

## Problems of Accounting and Auditing of Fixed Assets and Solutions with the Use of International Standards

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**Abstract.** In the given article the issues with fixed asset accounting, worldwide standards-compliant fixed asset audit methods as well as the standards and characteristics for recognizing fixed assets are studied. The majority of domestic enterprises experience challenges with the recognition and classification of fixed assets, as well as the determination of their carrying value and any associated depreciation and impairment losses that are subject to recognition. IAS 16 plant properties, equipment principles and requirements based on international standards are disclosed.

**Key words.** accounting, auditing, fixed assets, tangible assets, depreciation, inventory, international standards, initial cost, liquidation value.

### Introduction.

In international practice, scientific research is constantly being carried out in many countries of the world in order to improve the accounting of fixed assets and coordinate it with the standard IAS 16 "Fixed assets", organize an audit of fixed assets and improve it. Including scientific research in the United States, United Kingdom, Canada on the basis of US GAAP, UK GAAP standards on the depreciation of fixed assets, reassessment and their mutual exchange values and reflection in accounting. But as a result of the huge number of issues waiting for a solution in this area and the assessment of the main tools based on the study of world experience and scientific achievements, the study of their condition and composition, the need arises to make correct and clear decisions on asset management, audit of fixed assets and scientific and applied research aimed at improving its effectiveness [1].

In enterprises, it is important to constantly modernize the main tools and use them effectively. In this regard, some work has been carried out in Uzbekistan, including the "Development Strategy of New Uzbekistan for 2022-2026"[2] with regard to the implementation of an active investment policy aimed at modernization of production, technical and technological upgrading, implementation of transport-communication and social infrastructure projects. important tasks are defined. Proper accounting of fixed assets and improvement of audit is an important issue in performing these tasks. Evaluating enterprise assets, especially fixed assets, studying their condition and composition allows making correct and accurate decisions regarding asset management.

In terms of economy-related resources the methods of organizing and conducting the accounting and auditing of fixed assets, the features of a comprehensive audit, which should start with the study of the accounting system and end with the development of analysis and recommendations for improving its effectiveness, are not disclosed. Therefore, in order to clarify these concepts and terms, we will dwell on the opinions of foreign scientists who studied the accounting and auditing of fixed assets in their scientific works.

According to the definition suggested by A. S. Alisenov, fixed assets are means of labor that repeatedly participate in the production process, transfer their value in parts to the product being created, without changing their material—natural form [3].

I. V. Zakharov proves that fixed assets in material-material form are means of labor. "[4]

V. P. Astakhov gives the following definition of fixed assets: fixed assets belong to non-current assets and are labor tools used in the production of products, performance of works or provision of services, or for the purpose of managing an organization for more than 12 months or during a normal

O. A. Ageeva, L. S. Shakhmatova propose classification by type, affiliation, nature of participation in the production process and purpose. I. M. Dmitrieva, I. V. Zakharov, O. N. Kalacheva classify fixed assets: by type, industry, purpose, affiliation, nature of participation in economic activity, degree of use. Also, the main means include drainage, irrigation and other reclamation works, land plots and environmental management objects (water, subsoil, and other natural resources) [6].

G. V. Shadrina divides the fixed assets of the enterprise into non-production and production. [7] Production, in turn, is divided into industrial and production of other industries. And in the group of industrial and industrial funds, it is customary to allocate the active part (working machines and equipment), as well as separate subgroups in accordance with their functional purpose (industrial buildings, warehouses, working and power machines, equipment, measuring instruments and devices, vehicles, etc.).

Levkovich O.A., Burtseva I.N. believe that fixed assets are the value expression of the means of labor, which are the product of labor, repeatedly participating in production processes, constantly wearing out and transferring their value to finished products (works, services) in the amounts of this wear [8].

In addition, according to P.G. Ponomarenko, Fixed assets are a part of property used as means of labor in the production of products, performance of works or provision of services, or for managing an organization for a period exceeding 12 months, or a normal operating cycle if it exceeds 12 months [9].

Kerimov V.A. believes that fixed assets include tools used in the process of manufacturing products, performing works and rendering services or for managing an organization, during a useful life of more than 12 months [10].

### **Research methods**

The study of existing scientific research on the improvement of the methodology of accounting and auditing of fundamental tools, the methods of definition and comparative comparison, logical thinking, scientific abstraction, data grouping, analysis and synthesis, induction and deduction have been widely used.

### **Results and discussions**

The modern market economy pushes enterprises to introduce new equipment and technologies, increases the scale of opportunities to use new financial tools and mechanisms. Currently, when domestic enterprises are gradually switching to IFRS reporting, the legislative regulation of accounting has turned out to be imperfect and requires refinement and clarification. For example, it is mandatory to ensure the regulation of the accounting process of transactions with fixed assets. The main problem of accounting for fixed assets in most domestic enterprises is the recognition and classification of assets, determination of their book value, as well as the corresponding depreciation charges and impairment losses to be recognized, and also the problem of determining the initial cost of fixed assets can be attributed.

One of the major components of the organization's non-current assets that support its operations are its fixed assets. Using fixed assets and production capabilities effectively enables the company to increase output (works, services), improve quality, lower costs, and increase labor productivity, all of which contribute to a certain growth in technical and economic indicators. Yet, providing accurate accounting, compilation, and distribution of truthful information about the organization's property status for management and investors, shareholders, in order to make further informed management decisions, is how efficient use of fixed assets is done. Rational accounting, reporting, and audit views for domestic businesses in accordance with national and international financial reporting standards (IFRS).

The issue of different interpretations of the term "fixed assets" is relevant. This concept has not only a complex and multifaceted nature, but also a different purpose. The versatility of the concept is presented in Table 1. Comparison between the concepts of "fixed assets" (from an accounting point of

view), the economic concept of "fixed capital" and the concept of "fixed assets" on the other hand, as well as the terms "assets" and "capital" among themselves, leads to a controversial understanding of the essence and the procedure for calculating important economic indicators. This makes it necessary to correct accounting definitions regarding the accounting content of objects and their economic essence.

**Table 1**

**Approaches to the interpretation of the concept of "Fixed assets" in accordance with the intended purpose**

Term	Interpretation
Fixed assets	It is used to reflect fixed assets in accounting
Main production assets	Characterizes the material and technical base of the enterprise
Basic assets	It is the main element of the national wealth of the country
Fixed capital	It is used in determining investments by areas, sources of financing, forms of ownership, types of economic activity

The interpretation of the concept of "fixed assets" implies one of the main problems that arise during the audit of fixed assets – checking the accuracy of the assessment of fixed assets accepted for accounting.

The problem of valuation of fixed assets is one of the most acute and relevant in accounting. The decisive factor in this matter is the principle of compliance with the unity and reality of the valuation of fixed assets. In accordance with IFRS 16 "Fixed assets", the cost of fixed assets includes: the purchase price of the asset (excluding discounts), customs duties, non-refundable taxes, installation and installation costs of the object.

Another problem in the field of fixed assets accounting in most domestic enterprises is the recognition and classification of assets, determination of their book value, as well as the corresponding depreciation charges and impairment losses that are subject to recognition of fixed assets accounting in most Russian enterprises is the recognition and classification of assets, determination of their book value, as well as the corresponding depreciation charges and impairment losses to be recognized[11].

While assessing fixed assets, in accordance with IFRS, one of the features is the fact that their book value can be reduced by appropriate government grants. This reduction is regulated by IFRS 20 "Accounting for state subsidies and disclosure of information on state aid". When implementing an international standard, fixed assets can be displayed in the reporting at revalued cost, except for the recommended valuation of fixed assets at their original cost.

While conducting an audit of fixed assets, one of the points is to check the accuracy of their assessment. The problem of valuation of fixed assets is one of the main ones in accounting, and the principle of unity and reality of valuation of fixed assets is a determining factor in the organization of accounting at the enterprise.

According to International Standards, it is proposed to solve this issue as follows. When the repair costs are checked, it is advisable to establish the presence of the following documents:

- repair plans and estimates,
- acts of acceptance and transfer of completed works,
- acts of technical inspection of buildings and structures.

It is also necessary to check the correctness and timeliness of the preparation of the relevant documents, the correctness of the formation of expenses by cost items, whether the material consumption rates and labor rates for repairs were overstated; the correctness of attributing the work to current or major repairs [11]. At the same time, the rationality and legality of repair operations are established. The revaluation audit of fixed assets is one of the important stages of the audit.

The most problematic issues of the audit of fixed assets is the use of a generally accepted methodology for assessing their condition. One of the most important characteristics of their condition

| e-ISSN: 2792-4009 | www.openaccessjournals.eu | Volume: 3 Issue: 5

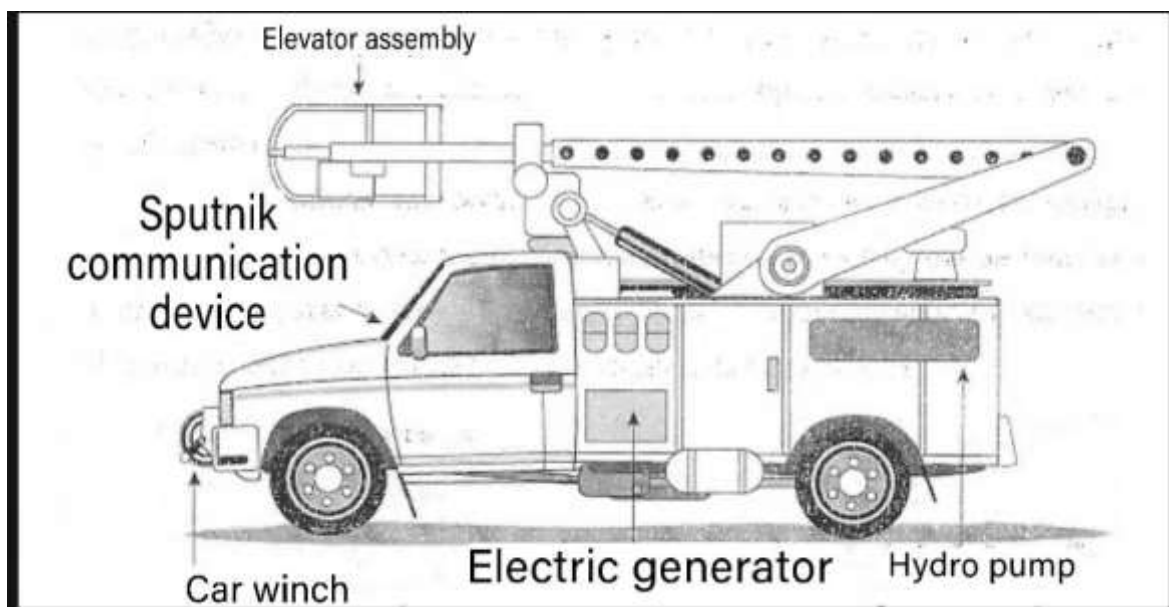
is the wear indicator. Depreciation is the process of an object losing its use value.

In the process of using the means of labor become physically and morally obsolete, and in order to ensure economically sound planning of their reproduction, it is necessary to correctly assess the level of each type of depreciation. Unlike depreciation, depreciation is the process of transferring an object's value to the value of the product being created. Depreciation is one of the links that form the cost of products, works and services performed and, as a result, affects the indicators characterizing the results of the company's activities. Objects that cannot be used as means of labor are not depreciable.

It is problematic to assess the obsolescence of the second kind, when more efficient fixed assets appear (with higher productivity, with less energy consumption, a diverse number of functions performed, etc.).

Domestic accounting practice does not provide for a separate reflection of the depreciation process and the depreciation process of fixed assets.

In foreign practice, if there is a profit from the sale of property (land), plant and equipment or other liquidations, it is recognized in "non-core incomes (Gains)", if losses are incurred, in "non-basic activity related expenses (Losses)".



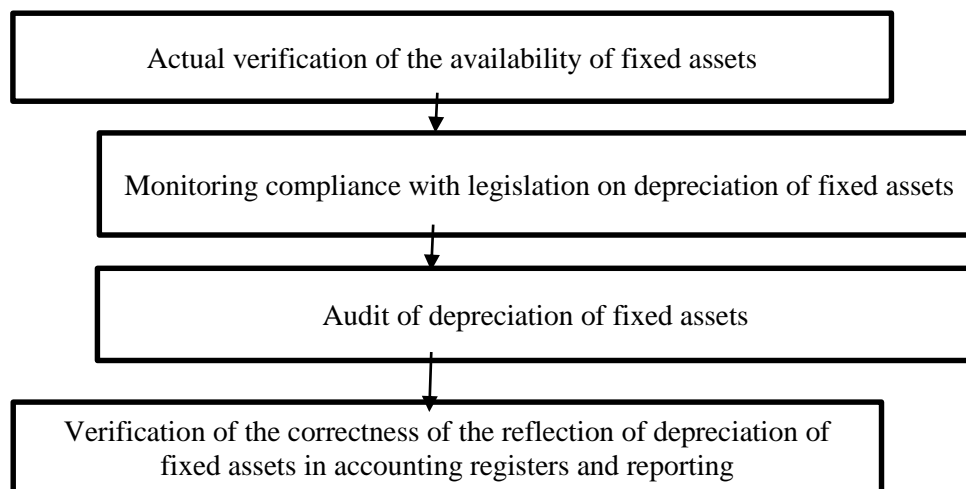
**Figure 1. Multiple of a single main tool integrated the fact that the aggregate consists of fixed assets**

Figure 1. the principle of "unit of use" is reflected in the importance of applying, according to this principle, individual parts of the main tools that work together belong to one guru, that is, they are generalized to one object. In order to carry out the current repair and constant reassessment in the term according to our opinion, when the integrated main tool consists of several aggregates, a separate depreciation account is kept on each aggregate (main tool). This method ensures the long service life of the main tool.

Depreciation assets are more effective in the first years of profitable service than in the following years, since it works with high efficiency in the early years.

While conducting an audit of depreciation of fixed assets in order to avoid problematic issues, it is rational to conduct it in four stages (Figure 2):

There are also situations when transactions with fixed assets for their movement, registration, disposal, documentation are incorrectly reflected in accounting. In this case, it is necessary to identify the perpetrators and the reasons that led to such a situation, and take appropriate measures.



**Figure 2 - Stages of the depreciation audit of fixed assets**

IAS 16 "Fixed assets" defines that the financial statements for fixed assets should contain information on the methods of cost estimation, depreciation methods (at the beginning and end of the periods of use), data on receipts, disposals, acquisitions, results of revaluations and other changes [12].

#### **Conclusion**

One of the distinguishing features between the international and national accounting and reporting systems is the difference in the final purposes of using the reporting information. Thus, financial statements under the national accounting system are intended for public administration and statistics bodies. While IFRS is used by investors, as well as other organizations and financial institutions. Since these groups of users have different interests and different information needs, the principles of financial reporting are also different.

When choosing to compile accounting (financial) statements according to the principles of international standards, domestic organizations have the opportunity to acquire a larger number of interested persons who want to have a variety of information about their activities, including foreign investors.

The orientation of national accounting systems to international standards makes it possible to compare the reporting indicators of enterprises in different countries. This provides investors with the necessary information when making decisions on the implementation of international investment projects, promotes the movement of capital and the integration of national economies.

Accounting according to international standards facilitates the work of accountants whose enterprises do business with foreign partners. Since the audit of fixed assets is a complex process and, given the constant changes in regulations on fixed assets — their depreciation, classification — it will be advisable to keep records of fixed assets in accordance with the International Standard, since the audit of fixed assets is a very important part of the overall audit of the enterprise [11].

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| e-ISSN: 2792-4009 | [www.openaccessjournals.eu](http://www.openaccessjournals.eu) | Volume: 3 Issue: 5

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