

AUDIT OF THE DEPRECIATION (AMORTIZATION) PROCESS OF FIXED ASSETS

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Abstract. This article examines the economic essence of depreciation (amortization) of fixed assets, the procedures for its reflection in accounting, and the theoretical and practical aspects of audit verification. The impact of depreciation accounting on a company's financial results, the necessity of its proper organization, and the problems identified during audit processes are analyzed. In addition, the role of audit in ensuring the accuracy and transparency of depreciation accounting is highlighted, and practical recommendations are developed.

Keywords: fixed assets, depreciation, amortization, audit, accounting, financial reporting, audit procedures, depreciation methods, internal control, errors

Relevance of the Topic

In modern economic conditions, increasing competition across all sectors and the growing need for efficient resource utilization require improvements in financial management systems within enterprises. Fixed assets play a crucial role in determining a company's production capacity, and their proper accounting and effective management are essential conditions for business stability. From this perspective, organizing and controlling the depreciation process of fixed assets becomes a highly relevant issue.



Through depreciation, the value of fixed assets is gradually transferred to the cost of production. This directly affects enterprise expenses, profit levels, and the tax base. If depreciation is calculated incorrectly, financial results become distorted, leading to improper managerial decisions. Therefore, ensuring the accuracy and reliability of depreciation accounting is of great importance.

Moreover, in the context of global economic integration, enterprises are increasingly adapting to International Financial Reporting Standards (IFRS). This creates new requirements for depreciation accounting. International standards demand high levels of accuracy and transparency in asset valuation, selection of depreciation methods, and financial reporting. Thus, auditing depreciation processes to ensure compliance with these standards is becoming increasingly important.

The relevance of auditing depreciation lies in its ability to verify the reliability of financial statements. Based on audit results, identified deficiencies and errors are corrected, and the accounting system is improved. This contributes to increased transparency, strengthens investor confidence, and ensures financial discipline.

Analysis: Fixed assets are long-term assets used in production over several years and gradually lose their value over time. The process of allocating this value to production costs is carried out through depreciation. Depreciation is not only a technical accounting procedure but also an important economic indicator that significantly influences financial results.

There are several methods of calculating depreciation, each applicable under certain conditions. The straight-line method allocates the cost of an asset evenly over its useful life and is widely used due to its simplicity. The declining balance method allocates higher depreciation in the earlier years, making it suitable for rapidly depreciating assets. The units-of-production method



calculates depreciation based on output volume, linking expense recognition directly to usage.

For accurate depreciation accounting, enterprises must clearly define their accounting policies. These policies include depreciation methods, rates, useful life estimates, and other relevant parameters. Compliance with these policies is a key focus during audits.

The main objective of an audit is to verify the correctness of depreciation accounting and its compliance with regulatory requirements. Auditors analyze the initial value of assets, classification accuracy, application of depreciation methods, and adherence to established norms. They also review the timing of depreciation commencement and termination, as these factors significantly affect calculations.

Document examination plays a crucial role in the audit process. Auditors review acceptance and transfer documents, inventory records, and depreciation schedules. Recalculation techniques are used to verify the accuracy of accounting entries.

Common errors identified during audits include incorrect application of depreciation rates, inaccurate asset valuation, delayed or premature depreciation recognition, and improper determination of useful life. In some cases, depreciation methods may be changed without justification, leading to inconsistencies.

Based on audit findings, auditors provide recommendations to improve depreciation accounting, strengthen internal controls, and eliminate identified errors. These may include adopting modern accounting software, enhancing employee qualifications, and revising accounting policies.

In modern conditions, automation of accounting processes has become increasingly important. Accounting software allows automatic calculation of depreciation, reducing human errors. However, automated systems can also introduce risks, which must be assessed during the audit.



Conclusion

Auditing the depreciation process of fixed assets is an essential component of financial management. It ensures proper valuation of assets, accuracy of depreciation calculations, and reliability of financial statements. Proper depreciation accounting is critical not only for accounting purposes but also for overall economic efficiency.

Analysis shows that depreciation-related errors are often caused by incorrect method selection, improper estimation of useful life, poor documentation, and weak internal control systems. Such errors can distort financial results and lead to incorrect tax calculations and management decisions.

Audit procedures play a key role in identifying and correcting these issues. Through audit, compliance with laws and standards is assessed, deficiencies are detected, and recommendations are provided. This contributes to strengthening financial discipline, improving internal controls, and enhancing accounting policies.

In the modern economy, automation and digital technologies significantly improve accounting accuracy and audit efficiency. However, risks associated with information systems must also be carefully evaluated.

Overall, auditing the depreciation process ensures financial stability, enhances transparency, and increases investor confidence. Therefore, enterprises must properly organize depreciation accounting and conduct regular audits.

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