

## **Issues of Identifying Cases of Fraud Associated With Current Assets in Auditing**

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**Annotation:** This article discusses the study of cases of fraud related to current assets in the audit of financial statements. As a result of the research, the types of fraud related to current assets in the audit of financial statements are divided into groups. The article also contains suggestions on how to eliminate fraud.

**Keywords:** audit, audit activity, audit of financial statements, international auditing standards, fraud, error, manipulation, falsification.

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## **INTRODUCTION**

Today, auditing is one of the important sectors of the economy. The effective operation of the Real sector in many respects depends on the accuracy and periodicity of financial and accounting documentation checks. In particular, external audit not only allows to identify the shortcomings of accounting in the enterprise, but also helps to improve the internal control system and business processes. The constant movement of funds can lead to errors and inaccuracies in the accounting records of the enterprise, as well as motivate managers and financial personnel to commit various fraud. Therefore, detection and Prevention of fraud cases in financial statement auditing is one of the pressing issues facing auditors.

## **THE IMPLICATION OF A SCIENTIFIC PROBLEM**

The problems of fraud detection in financial statement auditing have been widely covered in the works of economist scholars. To examine the problems facing fraud detection in financial statement auditing today, we shall come up with the results of a research of the works of scholars.

A group of economists said that fraud was considered an act to be learned in advance and could have been committed by one or more people, by management, by workers or by a third person. Fraud leads to incorrect structure of Financial Statement [5, 183].

Doctor of Economic Sciences, professor R.D.Dusmuratov noted that the composition of fraud included fraud (fraud), forgery, modification of documents or account records; reflection of non-existent operations on the account; deliberate misuse of the account policy, etc. [2, 34].

Doctor of Economic Sciences, professor B.Q.According to Khamdamov, fraud is the deliberate distortion of information in their own interests, misrepresentation of accounting information, falsification of them, diversion of users by falsifying economic processes in the report, etc. [9, 83].

Romanian Economist scientists Cismilia Ionescu and Kornel Ionescu believe any violations in the Financial Statement are a cause of fraud or error. The difference between fraud and error is that bunda has come to a standstill that violations in the Financial Statement are deliberately done [1].

Another group of economists noted that it is the act of deliberately making one or more persons responsible for the management or corporate governance of an organization and gaining an unwarranted or illegal advantage through the use of lies [8].

US economist scientist J.S.Hammersley noted that fraud detection is considered a complex process in financial statement auditing and remains a major problem of auditing. FIR change the Financial Statement Information aside from the generally accepted principles of firigarism accounting accounting is to distract users from the report [3].

A group of Croatian Economist scientists have come to the conclusion that fraud is deliberately misinterpreted by one or more persons in order to obtain an illegal advantage, and that it has different manifestations [7].

- As can be seen from the above points of view, numerous studies have been carried out on the issues of fraud detection in financial statement auditing. However, most studies have not focused on fraud issues related to assets in economic entities in a comprehensive manner.

## **ANALYSIS AND RESULTS**

Current assets, in particular, monetary assets and debts, which are usually considered in the work of auditors, are the most liquid assets of the enterprise. Usually, according to the accounts of enterprises, these assets have the greatest value in the structure of the balance sheet.

In science and practice, the list of audit activities for proper reflection, accounting and availability of current assets has been broadly described. In carrying out these actions, the auditor's actions are aimed at identifying accidental or systematic errors in the accounting and financial structure of the enterprise, as well as assessing the internal control system. However, in large manufacturing structures, accounting errors and other financial information distortion are often deliberately made. In this case, it is necessary to dwell on corporate fraud.

Today, it distinguishes three categories of Corporate Fraud: Corruption, Reporting Fraud and asset acquisition. The following factors contribute to the occurrence of cases of fraud with financial information and financial statements provided by the economic entity:

- 1) lack of adequate control over management by business owners;
- 2) transactions with specially created funds and associated parties;
- 3) frequent replacement of key counterparties;
- 4) specific terms of non-exclusive, concluded contracts for this network;
- 5) frequent replacement of external auditors;
- 6) lack of internal auditors and internal control system;
- 7) non-covered damage size;
- 8) high profit in the lack of own funds;
- 9) frequent changes in organizational structure, etc.k.

Threeraydi a lot of assumptions related to asset acquisition in practice. The main reason for such fraud is the difference in interests between the owners of the enterprise and its managers. Most often, this problem is solved by attracting independent external auditors who, by highlighting the main disturbing aspects in the process of verification of inappropriate actions, perform actions on them.

The main methods associated with asset acquisition are as follows [6, 4]:

- 1) fraudulent operations with assets: removal of assets from the balance sheet, reduction in the value of assets, replacement of assets with lower value assets;
- 2) transfer of profit to specially created organizations: reduction of revenue, increase in costs, reduction of profit and loss;
- 3) increase the amount of liabilities and the emergence of new liabilities.

The main manifestations of the change in cash flows are associated, in particular, with debts to accounts receivable. Fraud associated with debts on accounts receivable not only leads to a decrease in income and a decrease in cash flows, but also affects the efficiency of the enterprise. Since this asset is very liquid, users of many financial statements pay special attention to it and create certain assumptions about it. The following views of the management of accounts receivable debt are distinguished::

- 1) formation of false accounts receivable debts as a result of the implementation of a non-declared (not taken into account) sale;
- 2) management's ability to absorb payments for the payment of debts from the accounts

receivable;

3) the occurrence of personal debts under the guarantee of debts;

4) refusal of debt, conclusion of an agreement on freezing, granting the right to demand to a third party, delay/become a payment agreement.

It is worth noting that the most liquid asset of any enterprise is cash assets and their equivalents. This asset can be presented in various forms: in the form of cash, in special bills, in currency, in the form of monetary documents, etc. k. Tiradi high liquidity, an abundance of forms, as well as ease of assimilation make the funds – the asset most exposed to irregularities. The main manifestations of fraud are as follows:

1) steal cash;

2) sale without declaration (not taken into account), recording of the sale in a smaller amount and subsequent appropriation of funds;

3) sending counterfeit bills for payment to suppliers;

4) schemes of payment and return for the product in the event of false refunds;

5) use of fraudulent checks;

6) fraudulent requirements about payment;

7) fake payment orders with forged signature;

8) show the customer by increasing the amount when presenting the schet;

9) fraudulent loans, discounts and return of sums to customers;

10) stealing passwords in money transfers and payment systems;

11) illegal use of corporate credit cards;

12) sending fake schet invoices from fake suppliers to payment.

In our opinion, the detection of fraud in the form of asset acquisition by auditors should carry out the following special operations:

1) recalculation of funds or securities by the end of the year or on a date close to it;

2) send a request directly to buyers and customers with a request to confirm the action in the relevant charts of the accounting account for the period under analysis (information on the issued reserves, return of shares, as well as the date of payment);

3) analysis of the amount of reimbursement for amounts deducted from the account;

4) analysis of data on lack of stocks in the cross section of product types and location;

5) comparing the main coefficients of stocks with the network average;

6) verification of documents confirming the grounds for reducing the amounts in the system of continuous accounting of reserves;

7) automatically compare the list of goods suppliers with the staff list to compare the addressillarni or phone numbers;

8) automated search in the database of payment records for duplicate addresses, personal data, Taxpayer Identification Number or identification of the employee's bank account;

9) analysis of data on return and trade discounts to identify unusual trends;

10) send a request to third parties with a request to confirm the terms of those or those of the contracts;

11) obtaining evidence of compliance with the terms of concluded contracts;

12) to check the justification of large unusual costs;

13) to check whether there are necessary permits for lending to the management and those involved in it, as well as to evaluate them on the balance sheet;

14) to check whether the reports on the expenses incurred by the persons who are part of the management and the amounts stated in them are justified.

Also, two methods can be used by auditors to determine the irregularities carried out with the current assets: analysis and control. However, their actions should be more thorough, it is necessary to consider the information on the board of directors, meetings and meetings. Another important component is the direct contact with the owners of the enterprise-the request for relevant information, the confirmation of the information provided by the management, etc.

Violations with current assets identified by the Auditor can be carried out using different types of analysis. Their main cases are listed in Table 1.

Table 1 Fraud Status Analysis with Current Assets [4]

Name	The essence of actions
Analyze the probability of misappropriation of assets	1. Identification of counterfeit assets: an analysis of the capitalization of asset-related costs.
Marketing analysis	2. Assess the level of participation of assets in production activities, the income they generate in order to analyze the efficiency
Analysis of major asset purchase and write-off transactions	1. The pricing strategy, the price level of the products / services sold and purchased, the level of wages, etc. analysis
Profitability analysis	2. Research of the movement of material and financial flows of the organization, study of concluded contracts, comparative analysis of market prices and current transaction prices
Current asset quality analysis	1. Borrowing and lending, waiver of the right to demand, transfer of debt, etc. analysis of all major transactions related to

Thus, after all measures have been taken to identify irregularities in the development of current assets recommended by the audit standards, as well as developed by the auditors themselves, we can conclude that the financial statements and accounting documents are reliable for these balance sheet items. General audit procedures ensure that there are no accounting errors, but they do not fully guarantee that corporate fraud will not occur. Performing the described activities provides more information about the financial and economic departments of the audited entity.

## CONCLUSION

1. In the context of a global coronavirus pandemic, it is important to use funds wisely in businesses. In particular, in the context of a pandemic, audits require special attention to the correctness of the system of internal control in business entities, the systematic implementation of accounting. Therefore, the timely detection and elimination of fraud in the audit of financial

statements will help to overcome the difficulties encountered in the pandemic. 2. As a result of research, we define the concept of fraud as follows: fraud is a premeditated act by one or more persons, carried out in violation of the requirements of applicable regulations and leads to incorrect structure of financial statements. 3. In the audit of financial statements, it is necessary to take measures to identify fraudulent transactions, in particular, the acquisition of assets of the enterprise. After conducting a general audit of current assets, as well as taking measures to identify irregularities in the assignment of current assets, it can be concluded that the financial statements and financial documents are reliable in relation to the current assets of the enterprise.

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