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The Impact of Auditing the Accounting Statements and Reviewing the Annual Data of the Organization

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The article explores annual accounting statements as an important management tool and studied the problems and features in the preparation of annual accounting statements in the context of legislative changes. It identifies the features and directions of improving the composition and structure of annual accounting statements as a source of information for effective management. The materiality threshold criteria for the recognition of additional articles of the annual accounting statements are investigated. Reporting is compiled according to international standards of annual accounting statements and is based on professional judgment and estimates.

Key words: *Accounting statements, Organization management, material information.*

Introduction

Annual accounting statements reflect all significant changes in the structure of organization, hold assets, the sources of their composition, and the results of accounting and economic activities. In the form of aggregate, it provides users involved in the management of the company a large volume for information. Increasing the role of both annual accounting statements and accounting as a whole is the result of expanding the scope of corporate governance issues, i.e. entities have the right, on the basis of accounting reporting data, to make investment and other business decisions. Given the role of accounting statements in the management of an organization, it should be noted that its requirements vary widely. There is an increase in the quality of reporting information, which is determined by the content, as well as the reality and efficiency of the data (Lyubushin, 2011).

Research methodology

Problem of the Research

In recent circumstances, for productive activities, each business entity needs information about economic partners interested in establishing sustainable economic relations. This information is obtained from annual accounting statements. Reporting helps to reflect and evaluate the results of activities thanks to accounting data, which is a system of continuous and documented business processes, and a structured dissemination of information about obligations, and the state of ownership of an organization, With its help, efficiency can be increased by forecasting trends, the necessary management decisions can be developed and adopted.

Purpose of the Study

This study will research and examine the formation of the annual accounting statements of the enterprise, as well as consider how the composition and structure of annual accounting statements can be improved as a source of information for effective management. It will study the features of reporting according to international accounting reporting standards. The role of accounting statements cannot be overestimated: it is possible to assess the stability of a developing economic entity, a property, or accounting situation.

Thus, the audit of accounting statements is becoming increasingly important because reports that are verified by auditors afford greater confidence.
It is unlikely that any bank will provide a loan to a client that does not have audited accounting statements, just as no investor will deal with an organization whose reports have not been audited for a number of years.

Statement of the Main Material

Today, a real means of communication, and an element of the market economy's infrastructure, can be identified thanks to the opportunity afforded to managers at different levels to formulate strategies and tactics for the development of an organization, such as reporting. Based on the annual accounting statements, it is possible to assess the state of a property, the operational results and the economic potential of the Corporation, as well as predict future cash flows, determine development trends, and make effective management decisions. Under accounting statements, the content and information about the accounting situation can be understood, as well as the results of operations and cash flows of a project for the reporting period (Savitskaya, 2010). Reporting is an independent system that provides necessary data and supporting information to management and can in no way be considered an integral element of accounting. Many specialized scholars interpret accounting reports as a set of report forms compiled on the basis of accounting data in order to obtain general information about the organization by the user. The main purpose of preparing annual accounting statements is to provide users with complete, honest and unbiased information about the accounting situation and the results of operations, as well as cash flows and changes in the company's equity, which is necessary for making decisions about:

1- Participation in the capital of the organization.
2- Acquisition, sale and ownership of securities.
3- An objective assessment of the quality of management.
4- Ability of the organization to fulfil obligations in a timely manner.
5- Security obligations of the organization.
6- Determining the amount of dividends.
7- Regulation of the organization, etc (Demina, 2011).

Therefore, it is very important to correctly and timely reflect the accounting operations of an organization, in particular to accurately conduct accounting and analytical work to reflect revenues and expenses, as well as draw up and submit reports to interested users both externally and internally within certain periods of time. Since 2012, in accordance with the law, a number of enterprises submit reports in accordance with international accounting reporting standards (IFRS).

The purpose of such reporting is to provide accounting information about a business entity, reports on what is useful for current and potential investors, as well as lenders and other lenders in making decisions on the provision of resources to this enterprise. The range of such decisions covers the decision to purchase, sell, or maintain mutual and debt instruments, as well as the provision or repayment of loans and other forms of loans (Kondrakov, 2013). An important feature of IFRS reporting is that it is mainly based on professional judgment and estimates, rather than accurate data. Therefore, it is not easy for accountants to recognize and adopt this approach when switching to the preparation of accounting statements in accordance with IFRS. Organizations, for the preparation of annual accounting statements, must apply IFRS and small and medium-sized organizations must also prepare general annual accounting statements. Of the reflection of statues in annual accounting statements, it is peculiar that organizations may not provide articles for which there is no information before disclosure. An exception are cases when such data was in the previous reporting period, that is, the lines of the annual accounting statements that do not have indicators can be ignored totally (Kamyshanov, 2011).

The value of annual accounting statements cannot be overestimated. The reason for this is the certain result of the work done, which follow or mismatch with expectations. For the long-term functioning of an organization and generating income, it is also important to check the annual accounting statements. Through them, you can not only draw certain conclusions on accounting aspects, but also check the qualification level of employees, as well as their integrity and honesty.

Annual accounting statements, as an important component of the information support system for the management and decision-making process of users, are harmoniously combined with classical management functions: planning, control, accounting, organization, motivation (Analysis of Economic). The data of annual accounting statements in the planning process are used to justify the goals and directions of work, and to form basic and model planned indicators of the accounting and economic activities of the enterprise. At the stage of organizing work, it affects the process of collecting primary data on the facts of economic life, and the methods and procedures for processing them in the accounting system. Details of processes, tasks, and definition at the production level, are information requirements and the functions of employees of the accounting service are carried out (Gilyarovskaya, 2011). Also, accounting statements are a means of stimulating and restricting accounting management policies. With its use, they monitor, control, analyse, and evaluate the results achieved, and provide suitable corrective actions.

The Procedure for Reporting Compliance with the Accounting Regulation "Organization's Accounting Statements"

The auditor checks the composition, content and procedure for the formation of accounting statements, and establishes the compliance and conformity of the forms used to standard forms. The instructions on the procedure for reporting determines whether the following data points are disclosed in the explanations:.

1- the presence of certain types of intangible assets, certain types of fixed assets, leased fixed assets.
2-the availability of accounting investments
3-the presence of changes in equity
4-extraordinary facts of economic activity.
The auditor also checks the rules for evaluating individual reporting items and whether they are confirmed by an inventory of assets and liabilities. When analysing the reliability of reporting indicators, the auditor should study the results of the inventory before the preparation of the annual report. All discrepancies with accounting data, as well as all errors and violations identified during the inventory, must be corrected and reflected in the respective accounting registers before the submission of the annual report. The amounts of balance sheet items for settlements with accounting and tax authorities must be agreed with and identical. It is advisable to check the compliance of the data on all General Ledger reports with the indicators of the accounting reporting forms. Checking the correctness of the assessment of the reporting articles, the auditor should make sure that the following principal provisions are observed when

compiling it: the value of the property and liabilities of the organization should be reflected in the statements; property and liabilities should be assessed by summing up incurred expenses; the offset between the articles of assets and liabilities; and the articles of profit and loss is not allowed to be reflected in the balance of numerical indicators, which should be carried out in a net assessment, i.e., net of regulatory values. The methods for generating reporting indicators must comply with the requirements of regulatory documents. If there are deviations, they should be disclosed in an explanatory note indicating the reasons and quantitative impact of these deviations on the generated reporting indicators (Ryabova, 2009)

Errors Resulting in the Preparation of the Audit Reports

The existence of an Audit Committee is a key feature of the application of good governance rules. This committee works to establish a culture of commitment and accountability within any institution regardless of the nature of its activity or size. This is done by providing reasonable assurance about the efficiency and effectiveness of the internal control systems applied in the organization, risk management, as well as ensuring the independence and integrity of the external auditor. As such, the general shareholders' associations or an institution's boards of directors (based on best practices in governance) form audit committees that are consistent with the nature of the activity, the institution in terms of the number of its members, and the expertise or skills available in its members. Therefore, many governance codes around the world have sought to organize the role of audit committees to increase their effectiveness because they are considered the most important oversight committee originating from the Board of Directors or the General Assembly of Shareholders. Audit committees should play a preventive role in control and risk management systems, as well as ensure that attention is given to oversight mechanisms and policies that prevent financial and operational disasters. However, these committees make mistakes which negatively affect their ability to fulfil this important role.
The report is a medium of communication that contains many symbols and terms that may not be understood or be misunderstood. Reports are seldom without such issues in understanding and interpretation, which lead to the development of the report.

Errors in the audit reporting process:
1-incomplete filling of reporting details.
2-significant indicators are not disclosed in the statements.
3-reporting indicators are not subject to inventory results.
4-There is incompatibility of reporting data with data from previous reporting.
5-There is no coordination of some reporting forms.
6-insufficient reporting clarification.

Thus, the audit of accounting statements is an integral element of a market economy, helping economic entities find new sources of financing and preventing possible errors in accounting (Kibitkin, 2013).

Accounting Reporting and Its Role in the Analysis of the Organization

Accounting methods are based on relevant regulatory documents. The analysis is carried out on the basis of financial and economic activities taking part in decision making. The main source of information is accounting at different levels of management. Information flows into accounting systems are widely used by all types of business accounting and, for making effective management decisions, it should satisfy all users and be reliable, objective, timely, and operational.

Preparation of financial statements is the final stage of the accounting process for a certain period, carried out in the framework of accounting.

The financial statements are a single system of data on the property and financial position of the organization, as well as on the results of its business activities, which are formed on the basis of the established forms of accounting data (Semenikhin, 2014).

The formation of financial statements is based on accounting data in the established forms. The main document establishing the composition, content and methodological foundations of the formation of financial statements of organizations is PBU 4/99: "Accounting Statements of Organizations."

To meet the general needs of interested users in accounting, information is generated on the financial position of the business entity, its financial results and cash flows.
The completeness of information on the financial position of the organization, and the financial results of its activities and cash flows, provides a set of financial statements and additional indicators of the relevant explanations.

It should be noted that the financial statements of organizations consist of:
1) balance sheet
2) a report on financial results
3) applications to them
- report on changes in equity
- cash flow statement
- other annexes to the balance sheet and statement of financial results

On the basis of clause 4 of Order No. 66n "On Forms of Accounting Statements of Organizations" other annexes to the balance sheet and the statement of financial results, that is, explanations, are made out in tabular and (or) text form. The content of the explanations in tabular form is determined by organizations independently, who take into account Appendix No. 3 to Order No. 66n (Koshkina, 2013); (Orlova and Filonova, 2012).

According to Order No. 66n "On Forms of Financial Statements", small businesses can submit financial statements according to a simplified system. They generate financial statements from the balance sheet and the report on financial results, including indicators for groups of articles, without detailing indicators for articles. The annexes to the statements provide the most important information, which helps assess the financial position of the organization.

To external users, the interests of users of the financial statements of various accounting data are necessary to assess the effectiveness of the organization. For an internal user, it is impirtant for making operational management decisions and conducting economic analysis regarding strategic planning.

A guarantee of high-quality preparation of financial statements is part of the norms (requirements) stipulated by legislative and regulatory legal acts (standards) on accounting. However, in the practical activities of organizations in accounting and in the preparation of financial statements, technical and methodological errors are often made, as well as unlawful actions (abuse and distortion) that reduce the quality and, consequently, the usefulness of accounting and reporting information for users.

It is worth noting that in modern business conditions, the organization's financial statements are given a lot of attention, since a competently conducted analysis of the financial statements is the main source of information on the property and financial position of the organization, the solvency or insolvency of the organization, its financial stability or instability, profitability of activities, level of business activity, and so on.

Moreover, the dynamics of the values of financial indicators vary, and deviations can characterize a different orientation of these or those indicators. Thus, the absolute and current liquidity ratio can gradually increase, and their level corresponds to the normative (recommended) value of indicators, which is positively determined in most cases. The interim coverage ratio (quick liquidity), meanwhile, shows the opposite tendency (decrease), and possibly even goes beyond the recommended interval.

In this case, it is necessary to carry out additional calculations, which will help to form a more reliable idea of the financial condition of the organization. The main thing is a systematic view of the indicators, which characterize not only the financial condition, but also the overall effectiveness of the financial and economic activities of the organization.

Conclusions

The main purpose of the annual accounting statements is to provide truthful and reliable information about the property and accounting condition of the organization, and the accounting results and economic performance of the reporting period for internal and external users. The information needs of users for the acquisition, sale and ownership of securities are provided thanks to annual accounting statements, which also enable and provide participation in the capital of the organization, management quality assessment, assessment of the company's ability to timely fulfil its obligations, regulation of the enterprise, and other solutions.

In preparing reports, a significant aspect is the determination of the materiality of information. Its absence may affect the decision of users of annual accounting statements.

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