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THE IMPORTANCE OF THE AUDIT OF LEASING OPERATIONS ON FARMS OF THE REPUBLIC OF UZBEKISTAN

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Abstract: The article presents comprehensive theoretical and practical insights into the procedures for auditing leasing operations in farms of the Republic of Uzbekistan. Particular attention is paid to key audit aspects, including the purpose and objectives of the audit, as well as the sources of information used in the audit process. The study describes audit procedures related to the recognition, registration, and documentation of leasing transactions based on the chart of accounts and outlines the systematic approach to documenting audit results. As a result of the research, practical proposals and scientifically grounded recommendations aimed at improving the effectiveness and quality of auditing leasing operations have been developed.

Key words: audit, leasing operations, leasing object, accounting, chart of accounts, audit procedures, fixed assets, costs.

Annotatsiya: Maqolada O'zbekiston Respublikasi fermer xo'jaliklarida lizing operatsiyalarini auditdan o'tkazish tartibining nazariy va amaliy jihatlari har tomonlama yoritilgan. Tadqiqotda audit jarayonida e'tibor qaratilishi lozim bo'lgan asosiy masalalar, auditning maqsad va vazifalari, shuningdek, audit davomida foydalaniladigan axborot manbalari tizimli ravishda tahlil qilingan. Lizing operatsiyalarini buxgalteriya hisobida schyotlar rejasi asosida rasmiylashtirish va hujjatlashtirish jarayonlarini audit qilish tartibi bayon etilgan hamda audit natijalarini rasmiylashtirishning izchil mexanizmi ko'rsatib berilgan. Tadqiqot natijasida lizing operatsiyalarini audit qilish samaradorligini oshirishga qaratilgan ilmiy asoslangan taklif va tavsiyalar ishlab chiqilgan.

Kalit so'zlar: audit, lizing operatsiyalari, lizing obyekt, buxgalteriya hisobi, schyotlar rejasi, audit protseduralari, asosiy vositalar, xarajatlar.

Аннотация: В статье всесторонне рассмотрены теоретические и практические аспекты проведения аудита лизинговых операций в фермерских хозяйствах Республики Узбекистан. Особое внимание уделено ключевым вопросам аудита, его целям и задачам, а также источникам информации, используемым в процессе проверки. Описаны процедуры аудита отражения, регистрации и документального оформления лизинговых операций на основе плана счетов бухгалтерского учета, а также представлен системный подход к оформлению результатов аудита. По итогам исследования разработаны научно обоснованные предложения и рекомендации, направленные на повышение эффективности и качества аудита лизинговых операций.

Ключевые слова: аудит, лизинговые операции, объект лизинга, бухгалтерский учет, план счетов, аудиторские процедуры, основные средства, затраты.

INTRODUCTION

Fixed assets of an enterprise may either be owned or acquired on the basis of a lease agreement. Owned fixed assets belong directly to the enterprise, whereas leased assets are obtained under operating (short-term) or finance (long-term) leasing arrangements. The legal relationship between the lessee and the lessor is regulated by a written lease agreement in accordance with the requirements of the Civil Code, the Law on Leasing, and other relevant legal and regulatory acts.

When auditing property, plant, and equipment received under an operating lease, particular attention should be paid to the existence and correctness of lease agreements, the proper recognition of fixed assets, and the accounting procedures applied by the enterprise. Fixed assets received under an operating lease are recorded in off-balance sheet account 001. The lessee's accounting records must include copies of inventory

cards for each leased item provided by the lessor (Form AV-6). In addition, the transfer of fixed assets under a lease agreement must be documented by an acceptance act in Form AV-1 [7].

Lessor enterprises recognize lease payments, including value added tax, as operating income (Dt account 4810, Kt account 9350). Depreciation of leased assets is included in operating expenses (Dt account 9350, Kt account 0220), thereby reducing operating income. At the same time, value added tax is calculated and paid to the budget in accordance with established procedures (Dt account 9350, Kt account 6410; Dt account 6410, Kt account 5110) [2].

Lessee enterprises include lease payments for operating leases in production costs by debiting accounts 2010, 2310, 2510, and 2710 and crediting account 6910 "Short-term rent payable." The related value added tax is reflected by debiting account 4410 and crediting account 6910. Current repair costs of leased fixed assets are borne by the lessee, while capital repairs are financed by either the lessee or the lessor in accordance with the terms of the lease agreement. During the audit, the auditor must examine these issues in detail and record any identified inconsistencies in the working papers.

The audit of fixed assets obtained under finance (long-term) lease agreements has specific features. Such assets are initially recognized in the lessee's account 0310 "Property, plant, and equipment acquired under a long-term lease." Depreciation is calculated on a monthly basis in accordance with general rules and recorded in account 0299 by debiting production cost accounts and crediting account 0299. Settlements with the lessor are recorded in accounts 6910 "Short-term rent payable" and 7910 "Long-term rent payable." Consequently, the auditor should verify not only the correctness of accounting for leased fixed assets but also the accuracy of settlements between the lessee and the lessor, including reconciliation acts.

Auditing fixed assets leased from individuals also involves specific considerations. Many enterprises lease vehicles as this option is often more economically efficient than purchasing them. In such cases, the auditor should carefully examine the lease agreement, particularly provisions related to operating and maintenance costs and calculation procedures. Lease payments made to individuals are included in the lessee's expenses, and income tax is withheld from the accrued rent, while payments to extra-budgetary funds are not deducted. If fixed assets are leased from individuals registered as entrepreneurs, income tax is not withheld; however, the enterprise is required to notify the tax authorities on a quarterly basis of such payments. The auditor must ensure full compliance with settlement procedures and tax legislation [10].

LITERATURE REVIEW

Leasing operations and their audit have been extensively discussed in economic and accounting literature as an effective mechanism for financing fixed assets and ensuring the reliability of financial reporting. Scholars such as O.A. Ageeva and N.P. Kondrakov emphasize that leasing transactions have a significant impact on the structure of assets, liabilities, and financial results of enterprises. Their studies focus on the recognition of leased assets, depreciation methods, and the presentation of leasing operations in financial statements in accordance with international financial reporting standards. These theoretical approaches provide a sound scientific basis for understanding the economic substance of leasing and its accurate reflection in accounting systems.

Issues related to the auditing of leasing operations are comprehensively examined in the works of A.K. Ibragimov, B.B. Sugurbaev, and other researchers, who analyze audit planning, audit risk assessment, and the application of analytical procedures. According to these authors, leasing transactions require a specialized audit approach due to their legal, financial, and organizational complexity. International Standards on Auditing further emphasize the importance of obtaining sufficient and appropriate audit evidence, particularly when auditing long-term leasing agreements that involve substantial financial commitments and tax implications.

In addition, the legal and regulatory aspects of leasing and audit activities in Uzbekistan are reflected in national legislation and presidential decrees. These regulatory sources highlight the role of audit in ensuring transparency, compliance with tax requirements, and the protection of stakeholders' interests. Overall, the reviewed literature confirms that an effective audit of leasing operations contributes to strengthening financial discipline, minimizing risks, and enhancing the reliability and credibility of financial reporting in enterprises.

RESEARCH METHODOLOGY

The audit of finance leasing transactions is carried out with full consideration of the economic and legal nature of leasing arrangements. In practice, inaccuracies arising in the conclusion of lease agreements, as well as in the accounting and taxation of leasing transactions, are largely associated with imperfections in regulatory frameworks and the insufficient development of methodological guidelines. Consequently, auditing leasing transactions requires increased attention compared to other fixed asset-related operations, and this specificity

should be reflected in the organization and development of audit methodologies. The examination of leasing operations necessitates a comprehensive and systematic approach covering all stages of the audit process, including planning, the formation of the audit team, the execution of audit procedures, and the preparation of audit reports and conclusions. Analytical procedures applied at the planning stage play a crucial role in understanding the activities of the audited entity and in reducing audit risk, as they enable the identification of unusual or potentially misstated transactions that require enhanced auditor attention. The effective use of analytical procedures also allows auditors to limit unnecessary audit actions, thereby reducing labor intensity while simultaneously improving audit quality and facilitating the timely detection of inconsistencies in financial statements. To verify the key elements of leasing relationships, it is advisable to develop a flexible audit framework that adjusts audit procedures depending on the type of lease. Given that leasing arrangements commonly involve multiple participants, audit approaches should reflect the legal structure of the leasing scheme, while being adapted for specific forms of leasing such as repayable or operating leases. In auditing leasing transactions, audit objectives and procedures should be determined from both the lessor's and the lessee's perspectives.

Due to the complex and non-standard nature of leasing transactions, a comprehensive tracing approach is considered one of the most effective audit techniques, whereby selected significant transactions are examined throughout the entire accounting cycle. This approach is complemented by analytical comparisons of accounting indicators and their ratios with established benchmarks, as well as by reconciling financial statement data with lease agreements, internal documentation, and planned or forecasted indicators.

ANALYSIS AND RESULTS

It is recommended that audit evidence on the most significant issues be obtained from multiple independent and alternative sources. The need to perform additional audit procedures may serve as a justified basis for determining and confirming that such procedures are directly related to the specific leasing transaction under review [5] (Table 1 and Table 2).

Table 1. Tasks for Conducting an Audit of the Lessor

No	Area	Summary of Tasks
1	General issues	Determining the availability of a valid license to carry out leasing activities. Verifying the legality and compliance of leasing agreements, including contracts providing for the transfer of ownership rights.
2	Fixed assets accounting	Examining analytical and synthetic accounting of income and expenses related to leased fixed assets. Verifying the accuracy of depreciation calculations for leased property. Assessing the valuation of leased assets, including those subject to subsequent acquisition by the lessee. Reviewing the accounting of capital investments related to leased property.
3	Cost formation	Verifying the accounting of costs related to loans and borrowings. Reviewing the calculation and recognition of insurance costs for leased property. Assessing the calculation and accounting of repair and maintenance costs of leased assets.
4	Leasing services revenue	Verifying the correctness and completeness of accounting for income generated from leasing agreements.
5	Settlements	Reviewing settlements with suppliers and contractors. Examining accounts with buyers and customers. Verifying settlements with the state budget and extra-budgetary funds. Assessing settlements with various debtors and creditors.
6	Taxation of leasing transactions	Verifying tax settlements related to leasing objects, including transactions involving purchase, pledge, lease, and sale. Examining the taxation of income received under leasing agreements in accordance with applicable tax legislation.
7	Reporting	Assessing whether accounting reports provide a reliable and fair presentation of operating results. Verifying the accuracy, completeness, and compliance of tax reporting with regulatory requirements.

Table 2. Tasks for Conducting an Audit of the Lessee

No	Area	Summary of Tasks
1	General issues	Verifying the legality and compliance of the lease agreement, including provisions related to the transfer of property rights. Confirming the existence of duly approved decisions of the Board of Directors or authorized management bodies regarding the conclusion of leasing agreements.
2	Fixed assets accounting	Examining analytical and synthetic accounting of fixed assets received under lease agreements. Verifying the accuracy of depreciation calculations and the proper accounting of leased property, plant, and equipment. Assessing the accounting treatment of the acquisition of leased assets, including those obtained under long-term leasing arrangements. Reviewing the recognition and accounting of capital expenditures related to leased property.
3	Cost formation	Verifying the recognition and classification of expenses arising from lease payments in accordance with lease agreements. Reviewing the calculation and accounting of insurance costs related to leased assets. Assessing the calculation and accounting of repair and maintenance costs of leased property.
4	Settlements	Examining settlements with suppliers and contractors. Reviewing accounts with buyers and customers. Verifying settlements with the state budget and extra-budgetary funds. Assessing settlements with various debtors and creditors for accuracy and completeness.
5	Taxation of leasing transactions	Verifying tax settlements related to leasing objects, including transactions associated with the acquisition, pledge, and purchase of leased assets, in accordance with applicable tax legislation.
6	Reporting	Assessing whether accounting records and financial statements provide a reliable and fair representation of the entity's performance. Verifying the accuracy, completeness, and regulatory compliance of tax reporting.

When examining leasing transactions, it is essential to rely primarily on audit evidence obtained directly by the audit firm. At the same time, priority should be given to documented written evidence, while also considering oral information provided by employees and third parties. Oral evidence may support the formation of well-grounded conclusions that facilitate a rapid understanding of the accounting policies, taxation practices, and other legal aspects applied to leasing transactions within the enterprise. This comprehensive approach contributes to reducing the overall duration of the audit by enabling a timely assessment of the reporting system, as well as the identification of existing gaps and potential inconsistencies.

Optimizing the organizational processes involved in auditing leasing transactions enhances the auditor's ability to identify and analyze typical errors and ambiguities that may arise in the accounting of lease-related transactions [8]. Accordingly, the development of a structured audit plan and a detailed audit work program, combined with the systematic classification of common errors in leasing transactions, supports the effectiveness and methodological consistency of the audit process (Table 3).

Table 3. List of Common Mistakes in Leasing Transactions

Types of Errors	Applicable Audit Actions
Conducting leasing activities without an appropriate license	Oral inquiries; verification of regulatory and licensing documents.
Absence of specific provisions in the enterprise's accounting policy related to leased assets and leasing transactions	Verification of accounting policy documents and internal regulations.
Recording business transactions that are inconsistent with external or internal documentation	Oral inquiries; document verification; application of analytical procedures.
Improper application or unlawful use of accelerated depreciation methods	Verification of depreciation calculations and supporting documentation.
Failure to recognize leasing income in a timely and accurate manner	Document verification; assessment of compliance with accounting rules for specific transactions.
Misstatement of leased property, plant, and equipment in accounting records	Document verification; verification of compliance with accounting standards and regulations.
Non-compliance with the contractual terms governing the use of fixed assets	Oral inquiries; examination of lease agreements and related documentation.
Unjustified inclusion of repair and maintenance costs of leased assets in the cost of services	Recalculation of customer accounts; document verification; tracing procedures.

Reduction in revenue from leasing services due to accounting inaccuracies	Recalculation of arithmetic accuracy; verification of compliance with accounting rules; tracing procedures.
Uncertainty or inconsistency in settlements with contractors under leasing agreements	Recalculation of settlements; verification of accounting compliance; tracing procedures.
Errors in the calculation and payment of taxes related to leasing transactions	Verification of compliance with accounting and tax regulations; tracing procedures.
Unreliability of submitted financial and tax reports	Recalculation of reported figures; application of analytical procedures.

The list of errors presented in the table is formed on the basis of the practical experience of audit organizations and reflects the most common irregularities identified during the audit of leasing transactions. Accordingly, the structure and content of this list may be modified in response to changes in the legal and regulatory framework, as well as the emergence of new types of errors in accounting practice. The systematic formation and regular updating of a database of identified irregularities enable audit organizations to continuously analyze deviations, generalize detection practices, and assess the impact of such irregularities on the reliability of financial statements. The audit report, which provides an objective assessment of the accounting system and the financial condition of the farm, presents a comprehensive description of its financial and economic performance. When this report is submitted to the founders of the farm, it serves as the basis for the preparation of the formal audit opinion. Errors and deficiencies identified during the audit are subject to correction by the chief accountant and other financially responsible persons, while the audit process itself evaluates the organization of accounting, its compliance with applicable legal and regulatory requirements, and the adequacy of corrective measures reflected in accounting records and documentation. The results of the audit are primarily summarized in the audit opinion, which, despite its relatively concise form, carries significant informational value and legal responsibility for both the audit firm and the audited entity. The auditor prepares an overview of the financial statements after a thorough assessment of the farm's financial and economic activities, and each statement contained in the audit report has substantive significance. Upon completion, the audit report is signed and certified by the audit firm and subsequently used by the enterprise as reliable evidence in its economic relations with counterparties. In international practice, particularly in developed economies, commercial transactions are rarely concluded without an independent audit opinion confirming the accuracy of financial statements, as such confirmation enhances trust between parties and mitigates financial risks associated with receivables and payables. In the context of a market economy, advance payments—especially in sectors fulfilling state orders—further emphasize the importance of reliable accounting and auditing systems. In accordance with national auditing standards [11], the audit report must include essential elements such as the title of the conclusion, introductory and concluding sections, the date and address of the audit organization, and the signatures of authorized auditors. The publication and disclosure of audit opinions in this structured manner ensure transparency and provide users with an objective understanding of the farm's actual financial condition and performance. Scientific research confirms that improving the organization of accounting and auditing on farms in line with national standards harmonized with international requirements is a critical factor in enhancing financial management practices. As accounting and auditing standards continue to converge with international norms and professional training improves, there is strong confidence that the quality and effectiveness of auditing practices will progressively reach the level observed in developed countries.

CONCLUSION AND RECOMMENDATIONS

To accelerate the development of the leasing sector, it is advisable for the state to implement a comprehensive system of supportive measures [14]. These measures may include the provision of concessional investment loans for the implementation of public projects, the introduction of temporary incentives for lease payments during the initial five-year period following the establishment of leasing companies, a reduction in income tax rates applied to profits generated by lessee enterprises through the use of leased assets for the entire leasing period, as well as the reduction of customs duties and taxes on machinery, equipment, and facilities acquired by leasing companies for leasing purposes and imported into or exported from the country. At the same time, improving the leasing of vehicles and long-term consumer goods remains an important area of development, as the expansion of such leasing practices contributes to both the growth of the leasing market and the formation of a broader public understanding of the economic essence and significance of leasing relations. In general, the expansion of leasing activities and their penetration into various sectors of the national economy create favorable conditions for sustainable socio-economic growth, job creation, and the efficient allocation of labor resources. In order to further stimulate the development of leasing in Uzbekistan, it is expedient to strengthen

the financial capacity of existing leasing companies through the establishment of specialized funds or the provision of low-interest bank loans, to expand tax and customs incentives for participants in leasing relations in order to reduce production costs, and to enhance professional competencies in the field of leasing by facilitating international training and research exchanges for academic and professional staff.

In addition, increasing the financial motivation of accounting personnel, ensuring the full and accurate reflection of production costs in accounting documentation, providing newly established and developing farms with access to financial resources necessary for building a material and technical base, and strengthening control over the effective use of these resources are of particular importance. Finally, improving the quality of audit practices aimed at ensuring reliable accounting and an objective assessment of the financial and economic condition of farms will contribute to more informed economic decision-making. The consistent implementation of these measures is expected to produce sustainable and positive outcomes for the development of the leasing sector.

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