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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

**PROCEDURES FOR ECONOMIC ANALYSIS IN
AUDIT AND THEIR IMPROVEMENT**

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Applicant: **Aynura Sabir qizi Hajiyeva**

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The dissertation has been completed at the department of “Accounting and Auditing” of Azerbaijan State University of Economics (UNEC).

Scientific supervisor: Professor, Dr. of Economy
Sifariz Mirzaxhan oghlu Sabzaliyev

Official opponents: Professor, Dr. of Economy
Sakit Mamadi oghlu Yagubov

Doctor of philosophy in economics, assistant professor
Nushaba Astan qizi Gadimli

PhD in Economic Sciences, assistant professor
Mehriban Shaban qizi Aliyeva

Dissertation council FD 1.11 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State University of Economics.

Chairman of the

Dissertation council:



signature

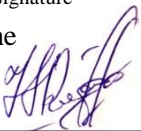
Honored Scientist,

Doctor of economic sciences, Professor

Yadulla Hamdulla oghlu Hasanli

Scientific secretary of the

Dissertation council:



signature

PhD in Economic Sciences

Rashad Aktiv oghlu Huseynov

Chairman of the

scientific seminar:



signature

Doctor of economic sciences, Professor

Fazil Shohlat oghlu Hajiyev

GENERAL CHARACTERISTICS OF THE DISSERTATION WORK

Relevance of the research topic. The globalization of the economy and the growth of business ties necessitate the resolution of a variety of significant economic issues, including the involvement of manufacturing and financial capital, as well as their efficient use. In this case, a strong focus should be put on the need to use cost-cutting mechanisms to increase profits. Auditing and economic analysis, which is an important part of it, are becoming more important, as are other aspects of management, and they are using a variety of tools, strategies, and laws to solve these issues.

According to International Standard Auditing 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing”, the primary goal of a financial audit statement is to gain enough trust in the disclosure of material misstatements and obtain an auditor's opinion on whether the financial statements were prepared in compliance with International Standards. Since there is a risk of material misstatement in the financial statements, the audit is developed and executed based on a professional opinion.

Auditors usually concentrate on transactions and accounting procedures that deal with the economic details that form the basis of the financial statements in traditional audits. The importance of reliable and correct accounting in accordance with standards of financial statement quality and operations continuity, as well as the development of theoretical and functional aspects of auditing, demonstrate the need to use and improve complex economic analysis methods, which play an important role in justifying management decisions.

In both situations, the accounting and reporting system offers information to both insiders and outsiders, and economic analysis helps management make decisions based on that information. The task of economic analysis combines information gathering, review of data, cause-and-effect relationships, generalization, systematization, preparation of guidelines and proposals, and resource recognition in terms of explaining management decisions and improving

performance.

Researching its direct relationship to audit, accounting, and evaluating the accuracy of financial statements is one of the top priorities of economic analysis. The public's demand for information about the organization's financial and economic situation is currently unmet, necessitating the development and improvement of audit methodology. Simultaneously, the creation of theoretical and functional aspects of the audit, as well as the adaptation of the audit's methodology to the needs of internal and external users (shareholders, owners, investors, creditors, and so on) are essential.

In addition to verifying the report's accuracy from an accounting standpoint, the audit aims to evaluate its economic content, the organization's ability to continue operating, and management's effectiveness. The implementation of appropriate analytical procedures is needed to address the issues in these three areas. Given this, it's important to remember that economic analysis is the foundation for reducing uncertainty, developing and making strategic and tactical management decisions, and optimizing efficiency to maximize outcomes, minimize risks, and increase market value.

It should be noted that the approaches to the framework for determining the audited entity's continuity include radically new criteria. As a result, the auditor should not only express his opinion on the financial statements' accuracy but also assess the number of funds required to cover the organization's liabilities and provide financial capital for its potential growth. From this perspective, economic analysis is the foundation for reducing uncertainty, designing and making strategic and operational management decisions, and optimizing the organization's efficiency to maximize performance, minimize costs, and increase its market value. It's worth noting that the majority of the specialized literature recognizes the principles of "audit analytical procedures" and "audit economic analysis".

Even though analytical services are becoming an essential part of audit organizations' operations, the sources of knowledge are not well-organized enough to conduct analytical procedures. The methodological guidelines for using economic analysis in the audit of expectations have not been thoroughly investigated.

Study level of the problem. V.T.Novruzov, S.M.Sabzaliyev, I.M.Abbasov, S.M.Qasimov, Q.A.Abbasov, C.B.Namazova, F.Sh.Hajyev, H.A.Cafarli, R.N.Kazmov, N.M.smaylov, V.M.Quliyev, and others from Azerbaijan investigated the guidelines for using economic analysis in auditing activities. Foreign scholars including R.Adams, E.A.Arens, D.Bennesh, F.L.Defliz, Q.R.Cenik, C.K.Lobbek, V.M.O'Reylli, C.Robertson, V.D.Andreyev, M.I.Bakanov, R.P.Bulqa, L.T.Qilyarovskaya, O.V Yefimova, V.Q.Koqdenko, V.V.Kovalyov, M.V.Melnik, A.D.Şeremet also studied this topic.

However, certain aspects of the use of economic analysis in auditing activities have been examined to some degree or another in their pieces of literature, and the research question has not been adequately and systematically studied. The research's aims and priorities have been determined by the urgency of the issue and the scarcity of scientific research.

The purpose and objectives of the study. The dissertation's main goal is to develop methods for assessing the accuracy of an enterprise's accounting and financial statements, the use of analytical techniques in the auditing of economic and financial operations, and management performance. The following objectives have been defined and solved in the research work to achieve this purpose:

- Explanation of the audit concept based on a critical approach to viewpoints on economic content;
- Justification for the use of economic analysis in the accounting and auditing of a corporate entity's financial statements;
- Explanation (justification) of the importance of analytical procedures in the audit, in compliance with international auditing standards;
- Systematization of information used in auditing activities;
- Identification and substantiation of stages of organization of analytical work and system of analytical indicators in the audit process;
- Identifying the features of using economic analysis in audit risk and valuation quantities;
- Improving the analytical methods used to determine the accuracy of financial statements, the likelihood of business organization stability, and management effectiveness.

The object of research - is the methodological techniques used in the process of auditing financial statements in commercial organisations, as well as the guidelines for their implementation.

The subject of research-The use of methodological procedures of economic analysis in the auditor's activities and the issues of its progress to critically evaluate the efficacy of its financial and economic activities are the focus of research to enhance the standard of accounting and auditing of financial statements of economic entities.

Theoretical and methodological bases of research include laws on accounting, reporting and auditing in the Republic of Azerbaijan, decrees and orders of the President of Azerbaijan on their implementation, International Standards on Auditing, Fundamentals of Accounting, Economic Analysis and Audit Theory and Methodology, normative, methodological and instructional materials. The theoretical foundation for the study also contains scholarly papers, monographs, and other material from local and international economists on the application of economic analysis.

The dissertation uses a systematic and comprehensive approach to the study of objects, general and special methods of economic analysis and control - observation, comparison, grouping, detailing, systematization, dynamic and structural analysis and other research methods.

The information database of the research includes reports from leading audit-consulting firms, as well as Azersu OJSC, official publications of the Chamber of Auditors of the Republic of Azerbaijan, and other documents.

The study's scientific novelty. The scientific innovation of the work is characterized by the results obtained in connection with the solution of important theoretical and organizational-methodological problems utilizing economic analysis in the auditor's operation. The following are some notable outcomes that can be attributed to scientific novelty:

- With regards to the evaluation of the likelihood of the business entity's continuity and the efficacy of management, a new concept of the audit has been formulated;
- It is justified to use economic analysis in accounting and financial

statement audits and increase their consistency;

-Analytical procedures' nature and function in collecting audit evidence to support the auditor's opinion have been explained.;

- The required sources of information for financial statement auditing are organized;

- The stages of economic analysis of an organization and the auditing framework of analytical indicators are described;

- To assess the precision of the measurement of audit risk and valuation quantities, the analytical coefficient of valuables in audit is recommended;

- Supported plans have been prepared to find inconsistencies in the organization's financial statements, as well as develop the framework for evaluating the likelihood of its operations continuing and management effectiveness.

The practical significance of the research. The functional significance of the study is characterized by well-supported proposals for using methods of economic analysis in auditing. As a result, the research recommendations can be used in the functional practices of audit firms, as well as in the process of developing the regulatory structure for auditing and assessing the firm's operational efficiency.

Approbation and results of research work. The research's key findings have been accepted and are currently being used in Azersu OJSC for practical purposes. The main scientific provisions and results of the dissertation have been presented at international and scientific-practical conferences held at ASUE, "Sakarya" University, international scientific-practical conferences dedicated to the 50th anniversary of Azerbaijan Cooperation University and the 20th anniversary of the Chamber of Auditors of the Republic of Azerbaijan as well as published in many local and foreign academic journals.

The structure and scope of the work. The dissertation consists of an introduction (11063 symbols), 3 chapters (chapter 1 – 85733 symbols, chapter 2 – 76357 symbols, chapter 3 – 69233 symbols), a conclusion (10508 symbols) and a list of 140 references. There are 8 diagrams and 10 tables. The total volume of the dissertation is 158 pages (252970 symbols).

The structure of the dissertation

Introduction

Chapter 1. Economic analysis in audit and its theoretical and methodological framework

- 1.1. The economic nature of the audit and the theoretical basis for the use of economic analysis in auditing
- 1.2. Methodological issues of using analytical procedures in audit
- 1.3. Systematization of information used in the audit of economic entities

Chapter 2. Methodology of using economic analysis in the process of auditing financial statements

- 2.1. Methodology for using economic analysis in audits, as well as a stage-by-stage breakdown of the enterprise.
- 2.2. Analytical risk management and risk analysis by auditors.
- 2.3. Economic analysis of valuables in the audit of financial statements.

Chapter 3. Directions in the application of economic research techniques in auditing.

- 3.1. Improving the rules for evaluating the truth of financial statement falsification.
- 3.2. Diagnosis of the audited organization's business continuity
- 3.3. Improving the methodology for evaluating economic entities' economic performance

The result

List of used literature

Appendix

SUMMARY OF THE STUDY

1. The economic nature of the audit and the theoretical basis for the application of economic analysis in modern auditing.

In today's world, knowledge accuracy, reliability, and consistency play a critical role in determining the likelihood of a company's survival and the efficiency of its financial and economic operations. In addition to this aspect, the dissertation emphasizes that it is primarily important for management to develop a strategy for the development of the enterprise and ways to increase its efficiency, control its compliance with the requirements of the legislation on taxation as well as business entities' operations and business relationships. In this regard, the issue of correct understanding of the essence of the audit, the concepts of "audit", "auditing activity" and "audit audits" is of fundamental importance.

The author backs up the following points of view on a variety of approaches to these issues:

1) It is necessary to form clear definitions by distinguishing the concepts of "audit", "auditing activity", "audit inspections", and "audit services". As a consequence, if other problems are addressed using audit reports, something is not quite correct. It is simply a matter of audit services, and audits are seen as a type of audit service. The possibility of harmonization, or rather, the distinction between appropriate and inappropriate audit services, is a significant challenge in this field.

2) Given the growing importance of audit-related resources, the widespread use of modern information technology, and the widespread use of initiative audits to perform systematic audits, the words "audits," "audit operations," "audit services," and "audit as a whole" have become interchangeable. The significance of accurate identification cannot be overstated. This topic is broader than the development of theoretical and methodological concepts related to auditing and has not lost its relevance today.

The need to assess the position of audit in the overall system of financial control is related to the analysis of the ratios of "external audit and internal audit," "external audit and internal control," and "financial control and audit" in the system of audit concepts or

words. The author stresses that there is no standard meaning of the word “audit” based on an in-depth analysis of approaches to the essence and economic content of an audit.

Thus, according to some economists, an audit -“is an independent auditor's independent review of an entity's financial statements and the expression of an opinion on the accuracy of the financial statements in compliance with established procedures "(R. Adams)”; “obtaining and reviewing objective information about the audited organisation, assessing their degree of conformity with certain requirements, and delivering the findings to the appropriate users” (C. Robertson, FL Defliz, QR Genik, et al.); “the process of gathering and analyzing relevant data to assess the degree of compliance with existing standards and represent it in one's own opinion” (EAArens and CKLobbeck); “accounting and management to assess the quality of the accounting report, as well as objective verification of the state of internal control, enforcement of financial and economic activities as well as the report’s accuracy in compliance with the law” (VI Podolskiy, AA Savin, LV Sotnikova).

Another problem is that the audit role is limited in most economic literature and analysis, as well as official regulations and acts, to checking accounting accuracy and determining the accuracy of financial statements. However, international auditing experience indicates that in business environments, it can cover the resolution of more relevant issues such as resource quality, financial position evaluation, solvency, reserve recognition and mobilization, and other such issues. The main aim of the audit, it is argued, is to determine the accuracy of the financial statements in terms of their economic substance, in addition to verifying the accuracy of the financial statements from an accounting perspective.

In terms of the audit’s intent, the dissertation stresses the importance of expanding the concept of auditing and moving away from an audit that only considers the organization’s past activities and confirms the quality of accounting (financial) statements to a future-oriented audit. In other words, the audit entity’s consistency is an impartial professional analysis of the financial statements’ quality

and legal enforcement to ascertain the likelihood and efficacy of its work.

The content and main purpose of the economic (financial) analysis in the audit is to assess the financial condition of the organization and identify its opportunities to increase efficiency. Economic analysis is primarily used at the microeconomic level of management, in terms of the attraction and effective use of financial capital, the implementation of cost-cutting steps, improving management performance, and improving key elements such as forecasting, accounting, and control. The analysis is a series of procedures for assessing the report's reliability, the organization's current financial situation, and the organization's growth prospects in the most critical areas to determine the likelihood of continuity of the organization's operations and management performance. One of the issues of using economic analysis in auditing is that the terms "analytical procedures" and "economic analysis" are often used interchangeably. Of course, although there are commonalities between analytical procedures of audit and economic analysis, in our opinion, these concepts cannot be equated. Thus, the information that is verified in the audit process serves as a source of information for economic analysis, while analytical procedures as a form of substantive audit procedure are used to obtain audit evidence when forming an opinion on the accuracy of financial statements. At the same time, if the purpose of economic analysis is to assess the probability of continuity of the organization's activities and the effectiveness of its management, as well as forecasting future development, the purpose of analytical procedures is to identify unusual and (or) incorrectly reflected business transactions, such as errors and identification of the causes of distortions.

According to the economists, the aim of economic analysis in audits is to locate high-risk areas of the audited business using a collection of analytical procedures, reduce the workload of financial audits, improve the efficiency of inspections, and forecast the organization's future growth prospects. Given the high level of analytics of the audit engagement, both in terms of its content and its solution, it is understandable that analytical procedures should be

used to ensure the purpose of the audit. 58 Analytical procedures are important coefficients in BAS Analytical Procedures and are described as a method of analyzing patterns and then observing their changes and interactions. To research the agency and its environment, obtain audit evidence by review, and study the causes and deviations, the auditor employs analytical procedures as risk management procedures.

Analytical techniques are carried out at various stages of the audit, with varying goals. The auditor primarily employs analytical techniques to determine the financial statements' accuracy. However, using analytical techniques, a broader range of problems may be detected, including the formation of the client's corporate picture, mistakes, misstatements, indicators of accounting misstatement due to imperfect accounting standards, the organization's prospects for continuity, and the business's economic viability. In conclusion, the audit is an objective review of financial statements to determine the probability and efficacy of a business enterprise, and it is a component of the analytical procedures used in economic analysis, ie the acquisition of audit data.

2. Methods of using economic analysis in the audit. Economic analysis is an integral part of the audit process and is used at all stages: preparing the overall audit plan, forming audit facts, selecting auditors, assessing the severity of misstatements, and justifying the findings in the auditor's report. Two types of analysis are used in the analysis. To begin, the review evaluates the organization's financial performance, the condition of its labour, assets and liabilities, and the effectiveness of the funds used. Second, economic analysis is seen as a type of audit service that provides management, founders, owners and shareholders with complete and detailed information about the entity's financial position, revenues and their use at the end of the reporting period. All users of financial statements use financial analysis methods as a key element of financial management when making decisions to optimize their interests.

The experience of conducting audits in organizations shows that the methodology of applying economic analysis in auditing covers 5 stages: acquaintance with the client's business; identification of signs

of misstatement of financial statements using analytical procedures; assessment of the probability of continuity of business activities; assessment of the effectiveness of management and the economic situation of the business; formation of auditor's information for the management of the organization.

The first stage is essential to the auditor has relevant knowledge about the organization's activities to understand the organization's business practices and operating processes in the course of checking the consistency of the financial statements. The initial stage includes a business environment evaluation, a speedy review of the organization's operations, and a financial statement analysis.

One of the key steps is to assess the accuracy of the report. Determining the signs of report distortion through analytical procedures is a very complex step. Each of these areas requires a certain set of analytical procedures, namely, examining the control ratios between the reported indicators, identifying illegal actions aimed at optimizing the tax burden or misappropriating the organization's profits and assets. At this stage, the company must reveal the facts surrounding tax optimization, tax avoidance, and asset misappropriation, as well as the appropriateness of the value of its capital to market and mid-level, cash flows, and tax burden.

Given that financial performance, along with assets, is one of the most skewed financial statements, a thorough examination of transactions between an entity and its counterparties are required to determine the probability that profits and assets will be diverted from the entity and put in interdependent entities. As a consequence of these activities, the study is inaccurate from an economic standpoint (not in accounting terms), and stakeholder actions decrease the possibility of long-term market stability and productivity.

One of the reasons for the report's distortion is attempts to reduce the tax burden. Here, the composition of cash income in terms of "taxation", the patterns of tax payments, and the organization's key tax bases should all be compared. It is recommended that metrics such as the tax burden on the organization's gross income (excluding excise and value-added taxes), the tax burden on salaries, and the

share of tax payments in overall payments for current operations be included in the analysis process.

Calculations based on financial, development and market factors could raise doubts about the operation' long-term viability. To determine business continuity, we believe that output and market characteristics, in addition to financial characteristics, should be considered. In evaluating the efficacy of the audited company and its sector, it is critical to examine the financial results of operations, cash flows, and resource usage as one of the most significant blocks of economic analysis.

In the audit method, relative quantities and metrics are used in the analysis of valuation quantities, the identification of financial statement distortions and their effect on financial statement accuracy, and the likelihood of business continuity.

Table 1.
Relative quantities used in financial analysis¹

№	The name of the indicator	Method of calculation	Quality feature
1	Current liquidity ratio	The ratio of current assets to current liabilities	Level of short-term supply capability
2	Intermediate liquidity	The ratio of cash and cash equivalents to total current liabilities to current liabilities	Level of short-term supply capability
3	Long-term liabilities, share capital ratio	The ratio of long-term liabilities to total assets	Level of long-term sustainability
4	Net asset payback ratio	The ratio of inventories and inventories to net assets	The efficiency of financial and economic activity
5	Profitability (total)	The ratio of gross profit to sales revenue	The efficiency of economic and financial activity. Sales efficiency.
6	Net sales profitability	The ratio of net profit to sales revenue	The efficiency of economic and financial activity
7	The ratio of current assets	The ratio of net profit to current assets	The efficiency of working capital use
8	Liquidity ratio of reserves	The ratio of the cost of inventories to sales	Inefficiency in the use of resources

¹ Шеремет, А.Д. Финансовый анализ: Учебно-методическое пособие / А.Д.Шеремет, Е.А.Козельцева. — Москва: Экономический факультет МГУ имени М.В.Ломоносова, 2020. — 200 с

Thus, the results obtained in the audit based on the use of financial analysis should be formalized, indicating the analysis methods used to obtain them. The correct choice of the methodology of the analysis significantly increases the validity of the results and opinions obtained.

3. Economic analysis of the estimated quantities in the audit of the financial statements.

It should be noted that one of the major topics being discussed is asset and liability valuation. When evaluating the accuracy of the asset presentation on the balance sheet, keep in mind that current assets including inventories and receivables are likely to be misrepresented. It is known that the management of the audited entity is responsible for calculating the estimated amounts included in the financial statements. If we take into account that this indicator is calculated under conditions of uncertainty, then there is no doubt that the risk of serious misstatement in the financial statements will increase. When assessing the probabilities on which the appraisal quantities are based, the auditor should determine their accuracy in terms of the actual results of past periods and whether they are consistently applied to the probabilities used to obtain other appraisal quantities.

Given this, the author stresses that the auditor must ensure that he or she has adequate audit evidence in the current situation to ensure that the assessments are satisfactory and that information about them is published at the required stage. In our view, the analysis and verification of the valuation procedures used by the management of the audited entity should include the following steps: evaluation of the input data and consideration of the probabilities on which the valuation quantities are based; verification of the correctness of the formula and calculations used for the calculation of evaluative quantities; comparison of estimates for previous periods with actual results for those periods; review of the procedure for approval of the methodology for calculating the estimated quantities by the management of the audited organization.

The uniform requirement for the audit of valuables in the financial statements is set out in “ISA 540, Auditing Accounting

Estimates, Including Fair Value Accounting Estimates, and Related Disclosures”. Such quantities include recorded liabilities, reserves, depreciation of fixed assets and intangible assets, deferred tax assets and tax liabilities, doubtful debts and impairment losses on securities regulated under the accounting rules. No invoices, accounts payable for works and services, arrangements for future payments, or transfers to different funds have been provided in compliance with the contract. From the audit point of view, the provisions for doubtful debts are important in the composition of the estimated quantities, and in our opinion, this issue should be in the focus of the auditor. Since valuation amounts are calculated based on financial statements, regardless of the size of the company's earnings, this results in a reduction in profit for the reporting year; but, if the organization does not establish reserves, this will happen. In this regard, the auditor should take the calculation of valuables seriously, assessing the accuracy and appropriateness of their formation, the usefulness of their use, and the impact on financial statement accuracy.

The provision often harms the balance sheet structure, financial stability, and profitability. Certainly, the debtor's actual repayment of questionable debts at the time of the provision's existence or in the absence of such a provision, or, conversely, its identification as bad debt, all result in the same financial result (Table 2.3).

Table 2

Analysis of the effects of creation of provisions on depreciation of material assets on Azersu OJSC's operations²

Indicator	Years		
	2017	2018	2019
Current liquidity ratio			
- reserves are created	0,185	0,197	0,215
-reserves not created	0,198	0,218	0,242
Total solvency level			
- reserves are created	0, 872	1,254	1,478
-reserves not created	0,835	0,107	1,458

²The table has been developed based on data derived from https://azersu.az/files/Azersu_Report_AZ.pdf

Working capital supply ratio			
- reserves are created	0,319	0,293	0, 325
-reserves not created	0,362	0,330	0,398
Financial risk ratio			
- reserves are created	1, 433	1, 572	1,683
-reserves not created	1, 525	1, 608	1,712

The elements of accounting policy should include the process of estimation and measurement of estimated quantities. When studying accounting methods for estimating approximate amounts, it is recommended to use one of the following methods:

- review and verification of the enterprise's analytical methods for calculating the estimated quantities;
- comparing the amount of independent assessment with the amount of assessment prepared by the business entity's accounting;
- Examination of subsequent events that support or refute the estimated figures

Table 3
Analysis of the effects of creation of provisions on questionable debts on Azersu OJSC's operations³

Indicator	Years		
	2017	2018	219
Current liquidity ratio			
- reserves are created	0,142	0,163	0,178
-reserves not created	0,153	0,172	0,183
Total solvency level			
- reserves are created	1,103	1,289	1,323
-reserves not created	1,135	1, 178	1,225
Working capital supply ratio			
- reserves are created	0,298	0, 372	0,412
-reserves not created	0,312	0, 381	0,423
Financial risk ratio			
- reserves are created	1,302	1,289	1,385
-reserves not created	1,285	1,325	1, 456

³The table has been developed based on data derived from https://azersu.az/files/Azersu_Report_AZ.pdf

If there is a significant discrepancy between the auditor's estimates of the estimated quantities and the relevant figures in the accounting and reporting, the audit firm should consider the need for adjustments to the financial statements. For this purpose, in the dissertation, the evaluator suggests the use of their audit analytical coefficient (Θ^{AA}) to evaluate the use of analytical procedures in the audit of quantities.

$$\Theta^{AA} = \frac{\sum K^{AP} T_i^{AP}}{\sum K^{DAP} T_i^{DAP}}$$

In here, K^{AP} – the number of analytical procedures used in the audit of the estimated quantities; T_i^{AP} – the amount of time spent on analytical procedures; K^{DAP} – the number of other audit procedures used in the audit of valuation quantities other than analytical procedures; T_i^{DAP} – indicates the amount of time spent on other audit procedures (other than analytical procedures).

The successful use of analytical procedures in the audit of evaluative amounts, and therefore the likelihood of high objectivity of the audit results, is characterized by a high value of this ratio. If this ratio's quantity is insufficient, it indicates a higher risk of failing to find any significant flaws in the audit of the estimated quantities, necessitating the use of additional procedures.

4. Directions for improving the methodology for determining the facts of falsification of financial statements

The aim of using economic analysis to determine the report's accuracy is to find errors caused by human error, stakeholder fraud, and faulty accounting standards. The signs of a misstatement as a result of a mistake are determined by calculating fixed ratios between the organization's main performance metrics for the prior period and comparing them to the actual ratios for the reporting period. The dissertation emphasizes that the purpose of illegal actions is to save taxes and remove assets from the turnover of the organization. Thus, transactions that are properly drawn up from an accounting standpoint result in outcomes that are not deemed economically

correct as a result of fraudulent acts by interested parties (management or members of the owner). The origin and origins of the financial statements generated by the company should be determined by analyzing the composition of sales, expenditures, and income. It's worth noting that the tools are more skewed. It is important to recognise potential deviations between the carrying amount of assets and their market value during the analysis phase.

Besides, the quality of assets should be assessed to identify possible misstatements related to the use of tax optimization, as well as signs of withdrawal of assets from the organization. Attempts to reduce the tax burden are one of the reasons for reporting distortion. Tax burden indicators include the tax burden on the gross income of the organization (ratio of total taxes to cash income from operating activities), the tax burden on gross (net) income, the tax burden on wages (the ratio of payments to social funds to salaries), as well as on current activities. Businesses should use metrics such as the percentage of tax payments in overall payments. In this dissertation, it is clearly mentioned that reduced marginal benefit and share of expenses, growth rate of cash income and asset quality, increase in receivables turnover, growth rate of depreciation, and financial instrument growth rate are the indicators used in international practice for the analysis of the research on data distortion. It is proposed to use the "Normative Deviation Card of Financial Indicators".

5. Improving the methodology for diagnosing the probability of continuity of the audited organization and evaluating the effectiveness of management.

The probabilities considered, including the possibility of activity consistency, which is one of the basic concepts for financial statement preparation, have a major effect on the evaluation of the organization's assets and liabilities, as well as the financial statement's reliability. Financial indicators (authorized money, net liabilities, unpaid but reasonable emergency loans, losses from the organization's key operations, the impossibility of agreements with creditors, the implementation of prepayments for products, etc.),

operational indicators (improper management structure, lack of main sales market, loss of significant customers, etc.) and other indicators (unpredictability of legislation, court decision on the claim that does not satisfy the interests of the organization, uninsured or fully insured unforeseen disasters) are recommended to be used for evaluating the audited organization's continuity.

Many claim that evaluating a company's management should concentrate on analyzing key financial ratios, identifying existing financial sector flaws and their causes, and designing proposals to correct them. The financial ratios that characterize these ratios can be divided into three groups, in our opinion: financial status (liquidity indicators), asset turnover (business continuity indicators), and profitability. These ratios will aid you in determining the overall state of the audited organization's operations.

The following published articles and theses by the author represent the key provisions of the dissertation, the results obtained, and suggestions:

1. Hacıyeva A.S.Auditdə analitik prosedurlardan istifadənin təkmilləşdirilməsiAzərbaycan Kooperasiya Universiteti, “Regional iqtisadi siyasət və kooperasiya münasibətlərinin inkişafı” beynəlxalq elmi-praktik konfransın materiallarıBakı, 2014 cü il, s.536-540.

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capevi@internet.ru Tel.: (+99455) 2012809