lines, but it is more consistent with the nature of the audit evidence. When confirming the updated sample, the auditor should also pay attention to



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doubtful accounts receivable for which an allowance for doubtful debts has been created. With the existing net assessment of the balance sheet, the amount of the provision for doubtful debts is regulating, and the corresponding indicator of the balance sheet line is reduced by it. Thus, the inclusion of amounts for which such a reserve was created will be incorrect, since they do not constitute the amount of the general population that needs to be confirmed.

### Conclusion

Thus, in order to form a reasonable audit sample of receivables and payables, the auditor needs to adjust the amounts of the general aggregates in accordance with the nature of the audit evidence, which are acts of reconciliation of mutual settlements. The total amounts must be reduced by the amounts of various settlements with personnel, founders, the amount of VAT on advances, the amount of settlements that ultimately do not relate to accounts receivable and payable, as well as by the amounts for which a reserve for doubtful debts has been created (for accounts receivable). In this case, the audit sample will be correct and consistent with the nature of the audit evidence in accordance with ISA.

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